Ennismore European Smaller Companies Fund

Investor Newsletter for the month of December 2023

Issued on 5 January 2024

Fund Details

Daily dealing UCITS and Irish Central Bank regulated open-ended investment company with Financial Conduct Authority recognition and registered in Ireland. The Fund size was GBP 295m as at 29th December. Total assets under management by Ennismore Fund Management were GBP 486m. The Fund continues to limit capacity by capping the maximum number of units in issue. There is currently a small amount of capacity available due to the natural rate of investor turnover. If you would like to invest please contact Adam Sullivan on +44 (0) 20 7368 4224 or email subs@ennismorefunds.com. The Fund is managed as an absolute return fund with the objective of generating positive returns irrespective of market conditions rather than performing relative to any benchmark index.

Performance as at 29 December 2023

	Share Class[1]				
	GBP A £	**GBP A €**	**GBP B**	**EUR A**	**EUR B**
NAV per Share[2]	165.78	191.32	28.02	27.41	27.55
	% Change				
December 23	1.7	1.1	1.7	1.2	1.2
2023	2.1	4.6	2.2	4.3	4.3
Annualised return[3]	12.0	11.0	8.3	8.1	8.2
Since launch[3]	1589.1	1258.5	180.2	174.1	175.5
Note: All performance figures net of fees. **Past performance is not a guide to future returns.**					

Comments below on performance refer to GBP NAV per share unless otherwise stated, exclude cash returns and are prior to expenses.

The Fund's NAV increased by 1.7% in December. The long book contributed 5.9% to NAV while the short book cost 3.7%.

Our short position in a US software company contributed 60bps after it announced it would enter Chapter 11 Bankruptcy proceedings. Vertu Motors cost the fund 22bps after it announced a reduction in profit expectations.

Top Five Contributors and Detractors for December 2023

Contributors	bps
US software company	60
STO SE & Co KGaA	53
IG Group Holdings Plc	41
Celebrus Technologies Plc	35
Gruppo MutuiOnline SpA	27

Detractors	bps
Swiss online retailer	-52
Swedish intellectual property licensor	-32
UK building products distributor	-29
UK online retailer	-25
Vertu Motors Plc	-22

Top Five Long Holdings as at 29 December 2023

Company	Country	Sector	% of NAV
EVS Broadcast Equipment SA	Belgium	Information Technology	4.5
Costain Group Plc	United Kingdom	Industrials	4.0
STO SE & Co KGaA	Germany	Materials	3.9
IG Group Holdings Plc	United Kingdom	Financials	3.8
Ultimate Products Plc	United Kingdom	Consumer Discretionary	3.4
			19.6

[1]Source: Administrator, Net Asset Value, net income reinvested.

[2]Source: Administrator, Net Asset Value.

[3]Since inception of GBP A share class on 27/01/99 to date, GBP B share class on 19/01/11 to date, EUR A and EUR B share classes on 31/01/11 to date.

Exposures as at 29 December 2023

Longs%	Shorts%	Gross Exposure%	Net Exposure%
92.0 (86.7)	53.5 (51.6)	145.5 (138.3)	38.5 (35.1)

Figures in brackets refer to previous month end. All exposures are calculated on a delta adjusted basis. All calculations are subject to the impact of rounding.

Exposures by Country, Market Cap & Sector as % NAV and Positions as at 29 December 2023

Country	Gross%	Net%
United Kingdom	49.1	28.2
Germany	30.5	18.8
Switzerland	12.6	-1.8
Sweden	12.1	-2.1
United States	9.1	-7.5
Italy	5.4	-0.4
Belgium	4.5	4.5
France	4.2	3.1
Austria	2.6	1.3
Norway	2.4	0.2
Singapore	2.1	2.1
Poland	2.1	-2.1
Canada	2.1	-2.1
Finland	1.7	-1.7
Jersey	1.6	-1.6
Portugal	1.0	1.0
Other	2.6	-1.6

Market Cap	Gross%	Net%
>£2bn	31.0	-1.9
£700m-£2bn	41.4	1.1
£200m-£700m	48.6	19.4
<£200m	24.4	19.8

Positions	Dec	Nov
Long	77	79
Short	94	95
Longs Opened	0	1
Longs Closed	2	2
Shorts Opened	3	9
Shorts Closed	4	7

Sector	Gross%	Net%
Communication Services	6.7	-1.5
Consumer Discretionary	32.3	7.4
Consumer Staples	9.0	-6.5
Energy	0.0	0.0
Financials	11.2	11.0
Health Care	2.7	-0.1
Industrials	37.2	12.8
Information Technology	27.9	1.0
Materials	12.7	9.0
Real Estate	5.9	5.4
Utilities	0.0	0.0
Other	0.0	0.0

Geographic analysis relates to country of incorporation or listing. This may not represent the underlying economic exposure of the operating business.

Celebrus Technologies Plc – UK software company (2.1% NAV)

Celebrus is a UK based, GBP 85m market capitalised software company we wrote about back in November 2019 when the company was called D4t4 and the shares were priced at around 190p. Since then, the share price has more than doubled reaching a 400p peak in summer 2021 and then almost halved again back to the current price of 215p, which we believe is once again a very attractive level. We have taken advantage of these share price moves to adjust the size of our position over the past 4 years, with our most recent purchase about two months ago. In the same time frame, we believe the company has delivered good operational performance, with annual recurring revenues (ARR) increasing from GBP 9.6m at the end of their fiscal 2020 (year end in March) to GBP 17.4m as of September 2023. But what we are most excited about is the transformation that has been happening at Celebrus in those years: the increase in the share of recurring revenues, a direct sale channel that is less reliant on big partners, the launch of new applications and increased functionality of the core Celebrus software product. They also have a relatively new, internally promoted CEO with strong ambitions which has further strengthened our belief that there is an interesting, profitable growth path ahead for the company and that the shares, back at not far from 2019 levels, are undervalued.

As Peter Kear retired in 2022, the new CEO Bill Bruno, who joined the company in 2018 as the Vice President of North America, took over and continued steering the business in the direction highlighted by his predecessor. In fact, the core product Celebrus, a data capture software that automatically captures, contextualises, and activates user-based behavioural data in real-time across digital channels, has been continuously updated and improved, while new exciting applications have been developed. The one we are most excited about is Fraud Detection and Prevention launched in June 2021, which builds on the power of the Celebrus platform to provide real time data to reduce fraud losses (also helped by the recently launched bot detection function) and capitalises on a huge, multi-billion dollar market. Other new applications that the company has released include web analytics Celebrus Digital Analytics, advanced data infrastructure management Celebrus Cloud, cookie-less solution CX Vault and a customer data integration product for Salesforce, and we believe the strategy of offering these functionalities as part of one Celebrus platform, where customers decide which ones to use and pay for, will help the company upsell these products to their customer base.

The business has continued its transition towards recurring revenues, with ARR increasing from GBP 4.8m in 2017 to about GBP 17m today and on track to reach the company's goal of ARR representing 75% of total revenues, which increases visibility of earnings and, we believe, the overall quality of the business. On top of that, CEO Bruno has been refocussing the sales approach from a partner-led model to a direct sales model, in which Celebrus's own salesforce engage with clients directly to discuss the sale of the solutions the company offers. We are convinced combining a direct sales approach with the historical partner-led model makes strong strategic sense: it allows Celebrus on the one hand to work with clients who prefer to continue using the partner sales channel, and on the other hand to have more flexibility, a better understanding of the clients' needs and stronger brand recognition, helped by the recent company name change, when it directly engages with other customers. To facilitate this, a Customer Success team has been built out, with the goal of stimulating retention and growth for existing customers while freeing up sales resources to focus on winning new clients. While it's still early days, we can already see significant progress on this, as we understand direct deals today account for about 80% of the sales pipeline. This remains well diversified in terms of clients and sector exposure, with a focus on consumer facing sectors such as financial services, healthcare, insurance, retail, travel and telecoms. We expect customer diversification to expand further going forward, as an increasing number of Celebrus applications and a stronger direct sales channel will allow the company to work with new customers in existing but also new sectors.

Celebrus has recently reported what we think were good half year results, with high margin software revenues up 18% to GBP 7.3m and lower margin third-party hardware sales at GBP 5.7m, which is significantly higher than the GBP 1.9m reported in the first half of the last fiscal year and was boosted by a sizeable hardware contract that was previously delayed. After total revenues for the first six months of GBP 13m and breakeven operating profits, we expect the business to deliver around GBP 19m in revenues and GBP 4.3m of operating profits adjusted for amortisation of acquired intangibles and share-based payments in the second half of this fiscal year. This second half weighting has been common for Celebrus in the past, and we believe it is something that the market should be more comfortable with, given it is the natural consequence of annual contract payment dates often falling in the second half as both partners and some key banking and insurance clients have key budget deadlines in December.

We are fond of Celebrus's strong balance sheet with its net cash position, excluding lease liabilities, of GBP 14.7m which management may employ for acquisitions that we understand will be technology driven in order to expand the Celebrus platform and add new capabilities to the company's software offering. The business generates strong post-tax returns on capital of more than 20%, and produces healthy cash flows, helped by its negative working capital position on average. The company adopts a progressive dividend policy, and we expect a total dividend for their year ending March 2025 of 3.4p per share, equivalent to a pay-out ratio of about 30%. As management focuses on growing the business, our estimates point to the top line increasing by around 10% per year for the next two fiscal years, which we believe is well supported by a solid and growing pipeline, closely monitored by management.

Overall, not only do we reiterate our 2019 view that Celebrus is an undiscovered, high return business with strong growth opportunities and an industry-leading piece of software, but we argue that the strategic changes the company has been going through in the past 4 years make it an even higher quality business today. We believe this should be reflected in a valuation of 20 times enterprise value to adjusted net operating profit after tax, higher than the current 15 times, which would suggest an upside to the shares of around 45% to March 2026.

Historical Monthly Percentage Return for the GBP A Shares

Year	Jan (%)	Feb (%)	Mar (%)	Apr (%)	May (%)	Jun (%)	Jul (%)	Aug (%)	Sep (%)	Oct (%)	Nov (%)	Dec (%)	Annual
2023	-2.8	-0.1	-0.4	2.9	-3.0	-2.6	-1.6	3.1	3.0	1.1	1.1	1.7	**2.1**
2022	1.1	-2.6	0.2	1.4	-0.9	0.7	-3.1	1.9	-1.2	2.2	3.0	1.0	**3.7**
2021	-5.2	1.7	4.5	4.7	3.4	1.0	2.8	0.7	-0.1	-1.8	1.8	1.5	**15.8**
2020	-2.4	-2.8	-5.7	-0.8	-1.6	4.0	-3.8	-2.5	0.8	-3.1	9.6	4.5	**-4.8**
2019	1.4	-0.2	1.5	0.7	2.2	-0.7	0.6	0.6	0.6	0.2	-1.4	1.2	**6.9**
2018	-2.0	-0.8	0.0	0.7	0.9	2.0	0.3	1.1	0.3	-1.0	2.3	0.2	**4.0**
2017	1.2	-0.2	0.9	1.0	2.2	-0.6	2.7	1.5	-1.2	-1.2	0.4	2.6	**9.6**
2016	2.2	2.8	0.9	0.4	-1.2	2.3	1.3	2.3	1.6	1.9	-2.7	1.9	**14.5**
2015	-0.7	-3.1	0.0	2.2	2.2	0.8	1.9	0.8	0.5	0.5	0.7	3.8	**9.7**
2014	1.1	0.5	2.9	1.5	-1.4	-2.0	0.2	1.1	-0.2	0.8	2.0	-0.2	**6.4**
2013	6.5	2.7	1.5	-0.9	1.8	-0.9	2.8	1.2	1.6	4.2	1.2	2.3	**26.6**
2012	0.5	2.8	0.0	-1.4	-1.9	1.6	-2.0	2.5	-0.1	2.9	2.6	0.7	**8.4**
2011	2.9	0.5	5.3	0.5	-0.2	4.4	-0.7	-0.2	-0.2	2.9	-4.0	-1.4	**9.8**
2010	0.9	3.0	2.0	1.0	-1.6	-0.3	2.4	-1.5	3.4	2.3	-0.4	6.0	**18.4**
2009	-3.7	-1.6	-2.1	-6.5	4.0	-2.5	0.3	4.5	7.0	-1.1	2.0	-0.9	**-1.6**
2008	-1.4	3.4	0.1	1.8	-0.5	-2.9	-0.2	1.5	-8.5	-7.6	2.1	7.5	**-5.7**
2007	-2.2	1.3	2.4	2.9	0.5	1.5	0.5	-1.5	1.4	-0.3	-0.9	3.4	**9.1**
2006	4.0	2.3	4.8	4.2	-3.9	-4.0	-0.7	-1.4	-0.8	1.4	1.0	1.7	**8.4**
2005	3.2	4.2	0.4	-2.4	2.1	4.7	6.6	3.2	3.3	-5.2	2.5	4.9	**30.4**
2004	2.8	2.7	-0.5	2.1	-1.5	4.6	-0.9	1.5	1.7	1.9	2.8	4.4	**23.5**
2003	-1.5	2.8	1.4	4.9	4.7	0.0	3.3	1.5	2.2	0.9	2.1	3.8	**29.3**
2002	1.3	2.2	3.2	1.5	2.7	-1.0	-5.3	0.6	-4.1	3.3	2.5	-0.5	**6.2**
2001	2.4	0.7	-7.8	2.2	1.4	-0.7	0.4	1.8	-4.6	0.9	2.7	2.8	**1.5**
2000	11.8	20.7	-0.3	-4.6	2.5	1.8	1.0	0.1	-2.5	-3.0	2.6	3.2	**35.7**
1999	-0.3	1.0	0.8	6.6	1.4	3.3	4.6	1.4	-1.8	2.6	8.6	13.4	**49.0**

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A copy of the English version of the Prospectus of the Fund and the Key Investor Information Document (KIID) relating to the Fund may be obtained online from www.ennismorefunds.com or alternatively received via email upon request by contacting clients@ennismorefunds.com. Where required under national rules, the KIID will also be available in the local language of the relevant EEA Member State.

A summary of investor rights associated with an investment in the Fund is available online in English at www.ennismorefunds.com or it may be received upon request via email by contacting clients@ennismorefunds.com.

A decision may be taken at any time to terminate the arrangements made for the marketing of the Fund in any EEA Member State in which it is currently marketed. In such circumstances, Shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to redeem their shareholding in the Fund free of any charges or deductions for at least 30 working days from the date of such notification.

Under normal circumstances, as defined within the Prospectus, the Fund may charge up to 3% of the net asset value of any redemption to cover the costs associated with managing the redemption process, including the sale of assets within the Fund to generate the required cash. Currently this redemption charge is set at 2%.

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We hereby disclose that as at the date of first issue of the report to which this is an Appendix, we held positions in the companies discussed in that report and we are thus subject to conflicts of interest in respect of these companies. The analysis presented on these companies has not been prepared in accordance with legal requirements regarding the independence of investment research and as such is considered non-independent research, as defined by COBS 12.3.2R of the FCA Handbook and as a marketing communication.

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The examples of specific investments included herein are not representative of all of the companies purchased, sold or recommended for the Fund. The Fund's portfolio contains a much larger number of positions than the examples set forth herein and, accordingly, the examples are not intended to indicate the overall composition of the Fund's portfolio. It should not be assumed that investments in the companies identified will be profitable, that recommendations made in the future will be profitable or will equal the investment performance of those discussed herein, or are representative of investments that will be made in the future. There is also no guarantee that any of the positions are currently or will remain in the Fund. The information included in this document should not be considered a recommendation to purchase or sell any particular security or other financial instrument. All statements and expressions are the sole opinion of Ennismore and are subject to change without notice.

The list of contributors and detractors presented herein has been calculated by including those positions that contributed most significantly, either positively or negatively, to the performance of the Fund's portfolio during the period. This is not meant to be indicative of the performance of all positions contained in the portfolio. Past performance is not indicative of future results.

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