

Ennismore European Smaller Companies Fund

Investor Newsletter for the month of June 2024

Issued on 4 July 2024

Fund Details

Daily dealing UCITS and Irish Central Bank regulated open-ended investment company with Financial Conduct Authority recognition and registered in Ireland, Germany, Italy, Spain, Sweden and Austria. The Fund size was GBP 297m as at 28th June. Total assets under management by Ennismore Fund Management were GBP 491m. 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 28 June 2024

	Share Class ¹				
	GBP A £	GBP A €	GBP B	EUR A	EUR B
NAV per Share ²	170.81	201.46	28.87	28.74	28.89
	% Change				
June 24	0.9	1.5	0.9	1.4	1.4
2024 to date	3.0	5.3	3.0	4.9	4.9
Annualised return ³	11.9	11.0	8.2	8.2	8.2
Since launch ³	1640.4	1330.5	188.7	187.4	188.9

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 0.9% in June. The long book cost 3.1% while the short book contributed 4.4%.

It was a quiet month newswise with little newsflow driving the performance of the significant contributors.

Sanderson Design Group had a disappointing trading update, costing the fund 31bps, due to continued weakness in their core UK market. This led to a reduction in profitability expectations of circa 30%, although the stock only fell 20% probably due to its already low valuation. The company is now trading around tangible book value and we see limited downside at this price, partly due to this fact. Our short position in a Swiss machinery company contributed 30bps as the company issued a profit warning, with significant declines in order intake and revenues that translated into a weak guidance for the full year.

Cake Box Holdings Plc reported solid full year results and we expect another year of steady growth ahead. SThree Plc also gave a half year trading update inline with expectations.

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

²Source: Administrator, Net Asset Value.

³Since 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.

Top Five Contributors and Detractors for June 2024

Contributors	Bps	Detractors	bps
Norwegian energy machinery supplier	72	Sanderson Design Group PLC	-31
Swedish software company	37	STO SE & Co KGaA	-27
Swiss machinery company	30	Gruppo Mutuionline SpA	-25
French automotive supplier	28	SThree PLC	-22
German online retailer	25	EVS Broadcast Equipment SA	-20

Top Five Long Holdings as at 28 June 2024

Company	Country	Sector	% of NAV
Costain Group PLC	United Kingdom	Industrials	5.3
IG Group Holdings PLC	United Kingdom	Financials	4.7
EVS Broadcast Equipment SA	Belgium	Information Technology	4.5
STO SE & Co KGaA	Germany	Materials	4.3
SThree PLC	United Kingdom	Industrials	3.8
			22.7

Exposures as at 28 June 2024

Longs%	Shorts%	Gross Exposure%	Net Exposure%
87.9 (92.0)	46.5 (51.5)	134.3 (143.5)	41.4 (40.4)

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 28 June 2024

Country	Gross%	Net%	Market Cap	Gross%	Net%	Sector	Gross%	Net%
United Kingdom	48.4	34.3	>£2bn	26.2	-1.9	Communication Services	6.8	-1.0
Germany	28.1	16.2	£700m-£2bn	37.3	4.8	Consumer Discretionary	25.2	3.8
Sweden	11.6	-1.8	£200m-£700m	50.8	23.2	Consumer Staples	5.9	-2.6
Switzerland	7.9	-0.4	<£200m	20.1	15.2	Energy	0.0	0.0
United States	7.3	-3.7				Financials	12.4	12.4
France	5.1	1.3				Health Care	2.1	-0.3
Italy	5.0	0.6				Industrials	41.0	15.3
Belgium	4.6	4.6				Information Technology	23.9	1.0
Norway	3.3	-1.8				Materials	10.9	7.9
Poland	3.0	-3.0				Real Estate	5.7	5.3
Canada	2.1	-2.0				Utilities	0.3	-0.3
Jersey	1.8	-1.8				Other	0.0	0.0
Finland	1.4	-0.8						
Austria	0.9	-0.4						
Portugal	0.9	0.9						
Other	2.8	-1.1						

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

abrdn European Logistics Income PLC – European closed-end fund (0.6% NAV)

abrdn European Logistics Income Fund PLC ("ASLI") is a GBP 250m market capitalised closed-end fund which owns 25 mid-box logistics sites across several European countries, with a concentration in Spain and the Netherlands. What attracted our attention to this investment opportunity was the fact that, after a 6-month strategic review, ASLI has decided to wind down. We are confident this will allow management to eliminate ASLI's 22% discount to dividend-adjusted net asset value ("NAV") by selling the properties and returning the cash to the shareholders. Now that the board's proposal of an orderly wind-down was approved on 24th June and given ASLI's modern locations with strong sustainability ratings and high-quality tenants such as Amazon, DHL and Dachser, we believe shareholders can achieve 30% upside to December 2025.

ASLI floated in 2019 and typically was priced at NAV until interest rates began rising in 2022, leading to the fund trading below book value. Such discounts are currently exceedingly common across closed-end funds, but without a concrete

strategy to close the gap, for example through a large buyback plan, the discount can persist indefinitely. We believe several reasons contribute to the discount in ASLI, including the fund's illiquidity, lack of sell-side coverage, and a high cost base versus peers. Alongside this, the timing of property asset disposals is obviously hard to predict. However, these structural factors for mispricing are part of the reason our interest is piqued whenever a closed-end fund initiates a strategic review, a trend increasingly prevalent on the London Stock Exchange. Due to ASLI's focus on an area of structural growth, with high demand for logistics sites, we are confident that they will be in a good position with regards to both price and speed of disposals.

A wind-down, by selling properties and returning the cash to shareholders quarterly, allows the shareholders to realise the full value of the assets they own. We believe NAV is more than an achievable price for the wind-down. Firstly, we are encouraged by the eleven offers received by the board during the strategic review process. Although not all bids were for the entirety of the assets, we believe this demonstrates the attractiveness of ASLI's sites, and we think a piecemeal wind-down will attract further bidders who are interested in specific assets. We believe ASLI's adjusted net initial yield lies between 5.5% and 6%, and the fact that recent European transactions have occurred at around 5% gives us confidence in the property values. Our adjustments are based on vacancies and estimated year-to-date rental growth of 2%, as leases are index-linked, allowing ASLI to pass through price increases more easily. Moreover, we think that service charge, which is currently circa 20% of total sales, is high compared to a set of listed peers. We believe new owners could potentially lower service charge as a percentage of total sales by 10 percentage points, and correspondingly increase rental revenue. Finally, ASLI's two sales over the last 14 months have come at, or above, NAV.

While we believe the one-of-a-kind nature of property makes ASLI's NAV difficult to gauge, we also think this is one of the reasons the opportunity exists, and we are convinced the large discount to NAV provides a strong margin of safety here. Furthermore, the strategic review process has allowed numerous parties to become familiar with ASLI's holdings already, and therefore could lead to a flurry of deals over the next six to twelve months, shortening the timeframe in which ASLI can return cash to shareholders. Additionally, we are encouraged that the Chairman of the board seems aligned with shareholder interests, given he owns almost twice his yearly estimated post-tax director's fee in ASLI stock - a great incentive for timely disposals. Finally, we are comfortable with ASLI's loan to value of 38% in a context of a strong asset base, structural growth drivers stemming from the continuous expansion of ecommerce, and an active sales process.

At the current share price of 60p, we believe the market is overlooking a compelling low-risk special situation. We see around 30% upside to December 2025. Furthermore, we expect management will sell down roughly three quarters of the properties and return the related cash over the next year, so our rate of return is more attractive than the nominal upside implies.

Historical Monthly Percentage Return for the GBP A Shares

Year	Jan (%)	Feb (%)	Mar (%)	Apr (%)	May (%)	Jun (%)	Jul (%)	Aug (%)	Sep (%)	Oct (%)	Nov (%)	Dec (%)	Annual
2024	1.9	-2.4	1.2	2.1	-0.7	0.9							3.0
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

Risk Warning

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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.

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