Ennismore European Smaller Companies Fund

Investor Newsletter for the month of April 2025

Issued on 8th May 2025

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 237m as at 30th April. Total assets under management by Ennismore Fund Management were GBP 430m. 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 Margaret Webb on +44 (0) 20 7368 4250 or email clients@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 30th April 2025

	Share Class[1]				
	GBP A £	**GBP A €**	**GBP B**	**EUR A**	**EUR B**
NAV per Share[2]	166.60	195.76	28.15	27.94	28.09
	% Change				
April 25	1.9	0.2	2.0	0.3	0.3
2025 to Date	7.4	4.4	7.4	4.0	4.0
Annualised return[3]	11.4	10.5	7.5	7.5	7.5
Since launch[3]	1597.5	1290.1	181.5	179.4	180.9
Note: All performance figures net of fees. **Past performance is not a guide to future returns.**					

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

The Fund had a solid month returning 1.9%, with the longs contributing 202bps and the shorts adding 4bps.

Costain added 50bps on no material news. Our French holdings Alten and Lectra released their first quarter updates but refrained from issuing a full year outlook for 2025 due to the current market uncertainty and a wait-and-see attitude noticed among their clients. We used this opportunity to further add to our positions given the attractive long-term potential we see in both names.

Top Five Contributors and Detractors for April 2025

Contributors	**bps**
Costain Group Plc	50
Hong Kong software company	34
Paragon Banking Group Plc	32
German IT service company	56
Jet2 Plc	30

Detractors	**bps**
UK semiconductor technology company	-44
System1 Group	-31
SThree Plc	-23
Alten SA	-19
Ultimate Products Plc	-18

Top Five Long Holdings as at 30th April 2025

Company	**Country**	**Sector**	**% of NAV**
Costain Group Plc	United Kingdom	Industrials	7.4
EVS Broadcast Equipment SA	Belgium	Information Technology	5.6
SAF Holland SA	Germany	Consumer Discretionary	3.1
SThree Plc	United Kingdom	Industrials	2.8
Academedia AB	Sweden	Consumer Discretionary	2.7
			21.6

[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 30th April 2025

Longs%	Shorts%	Gross Exposure%	Net Exposure%
85.7 (86.1)	40.8 (40.2)	126.5 (126.2)	44.9 (45.9)

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 30th April 2025

Country	Gross%	Net%
United Kingdom	41.7	24.7
Germany	25.2	19.3
Sweden	13.0	-2.8
France	12.7	7.6
Belgium	5.7	5.7
United States	4.7	-4.1
Italy	4.2	2.4
Switzerland	3.8	-3.8
Norway	2.9	-0.8
Luxembourg	1.8	0.6
Finland	1.8	-0.9
Austria	1.7	-0.3
Hong Kong	1.6	-1.0
Denmark	1.3	-1.2
Other	4.3	-0.5

Market Cap	Gross%	Net%
>£5bn	8.7	-1.4
£1bn-£5bn	27.9	9.2
£250m-£1bn	64.6	18.5
<£250m	25.2	18.5

Positions	Apr	Mar
Long	79	80
Short	76	73
Longs Opened	3	3
Longs Closed	4	4
Shorts Opened	7	14
Shorts Closed	4	8

Sector	Gross%	Net%
Communication Services	4.9	3.2
Consumer Discretionary	25.3	7.5
Consumer Staples	5.5	-1.2
Financials	11.1	10.3
Health Care	3.9	3.6
Industrials	36.4	14.3
Information Technology	27.2	-1.3
Materials	5.6	5.3
Real Estate	4.9	4.9
Utilities	1.7	-1.7

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

Lectra SA – French cutting equipment solution provider (1.9% of NAV)

Founded in 1973 with a focus on computer aided design (CAD) solutions for the fashion industry, Lectra is today the global market leader in advanced cutting technologies for fabrics and leather, serving the fashion, automotive and furniture end-markets. We have been following the company for some time, as we were impressed by the asset light nature of the business, its strong cash generation thanks to a structurally negative working capital, and the very strong market positioning. In fact, even before acquiring its arch-rival US-based Gerber Technology in 2021, Lectra had very dominant positions across its verticals in the premium market and today boasts market shares of up to 80% in some segments. The market liked the Gerber acquisition and in fact the shares rerated strongly in the following months. But, after reaching a peak of EUR 44 per share in March 2022, the shares derated strongly as the boost COVID gave to some of Lectra's key clients proved temporary, and we recently took the opportunity to build a position as the shares had declined ca. -40% from their peak in the wake of Trump's tariff announcement in April.

Lectra sells automated cutting equipment along with CAD, and computer aided machinery (CAM) as well as product lifecycle management (PLM) software, data and associated services to its diverse range of end customers, generating revenues of EUR 527m in 2014. Daniel Harari, its long serving CEO, chairman and largest shareholder with almost 13% of the shares stepped in when Lectra was in financial difficulties and loss-making in 1990. Together with his brother André and other investors they took over Lectra and led a transformation of the business with a strong focus on innovation, recurring revenues and new markets. This long-term strategic re-thinking improved the business model significantly and strengthened its sustainable competitive advantage.

Accounting for around half of sales, fashion is the most dominant end-market followed by one third in automotives and close to 10% each for furniture and other industries. The regional split is more balanced with roughly one third in each of its core regions; Europe, the US and Asia. While recurring revenues have been growing, also helped by bolt on acquisitions, new equipment sales have been muted and are still down almost 30% from the 2022 and 2021 levels.

In this context, Lectra continues to significantly outspend its peers in research and development. This has enabled Lectra to charge significantly higher prices for its cutting equipment, but more importantly engage their customers to buy into recurring contracts for software, maintenance and spare parts which today account for more than 70% of its total sales.

The move towards software as a service (SaaS) from 2018 has been smooth and, helped by acquisitions, SaaS now already accounts for around 15% of total revenues.

What recently created the window of opportunity for us to invest in Lectra has been the uncertainty caused by Trump's potential tariffs, and the fact that management, as a direct consequence of that, has put guidance on hold.

In the current environment customers are very cautious regarding new systems and remain in a wait and see mode. With the announced first quarter results, the reluctance to invest can be seen most prominently in the US with sales of new systems down 30% whereas overall new system sales still grew 2%. Revenues came in at EUR 134m slightly up from EUR 130m last year and profits were largely stable adjusting for higher amortisation for purchase price allocation. We cannot predict how the tariff war will play out, but we are convinced Lectra is best prepared to weather any severe headwinds given its strong balance sheet and resilient business model with almost 100% of its annual fixed overhead costs covered by its gross profits from recurring revenues. After the acquisition of Gerber, Lectra is in a relative position of strength as it is the only player with industrial footprints in each of the three major global markets, Europe, the US and Asia, and thanks to local production within the Gerber business, Lectra would be well positioned to cope with this situation.

With a market capitalization of EUR 870m and a negligible net debt position of EUR 5m, the shares trade on just above two times recurring revenues. Based on our cautious assumptions for this year, we expect underlying net operating profits after tax at EUR 65m resulting in a modest multiple of below 14 times. We find this very attractive given the quality of the business and expect the shares to rerate strongly when the uncertainties around tariffs settle.

We believe 2025 could turn out to be another transition year for the company given the current environment, but we are strongly encouraged by the long-term direction of travel Lectra is taking, with an increasing share of software and service revenues that is driving operating margins structurally higher. We see scope for the business to gain a further 300-400bps in margins in the run up to 2030, and we think the current discount to its historic valuation multiples of more than 30% fails to reflect this. In the meantime, we also expect to profit from increasing dividends that currently yield just below 2%. At current underlying operating margins of around 15%, Lectra generates attractive post tax returns on capital of around 35% adjusted for acquisition related intangible assets. Once the uncertainties have settled, we expect the market to be more constructive valuing the shares in line with its historic multiples and therefore see potential upside of 40% over the next 12 months and more upside if margins can continue to grow alongside a higher share of profitable software revenues.

Historical Monthly Percentage Return for the GBP A Shares

Year	Jan (%)	Feb (%)	Mar (%)	Apr (%)	May (%)	Jun (%)	Jul (%)	Aug (%)	Sep (%)	Oct (%)	Nov (%)	Dec (%)	Annual
2025	-1.7	2.5	4.6	1.9									**7.4**
2024	1.9	-2.4	1.2	2.1	-0.7	0.9	0.2	0.7	-3.6	-1.5	-3.8	-1.4	**-6.5**
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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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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For further information please contact:	Margaret Webb, Ennismore Fund Management	+44 (0) 20 7368 4250	clients@ennismorefunds.com
For dealing please contact:	Northern Trust International Fund Administration Services (Ireland) Ltd	+353 (0) 1 434 5103	Ennismore_TA_Queries@ntrs.com