# Ennismore Global Equity 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 and Sweden. The Fund size was GBP 140m as at 30th April 2025. Total assets under management by Ennismore Fund Management were GBP 430m. We currently have capacity available in the Global Equity Fund. If you would like more information or to invest, please contact Margaret Webb on +44 (0) 20 7368 4250 or email clients@ennismorefunds.com.

### Performance as at 30th April 2025

| | Share Class[1] | | | | | |
|---|---|---|---|---|---|---|
| | **GBP** | **GBP A** | **EUR** | **CHF** | **EUR I** | **USD I** |
| NAV per Share[2] | 15.49 | 15.40 | 15.82 | 13.95 | 11.42 | 12.17 |
| | % Change | | | | | |
| April 25 | 2.7 | 2.6 | 1.2 | -0.6 | 0.7 | 2.8 |
| 2025 to date | 4.5 | 4.5 | 2.1 | 2.1 | 2.1 | 4.5 |
| Annualised return[3] | 5.2 | 5.2 | 5.5 | 4.0 | 2.0 | 3.2 |
| Since launch[3] | 54.9 | 54.0 | 58.2 | 39.5 | 14.2 | 21.7 |
| Note: All performance figures net of fees. **Past performance is not a guide to future returns.** | | | | | | |

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

The GBP A NAV per share increased by 2.6% during the month with the long book adding 3.9% and the short book costing 0.1%. As discussed in the previous newsletter, our long book's bias towards asset light businesses with good pricing power has allowed it to perform well in such a volatile month. Our short book has also done reasonably well, though it was held back by the strong recovery of more speculative names in the weeks following the initial sell-off. We ended April with a net exposure of 59.6% and an ex-ante beta adjusted exposure of 31.0%, both slightly lower compared to the prior month-end.

Notable names in the top contributors include Admiral Group which announced the sale of its US operations to private equity firm JC Flowers, allowing it to focus on the more profitable core UK and European operations. Deliveroo also received an indicative cash offer of 180p per share from DoorDash, representing a premium of 44% to the share price the day before the approach and following a failed takeover attempt in June last year. No individual detractors costed us more than 30bps in April.

[1] Source: Administrator, Net Asset Value, net income reinvested.
[2] Source: Administrator, Net Asset Value.
[3] Since inception of GBP, GBP A, EUR and CHF share classes on 03/10/16, EUR I share class on 03/07/18, USD I share class on 02/01/19.

## Top Five Contributors and Detractors for April 2025

| Contributors | Bps |
|---|---|
| Admiral Group Plc | 57 |
| Auto Trader Group Plc | 56 |
| Deliveroo Plc | 46 |
| Becle S.A.B. de C.V. | 31 |
| Sdiptech AB | 28 |

| Detractors | bps |
|---|---|
| US software company | -26 |
| Azelis Group NV | -23 |
| TGS ASA | -23 |
| Nelnet Inc | -22 |
| Calumet Inc | -18 |

## Top Five Long Holdings as at 30th April 2025

| Company | Country | Sector | % of NAV |
|---|---|---|---|
| Auto Trader Group Plc | United Kingdom | Communication Services | 4.0 |
| Nelnet Inc | United States | Financials | 2.8 |
| Admiral Group Plc | United Kingdom | Financials | 2.7 |
| Paradox Interactive AB | Sweden | Communication Services | 2.6 |
| Genus Plc | United Kingdom | Healthcare | 2.5 |
| | | | **14.6** |

## Exposures as at 30th April 2025

| Longs% | Shorts% | Gross Exposure% | Net Exposure% |
|---|---|---|---|
| 103.6 (101.7) | 44.0 (39.2) | 147.6 (140.9) | 59.6 (62.6) |

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 States | 40.5 | -6.4 |
| United Kingdom | 29.4 | 25.1 |
| Japan | 11.0 | 10.8 |
| Sweden | 8.4 | 2.6 |
| Germany | 7.3 | 2.8 |
| Canada | 6.9 | 5.6 |
| France | 4.2 | -3.7 |
| Norway | 3.8 | 3.5 |
| Belgium | 3.7 | 3.7 |
| Hong Kong | 3.5 | 2.2 |
| Italy | 3.0 | 2.1 |
| Poland | 2.9 | 0.2 |
| Mexico | 2.8 | 2.8 |
| Ireland | 2.1 | 2.1 |
| Australia | 1.8 | -1.7 |
| Luxembourg | 1.8 | 1.2 |
| Switzerland | 1.5 | -1.5 |
| Israel | 1.3 | 0.2 |
| South Korea | 1.3 | 1.3 |
| Philippines | 1.2 | 1.2 |
| Bermuda | 1.1 | 1.1 |
| Singapore | 1.1 | 1.1 |
| Uruguay | 1.0 | 1.0 |
| Austria | 1.0 | -0.2 |
| Other | 5.0 | 2.5 |

| Market Cap | Gross% | Net% |
|---|---|---|
| >$50bn | 12.6 | 8.0 |
| $20bn - $50bn | 9.0 | 2.5 |
| $2bn - $20bn | 74.3 | 23.4 |
| $500m -$2bn | 34.8 | 13.3 |
| <$500m | 16.8 | 12.3 |

| Positions | Apr | Mar |
|---|---|---|
| Long | 105 | 99 |
| Short | 109 | 104 |
| Longs Opened | 12 | 8 |
| Longs Closed | 6 | 5 |
| Shorts Opened | 14 | 15 |
| Shorts Closed | 9 | 7 |

| Sector | Gross% | Net% |
|---|---|---|
| Communication Services | 27.3 | 20.2 |
| Consumer Discretionary | 20.3 | 8.3 |
| Consumer Staples | 9.6 | -0.8 |
| Energy | 2.0 | 0.3 |
| Financials | 22.7 | 16.2 |
| Health Care | 8.5 | 4.0 |
| Industrials | 21.3 | 5.3 |
| Information Technology | 21.2 | -1.1 |
| Materials | 9.5 | 3.9 |
| Real Estate | 4.6 | 3.9 |
| Utilities | 0.6 | -0.6 |

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

## Just Group – UK financial services company (1.7% of NAV)

We wrote about Just Group ("Just") six years ago in our European Fund newsletter. Today we also own it in the Global Fund, though sadly we do not think we will be able to own it for the long term as the logic for a bid is quite strong. Just trades at around half its "locked in" book value, compared to its nearest peer Legal & General which trades at around book value. Just's shareholder structure is open, i.e. there is no controlling shareholder or special voting rights which would enable an offer for the business to be successfully declined.

Why, one may well ask, is Just trading so cheaply? As we will see it is not because of any "own goals" the company has scored. No. Our best explanation is simply that at a £1.4bn market capitalisation it remains off the radar of a lot of investors, although this is changing.

Just is the only listed pure play UK retirement company. Its raisin d'être is "helping people achieve a better life." It does this by giving people a guaranteed income for the rest of their lives, either through a defined benefit (DB) pension plan (80% of the business) or a personal annuity (20% of the business). The personal annuity business is called Guaranteed Income for Life (GIFL).

This is a huge and growing market. The DB market with over £1trn of remaining obligations is c. £50bn per annum and the personal annuity market is £7bn per annum. On the DB side companies don't want to take the risk of their pension scheme requiring extra funding – it is not their core business – so increasingly are only too happy for specialists to handle them, and on the personal side, the recently introduced Consumer Duty regime means that advisors, quite rightly, must offer attractive and appropriate products for their customers, regardless of their own personal incentives. And what could be more attractive than having a guaranteed income for the rest of your life?

Additionally, with the growth of defined contribution plans, as a result of companies closing DB schemes, more and more retirees have substantial pension pots to manage themselves.

Just makes money from the spread between what it pays on its liabilities – the guaranteed payments for life – and what it earns on its assets: fixed income products matched in duration to the liabilities. Over the years, this spread has been broadly consistent and leads to a "mid-teens or above" IRR on new business written through the cycle.

Very importantly for our investment, it is not only customers that get predictability, but also shareholders. Unlike an investment management business, where the liabilities can be withdrawn in very quick order – as the UK active fund management industry has been experiencing – Just's assets and liabilities are locked in until maturity. They can never leave. The average duration is currently 12 years.

If Just didn't write another piece of business, the value of the cash flows from the spread between its assets and liabilities, discounted at 6%, is around twice its current market cap. On top of that, of course, Just is writing profitable new business. In 2024 it wrote £5.3bn of new business premium, an increase of 36% over 2023, leading to a 34% increase in underlying operating profit to £504m. This compares to the forementioned current market capitalisation of £1.4bn.

Too good to be true? What are the risks?

1) Longevity – their customers live longer than expected! Just deals with this through re-insurance. This costs a small percentage of the premium it receives, typically around 5%. 70% of the back book is re-insured and 90% of new business, so over time coverage will steadily rise to the 90% level.
2) Interest Rates – that they decline, making annuities less appealing. Lower real interest rates would make it more difficult to fund what would have become more expensive liabilities, meaning the ongoing payments that can be

offered to customers are less. This is a risk, but clearly one that only applies to future business, and would only slow the flow of new business, not bring it to a halt.

3) Credit – default by some of the corporates or governments that Just invests in. This is clearly the main risk for their existing book of business, the one we are relying on for our margin of safety. Just's experience here is excellent. Including the global financial crisis, actual defaults have averaged at less than 3bp per annum. Of the £18.7bn bond portfolio 63% is between A and AAA rated and 37% is BBB rated. It is a very well spread book by issuer and by sector.
4) Regulatory – Just, like all issuers, is regulated by the Prudential Regulatory Authority (PRA). Whilst the many regulatory hurdles that the PRA impose make it difficult for new competitors to arrive quickly, experience has shown that large changes can happen abruptly. Historic changes to the GIFL market – in 2014, government policy changes meant that people no longer needed to buy an annuity on retirement and in 2018 changes to capital requirements for lifetime mortgage (equity release) provisions (detailed in our February 2019 stock comment) demonstrate clearly the power and impact the regulator has over their operators. This is a very real risk. But again, any changes, e.g. to the DB market – the only area of Just's business that the PRA has not addressed in the last decade – would only apply to future business and not to the locked in profits.
5) Inflation – almost all of the DB liabilities have an inflation linkage, as does some of the GIFL book. This risk is addressed by buying inflation linked assets where available and then filling any remaining inflation gaps with inflation swaps for which a very deep and liquid market exists.

Of course, with such a rapidly growing and attractive market, competition is increasing. Over the past two years, Royal London, M&G, Utmost and Brookfield have entered the market, while Scottish Widows left the DB market. Whilst this has led to a tightening of spreads somewhat, there is enough profitable business for those that maintain pricing discipline. Importantly, Just specialises in the smaller deal size end of the market where there is less competition and in the GIFL market it specialises in people with long term illnesses and those at higher risk of illness.

We rate Just's management team extremely highly, having met them a number of times in the last few months. We love the fact that they plan to continue growing the business organically only, with no intention of making any acquisitions. We also very much like that they are UK focused without any consideration of expanding overseas. There are plenty of growth opportunities at home.

The business generates a return on its equity of over 15% and is conservatively capitalised with a solvency ratio of over 200%.

With the company growing quickly, both in profit terms but also market cap – which has increased from below £1bn six months ago – the stock is now appearing on investors' radars. The investor relations team is now regularly communicating the compelling story to potential shareholders in both North America and continental Europe. In our opinion, it is only a matter of time until the 50% discount to its NAV closes substantially. And, in the meantime, the actual NAV will continue to grow strongly.

Trading at NAV, like its closest peer, something entirely justified considering the business model, excellent management team and growth potential, would mean a doubling of the share price. This is just the start of the Just story, though sadly, as we said at the start, we believe we are unlikely to be able to enjoy it for many years to come.

## Monthly percentage return for the GBP A share class of the Global Equity Fund

| Year | Jan (%) | Feb (%) | Mar (%) | Apr (%) | May (%) | Jun (%) | Jul (%) | Aug (%) | Sep (%) | Oct (%) | Nov (%) | Dec (%) | Annual |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2025 | 1.6 | 1.8 | -1.5 | 2.6 | | | | | | | | | **4.5** |
| 2024 | 3.3 | -3.1 | 1.9 | 1.1 | 2.7 | -0.9 | 0.7 | 1.5 | -1.4 | -0.3 | 0.4 | 0.5 | **6.5** |
| 2023 | 0.7 | 0.8 | 0.1 | 3.4 | -1.7 | -0.9 | 0.8 | 2.5 | 4.9 | 0.9 | -0.4 | -0.1 | **11.4** |
| 2022 | -1.7 | -3.2 | -3.3 | 3.4 | 0.4 | -5.2 | 4.5 | 0.4 | -0.4 | 0.5 | 4.1 | 6.2 | **5.2** |
| 2021 | -2.6 | 1.4 | 2.7 | 3.0 | 0.7 | -0.9 | 2.2 | 1.2 | 1.9 | -3.9 | 1.7 | 2.3 | **10.0** |
| 2020 | -4.8 | -6.6 | -5.4 | 4.6 | -1.0 | 2.2 | -4.5 | -10.3 | 5.3 | -0.8 | -3.6 | 2.2 | **-21.3** |
| 2019 | 2.9 | 1.0 | 0.3 | 1.7 | -0.2 | 0.5 | 1.0 | 1.8 | 1.9 | 0.0 | -4.5 | 0.8 | **7.3** |
| 2018 | -4.4 | 5.8 | -0.9 | 3.3 | 2.8 | 5.9 | 1.8 | 4.0 | 1.0 | 0.7 | 0.5 | -3.0 | **18.6** |
| 2017 | -0.1 | -1.4 | -1.2 | -2.9 | 1.7 | -1.5 | 1.0 | 3.2 | -2.8 | 1.3 | -1.2 | 5.5 | **1.3** |
| 2016 | | | | | | | | | | 1.3 | -0.8 | 5.3 | **5.8** |

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