# Ennismore European Smaller Companies Fund

Investor Newsletter for the month of May 2025

Issued on 6th June 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 233m as at 30th May. Total assets under management by Ennismore Fund Management were GBP 428m. 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 May 2025

| | Share Class[1] | | | | |
|---|---|---|---|---|---|
| | **GBP A £** | **GBP A €** | **GBP B** | **EUR A** | **EUR B** |
| NAV per Share[2] | 165.68 | 196.81 | 27.99 | 28.03 | 28.18 |
| | % Change | | | | |
| May 25 | -0.6 | 0.5 | -0.6 | 0.3 | 0.3 |
| 2025 to Date | 6.8 | 4.9 | 6.8 | 4.3 | 4.3 |
| Annualised return[3] | 11.3 | 10.5 | 7.4 | 7.5 | 7.5 |
| Since launch[3] | 1588.1 | 1297.5 | 179.9 | 180.3 | 181.8 |
| 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 was down 0.6% in May. The long book performed well, contributing 347bps, unfortunately the short book disappointingly cost the fund 397bps.

On the positive side our holding in Costain Group Plc continued to assist, adding 82bps on no significant news. Trigano SA contributed 52bps after reporting half year results, reiterated confidence that the market would improve in the second half, and they would significantly reduce inventory levels further.On the negative side, our short position in a French technology company detracted 56bps after announcing a contract win. A short position in a US beverage manufacturer also cost 55bps after reporting Q1 results. These results were weak in our view, but the company guidance implied improved trading for the rest of the year.

It was a fairly busy month newsflow wise. EVS Broadcast Equipment SA as usual gave conservative guidance, alongside their Q1 report, that we expect them to increase through the year. SAF Holland SE and Vertu Motors Plc both reported results in line with previous trends.

## Top Five Contributors and Detractors for May 2025

| **Contributors** | **bps** |
|---|---|
| Costain Group Plc | 82 |
| Trigano SA | 52 |
| Secure Trust Bank Plc | 45 |
| Ultimate Products Plc | 29 |
| Moltiply Group SpA | 25 |

| **Detractors** | **bps** |
|---|---|
| French technology company | -56 |
| US beverage manufacturer | -55 |
| Swedish intellectual property licensor | -39 |
| UK technology hardware company | -38 |
| Swiss industrial company | -38 |

[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.

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

| Company | Country | Sector | % of NAV |
|---|---|---|---|
| Costain Group Plc | United Kingdom | Industrials | 6.6 |
| EVS Broadcast Equipment SA | Belgium | Information Technology | 3.4 |
| SAF Holland SE | Germany | Consumer Discretionary | 3.2 |
| Secure Trust Bank Plc | United Kingdom | Financials | 2.7 |
| Trigano SA | France | Consumer Discretionary | 2.7 |
| | | | **18.7** |

## Exposures as at 30th May 2025

| Longs% | Shorts% | Gross Exposure% | Net Exposure% |
|---|---|---|---|
| 83.4 (85.7) | 43.8 (40.8) | 127.2 (126.5) | 39.6 (44.9) |

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 May 2025

| Country | Gross% | Net% |
|---|---|---|
| United Kingdom | 41.7 | 23.0 |
| Germany | 23.6 | 19.8 |
| France | 14.4 | 7.7 |
| Sweden | 11.2 | -2.3 |
| United States | 6.5 | -5.8 |
| Italy | 4.8 | 2.5 |
| Switzerland | 4.6 | -4.6 |
| Belgium | 3.6 | 3.6 |
| Norway | 2.9 | -0.8 |
| Austria | 2.2 | -0.3 |
| Luxembourg | 1.9 | 0.7 |
| Finland | 1.8 | -1.0 |
| Hong Kong | 1.8 | -1.1 |
| Denmark | 1.4 | -1.2 |
| Other | 4.8 | -0.5 |

| Market Cap | Gross% | Net% |
|---|---|---|
| >£5bn | 10.5 | -1.1 |
| £1bn-£5bn | 33.3 | 2.0 |
| £250m-£1bn | 53.3 | 14.9 |
| <£250m | 30.1 | 23.9 |

| Positions | May | Apr |
|---|---|---|
| Long | 90 | 79 |
| Short | 82 | 76 |
| Longs Opened | 12 | 3 |
| Longs Closed | 1 | 4 |
| Shorts Opened | 11 | 7 |
| Shorts Closed | 5 | 4 |

| Sector | Gross% | Net% |
|---|---|---|
| Communication Services | 5.1 | 3.6 |
| Consumer Discretionary | 26.9 | 8.8 |
| Consumer Staples | 7.1 | -2.2 |
| Financials | 11.2 | 10.4 |
| Health Care | 4.1 | 3.9 |
| Industrials | 35.1 | 10.2 |
| Information Technology | 25.6 | -3.0 |
| Materials | 5.2 | 4.8 |
| Real Estate | 5.1 | 5.0 |
| Utilities | 1.9 | -1.9 |

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

## Vetoquinol – French animal health company (1.3% of NAV)

Founded in 1933 and still majority-owned by the Frechin family with its 67% equity stake, Vetoquinol is a French listed veterinary pharmaceutical company with a market capitalisation of approximately EUR 850m. The company offers a broad portfolio of animal health products across both the companion animal and livestock segments, sold via distributors to veterinarians. We have followed Vetoquinol for some time, attracted by consistent profitability, good return on capital, and secular growth tailwinds. The recent share price underperformance, mainly driven by short-term issues, has given us the chance to build a position in what we believe remains a fundamentally sound and strategically well-positioned business that is currently undervalued by the market.

The animal health industry has several features that make it a promising hunting ground for long-term investors. Since the penetration of pet insurance is much lower than human health insurance, veterinarians can act as a friendly middleman and earn greater profits by promoting the purchase of branded products instead of generics, something pet owners are far more easily convinced of than insurance companies due to the emotional and nondiscretionary nature of the spending. Veterinarians' procurement decisions are often made on the individual level instead of by a shared function, allowing them to be loyal to what they are used to and have been trained on. On top of this, there is more room for lifecycle innovation than in human health, given pets are more difficult to administer to and reaction to medication can vary across breeds. All of these factors mean the longevity of an animal health product exceeds that of a human health product; market leader Zoetis claims an average product market life of thirty years. Though the consolidation of vets and the penetration of pet insurance will eventually lessen these advantages we see this as an attractive market for many years to come, and other competitive advantages, such as the high barriers to entry, will remain intact.

Barriers to entry are high primarily due to the five-to-ten-year process needed to develop new drugs and gain regulatory approval, which has led to an oligopolous industry currently dominated by four large multinationals representing over half of the market, namely Zoetis, Elanco, Boehringer, and Merck. In addition, there are a handful of smaller players each with single-digit percentage market share, Vetoquinol being one of them. This positioning allows Vetoquinol to take advantage of the many niches that are too small for the big players to target, as there are many diseases that are simply not common enough to create a sizeable market.

Vetoquinol's business is well diversified across geographies and species. Last year, 49% of its EUR 539m revenues came from Europe, 36% from the Americas, and 15% from Asia and other regions. Companion animals account for 70% of sales, with the remainder from farm animals. The company focuses on four strategic product segments in which it has strong expertise and market recognition; specifically anti-parasiticides, dermatology, and mobility for companion animals, while the focus is on dairy cows within livestock.

Over the past decade, management has managed to steadily improve the company's product mix, shifting towards branded, higher-margin "Essential" products that now account for 61% of revenues (up from 49% in 2018). These global products offer higher structural growth and significantly better margins than the remainder of the product portfolio, especially when compared with the legacy antibiotic products, which today represent about 20% of Vetoquinol's revenues and we do not expect to contribute to future growth.

Vetoquinol share price has declined by more than 55% since its peak in November 2021, driven by the COVID-related boom in pet adoption and spending cooling off, and more recently some issues with one of their US-based suppliers. We view both of these issues as transitory, and in fact believe that COVID pets ageing will be a strong growth driver over the decade; healthcare spend per pet typically increases with age after a trough in years three to five. We also expect Vetoquinol to be able to recover lost market share with its US supply chain once up and running again.

We believe the Essentials range will continue outgrowing the rest of the portfolio going forward, which, over time, should contribute to increase operating margins from last year's level of 16.4%. This good level of profitability allowed the business to reach an attractive post-tax return on capital of around 17% last year. Excluding acquisition related intangibles, post-tax return on net operating assets exceeds 35%, demonstrating Vetoquinol's asset-light operational footprint. The company's balance sheet presents a large net cash position of EUR 201m, which, in the absence of acquisitions, we expect to grow by around EUR 50m per year given the company's expected strong cash generation even after the payment of a relatively small dividend yielding slightly more than 1% at the current share price.

We clearly appreciate companies with solid balance sheets, but we recognise that in this case the large and growing net cash position has probably created some capital allocation uncertainty. Management has reiterated the intention to pursue acquisitions, possibly with a focus on strengthening their US presence, and while we are aware of the inherent risks associated with potentially sizeable acquisitions, we also understand the strategic rationale behind them, and are encouraged by the 2019 acquisition of Drontal and Profender from Elanco, which we believe was strategically sound and attractively priced. In fact, the 2019 acquisition was the most recent sizeable transaction the company was involved in, which we believe is a testament to Vetoquinol's disciplined approach given the high valuations that have been on the market for the past few years.

At the current share price of around 72 EUR, the market is valuing Vetoquinol at slightly below 10 times our estimated 2026 operating profit after tax, which in our eyes is too low for a capital-light, low-volatility business with a strong long-term growth runway, even after accounting for some capital allocation uncertainty. We are convinced Vetoquinol shares deserve a fair multiple of 15 times enterprise value to 2026 operating profits after tax, which points to an upside of more than 50% to the end of 2026.

## 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 | -0.6 | | | | | | | | **6.8** |
| 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** |

## Risk Warning

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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 |


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