Ennismore European Smaller Companies Fund

Investor Newsletter for the month of August 2025

Issued on 5th September 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 245m as at 29th August 2025. Total assets under management by Ennismore Fund Management were GBP 433m. 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 Margot 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 29th August 2025

	Share Class[1]				
	GBP A £	**GBP A €**	**GBP B**	**EUR A**	**EUR B**
NAV per Share[2]	170.14	196.38	28.75	28.14	28.28
	% Change				
August 25	-0.6	-0.8	-0.7	-0.8	-0.8
2025 to Date	9.7	4.7	9.7	4.7	4.7
Annualised return[3]	11.3	10.4	7.5	7.4	7.4
Since launch[3]	1633.5	1294.5	187.5	181.4	182.8
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.

[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.

The Fund had a disappointing month, losing 0.6% in August. The long and short books both detracted, costing 60bps and 9bps respectively, gross of fees.

Despite this, there were positives with both Secure Trust Bank (contributing +32bps) and Spirax Group (+22bps) posting strong interim results. The most significant detractor was a short position in a Hong Kong based software company (-65bps). The company nearly doubled during the month on crypto- and AI-related hype. Its half year results, reported at the end of August, continued to highlight negative cash generation, working capital build-up, and substantial short-term debt still requiring refinancing, despite multiple capital raises over the past year. We have held the position for over two years and remain sceptical of the company's valuation amid the AI buzz.

Top Five Contributors and Detractors for August 2025

Contributors	bps
Secure Trust Bank Plc	32
Spirax Group Plc	22
Danish insulation materials supplier	20
Moltiply Group SpA	14
Academedia AB	14

Detractors	bps
Hong Kong software company	-65
EVS Broadcast Equipment SA	-24
US food producer	-24
Costain Group Plc	-21
Amadeus Fire AG	-20

Top Five Long Holdings as at 29th August 2025

Company	Country	Sector	% of NAV
EVS Broadcast Equipment SA	Belgium	Information Technology	3.1
Academedia AB	Sweden	Consumer Discretionary	3.0
STO SE & Co KGaA	Germany	Materials	2.4
Trigano SA	France	Consumer Discretionary	2.4
Just Group Plc	United Kingdom	Financials	2.3
			13.2

Exposures as at 29th August 2025

Longs%	Shorts%	Gross Exposure%	Net Exposure%
80.5 (78.9)	32.6 (34.0)	113.1 (112.9)	47.9 (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 29th August 2025

Country	Gross%	Net%
United Kingdom	24.3	21.6
Germany	21.5	16.9
France	13.1	10.3
Sweden	8.7	2.7
United States	8.1	-6.0
Italy	5.6	3.0
Switzerland	4.6	-4.1
Belgium	4.6	4.5
Austria	3.1	1.2
Netherlands	2.8	0.3
Finland	2.4	-1.2
Denmark	2.1	-2.1
Luxembourg	1.9	0.3
Spain	1.4	-0.5
Hong Kong	1.4	-1.1
Japan	1.1	1.1
Portugal	1.0	0.9
Canada	1.0	0.3
Other	4.4	-0.3

Market Cap	Gross%	Net%
>£5bn	19.2	5.0
£1bn-£5bn	30.9	5.6
£250m-£1bn	44.0	21.2
<£250m	19.1	16.1

Positions	Aug	Jul
Long	105	96
Short	81	80
Longs Opened	11	6
Longs Closed	2	9
Shorts Opened	6	8
Shorts Closed	5	9

Sector	Gross%	Net%
Communication Services	9.8	6.1
Consumer Discretionary	22.1	4.8
Consumer Staples	7.9	1.6
Financials	10.7	9.9
Health Care	5.7	5.0
Industrials	25.9	7.3
Information Technology	18.6	4.0
Materials	7.7	5.3
Real Estate	4.7	4.0

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

Andritz AG – Austrian machinery manufacturer (1.2% of NAV)

A printer and a coffee machine are alike in many ways. They both see more usage at the Ennismore office than the front door, and a jam in either can ruin your morning – but our preferred similarity is that they are both primitive examples of one of our favourite business models: the 'installed-base' model of selling capital equipment at low margin and making the bulk of earnings from add-ons such as spare parts, consumables, and maintenance. In this instance, printers and coffee machines are sold cheaply to generate profitable recurring revenues from the sale of ink cartridges and coffee pods. These are weak examples, since there is little to prevent us from using third-party ink or coffee pods, but the model reprises itself across a wide range of more attractive industries, and often results in a highly robust and predictable earnings base which investors are happy to reward with a premium valuation. We don't like paying premium valuations (though we love premium businesses!), but luckily for us the market often excessively punishes these types of structures when the capital equipment business suffers from a cyclical downturn – even when the service business, and hence most of the earnings, continues to grow. The following is one such opportunity from our portfolio.

Andritz AG ("Andritz") is an Austrian conglomerate with a market capitalisation of EUR 6bn that manufactures machinery for niche applications in Pulp & Paper, Energy, Metals, and Hydropower. The four segments total around EUR 8bn revenue and EUR 700m adjusted operating profit between them, the common thread being a keen focus on the aftermarket, with around 40% of sales coming from maintenance of the installed base and the sale of spare parts. Based on peer disclosures, we estimate this to contribute around 70% of earnings today. We believe the market overlooks the quality of Andritz's installed-base business which, combined with a market downturn in Pulp & Paper, has given us a chance to buy Andritz at an enchantingly low valuation.

Andritz's crown jewel is its Pulp & Paper segment, contributing a little over half of current earnings. This segment has established a dominant position in Pulp & Paper machinery alongside Valmet and Voith, with the three players constituting the majority of the market. We estimate this segment has grown sales organically 4% per year over the last ten years with steady margin improvement owing to a shift in mix towards service as it outgrows the equipment business. The service business is of excellent quality – it rarely loses a customer, grows even when the industry shrinks, has no trouble passing on price increases each year, and with machine lifetimes of twenty-five to fifty years, there is excellent long-term visibility on earnings from maintenance and spare parts. We estimate that, as the Pulp & Paper service division has increased prices and taken share from local competitors and in-house teams at Pulp & Paper mills, service sales have grown organically 5-6% over the past decade. We expect similarly impressive results over the next decade.

Any prospective new entrant must overcome technological barriers built from years of cumulative R&D in relatively small niches, and still it would be very hard to get the initial customers without a substantial track record, as customers want to know that their supplier will be around to service the machine decades from now. There is still little incentive to enter even if this were feasible, as it would be near impossible to turn a profit on the equipment sales given the incumbents only make single-digit operating margins when producing at scale, and service sales would take many years to ramp up to profitability.

The Energy segment contributes around 20% of earnings and has similar characteristics and financial profile to the Pulp & Paper business. Metals and Hydro contribute a little under 15% of earnings apiece and have healthy growing service businesses, but their capital businesses have been shrinking, they have a lower proportion of earnings coming from service, and their customer bases are more concentrated. These factors lead to weaker margins than in the Pulp & Paper and Energy divisions. We believe the underlying quality of the Pulp & Paper and Energy divisions has been obscured by the laggards and will bear more weight going forward with around three quarters of earnings today coming from Pulp & Paper and Energy, as opposed to just a third of earnings a decade ago. We believe the Metals division should be able to stabilise profitability at a lower level after six of the toughest years in automotive history, and that we are seeing strong signs of a cyclical recovery in Hydro, which has been in a downtrend since hydroelectric power capacity was overbuilt in the 2000s.

In terms of capital allocation, Andritz is no stranger to M&A having been built by ex-CEO Wolfgang Leitner, who completed well over fifty acquisitions during his tenure since joining in 1994. Andritz achieves attractive rates of return with post-tax return on capital exceeding 20% today even when including goodwill. Though Leitner is no longer part of the management team, he remains chairman of the board and, with a little over thirty percent of shares outstanding tucked under his belt, we think it unlikely that the ship will steer far from his wake. Andritz has a net cash balance of over EUR 400m and pays a healthy four percent dividend yield on top of regular bolt-on M&A, with opportunistic buybacks also becoming a part of their strategy.

The opportunity exists for two reasons. The first is simply widespread underestimation of the quality of the business, perhaps caused by the complexity of the conglomerate structure and the absence of service margin disclosure. For instance, a prominent sell-side analyst applies the valuation of Andritz in its entirety to value the Valmet equipment division alone, whilst applying a higher multiple to Valmet's service division – overlooking Andritz's service division entirely. In this instance and in others, Andritz is treated as nothing more than a low-quality capital equipment business, a perception we believe to be unjust.

Secondly, the market is myopic. Despite a steady service business, the highly cyclical equipment division causes earnings to be volatile in the short term, and shifts in large nominal working capital balances make free cash flow performance equally unpredictable. We don't know whether the next quarter will be above or below the market's expectations, but we believe the medium term to be considerably more predictable given the steady performance of the service division: the sea level is rising regardless of the tide. In a market full of short-term incentives and therefore thinking (or is it the other way around?), we are pleased to take advantage of such opportunities where our time horizon exceeds that of the market, and welcome short-term share price weakness with open arms – and coffers.

Andritz trades on around ten times enterprise value to our estimate of 2025 post-tax operating profit. Even when ignoring the profitable equipment business entirely, investors in Andritz buy a stream of recurring service earnings that should be able to grow mid-single digits or faster at high rates of return and with low volatility, for less than fifteen times post-tax operating profit. Valuing the whole business in line with historical levels at thirteen times enterprise value to post-tax operating profit, despite the segment and service mix being far better today than in the past, we expect to see more than 50% upside over the next two years.

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	1.2	2.1	-0.6					**9.7**
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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For further information please contact:	Margot 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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