Gresham House Global Small Company Fund

Quarterly Report

1 January 2025 to 31 March 2025

Gresham House
Specialist investment

Highlights

The Gresham House Global Small Company Fund is a concentrated equity fund which invests in small cap stocks globally. It targets long established, well-managed, high quality, cash generative companies capable of delivering above average growth over time, but whose prospects are undervalued by the market.

This unaudited quarterly update provides an overview of Gresham House Global Small Company Fund (the Fund) performance between 1 January 2025 to 31 March 2025.

The Fund launched in 2012 with a target return of 8% to 10% per annum.

Unit Price

(NAV per Unit)

€189.1200

Year to date performance

-0.30%

Annualised return since inception

5.23%

Gresham House Global Small Company Fund fell -0.3% over the quarter.

The valuation of both the Fund and the asset class is at an extreme. The portfolio is full of quality cash generating companies trading at very low valuations.

The Investment Manager, Gresham House Asset Management Ireland Limited (Gresham House Ireland, Investment Manager or the Manager), is a leading Irish based asset manager, managing a range of funds, which invest globally, to grow and protect our clients' assets while generating sustainable income.

For more information visit

www.greshamhouse.ie

Investment Manager's Report

Market Commentary

The Gresham House Global Multi-Asset Fund finished the quarter up 2.59%, the Gresham House Global Thematic Multi-Asset Fund finished the quarter down 0.27%, the Gresham House Global Equity Fund gained 3.67%, and the Gresham House Global Small Company Fund fell 0.30%. The Gresham House Euro Liquidity Fund gained 0.47%.

Coming into 2025, the consensus opinion in the market was one that was fully endorsing US exceptionalism and ignoring assets outside the US. All of that changed in Q1. Despite no major changes in our relative fundamental models (US earnings came in strong and economic data was unsurprising) sentiment has shifted dramatically. The three newsworthy events that caused the sentiment shift were: Germany's announcement that it would break previous fiscal rules, news from DeepSeek that AI can be delivered much more cheaply than expected, and President Trump's tariff rhetoric about using tariffs against trading partners.

The German fiscal announcement has been the first major break in policy we have seen for many years. The spending could boost German GDP by 1-2%, a significant amount for an economy that was on the brink of recession. Some of this excitement should be tempered by the fact Germany is exposed to a potential trade war and the fact it will take years for the fund flows to translate into the real economy.

The announcement by DeepSeek took some froth out of the Western AI market. We have long been weary of the AI excitement, finding it difficult to justify the large initial outlays and to determine who the winners and losers in the AI race would be.

President Trump's tariff rhetoric is concerning, and we expect it to continue over the coming quarters. This could cause severe market volatility and dislocations. Both the result and indeed the end goal are uncertain. The noise should die out towards the end of the year. Otherwise, the Republicans risk losing the Senate after the mid-term elections in November 2026. A lame duck Congress would severely hamper Trump's agenda for the remaining two years. The reaction of the US dollar has been interesting and has been on our radar for some time. Economic theory would imply that the dollar would rise as an offset to the tariffs. This has not materialised, and the dollar is now close to its six-month lows. We have long held the belief that too much investor wealth is held in US assets. The US has now become a much less welcoming place for foreign capital, we expect to see the dollar weakness to continue. The reaction of the dollar has dashed hopes that the tariff pain will be borne by the overseas exporter. It will hit the US consumer.

Derek Heffernan
Chief Investment Officer

We expect nothing but continued chaos and volatility for at least a couple more quarters. Corporate credit spreads will be crucial. We continue to favour equities with strong balance sheets, strong free cash flow generation, and limited US dollar exposure. In our multi-asset portfolios, we will look to add to our equity weighting on signs of peak pessimism and exhaustion.

Fund Performance

The Gresham House Global Small Company Fund fell 0.3% over the quarter.

Smaller companies continue to struggle despite operating performance that was in line with expectations. 2024 marked the third consecutive year of outflows from developed market smaller companies, meaning small companies are now heavily under owned by institutional investors. This trend has been most apparent in the UK, where cumulative outflows since 2021 are the worst experienced since before the GFC. This in sharp contrast to Asia ex-Japan, which have experienced net inflows in all the last three-years. Smaller companies are more closely dependent on nominal GDP levels. Given that Europe has teetered on recession for the last three years and that US manufacturing has been in a recession for the last three years it is no surprise that investors have favoured larger companies. However, buying smaller companies here presents a great opportunity. Relative valuation and relative growth rates look attractive.

Germany's fiscal announcement during the quarter signals a change of heart in its willingness to lever up with its Debt/GDP getting close to 80% over the next decade. This is positive for the real economy and could boost GDP by 1-2% per year, which is needed. European corporates and households have spent the last 17-years deleveraging, this looks like it is finally about to end.

Prosegur Cash added 25% over the quarter. In the quarter, their sales rose 56% YoY to €567mn in Q4 2024, and EBITA increased by 4x to €72mn in Q4 2024 with margins expanding 8.8% to 12.7%. Net Debt slightly fell by €11mn quarter to quarter to €886mn in 2024.

Origin Enterprises delivered constant currency organic EBITDA growth of 31.5% (€4mn). The good progress for its Living Landscapes division sets the business up for a decent second half. The company's valuation remains attractive, and we are comfortable that the management team can deliver value through their strategic focus.

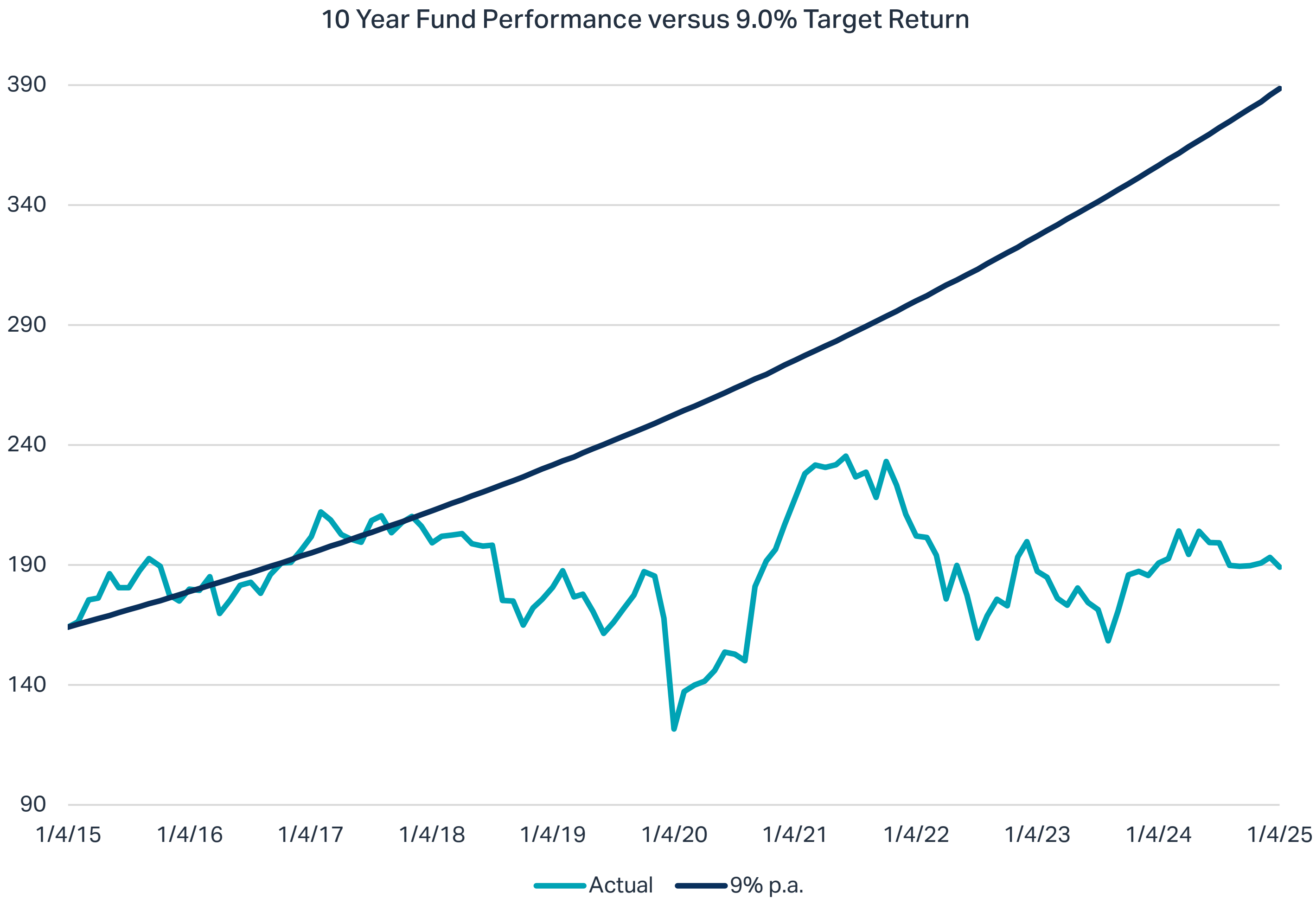
Uniphar added 27% over the quarter. The company has turned a corner as the Covid boom and bust is coming out of the numbers. From our meetings with management, the €200m EBITDA medium-term target is not the ceiling.

Cairn Homes was a notable underperformer in the quarter, falling almost 18%. We remain comfortable in the long-term runway for growth that the company has and believe the selling was largely profit taking with no real structural concerns on the horizon.

The stocks of smaller companies have had a torrid number of years as investors shifted into larger companies, and those exposed to AI architecture. We are comfortable that the tide will turn and cash generative businesses that are creating value and trading at very low multiples will be recognised.

	YTD	1 month	3 months	6 months	1 year	3 years	5 years	10 years	Since Inception
Net Return	-0.30%	-2.10%	-0.30%	-5.07%	-0.88%	-6.41%	55.48%	15.22%	89.12%
Annualised Return	-0.30%	-2.10%	-0.30%	-5.07%	-0.88%	-2.18%	9.23%	1.43%	5.23%
Best Month	20.60%	Nov-20							
Worst Month	-27.51%	Mar-20							
Current Month	-2.10%								

Regional Split	%	Top Holdings	%	Sector Weighting	%
Europe	52.88	Origin	5.65	Industrials	37.48
UK	39.82	Breedon plc	5.41	Materials	24.23
US	7.3	Eurocell plc	4.90	Consumer Staples	12.24
		Uniphar plc	4.45	Consumer Discretionary	10.06
		RHI Magnesita NV	4.42	Communication Services	6.01



The Team

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