Ennismore European Smaller Companies Fund

Investor Newsletter for the month of June 2009

Issued on 3 July 2009

Fund Details

Daily dealing UCITS and Irish Financial Services Regulatory Authority regulated open-ended investment company with Financial Services Authority approval, registered in Ireland and listed on the Irish Stock Exchange. The Fund has an A S&P Fund Research Fund Rating. The Fund size was GBP 109m as at 30th June.

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. Index data is provided in the following table as a guide to general equity market conditions.

The number of shares in the Fund is capped but some capacity is currently available. If you would like to subscribe please call Jo-Anne Osilade on +44 (0) 20 7368 4227 or email subs@ennismorefunds.com. Redemptions can be made through the Administrator in the usual way.

Performance as at 30 June 2009

Period	GBP Fund NAV[1] Per Share	GBP Fund NAV[2] Per Share % Change	GBP HSBC Index[3] % Change	EUR Fund NAV[1] Per Share	EUR Fund NAV[2] Per Share % Change	EUR HSBC Index[3] % Change	MSCI Index[4] % Change
June 09	**43.63**	**-2.5**	**-2.6**	**51.23**	**0.5**	**-0.1**	**-1.9**
May 09	44.77	4.0	4.5	51.00	3.6	6.8	4.4
April 09	43.06	-6.5	19.1	49.23	-1.0	23.1	12.8
March 09	46.06	-2.1	7.3	49.73	-5.9	2.6	3.7
February 09	47.07	-1.6	-7.2	52.83	-1.9	-7.0	-9.1
January 09	47.85	-3.7	-6.5	53.83	4.7	0.9	-6.1
December 08	49.69	7.5	12.7	51.40	-8.1	-2.9	0.7
November 08	46.24	2.1	-4.1	55.92	-3.1	-8.0	-4.7
Launch (27/01/99)	10.00			14.35			
1999	14.90	49.0	27.2	23.71	65.2	42.1	29.8
2000	20.21	35.7	-3.2	31.84	34.3	-4.7	-2.2
2001	20.52	1.5	-18.3	33.54	5.3	-15.6	-16.4
2002	21.49	6.2	-19.8	32.98	-0.3	-24.7	-29.4
2003	27.65	29.3	48.8	39.25	19.6	37.5	19.8
2004	34.15	23.5	24.6	48.24	22.9	24.4	12.2
2005	44.54	30.4	32.6	64.82	34.4	36.3	24.9
2006	48.28	8.4	30.5	71.66	10.6	33.2	19.1
2007	52.67	9.1	3.1	71.71	0.1	-5.5	6.0
2008	49.69	-5.7	-36.8	51.4	-28.3	-51.5	-38.9
2009 to date	**43.63**	**-12.2**	**12.7**	**51.23**	**-0.3**	**26.6**	**2.2**
Annualised return[5]		**15.4**	**6.4**		**13.2**	**4.3**	**-0.1**
Since launch (27/01/99)		**344.5**	**90.3**		**263.8**	**55.0**	**-0.7**

[1] Source: Administrator, Net Asset Value. [2] Source: Administrator, Net Asset Value, net income reinvested. [3] Source: Bloomberg, HSBC Smaller European Total Return Index.
[4] Source: Bloomberg, MSCI Europe Index, local currencies, total return. [5] Since inception, to date. Note: All performance figures net of fees.

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

The Fund's NAV decreased by 2.5% in June. The main cause of the decline was the relative strength of sterling against the euro. In euros the NAV was 0.5% higher. The long book cost 0.4% and the short book cost 0.7% in the month.

There were few major contributors either way in June. The UK IT consultancy FDM Group announced it was in talks over a possible cash buy out by management, putting the shares up 18% for the month. Puma Brandenburg, a German property trust, received a firm, recommended cash offer at a 40% premium to its price at the start of the month. Irish recruitment firm CPL Group was also up. The company announced it had acquired a staffing placement business serving the pharma and engineering sectors from the receiver of the Newcourt Group, a sign that their balance sheet strength in the face of extremely weak demand will bring tangible long term benefits.

IG Group, Gruppo Coin and Norkom all also contributed positively in June on the back of good trading updates or results.

PubliGroupe – Swiss directories publisher and media sales house (2.3% NAV)

PubliGroupe is best known as a media sales house, primarily for print media in Switzerland. Surprisingly, though, virtually all of the intrinsic value in the group now probably lies outside of this division. The main profit generator is its long established directories publishing joint venture with Swisscom. Besides these two main divisions, PubliGroupe also owns nearly half of the European online marketing network Zanox and several very valuable non-core investments in other media companies and in properties.

In directories, the joint venture is the only player in a stable, albeit steadily declining, print market. They cover 100% of Swiss households and have a very strong footprint with small and medium-sized enterprises (SME). Online currently accounts for 40% of directories revenue and is growing at 20% p.a. Their offering was grouped under one site and brand (Local.ch) in October last year which should enable them to compete more effectively - they are currently the leading player by revenue but are number two in terms of usage to Tamedia's Search.ch. We estimate that operating profit from the directories division will be around CHF 35m, after taking into account the significant investment being made to grow the online offering. On a more normalised basis, we would expect profits of more than CHF 40m per annum.

The media sales division primarily serves print media in Switzerland. The structural decline of this media segment is well documented and has led the leading regional publishers Tamedia and Edipresse to merge their Swiss operations, establishing a national player. This fundamentally weakens PubliGroupe's competitive position as it was the only national operator prior to this with a 70% market share. The division will have to be significantly reduced in scale to match this loss of market share and it is highly uncertain what level of profitability it can achieve going forwards. We conservatively ascribe no value to this division, which over the past ten years has generated average annual profit in excess of CHF 20m.

PubliGroupe owns a 47.5% stake in Zanox, an online affiliate marketing network, for which they paid CHF 148m in 2007. This joint venture with Axel Springer has been profitable since inception, is growing rapidly (sales grew by 23.5% to CHF 322m in 2008 while EBITDA increased 42.4% to CHF 30m) and is considered to be one of the top players in the German speaking regions.

The group also owns shares in several local media companies, including Tamedia and Edipresse, which were valued at CHF 114m at the end of 2008, and property investments worth around CHF 115m. Management have stated their intention is to dispose of all these non-core assets although, given current depressed prices, they aren't in a hurry to do so. Valuing the business is, however, considerably simplified by this clear intention.

PubliGroupe's current market cap is CHF 182m and enterprise value (EV) is CHF 290m. While potential losses and writedowns relating to the media sales division mean the company may well technically breach banking covenants (which do not take into account their share of Zanox profits) this year this is of little consequence to the business's real value given the potential to pay down debt by disposing of non-core assets. After taking these into account, PubliGroupe shares trade at an EV to net operating profit after tax from the directories division alone of 2.5 times for 2009. This in itself is ridiculously low for such a strong, cash generative franchise and implies no value for the fast-growing Zanox business. The company has been buying back shares over the past few years and currently owns 6.6% of its own stock, even after paying out a 3.3% dividend yield in treasury shares earlier this year. With management focused on cash generation, debt reduction and disposals of non-core assets, we believe there is a huge margin of safety on the downside and at least a 50% upside from current levels.

Top Five Holdings as at 30 June 2009

	Company	Country	Sector	% of NAV
1	Sto	Germany	Construction	4.8
2	Atlantia	Italy	Transport	4.1
3	Trader Media East	Netherlands	Media	3.9
4	PubliGroupe	Switzerland	Media	2.3
5	Kentz Corp	United Kingdom	Engineering	2.1
				17.2

Exposures as at 30 June 2009

Longs %	Shorts %	Gross Exposure %	Net Exposure %
58.1 (55.9)	39.9 (41.3)	98.0 (97.1)	18.2 (14.6)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap and Sector as % NAV as at 30 June 2009

Country	Gross%	Net%
Denmark	1.3	0.4
France	7.4	-7.4
Germany	17.1	8.5
Ireland	2.5	2.5
Italy	6.1	3.8
Japan	2.7	-2.7
Luxembourg	1.3	1.3
Netherlands	4.8	4.8
Norway	4.9	-1.1
Spain	2.0	-2.0
Sweden	5.3	-0.1
Switzerland	5.2	1.6
UK	26.1	11.9
US	8.1	-4.6
Other	3.2	1.3

Market Cap	Gross%	Net%
>£2bn	15.0	-4.1
£700m - £2bn	15.6	-12.7
£200m - £700m	27.0	2.3
<£200m	40.4	32.7

Sector	Gross%	Net%
Construction	7.4	4.5
Consumer	4.9	-1.5
Energy	5.3	-0.5
Food	5.8	-5.1
Industrials	5.3	-0.6
Leisure	8.2	0.5
Manufacturing	2.8	0.4
Media	17.1	2.8
Medical	4.9	-2.7
Property	4.6	4.7
Retail	3.6	2.3
Services	4.6	3.9
Technology	10.9	2.7
Transport	4.4	4.4
Other	8.2	2.4

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

Portfolio Activity

Figures in brackets refer to previous month end; * = positions > 0.5% of NAV.

As at 30th June the Fund was invested in 64 (65)* stocks.

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