Ennismore European Smaller Companies Fund

Investor Newsletter for the month of April 2013

Issued on 13 May 2013

Fund Details

Daily dealing UCITS and Irish Central Bank regulated open-ended investment company with Financial Conduct Authority recognition, registered in Ireland and listed on the Irish Stock Exchange. The Fund size was GBP 233m as at 30th April. Total assets under management by Ennismore Fund Management were GBP 282m. Our funds are hard closed to new investment with the number of shares in issue capped and we have a waiting list of clients that want to invest as and when capacity becomes available through redemptions. If you would like to be included on this please call Eleanor Scott on +44 (0) 20 7368 4219 or email subs@ennismorefunds.com. Redemptions can be made through the Administrator in the usual way.

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.

Performance as at 30 April 2013

	Share Class[2]					HSBC Index[3]		MSCI Index[4]
	GBP A £	GBP A €	GBP B	EUR A	EUR B	GBP	EUR	(local)
NAV per Share[1]	**75.80**	**89.49**	**12.80**	**12.74**	**12.81**			
Period			**% Change**				**% Change**	
April 13	**-0.9**	**-1.1**	**-0.9**	**-1.0**	**-1.1**	**1.7**	**1.4**	**1.9**
March 13	1.5	3.4	1.5	3.0	3.0	-1.8	0.2	0.9
February 13	2.7	2.1	2.7	2.2	2.2	3.5	2.8	0.9
January 13	6.5	0.9	6.5	2.0	2.0	9.7	4.2	5.1
December 12	0.7	0.8	0.7	0.8	0.8	4.4	4.2	1.4
November 12	2.6	1.7	2.6	1.8	1.8	1.3	0.4	2.5
2013 to date	**10.0**	**5.4**	**10.1**	**6.3**	**6.2**	**13.3**	**8.7**	**9.0**
Annualised return[5]	**15.4**	**13.9**	**11.4**	**11.4**	**11.7**	**8.7**	**7.2**	**3.0**
Since launch[5]	**672.3**	**535.5**	**28.0**	**27.4**	**28.1**	**228.4**	**169.3**	**51.4**

[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 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.
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 fell by 0.9% in April. Our long book was flat and the Fund's short exposure cost 0.7%.

UK sportswear retailer JD Sports added 0.5% to NAV with the shares up 23% after the company reported solid results. It continues to trade on single digit multiple of earnings, well below its peers.

Against this French classifieds publisher Spir Communciation cost the Fund 0.4% after announcing weaker than expected sales in the first quarter of the year. While disappointing overall its key asset, car advertising portal LaCentrale, continues to show modest growth and in our view is worth very significantly more than the current enterprise value of the whole company.

Portfolio Activity

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

As at 30th April the Fund was invested in 76 (74)* stocks.

Sto – German building material manufacturer (4.4% NAV)

Sto is a manufacturer of construction products, principally façade coating (render, paint) and insulation systems. These products are used in commercial and residential buildings in both new build and refurbishment. From its base in southern Germany Sto has gradually grown profitable operations across Europe and in North America and Asia, with more than 50% of sales now coming from outside Germany.

When we wrote on Sto for the newsletter four years ago the outlook for the construction industry in Europe was very bleak and for the last few years trading has indeed been very difficult for most companies. Looking back on Sto's performance since 2008 it is remarkable to be able to report that it has continued to grow sales, with only a slight decline in 2009, and profits. Very few peers can say the same. The dividend has also more than doubled from EUR 2.37 per share to EUR 4.87 and the net cash position increased tenfold to around EUR 200m by the end of 2012. Despite this outstanding operational performance we can, amazingly, repeat that Sto is exactly the kind of stock we look to invest in – that is, it is well regarded in its own industry and still largely overlooked by ours (the company began to improve communication a year ago in a bid to gain more interest from the investment community but remains mostly ignored by brokers).

After an exceptional year in 2011, with very favourable winter weather conditions, 2012 operating profit came in a little lower at EUR 95m (still the second highest level ever). One significant factor was the more than year-long negotiations between the German government and the opposition about tax incentives for energy efficient refurbishments. This limited Sto's growth as homeowners who did not need to invest held back expenditure expecting stronger tax incentives to come in future. Instead there will now be a 20% increase (to EUR 1.8bn) in the budget for energy efficient refurbishments, starting in 2013. Despite this Sto still managed to grow revenues by 3% with margins improving in the second half due to lower raw materials prices. As always Sto is very cautious with their guidance for this year, expecting only 2% growth and a lower operating profit. This cautiousness seems justified given the slow start to the year, with the coldest March for decades and many European markets in recession. Nevertheless we continue to see good demand for Sto's high quality products and solutions given the cost savings from reduced energy consumption and a favourable regulatory environment in most of its core markets. Sto, with a market cap of EUR 750m and net cash of close to EUR 200m, is valued at only nine times net operating profit after tax. Given its strong track record even in very weak construction markets, the healthy balance sheet, a dividend yield of 4% covered more than twice by net earnings and long term growth from increasingly strict regulation of energy efficiency, we think the stock has upside of more than 30% this year and it remains a core long term holding for the Fund.

Top Five Holdings as at 30 April 2013

	Company	Country	Sector	% of NAV
1	Xing	Germany	Information Technology	4.9
2	Vib Vermoegen	Germany	Financials	4.5
3	Sto	Germany	Materials	4.4
4	Oslo Bors	Norway	Financials	4.0
5	Home Retail	United Kingdom	Consumer Discretionary	3.4
				21.2

Exposures as at 30 April 2013

Longs %	Shorts %	Gross Exposure %	Net Exposure %
91.3 (92.9)	31.6 (27.8)	122.8 (120.7)	59.7 (65.0)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap and Sector as % NAV as at 30 April 2013

Country	Gross%	Net%
Austria	1.5	1.1
Belgium	2.3	1.1
Bermuda	1.5	1.5
Denmark	3.2	0.4
France	5.4	4.5
Germany	30.4	25.1
Ireland	4.4	4.4
Italy	4.7	3.0
Norway	4.0	4.0
Singapore	1.4	1.4
Sweden	5.2	-1.0
Switzerland	8.0	-0.2
UK	39.7	11.3
US	7.8	2.0
Other	3.3	1.1

Market Cap	Gross%	Net%
>£2bn	1.8	-1.8
£700m - £2bn	33.1	4.5
£200m - £700m	47.8	22.9
<£200m	40.1	34.1

Sector	Gross%	Net%
Consumer Discretionary	38.0	13.3
Consumer Staples	1.0	-1.0
Energy	3.1	2.7
Financials	18.6	15.4
Health Care	4.2	0.8
Industrials	16.9	10.9
Information Technology	24.2	10.2
Materials	10.7	10.5
Telecommunication	4.4	-1.4
Utilities	1.7	-1.7
Other	0.0	0.0

Geographic analysis relates to country of incorporation or listing. This may not represent the underlying economic exposure of the operating business. Sector analysis is based on the Global Industry Classification Standard ("GICS"). Source: Bloomberg.

For further information please contact:	Geoff Oldfield, Ennismore Fund Management	+44 (0) 20 7368 4223	go@ennismorefunds.com
For dealing please contact:	Northern Trust International Fund Administration Services (Ireland) Ltd	+353 (0) 1 434 5103	Ennismore_TA@ntrs.com