Ennismore European Smaller Companies Fund

Investor Newsletter for the month of June 2015

Issued on 6 July 2015

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 293m as at 30th June. Total assets under management by Ennismore Fund Management were GBP 360m. 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 June 2015

	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]	**94.02**	**132.71**	**15.88**	**18.32**	**18.38**			
Period	% Change					% Change		
June 15	**0.8**	**2.2**	**0.8**	**1.9**	**1.9**	**-4.1**	**-2.9**	**-5.0**
May 15	2.2	3.8	2.2	3.2	3.1	1.3	3.1	0.8
April 15	2.2	1.4	2.2	1.1	1.1	2.5	1.3	0.4
March 15	0.0	0.3	0.0	0.2	0.3	1.5	1.8	1.3
February 15	-3.1	0.3	-3.1	0.3	0.2	5.3	9.2	6.1
January 15	-0.7	2.6	-0.7	2.1	2.1	2.5	5.9	3.9
2015 to date	**1.3**	**11.0**	**1.3**	**9.1**	**9.0**	**9.1**	**19.5**	**7.2**
Annualised return[5]	**14.8**	**14.6**	**11.0**	**14.7**	**14.8**	**9.1**	**9.0**	**4.0**
Since launch[5]	**858.0**	**842.4**	**58.8**	**83.2**	**83.8**	**320.7**	**311.9**	**89.6**
	Discrete 12 Month Rolling Performance - % Change							
To 30 June 15	5.2	18.9	5.2	16.2	16.1	2.9	16.1	7.0
To 30 June 14	16.8	25.0	16.9	23.7	23.6	24.0	32.7	20.2
To 30 June 13	18.4	11.8	18.4	13.1	13.1	31.0	23.4	18.8
To 30 June 12	-2.1	9.2	-2.1	6.3	7.0	-20.5	-11.0	-8.5
To 30 June 11	28.4	16.4	N/A	N/A	N/A	33.8	21.4	17.2

[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. **Past performance is not a guide to future returns.**

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 increased by 0.8% in May. Our long and short books contributed 0.2% and 1.4% respectively. JD Sports added 0.7% to NAV. Our short positions in Dialight and APR Energy each added 0.5% to NAV after poor trading updates led to sharp falls in their share prices. The biggest negative attribution came from our long investment in Vib Vermoegen, which cost the fund 0.5%.

Tomorrow Focus – German media company (0.6% of NAV)

Tomorrow Focus owns the leading package-holiday review and booking websites in the DACH region (HolidayCheck) and the Benelux region (Zoover), with annual bookings of around EUR 1.5bn generating revenue of nearly EUR 100m. The business model is built around a huge database of over 11 million customer reviews. This is a free resource – both for the company and for potential customers – that drives strong organic traffic to the company's websites. There are strong network effects in action here – visitors beget reviews and reviews beget visitors. Competitors can, and have attempted to, take market share by spending aggressively on advertising, but the core database of reviews is much harder to replicate. As a result, HolidayCheck continues to receive more than double the number of visits its closest competitors get. This dynamic worked against Tomorrow Focus in France, where it was a distant number two to US operator TripAdvisor, and it failed to build a successful business there. Exiting this market in 2014 was a very positive move for the company. Even better was the decision to sell off non-core assets this year, leaving a company focussed on its core travel assets that make it look to us like an obvious acquisition target.

Before this year Tomorrow Focus operated as a holding company for a variety of online media assets that were controlled by the private German media company, Burda Media, a company we know well from the years when we were invested in the professional networking platform, Xing. Two significant transactions in the first half changed this. Firstly, its online news business was sold to parent company Burda for EUR 30m. Secondly, in June, its dating business was sold to private equity for EUR 15m up front and a further EUR 8.5m in two years. These sales leave the company debt free and with cash of about EUR 15m-20m (including the deferred consideration). The company also retains some small, but valuable non-core assets (notably Jameda, a portal for medical professionals in Germany) that we estimate are worth a further EUR 5-10m.

Tomorrow Focus has a market cap of EUR 250m, implying an enterprise value for the travel business of about EUR 225m. This generated revenue of EUR 96m in 2014 and operating profit of EUR 17m, with both growing by over 10%. We expect the travel division to generate operating profit of over EUR 20m next year. The company should continue to benefit from long-term structural growth as package-holiday bookings are increasingly made online. The runway is long, with two thirds of bookings still being made through a travel agent. Given this trend, and the significant barriers to entry, we believe the travel business should be valued at a multiple of fifteen times 2016 operating profit (by comparison Tripadvisor is valued at around 25 times for the same year). This gives 30% upside to the current Tomorrow Focus share price, with the potential for significantly more if the company were to be sold outright.

Top Five Holdings as at 30 June 2015

	Company	Country	Sector	% of NAV
1	Jd Sports	United Kingdom	Consumer Discretionary	7.9
2	Vib Vermoegen	Germany	Financials	4.6
3	Oslo Bors	Norway	Financials	2.9
4	Sto	Germany	Materials	2.9
5	Cegedim	France	Health Care	2.9
				21.2

Exposures as at 30 June 2015

Longs %	Shorts %	Gross Exposure %	Net Exposure %
71.3 (72.5)	42.4 (41.8)	113.7 (114.3)	28.9 (30.7)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap & Sector as % NAV and Positions as at 30 June 2015

Country	Gross%	Net%
Austria	1.0	1.0
Bermuda	1.9	1.9
Denmark	0.7	0.7
France	8.7	8.7
Germany	26.1	5.3
Italy	2.6	1.9
Netherlands	2.0	-1.0
Norway	6.1	5.8
Poland	1.1	-1.1
Spain	0.7	0.7
Sweden	2.5	-2.1
Switzerland	4.9	-4.7
UK	45.4	17.5
US	8.7	-5.4
Other	1.3	-0.4

Market Cap	Gross%	Net%
>£2bn	13.0	-7.6
£700m - £2bn	33.2	0.3
£200m - £700m	38.5	16.7
<£200m	29.0	19.4

Positions	Jun	May
Long	82	81
Short	62	59
Longs Opened	4	4
Longs Closed	3	3
Shorts Opened	7	2
Shorts Closed	4	3

Sector	Gross%	Net%
Consumer Discretionary	36.3	20.2
Consumer Staples	6.7	-1.7
Energy	0.1	0.1
Financials	18.2	9.0
Health Care	6.9	2.9
Industrials	11.4	0.7
Information Technology	26.0	-6.9
Materials	4.2	4.2
Telecommunication	2.8	1.4
Utilities	1.1	-1.1
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.

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For dealing please contact:	Northern Trust International Fund Administration Services (Ireland) Ltd	+353 (0) 1 434 5103	Ennismore_TA_Queries@ntrs.com

Appendix – Additional Information for Recipients in Switzerland

The Fund has not been approved for distribution in or from Switzerland by the Swiss Financial Market Supervisory Authority. As a result, the Fund's shares may only be offered or distributed to qualified investors within the meaning of Swiss law. The Representative of the Fund in Switzerland is Bastions Partners Office SA with registered office at Route de Chêne 61A, 1208 Geneva, Switzerland. The Paying Agent in Switzerland is Banque Heritage, with registered office at Route de Chêne 61, 1208 Geneva, Switzerland. The place of performance and jurisdiction for Shares of the Fund distributed in or from Switzerland are at the registered office of the Representative.

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