Ennismore European Smaller Companies Fund

Investor Newsletter for the month of February 2016

Issued on 10 March 2016

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 334m as at 29th February. Total assets under management by Ennismore Fund Management were GBP 412m. 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 29 February 2016

	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]	**106.92**	**137.14**	**18.06**	**19.27**	**19.34**			
Period	**% Change**					**% Change**		
February 16	**2.8**	**0.6**	**2.8**	**1.2**	**1.2**	**1.6**	**-0.9**	**-1.9**
January 16	2.2	-1.3	2.2	-0.7	-0.7	-5.3	-8.3	-4.9
December 15	3.8	-1.2	3.8	-0.4	-0.4	2.9	-2.0	-3.8
November 15	0.7	2.7	0.7	2.3	2.3	1.5	3.1	1.9
October 15	0.5	3.5	0.4	3.0	2.9	2.9	6.6	7.3
September 15	0.5	-0.4	0.5	-0.2	-0.2	-1.9	-3.5	-4.1
2016 to date	**5.0**	**-0.7**	**5.0**	**0.4**	**0.4**	**-3.7**	**-9.1**	**-6.7**
Annualised return[5]	**15.0**	**14.2**	**12.3**	**13.8**	**13.9**	**8.9**	**8.1**	**3.3**
Since launch[5]	**989.4**	**873.8**	**80.6**	**92.7**	**93.4**	**329.0**	**281.1**	**73.0**
	Discrete 12 Month Rolling Performance - % Change							
To 29 February 16	19.7	11.5	19.7	12.1	12.1	3.1	-4.4	-11.2
To 28 February 15	0.8	14.5	0.8	12.6	12.6	-0.9	12.8	12.6
To 28 February 14	17.6	22.8	17.6	22.1	21.9	27.7	33.3	17.5
To 28 February 13	14.7	11.5	14.7	12.2	12.1	18.8	15.6	13.6
To 29 February 12	9.8	11.4	9.9	10.6	11.1	-9.8	-8.7	-6.0

[1]Source: Administrator, Net Asset Value. [2]Source: Administrator, Net Asset Value, net income reinvested. [3]Source: Bloomberg, Euromoney (formerly 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 2.8% in February. Our long and short books contributed 2.1% and 1.3% respectively. The biggest contribution came from our short in a German Financial Services Company, which added 0.8% to NAV. On the long side, Kongsberg added 0.5% to NAV after it released strong 2015 results and Premier Farnell added 0.3% following its disposal of Akron Bass. On the negative side, Cegedim cost the fund 0.5% after reducing guidance for the current year.

Cello – UK marketing agency (1.7% NAV)

We wrote on Cello last in September 2013 but wanted to revisit it due to the extreme mispricing we see in the stock currently. Cello is a marketing agency that specialises in the pharmaceutical and health products, accounting for over 70% of the group's operating profit (the Health division). Other sectors, such as fast moving consumer goods, are served by the Consumer division (now branded as Cello Signal). Although around two-thirds of its £170m revenue is still generated in the UK, Cello is a global business with significant revenue in the United States (circa 20%) and Europe (10%). In reality around half of Cello's sales are pass-through e.g. on paper and printing, and therefore profitability should be considered relative to its gross profit of around £85m. The Health division provides market research and consulting - a typical project would be planning how best to market a new drug - which are increasingly important as the channels to communicate with potential customers become more fragmented e.g. Facebook. The division has seen good, steady growth in recent years as a result, bolstered by acquisitions which have given further scale benefits. The Consumer offering, though less specialised, also benefits from this long-term trend away from mass market advertising but is more cyclical and volatile through the year. Cello also continues to increase its offering in both divisions, through new office openings such as in San Francisco and Chicago and via nascent biotech relationships, which supports growth.

Organically the company has grown by around three percent over the last five years and we would expect this to be a minimum over the next couple of years as it gains further from the work it has done recently to improve the organisation, helping cross-selling between divisions. In 2015 we expect operating profits to have increased further, organically as well as from acquisitions made in 2014, to close to £10m. The recent pre close trading statement also suggests a good start to

2016. The one negative is a £3m provision that has been taken due to VAT that the UK tax authorities now claim should be paid for some services rendered to charitable organisations.

The business requires little capital to grow organically allowing the dividend to grow by over 90% since 2010, now at over a three percent yield, and we expect the dividend to continue to grow. The organic cash generation means the balance sheet has now been strengthened with net debt now sitting at under £5m, and has also enabled the odd bolt on acquisition.

Cello has a diluted market capitalisation of just over GBP 90m. Adjusting for debt, deferred consideration and the VAT provision leads to an Enterprise Value of around GBP 100m. We value Cello's two divisions separately, with Health deserving a premium (at a multiple of 16 times operating profit after tax) to the Consumer division (10 times) due to its structural growth, greater specialisation and scale. Finally we deduct central costs (applying a 12 times multiple). This leads us to expect a return of over fifty percent from the share between now and the end of 2017.

Top Five Holdings as at 29 February 2016

	Company	Country	Sector	% of NAV
1	Jd Sports	United Kingdom	Consumer Discretionary	6.8
2	Vib Vermoegen	Germany	Financials	4.6
3	Kongsberg Auto	Norway	Consumer Discretionary	2.9
4	Oslo Bors	Norway	Financials	2.4
5	Premier Farnell	United Kingdom	Information Technology	2.2
				18.9

Exposures as at 29 February 2016

Longs %	Shorts %	Gross Exposure %	Net Exposure %
68.1 (68.7)	32.0 (32.6)	100.1 (101.3)	36.1 (36.1)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap & Sector as % NAV and Positions as at 29 February 2016

Country	Gross%	Net%
Austria	2.0	1.6
Bermuda	0.8	0.8
Canada	1.4	1.1
France	6.4	6.4
Germany	22.7	4.5
Ireland	0.7	0.7
Italy	2.5	2.1
Netherlands	4.8	-3.1
Norway	6.8	6.8
Spain	1.5	-1.5
Sweden	1.5	-1.0
Switzerland	5.1	-4.3
UK	37.9	19.2
US	5.2	2.1
Other	0.8	0.7

Market Cap	Gross%	Net%
>£2bn	24.3	4.0
£700m - £2bn	19.7	-3.5
£200m - £700m	38.0	21.6
<£200m	18.1	14.0

Positions	Feb	Jan
Long	87	83
Short	51	54
Longs Opened	5	3
Longs Closed	1	4
Shorts Opened	5	8
Shorts Closed	8	6

Sector	Gross%	Net%
Consumer Discretionary	27.3	18.8
Consumer Staples	7.3	-2.8
Energy	1.3	-1.3
Financials	16.5	10.3
Health Care	3.0	2.4
Industrials	12.5	3.3
Information Technology	24.4	2.0
Materials	5.0	4.2
Telecommunication	2.0	0.0
Utilities	0.8	-0.8
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.

For further information please contact:	Eleanor Scott, Ennismore Fund Management	+44 (0) 20 7368 4219	subs@ennismorefunds.com
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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