Ennismore European Smaller Companies Fund

Investor Newsletter for the month of March 2017

Issued on 10 April 2017

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 371m as at 31st March. Total assets under management by Ennismore Fund Management were GBP 614m. 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 31 March 2017

	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]	**118.69**	**138.77**	**20.05**	**19.86**	**19.92**			
Period	**% Change**					**% Change**		
March 17	**0.9**	**0.7**	**0.9**	**0.8**	**0.7**	**2.3**	**2.5**	**3.5**
February 17	-0.2	0.4	-0.2	0.3	0.3	2.5	3.0	2.8
January 17	1.2	0.6	1.2	0.7	0.7	1.8	1.4	-0.3
December 16	1.9	1.4	2.0	1.6	1.5	6.0	5.2	5.8
November 16	-2.7	3.1	-2.7	2.3	2.3	-4.1	1.3	-0.6
October 16	1.9	-2.0	1.9	-1.5	-1.5	1.2	-2.3	0.3
2017 to date	**1.9**	**1.7**	**1.8**	**1.7**	**1.7**	**6.8**	**7.0**	**6.0**
Annualised return[5]	**14.7**	**13.4**	**11.9**	**11.8**	**11.8**	**10.0**	**8.8**	**4.2**
Since launch[5]	**1109.3**	**885.4**	**100.5**	**98.6**	**99.2**	**467.3**	**361.9**	**110.8**
	Discrete 12 Month Rolling Performance - % Change							
To 31 March 17	10.0	2.0	10.0	3.5	3.5	26.0	16.8	19.6
To 31 March 16	20.8	10.2	20.8	11.3	11.3	6.6	-2.6	-10.6
To 31 March 15	-2.1	11.9	-2.0	10.0	10.0	0.7	15.1	14.7
To 31 March 14	19.2	21.9	19.2	21.7	21.5	29.8	32.8	15.7
To 31 March 13	16.4	14.7	16.4	15.0	15.0	17.6	16.1	14.9

[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 0.9% in March. Our long book contributed 2.8% while the Fund's short exposure cost 1.7%. JD Sports added 0.6% though there was no company news during the period. Our short position in Telit Communications detracted 0.4% of NAV as the company issued a positive outlook for 2017.

Openjobmetis – Italian Employment Agency (1.1% of NAV)

Openjobmetis is the fifth largest staffing company in Italy, and the largest domestic-only one. The business was founded by the current CEO, Mr. Rosario Rasizza in 2001. It was a good time to start a staffer – two years later Italy passed the Biagi Law, which provided the legal backbone for employment agencies in the country. Since then the company has grown both organically and through six acquisitions, the largest of which was Metis in 2011, an acquisition that doubled the size of the business. Openjobmetis listed in December 2015 and, with a market cap of EUR 120m, it still goes largely unnoticed by most investors. We believe this is a mistake. Firstly, the shares are lowly valued, trading on just seven times our estimate for this years operating profit. Secondly, the temporary staffing market in Italy has a lower level of penetration of contract employment compared to other markets and it will gradually catch up. The market is also highly fragmented, creating opportunities for a well-financed consolidator, which Openjobmetis is. Finally, growth should lead to increased margins due to the operating leverage in the business.

In 2016, the company achieved good results even though Italy was impacted by political jitters related to the constitutional referendum and the subsequent resignation of the prime minister. Revenues increased 7% to EUR 460m and operating profit of EUR 15.5m – up 48% but broadly flat if adjusted for extraordinary items. Merging Openjob with Metis in 2011 resulted in good coverage of local offices across Italy and the company is benefitting from having an efficient and well invested operating base. This could already be seen in the last quarter of 2016 when revenues increased 17% and operating costs were flat, resulting in operating profits increasing by more than 50%. Beyond the top five players the market is still very fragmented and we expect further consolidation. This bodes well for Openjobmetis – it has a proven ability to fully integrate businesses and reap the benefits of synergies. The backdrop for temporary employment companies has significantly improved with the Jobs Act, which eliminated many limits on contract work and improved further with the recent abolishment of a competing voucher system. We see similarities to the French employment market where temporary employment became the tool of choice to give companies a more flexible workforce in an otherwise very restrictive environment. Also, whilst its larger peers focus on major accounts with framework agreements, and on public bodies which are more price sensitive, we like the fact that Openjobmetis focusses on small businesses with just one or two temps. This is far less competitive, especially amongst players with scale. EUR 70m of EUR 460m of sales relate to large clients and the rest is generated by more than 6000 smaller customers where the company has better pricing power.

We were able to build a decent position this year and added to our holding in the recent placement of shares from private equity. Management interests are very well aligned with shareholders: the management board holds 5% of the equity – the CEO has more than 3% – and a further 18% is held by members of the Supervisory Board. Currently the company does not plan to pay a dividend but is rather looking to reduce debt or use cash for acquisitions. Estimating net debt of EUR 30m by year end, the enterprise value is around EUR 150m. Given the improved environment in Italy and the operating leverage in the business, we estimate revenues in 2017 will be above EUR 500m and operating profit will exceed EUR 20m. Valuing the company at ten times operating profit we see upside of more than 30% for the next twelve months, and if the company continues its growth path into 2018 we think the shares could double.

Top Five Holdings as at 31 March 2017

	Company	Country	Sector	% of NAV
1	Jd Sports	United Kingdom	Consumer Discretionary	6.8
2	Vib Vermoegen	Germany	Financials	4.4
3	Conviviality	United Kingdom	Consumer Staples	2.9
4	Cello Group	United Kingdom	Consumer Discretionary	2.7
5	Oslo Bors	Norway	Financials	2.6
				19.4

Exposures as at 31 March 2017

Longs %	Shorts %	Gross Exposure %	Net Exposure %
83.5 (77.8)	42.7 (40.7)	126.2 (118.5)	40.8 (37.1)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap & Sector as % NAV and Positions as at 31 March 2017

Country	Gross%	Net%
Austria	2.9	1.4
Belgium	1.9	0.3
Canada	1.6	0.9
Finland	1.6	-1.6
France	5.5	5.4
Germany	26.9	10.7
Ireland	1.3	1.3
Italy	4.4	2.5
Netherlands	3.2	-2.0
Norway	5.4	5.4
Spain	1.9	-1.9
Switzerland	4.9	-4.9
UK	50.7	26.7
US	10.2	-4.0
Other	3.8	0.6

Market Cap	Gross%	Net%
>£2bn	33.5	7.0
£700m - £2bn	22.5	-6.5
£200m - £700m	49.6	22.0
<£200m	20.6	18.3

Positions	Mar	Feb
Long	93	93
Short	78	74
Longs Opened	5	5
Longs Closed	5	4
Shorts Opened	8	0
Shorts Closed	4	2

Sector	Gross%	Net%
Consumer Discretionary	35.9	19.0
Consumer Staples	10.2	-2.6
Energy	0.2	-0.2
Financials	16.3	9.4
Health Care	5.4	2.8
Industrials	21.5	8.8
Information Technology	25.2	1.5
Materials	5.4	2.9
Telecommunication	5.1	0.2
Utilities	1.0	-1.0
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

Risk Warning

This document is issued by Ennismore Fund Management Limited ("Ennismore", "the Company") which is authorised and regulated by the Financial Conduct Authority.

This document is for information purposes only and is not an offer to sell or an invitation to buy shares in Ennismore European Smaller Companies Fund. In particular, it does not constitute an offer or solicitation in any jurisdiction where it is unlawful or where the recipient may not lawfully receive any such offer or solicitation. It is the responsibility of any person in possession of this document to inform themselves of, and to observe, all applicable laws and regulations of relevant jurisdictions.

Content in this document is provided for information only and is not intended for trading purposes. Any information and opinion in this document is subject to change by the Company without prior written notice. Content in this document is not an invitation or inducement to engage in any investment activity and is not appropriate for the purposes of making a decision to carry out a transaction or trade in any of the companies mentioned in this document. Nor does it provide any form of advice amounting to investment advice, or make any recommendations regarding particular financial instruments or investment products. Use of this document is no substitute for obtaining proper investment advice from an authorised investment professional.

We hereby disclose that we currently hold positions in the companies discussed in this report and we are thus subject to conflicts of interest in respect of these companies. The analysis presented on these companies has not been prepared in accordance with legal requirements regarding the independence of investment research and as such is considered non-independent research, as defined by COBS 12.3.2R of the FCA Handbook, and as a marketing communication.

Although the Company considers the content of this document to be accurate at the time it was written, we do not guarantee the accuracy of the information presented or of our opinions. The factual information contained in this document may become inaccurate as a result of the passage of time and should therefore be read for historical information only. Future expectations are the opinion of the Company at the time of writing and are subject to change without notice, and the Company does not undertake to provide information concerning changes to its opinions and expectations in any way. All forecasts are subject to risks and uncertainties that may cause actual results to differ materially from those which were expected.

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.

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

Warning: This newsletter is issued by Ennismore Fund Management Limited, authorised and regulated by the Financial Conduct Authority. Past performance is not necessarily a guide to future performance. The value of shares can go down as well as up and is not guaranteed. Changes in rates of exchange may also cause the value of shares to fluctuate. Any reference to individual investments within this newsletter should not be taken as a recommendation to buy or sell. This newsletter should be read in conjunction with the full text and definitions section of the Prospectus dated 8 September 2016. The Prospectus and Key Investor Information document are available in English at www.ennismorefunds.com