ENNISMORE EUROPEAN SMALLER COMPANIES FUND

Sub-fund of Dublin IFSC domiciled VCIC (Ucits III)
Fund owner: Ennismore Fund Management
Fund manager/adviser: Ennismore Fund Management

Named portfolio manager(s): Geoff Oldfield (since launch), Tom Hearn (since September 2003) / Team
Peer group: Specialist Equity in GBP

Location: London
Launch date: January 1999
Fund size (February 2011): £129m
Contact group: +44 20 7368 4200 or www.ennismorefunds.com

Report date June 2011

Further information on S&P's fund coverage can be found at www.FundsInsights.com

Investment style

Region: Europe

Strategy: Long/short equity

Performance statistics (annualised)

	3 Years	5 Years
Fund	4.7%	5.2%
Index**	8.7%	7.7%
Interest rate ^	2.4%	3.6%
R-Squared vs Index	0.4	0.4
Beta vs Index	0.3	0.3

^ Citi GBP EuroDep 3 Mon GBP
** HSBC Eur Small Co TR GBP

Risk statistics

	5 Years
Standard deviation	10.8
Downside deviation	7.8
Maximum monthly drawdown (%)	-8.5
Gaining months (%)	56.7
Sharpe ratio	0.2
Sortino ratio	0.3

 All statistical data on this report has been run to 31/01/2011 on NAV to NAV basis, with gross income reinvested, in GBP.

Standard & Poor's opinion (April 2011)

This fund has an absolute return bias, holding long and short positions to produce a portfolio that provides net long exposure of 0-75%. It invests primarily in companies capitalised below £1bn and is likely to have a significant portion (over 40%) in stocks capitalised below £200m.

Ennismore adopts a multi-manager approach with this fund. Each of the five portfolio managers runs a portion, the division being adjusted at the start of each year by CEO/CIO Geoff Oldfield; the majority is run by Oldfield (with 20 years, the most experienced), Tom Hearn (12 years) and Leo Perry (nine years), with Hearn increasingly influential. In contrast to recent years, the overall team was stable in 2010.

All the managers use a similar value-biased approach, but they have significant freedom to express views and tend to have their own areas of specialism. Amalgamating these portfolios produces a reasonably diversified fund; however, we have seen a marked decrease in holding numbers despite the growth in the fund's size, with a slight increase in stock-specific risk (the top two stocks alone comprising nearly 15% of the total at review).

Ennismore has recently conducted a fund raising of around €70m which will reduce the top five investors to below 30% of the fund's AUM. Around 20% of assets are internal or family and friends monies.

Recent performance versus small-cap indices and the S&P European long-only peer group reflects the limited net long exposure in the fund, with it outperforming (though perhaps not as much as might have been expected) during 2008's market weakness but lagging in the stronger markets of 2009 and 2010. On a five-year view, the fund is ahead of the risk free rate with a marginally positive Sharpe ratio but lags the HSBC index.

The consistent approach to stock selection, overseen by the experienced Oldfield, coupled with the longer-term returns generated by this approach, allow the fund to retain an S&P A rating.

Fund manager & team

Geoff Oldfield heads the team of five European fund managers and one analyst. The team was stable in 2010 after having seen eight departures in the four preceding calendar years. Fund managers' remuneration is based on long-term performance with bonuses subject to a three-year clawback.

The managers have been selected for their differing areas of specialist expertise, but all may invest wherever they have high conviction. Geoff Oldfield (20 years' experience), Tom Hearn (12 years) and Leo Perry (nine years) collectively manage the majority of the fund. Other members of the team are Simon Reid (seven years) and Christian Fiesser (nine years, based in Frankfurt).

Geoff Oldfield - banking & finance (Loughborough University), established Ennismore in 1998. He was previously a Europe fund manager at Midland Montagu, Gartmore, Enskilda and Barings.

Tom Hearn - BSc economics & social studies (Manchester University), joined Ennismore in September 2003 from Baring Asset Management, where he had had four years' experience as a small-cap/banking analyst.

Please see page three for required research analyst certification disclosure.

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STANDARD & POOR'S

STANDARD & POOR'S A FUND MANAGEMENT RATING

Management style

This multi-manager fund aims to provide positive absolute returns by running a long/short portfolio that is aligned with the company's hedge fund, although it may not gear or go net short. Each book has a maximum gross exposure of 150% and the maximum net exposure is 75%, thus focusing on stock-specific, rather than market, risk.

Managers operate primarily from London and have different areas of expertise, although they may invest in any area. They are all trained in the same investment methodology, however, based on the estimation of a business's intrinsic value and the predictability of free cashflow. All research focuses heavily on its competitive position (Porter's five forces) within its industry. They look to buy stocks significantly below intrinsic value. Short positions are independent, company-specific ideas shorted directly - there is no index hedging.

Stock selection drives the sector and country positioning (up to 20% in one area) as well as the size of the overall net long position. Net exposure has varied from 26% to 75% over the last 10 years. Oldfield retains the right to veto stocks but this has rarely been used.

Liquidity is monitored and initial positions are limited to 5% of NAV (long) and 4% (short) - the latter recently raised from 3%.

75% of NAV must be convertible to cash within three months. The fund size has been capped to ensure the managers can continue to operate at the micro-cap end of the universe. Around 40% of the portfolio is in companies capitalised below £200m.

The fund typically has a high cash balance (around 15%) to allow for flexibility in funding both investment opportunities and redemptions.

A 20% performance fee applies to all positive returns achieved, with a high-water mark, 50% of which will be re-invested in the fund.

Portfolio & performance analysis (February 2011)

The fund's net long position ranged between 45% and 56% over 2010, but at review had fallen back to 42%, partly as a result of cash coming into the fund, which had grown from £87m to £129m as a result of fund raising.

At underlying sector level, the portfolio continued to have its largest gross exposures to technology, industrials, media and construction, as well as property. The exposure to construction had increased from our snapshot a year ago, largely due to outperformance. As before, the portfolio tended to exclude areas such as pharmaceuticals, insurance and banks.

The number of holdings has decreased markedly over the last two years, from 187 (2009) to 91 (2010) to just 74 at review (April 2011), though interestingly this did not lead to a tightening of the top-10 concentration (36%, unchanged from last year). However, the top five holdings accounted for nearly 24% of the portfolio total and the top two for nearly 15% (Sto at 8.5% and Xing at 6%).The characteristic focus on less liquid small-cap stocks remained, though there was slightly reduced gross exposure to companies with a market-cap of below £200m (42% versus 49% previously).

Returns in 2010 were strong in absolute terms, but the fund trailed the Europe small-cap indices as net exposure remained around 50%. Both Sto and Xing contributed to good stock selection as the long book outperformed the HSBC Small Cap index, but implied returns from the short book were less compelling.

2009 performance was poor, reflecting a slow move to increase net long exposure and returns from the short book which concentrates on financially weak companies - exactly those that performed strongly in the cyclical rally. 2008 fell well short of target but was strong relative to the index and long-only peers, primarily due to the low net long exposure, which was only just over 10% in Q4; with such low exposure, better returns might have been expected.

Discrete performance (calendar years)

	2007	2008	2009	2010	YTD 31/01/2011
	%	%	%	%	%
Fund	9.1	-5.7	-1.6	18.4	2.9
Interest rate ^	5.9	5.8	1.3	0.6	0.1
Index**	3.1	-36.8	47.7	21.9	0.4

^ Citi GBP EuroDep 3 Mon GBP
** HSBC Eur Small Co TR GBP
Share class screened: IE0004515239 (GBP)

Portfolio characteristics (1 February 2011)

No. of holdings	91
Turnover ratio (%)	39
% in top 10	36

Key holdings

	%
Sto *	8.5
Xing *	6.0
Buzzi Unicem *	3.5
Kentz Corp *	3.1
LSL Property Services *	2.7
Informa *	2.6
JD Sports Fashion *	2.6
Diploma *	2.4
Trader Media East GDR *	2.4
Vib Vermoegen *	2.2

* In key holdings a year ago

Allocation breakdown

	%
Construction	17.1
Consumer	11.0
Energy	3.4
Financial	4.2
Food	2.9
Industrials	13.7
Leisure	4.1
Materials	1.7
Media	17.1
Property	6.4
Services	8.2
Technology	16.6
Telecommunications	5.1
Transport	2.4
Other	0.8

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Symbols and definitions

Long-only fund ratings
AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Fund-of-hedge-funds ratings
Absolute return fund ratings
Specialist fund ratings
AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Ucits III flexible beta fund ratings
AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

All fund ratings
Not Rated (NR) Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.
Under Review (UR) Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.
(New) Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.
Tenure Review (TR) The fund manager/team involved in the management of the fund does not currently have the minimum 12 months' relevant investment management experience required to be eligible to be considered for a rating.
Long-term fund management rating LTFMR The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

Bond fund volatility ratings
The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.
V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.
V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.
V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.
V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.
V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.
V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute return fund N ratings
The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.