Ennismore European Smaller Companies Fund

Investor Newsletter for the month of November 2005

Issued 8 December 2005

Important Notice

The number of shares in the Fund is currently limited to 3.85m. Further investments will only be accepted if shares become available through redemptions. Ennismore Fund Management is keeping a waiting list for investors wishing to subscribe for shares in the event of any redemptions. To be included on this list, please call Emily Allen on +44 20 7368 4218. Redemptions can be made through the administrator in the usual way.

Fund Details

Daily dealing UCITS and Irish Financial Services Regulatory Authority regulated open-ended investment company with FSA approval, registered in Ireland and listed on the Irish Stock Exchange. The Fund has an AA S&P Fund Research Fund Rating. The Fund size was £163.0m as at 30 November.

Performance as at 30 November 2005

	GBP			EUR			
	Fund NAV[1]	Fund NAV[2] % Change	HSBC Index[3] % Change	Fund NAV[1]	Fund NAV[2] % Change	HSBC Index[3] % Change	MSCI Index[4] % Change
November	**42.48**	**2.5**	**5.0**	**62.35**	**2.5**	**4.3**	**3.6**
October	41.43	- 5.2	- 5.4	60.84	- 5.1	- 4.8	- 2.8
September	43.70	3.3	5.1	64.12	3.7	5.5	4.4
August	42.29	3.2	0.4	61.85	4.1	1.2	- 0.2
July	40.98	6.6	7.4	59.40	4.4	5.3	4.1
June	38.43	4.7	3.9	56.90	5.0	4.1	3.5
May	36.71	2.1	6.0	54.21	1.6	5.6	5.0
Launch (27/01/99)	10.00			14.35			
1999	14.90	49.0	27.2	23.71	65.2	42.1	29.8
2000	20.21	35.7	- 3.3	31.84	34.3	- 4.7	- 2.2
2001	20.52	1.5	- 18.3	33.54	5.3	- 15.6	- 16.4
2002	21.49	6.2	- 19.8	32.98	- 0.3	- 24.8	- 29.4
2003	27.65	29.3	48.8	39.25	19.6	37.5	19.8
2004	34.15	23.5	24.6	48.24	22.9	24.4	12.2
2005 to date	**42.48**	**24.4**	**26.1**	**62.35**	**29.2**	**30.7**	**20.4**
Annualised return		**23.9**	**9.7**		**24.3**	**10.0**	**2.9**
Since launch (27/01/99)		**332.8**	**88.7**		**342.7**	**92.3**	**21.4**

[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, local currencies, total return. All performance figures net of fees.

Comments below on Performance are prior to expenses, exclude cash returns and refer to £ Sterling unless otherwise stated

The Fund's net asset value rose by 2.5% in November versus a gain of 5.0% in the smaller companies index. Our ARIN positions cost the Fund 1.3%, while our long book contributed 4.6%. In rising markets, our underlying net exposure of 58.2% weighed on the Fund's performance. Significant negative contributions came from Gulf Keystone (-0.3%), as the company abandoned one of its wells "after no oil flowed", and from Cewe Color (-0.2%). The stock with the largest contribution to performance was Charter (+1.8%) whose price jumped 27% following an upbeat trading statement and subsequent upgrade by a major brokerage house. Bijou Brigitte (+0.5%) and Washtec (+0.3%) also made significant gains following continued strong performance and, in Washtec's case, a broker's initiation of coverage with a "buy" rating.

Domino's Pizza – UK fast-food delivery During 2005 Domino's Pizza has further established itself as the clear leader in the pizza delivery market in the UK. The number of stores recently passed 400, significantly ahead of Pizza Hut, their only serious competitor as a national chain (with about 230 takeaway delivery stores). Scale is increasingly delivering competitive advantages. The advertising budget (4% of franchisee sales) can now be effectively used for TV campaigns, which build brand awareness and drive like-for-like sales growth ('03 +7%, '04 +7%, H1 '05 +8%). Domino's is the only player with enough delivery coverage to have deployed a national sales infrastructure, including web ordering which accounted for over 10% of sales in the first half of 2005 and is now beginning to enable a reduction in staffing levels in stores. With a national brand now in place and management entirely focussed on consolidating their market-leading position, the roll out should comfortably continue at 50 stores p.a. for several years to come. The franchise model benefits from huge operational gearing (the price earnings ratio is forecast to fall from about 20 times in '05, to 15 times in '06 and 12 times in '07) with only limited need for additional investment (c.£5m to build a third ingredients production plant in 2007 with a fourth required to take them beyond 800 stores). As a result most of the cashflow generated is not tied up in the future of the business and management is committed to returning this excess capital to shareholders, as shown by the buyback of £7m of shares in October. As an investor the combination of visible growth with limited capital requirements is very attractive and we believe the current market valuation underestimates the increasingly strong market position Domino's Pizza is building.

Top Five Long Holdings as at 30 November 2005

	Company	Country	Sector	% of NAV
1	Charter	UK	Engineering	7.4
2	TGS Nopec	Norway	Services	6.3
3	Monsoon	UK	Retail	3.2
4	Bijou Brigitte	Germany	Retail	3.0
5	Escada	Germany	Consumer	2.1
				22.0

Country, Market Cap & Sector Weightings as at 30 November 2005

Country	% of NAV
UK	25.0
Germany	19.5
Norway	18.1
Switzerland	4.0
Sweden	2.0
Denmark	2.2
Netherlands	2.4
Spain	1.4
Turkey	2.0
Greece	1.5
France	1.8
Finland	1.0
Italy	0.8
US	0.7
Other	2.7
Cash	19.4

Market Cap	% of NAV
>£1bn	17.2
£350m - £1bn	27.5
£100m - £350m	19.2
<£100m	21.2
Cash	19.4

Sector	% of NAV
Energy	11.7
Retail	10.1
Services	9.9
Engineering	8.5
Technology	6.9
Consumer	6.6
Financial	6.2
Media	6.0
Manufacturing	3.6
Construction	3.5
Leisure	2.4
Property	2.1
Transport	2.0
Machinery	1.5
Other	4.1
Cash	19.4

Portfolio Activity

Figures in brackets refer to previous month end

As at 30 November the Fund was invested in 175 (177) stocks. Through participation in the company's IPO, we opened a new position this month in a Turkish Bank, Vakifbank. We also built new positions in East Asiatic Company, a Danish manufacturer of food products, and in Is Leasing, a Turkish provider of diversified financial services. As the offshore energy market rebounded somewhat, we took the opportunity to reduce the Fund's positions in Fred Olsen Energy and in Aker Kvaerner. Of the positions held by the Fund at the end of the month 50 (45) were ARINs.

Outlook

Last week the European Central Bank increased interest rates for the first time in five years primarily in a response to inflation risks caused by oil prices. The ECB believes that economic growth will not be restrained by this increase in rates. However, there remain a large number of genuinely overlooked smaller companies where valuations still offer downside support even if an economic recovery fails to materialise or is weak. We believe the outlook for the Fund remains promising.

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