Ennismore European Smaller Companies Fund

Investor Newsletter for the month of January 2006

Issued on 8 February 2006

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 £177.5m as at 31 January.

Performance as at 31 January 2006

	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
January	**46.34**	**4.0**	**6.1**	**67.83**	**4.6**	**6.8**	**3.2**
December	44.54	4.9	5.1	64.82	4.0	4.2	3.8
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
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	44.54	30.4	32.6	64.82	34.4	36.3	24.9
2006 to date	**46.34**	**4.0**	**6.1**	**67.83**	**4.6**	**6.8**	**3.2**
Annualised return		**24.8**	**11.2**		**25.2**	**11.5**	**3.8**
Since launch (27/01/99)		**372.1**	**110.6**		**381.6**	**114.1**	**30.1**

[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 4.0% in January. In an extremely strong month for European equity markets, our long book contributed 6.5%, whilst our ARIN positions cost the Fund 1.3%. The largest contributor to performance was Offshore Rig Services (+0.7%) whose price was up by 48% this month after the company was awarded a three-year contract for one of its oil rigs. TGS Nopec (+0.5%) also made significant gains when the company issued a positive trading update, stating that revenues for 2005 would be up 48% versus earlier guidance of 30%. Other significant performance was attributed to Rella (+0.4%), Bjorge (+0.3%), Charter (+0.3%) and Vivacon (+0.3%).

Germanos – Greek Mobile Phone/IT Retailer

Originally a battery retailer, Germanos has rapidly become the leading mobile phone/products retailer and the leading IT retailer in Greece. The company is also the market leader in Eastern European retail telephony. Germanos has recently enjoyed 24% pa growth in contract telephony sales fees and rapid growth of fixed line fees at around 48% pa. The current handset replacement cycle is positive as demonstrated by group sales in the nine-month results to September 2005. Pre-tax earnings for domestic operations should continue growing at an average of 13% pa over the next two years supported by international expansion. Eastern European subsidiaries are rapidly reaching critical mass, hence Germanos should see gross margin expansion, leading to 18% earnings growth. Over the past five years, management have demonstrated an ability to tap new revenue streams in the domestic telephony market by exploiting churn between the networks, and abroad by securing airtime contracts in new markets. Positive potential catalysts for the stock include the recent airtime agreement with Cosmote in Romania in December 2005. We believe that, by the end of 2006, a similar long overdue airtime agreement may be signed in Poland. Further triggers for increased value creation may arise from optimisation of the balance sheet, which is inefficiently under-leveraged with net debt standing at 10% of market cap. We believe that management will gradually dispose of Germanos' non core operations, the Hellenic Duty Free Stores stake, the mobile operator in Uzbekistan and the battery business. Selling these at good prices could create further value for shareholders if returned as a special dividend. At €17 Germanos trades at 15 times 2007 estimated earnings per share. Medium term earnings visibility combined with a very strong balance sheet underpins a good margin of safety.

Top Five Long Holdings as at 31 January 2006

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	7.6
2	Bijou Brigitte	Germany	Retail	2.9
3	Monsoon	UK	Retail	2.8
4	Charter	UK	Engineering	2.6
5	Escada	Germany	Consumer	2.3
				18.2

Country, Market Cap & Sector Weightings as at 31 January 2006

Country	% of NAV
Norway	23.9
UK	20.0
Germany	18.2
Turkey	9.4
Switzerland	3.2
Netherlands	2.8
Greece	2.7
Denmark	2.7
Sweden	2.1
Italy	1.6
France	1.3
Poland	0.8
Ireland	0.7
US	0.6
Other	2.3
Cash	8.7

Market Cap	% of NAV
>£1bn	20.4
£350m - £1bn	28.1
£100m - £350m	21.8
<£100m	22.0
Cash	8.7

Sector	% of NAV
Energy	15.4
Retail	10.8
Financial	10.8
Services	10.5
Technology	7.1
Media	7.1
Consumer	5.7
Construction	3.9
Engineering	3.4
Manufacturing	3.3
Auto	3.1
Transport	2.6
Property	2.3
Food	1.3
Other	5.0
Cash	8.7

Portfolio Activity

Figures in brackets refer to previous month end

As at 31 January the Fund was invested in 189 (180) stocks. We opened a number of new positions including Mobilcom, a German telecommunications company, Vaisala, a Finnish developer of electronic measurement systems, Keops, a Danish real-estate investment company and Germanos. Noticeably, the Fund's Turkish and Norwegian exposures have increased significantly after both markets saw their major indices hit all-time highs towards the end of January. Post the month end we have taken profits, thus reducing our exposure to these two countries, and the Norwegian exposure in particular to below 20% . Following strong performance, we also took the opportunity to reduce the Fund's positions in Charter and in Washtec. Of the positions held by the Fund at the end of the month 43 (49) were ARINs.

Outlook

Economic indicators such as the European Manufacturing Prices Index and European Services Prices Index came close to their historical peaks in the second half of 2005. Soaring raw material prices suggest demand is beginning to outpace the supply of production inputs. Many companies are facing increasing cost pressures with no parallel pricing power, leading to inevitable earnings disappointments. Overcapitalised balance sheets, strong cash generation, corporate activity and sustainable growth prospects, however, still provide

For further information please contact:

Gerhard Schöningh	Ennismore Fund Management	(44) 20 7368 4221	gs@ennismorefunds.com
Geoff Oldfield	Ennismore Fund Management	(44) 20 7368 4223	go@ennismorefunds.com

For redemptions please contact:

Alison Morey	State Street International (Ireland) Ltd	(353) 1 853 8654	amorey@statestreet.com
David O'Leary	State Street International (Ireland) Ltd	(353) 1 853 8205	do'leary@statestreet.com

sufficient interesting investment opportunities. Consequently, we are finding good investments on both the long and short side and therefore believe the outlook for the Fund remains promising.

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