Ennismore European Smaller Companies Fund

Investor Newsletter for the month of April 2006

Issued on 9 May 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 A S&P Fund Research Fund Rating. The Fund size was £198.3m as at 30 April.

Performance as at 30 April 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
April	**51.73**	**4.2**	**1.7**	**74.65**	**4.9**	**2.5**	**0.6**
March	49.66	4.8	6.4	71.18	2.2	3.7	3.3
February	47.40	2.3	4.4	69.62	2.6	4.9	1.9
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
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	**51.73**	**16.1**	**19.9**	**74.65**	**15.2**	**19.1**	**9.4**
Annualised return		**25.8**	**12.7**		**25.9**	**12.8**	**4.5**
Since launch (27/01/99)		**427.1**	**137.9**		**430.0**	**138.7**	**37.8**

[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 4.2% in April. In a good month for European equity markets, our long book contributed 5.4%, and our ARIN positions a further 0.2%. The largest contributions came from CAMEC (Central African Mining & Exploration), +1.4%, and Petromena, +0.5%. CAMEC rose by 37% during the month, as potential investors met the company as part of their UK and US roadshow, whilst Petromena, Bjorge and TGS Nopec all rallied on higher oil prices and expectations of higher exploration spending by oil companies.

Quantica Plc - UK Recruitment Specialist

Quantica is a well managed, under valued stock in UK recruitment. It is valued at a market capitalisation of £47.5m and we expect them to generate £27m of Net Fee Income (NFI) and Operating Profit of around £6.7m for the year to November 2006. The conversion of Operating Profits from Net Fee Income at around 25% gives an indication of the well run, lean nature of the business compared to other small competitors. Quantica has shown good organic growth in recent years while also acquiring sensibly sized recruitment businesses at low valuations to create scale and diversification benefits. The acquisition of RK Group in August 2005 for £10m net of cash at a multiple of 6x historical operating profits (to April 2005) has created a step change in the size of the company, strengthening senior management and further diversifying sector exposure. The new entity now has solid niche positions in Training (27% of NFI, focussing on Government funded vocational qualifications), Healthcare (16% of NFI, specialising in care workers for care homes and qualified Social Workers) and Technology (8% of NFI), while also being present in the much larger Search & Selection, Finance and Legal markets (49% of NFI). The UK government is currently showing a keen interest in vocational training with the Learning Standards Council having a grant remit of over £1bn in this area and growing. Quantica has been able to show high single digit to low double digit percentage organic turnover growth in this structural growth sector while consolidating further through small bolt on acquisitions at low multiples. The company has a solid balance sheet with only £5.9m of debt as of November 2005 (including deferred consideration outstanding) compared to Operating Cash flow of around £4m that we expect for this financial year. The company is conservatively trading on a Price to Earnings ratio to the November 2006 financial year of less than 11 times with underlying earnings growth of over 20%. This stock should be trading on a higher Price to Earnings ratio to November 2006 in our view and we see upside of at least 30% over the next 12 months.

Top Five Long Holdings as at 30 April 2006

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Oil Services	7.0
2	CAMEC	UK	Mining	4.2
3	Petromena	Norway	Energy	3.6
4	ITV	UK	Media	2.9
5	Charter	UK	Engineering	2.1
				19.8

Country, Market Cap & Sector Weightings as at 30 April 2006

Country	% of NAV
Norway	25.2
UK	21.3
Germany	12.7
Turkey	6.1
Italy	3.5
Switzerland	3.3
Netherlands	2.4
Greece	2.2
France	1.7
Sweden	1.7
Denmark	1.7
US	1.0
Bermuda	0.9
Israel	0.8
Other	2.6
Cash	12.9

Market Cap	% of NAV
>£1bn	18.1
£350m - £1bn	27.4
£100m - £350m	20.7
<£100m	20.9
Cash	12.9

Sector	% of NAV
Energy	22.8
Technology	10.0
Media	9.6
Financial	8.0
Mining	5.2
Transport	4.4
Construction	4.0
Retail	3.8
Consumer	2.9
Engineering	2.7
Manufacturing	2.5
Services	2.4
Property	2.2
Medical	1.5
Other	5.1
Cash	12.9

Portfolio Activity

Figures in brackets refer to previous month end

As at 30 April the Fund was invested in 198 (204) stocks. We opened a number of new positions including Nexans, a French cabling manufacturer, and Baccou-Dalloz, a French manufacturer of protective industrial clothing. Following the extremely strong performance of the Norwegian oil services sector, we took the opportunity to close out our positions in Det Norske Oljeselskap and in Offshore Rig Services. The Fund's net exposure to Norway, allowing for the short positions underlying our ARINs, was 21.5% and it is our intention to reduce this net exposure to below 20%. Of the positions held by the Fund at the end of the month 39 (37) were ARINs.

Outlook

As equity markets continue to reach new levels they need to be approached with a degree of caution. Global interest rates and commodity prices are rising, raising concerns about inflationary pressures, whilst the price of gold is at a 25 year high, suggesting that investors may be seeking a safe haven. Conversely, European and US consumer spending have remained strong, whilst the level of European corporate activity remains buoyant with increasing availability of private equity funding. 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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