Ennismore European Smaller Companies Fund

Investor Newsletter for the month of September 2006

Issued on 6 October 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, call Emily Allen on +44 (0) 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 £175.2m as at 30 September.

Performance as at 30 September 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
September	**46.35**	**- 0.8**	**3.6**	**68.35**	**- 1.6**	**3.0**	**2.3**
August	46.72	- 1.4	1.3	69.43	0.1	2.9	2.4
July	47.40	- 0.7	- 1.3	69.35	0.5	- 0.1	1.3
June	47.72	- 4.0	- 0.1	69.03	- 4.7	- 1.1	1.1
May	49.73	- 3.9	- 6.6	72.45	- 2.9	- 5.7	- 5.0
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
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	**46.35**	**4.1**	**15.8**	**68.35**	**5.4**	**17.7**	**11.4**
Annualised return[5]		**22.4**	**11.5**		**22.9**	**11.8**	**4.5**
Since launch (27/01/99)		**372.3**	**129.9**		**385.3**	**135.8**	**40.4**

[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. [5] Since inception, to date.

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

The Fund's NAV fell by 0.8% in September. The performance in Euro terms was -1.6% as the Euro appreciated against Sterling by 0.6% over the month. Our long book cost the Fund 0.4% whilst the short exposure derived from ARIN and Contract for Difference (CFD) positions cost a further 0.7%. Significant negative performance came from TGS Nopec and CAMEC which cost the Fund 0.5% and 0.3% respectively. TGS fell in concert with the energy sector as the price of crude oil fell below USD60 a barrel, whilst shares in CAMEC have come under continued pressure this month. This follows news that production at one of its mines had been suspended, although we believe this to be a market overreaction.

Zetar plc – UK snacks producer

Zetar Plc has a fully diluted market capitalization of £59m and focuses on niche areas within the UK premium snacks market. The company is expected to generate around £100m of turnover for the year to April 2007, with an 8% operating margin, and currently has three main parts to the business - Kinnerton, Readifoods and Humdinger. Kinnerton is the largest part of the business with around 60% of turnover and produces specialist chocolate products aimed at the adult market. Kinnerton also produces licensed chocolates under various well known cartoon TV & Film brands (around 20% of group turnover) which provide a steady, lower growth part of the business. Readifoods accounts for 15% of turnover and is a specialist dried fruit and nut producer, selling mainstream nut products alongside faster growth products including coated nuts and dried fruits, where growth is helped by increasing demand for healthy yet flavoursome snack options. Operating margins in this part of the group are lower (around 6%) but Readifoods also gives access to skilled personnel which can help other parts of the group's product development. Finally Humdinger, with 25% of turnover, is a specialist in making and distributing premium quality and organic dried fruit products and is currently the fastest growing part of the business (over 10% growth year on year). We believe that the potential demand for this type of product is substantial as consumers interests continue to change. The combination of these three businesses allows Zetar Plc to leverage the different specialisations and create innovative products to support future growth.

We believe that the management's acquisition strategy has been well executed so far where the mixture of a mainstream chocolate business with higher growth elements is combined with healthier product businesses benefiting from the structural changes in demand. The management and employees are well aligned with shareholders, owning around 30% of the company, which has been reflected by management's shrewdness thus far in paying Enterprise Value to Operating Profit multiples ranging from 5.3 – 8.2 times based on last reported earnings (Humdinger at 8.2 times last reported earnings goes to 6 times for the year to September 2006). Further acquisitions are likely in the healthier end of the snack market to add to the organic growth already expected and we are confident that these will further enhance the company's organic growth potential. The company is trading on a Price-Earnings ratio of 11.5 times 2007 estimated earnings which we believe undervalues the potential of the group's product offering as well as the further opportunities to grow the business externally, using a strong underleveraged balance sheet. We conservatively expect a minimum upside of 15% over the next 12 months.

Top Five Long Holdings as at 30 September 2006

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	4.8
2	Petromena	Norway	Energy	3.7
3	ITV	UK	Media	3.4
4	Charter	UK	Engineering	2.4
5	CAMEC	UK	Mining	2.0
				16.3

Exposure as at 30 September 2006

Longs %	Shorts %	Gross Exposure %	Net Exposure %
61.8	37.6	99.4	24.2

Exposure by Country, Market Cap and Sector as % of NAV as at 30 September 2006

Country	Gross%	Net%
Belgium	0.3	0.3
Canada	1.0	-1.0
Denmark	1.6	0.6
France	1.0	0.8
Germany	12.3	7.2
Italy	2.5	0.7
Luxembourg	1.7	1.0
Netherlands	4.7	-0.2
Norway	23.1	16.3
Spain	2.7	-2.7
Sweden	2.5	-0.6
Switzerland	5.3	-1.2
UK	30.7	7.3
US	6.6	-3.8
Other	3.4	-0.5

Market Cap	Gross%	Net%
>£1bn	30.8	-8.0
£350m - £1bn	26.4	-1.3
£100m - £350m	21.9	13.9
<£100m	20.3	19.6

Sector	Gross%	Net%
Construction	3.3	1.3
Consumer	3.7	-0.2
Energy	16.3	13.4
Engineering	3.2	2.0
Financial	5.3	0.0
Manufacturing	4.2	0.0
Media	13.2	8.3
Mining	3.4	2.3
Property	6.5	0.0
Retail	4.1	-1.1
Semiconductors	1.1	-1.1
Services	7.7	3.8
Technology	11.6	0.3
Transport	6.8	-1.8
Other	9.0	-3.0

Portfolio Activity (Figures in brackets refer to previous month end)

As at 30 September the Fund was invested in 198 (180) stocks. Major purchases over the month included Sto, a German manufacturer of construction materials, and a new position in Umbro, a UK sports equipment retailer. The Fund also took the opportunity to close out its position in Trader Classified Media. The net exposure was reduced, mostly as a result of new CFD positions which offer short exposure.

Outlook

Due to the ability of the Fund to obtain both long and short equity exposure we are in a position to take advantage of investment opportunities that arise irrespective of the prevailing macroeconomic conditions. Therefore we believe that the outlook for the Fund remains promising.

For further information please contact:

Geoff Oldfield	Ennismore Fund Management	+44 (0) 20 7368 4223	go@ennismorefunds.com

For redemptions please contact:

Daryl McGrath	State Street International (Ireland) Ltd	+353 (0) 1 853 8648	D.McGrath@statestreet.com