Ennismore European Smaller Companies Fund

Investor Newsletter for the month of November 2006

Issued on 8 December 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 £176.3m as at 30 November. The Fund is managed as an absolute return fund with the objective of generating positive returns irrespective of market conditions rather than performing relative to any benchmark index. Index data is provided in the following table as a guide to general equity market conditions.

Performance as at 30 November 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
November	**47.49**	**1.0**	**3.0**	**70.47**	**0.3**	**2.4**	**-0.1**
October	47.01	1.4	3.4	70.25	2.8	4.7	3.0
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
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	**47.49**	**6.6**	**23.5**	**70.47**	**8.7**	**26.0**	**14.6**
Annualised return[5]		**22.3**	**12.1**		**22.8**	**12.6**	**4.8**
Since launch (27/01/99)		**383.9**	**145.0**		**400.4**	**152.6**	**44.4**

[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 rose by 1.0% in November. The performance in Euro terms was 0.3% as the Euro appreciated against Sterling by 0.7% over the month. Our long book contributed 2.5% whilst the short exposure produced a negative performance of -1.4%. The best contributions were from Central African Mining & Exploration (CAMEC) (+0.5%) and MPF (+0.4%) respectively. Cobalt processor CAMEC's share price rose by 28%, as the price of the metal soared during November, whilst MPF's shares strengthened by 32%. There were no significant negative performers.

Trader Media East -

Trader Media East (TME) publishes classified advertising titles in Eastern Europe and, most significantly, the former CIS, which accounts for over 80% of overall profits. Its lead title Iz Ruk v Ruki (From Hand to Hand) is the leading generalist title in Russia accounting for 10% of all print advertising in the country. Founded in Moscow in 1991 the publication is gradually being rolled out across the regions of the former CIS. In many areas there is no existing competition, a role traditionally filled in Western Europe by a strong local press. As the title reaches critical mass in an area publications dedicated to a particular advertising category (e.g. property, cars or jobs) with higher production values are issued. Importantly, while Moscow accounts for almost half the revenue generated in the former CIS (and a third of overall revenue) it holds less than 5% of the total population, implying significant growth can come from expansion across the region. By leading the development of this market TME has built a very strong competitive position. Even in the highly developed Moscow region there is only one serious competitor and TME has a share of over 60% in both main categories, property and cars. Classified advertising media are effectively marketplaces where sellers advertise and buyers come to compare products. As such liquidity is essential and tends to drive a virtuous circle - with most sellers advertising where most buyers are looking, and most buyers looking where most sellers are advertising. It is therefore difficult for an established incumbent to be overtaken without massive investment by a competitor. The combination of a strong competitive position in rapidly developing economies was recognised in its valuation at its Initial Public Offering in February when TME sold at a share price of $13. However management were quickly forced to downgrade revenue growth guidance for 2006 due to weak trading in both Moscow and Hungary. While the trend in both regions has improved as the year progressed overall organic growth will come in at only 6-9%, below recent historic rates. In Hungary the main issue is the general economy and therefore any recovery is hard to predict. However, in Moscow, legislation which severely curtailed new property development, and hence advertising, has now been reversed and this should see overall organic growth back into double digits next year. Operating margins have been impacted this year by investment in colour production in Moscow and the growing importance of the former CIS regions, where margins are lower because all sales are generated internally. While growth in the regions will continue, the impact on margins will be largely offset by the rapid expansion of higher margin online operations, which are currently only c.5% of revenues. Margins should therefore now stabilise around 25%. At less than $8 a share TME is trading on a Price-Earnings ratio of about 13 times estimate 2007 earnings. Applying an appropriately high discount rate for the fact that the business is predominantly based in the former CIS, we believe the company is trading at least 40% below its fair value.

Top Five Long Holdings as at 30 November 2006

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	5.5
2	Petromena	Norway	Energy	4.2
3	ITV	UK	Media	3.3
4	Charter	UK	Engineering	2.5
5	Trader Media East	Netherlands	Media	2.3
				17.8

Exposure as at 30 November 2006

Longs %	Shorts %	Gross Exposure %	Net Exposure %
72.9 (65.6)	41.1 (37.0)	114.0 (102.6)	31.8 (28.6)

Figures in brackets refer to previous month end

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

Country	Gross%	Net%
Belgium	0.4	0.3
Canada	0.4	-0.4
Denmark	1.9	0.5
France	1.8	1.5
Germany	14.0	8.8
Italy	4.0	2.1
Luxembourg	1.5	1.5
Netherlands	5.6	0.3
Norway	27.8	19.1
Spain	2.5	-2.5
Sweden	4.7	-1.2
Switzerland	6.5	-0.5
UK	29.6	8.6
US	9.6	-6.2
Other	3.7	-0.1

Market Cap	Gross%	Net%
>£1bn	39.9	-3.7
£350m - £1bn	23.7	-3.6
£100m - £350m	28.5	18.4
<£100m	21.9	20.7

Sector	Gross%	Net%
Construction	4.2	2.2
Consumer	3.1	0.2
Energy	20.6	16.4
Engineering	3.4	1.8
Financial	6.1	0.7
Manufacturing	4.7	0.2
Media	16.1	9.5
Mining	3.6	2.7
Property	7.0	-0.5
Retail	4.7	-1.1
Semiconductors	1.1	-1.1
Services	9.4	4.5
Technology	13.7	-1.5
Transport	6.7	-0.8
Other	9.6	-1.4

Portfolio Activity (Figures in brackets refer to previous month end; * = positions >0.5% of NAV)

As at 30 November the Fund was invested in 70 (64)* stocks. This month, the Fund opened new positions in Petroplus Holdings, a Swiss petroleum company, and in Raven Mount, a UK property and investment company, following private placings.

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.

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