Ennismore European Smaller Companies Fund

Investor Newsletter for the month of February 2007

Issued on 7 March 2007

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 £169.9m as at 28 February. 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 28 February 2007

	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
February	**47.85**	**1.3**	**0.7**	**70.99**	**-0.2**	**-0.9**	**-1.4**
January	47.23	-2.2	2.0	71.22	-0.6	3.6	1.6
December	48.28	1.7	5.7	71.66	1.7	5.7	3.9
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
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	48.28	8.4	30.5	71.66	10.6	33.2	24.9
2007 to date	**47.85**	**-0.9**	**2.7**	**70.99**	**-0.9**	**2.7**	**0.2**
Annualised return[5]		**21.7**	**12.9**		**22.2**	**13.3**	**5.2**
Since launch (27/01/99)		**387.5**	**165.9**		**404.0**	**174.1**	**50.2**

[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 1.3% this month. In a volatile period for equity markets, our long book produced a performance of 0.6% whilst the short book contributed 0.8%. In Euro terms, the NAV declined by 0.2% as the currency appreciated against Sterling.

Tamedia – Swiss newspaper publisher

Tamedia is the leading publisher of newspapers in German-speaking Switzerland. Its flagship quality daily Tagesanzeiger is the largest Swiss daily by advertising revenues and the largest title by readership in the broadsheet segment. 20 Minuten is the leading Swiss commuter freesheet. It is the most widely read Swiss newspaper with over 1 million readers and has a reach of 25% unmatched by any other commuter freesheet internationally. Further regional editions in both German and French speaking Switzerland are being launched. This is putting considerable pressure on neighbouring regional newspapers, which Tamedia is increasing further as it launches five regional editions of Tagesanzeiger in the Zurich region. Competing regional papers currently sell 110,000 copies compared to Tagesanzeiger's 230,000. We are confident that Tamedia's superior economies of scale both on the advertising and editorial side will allow it to gain a significant part of this market over the next three to five years. The recovery in job advertising to which Tamedia is highly geared is still young and gaining momentum, with job advertising up 19% in January 2007, following a 13% increase in 2006. Despite high launch costs for new editions at 20 Minuten and Tagesanzeiger, the upturn in advertising will lead to continued strong earnings growth. Adjusting for net cash representing 17% of current stock market value by 2007, Tamedia trades on only twelve times estimated 2007 earnings. Its excellent franchise and good growth prospects should lead to a re-rating.

Top Five Long Holdings as at 28 February 2007

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	6.1
2	Trader Media East	Netherlands	Media	4.2
3	ITV	United Kingdom	Media	3.3
4	Charter	United Kingdom	Engineering	2.5
5	Petromena	Norway	Energy	2.3
				18.4

Exposure as at 28 February 2007

Longs %	Shorts %	Gross Exposure %	Net Exposure %
79.7 (77.0)	43.2 (42.0)	122.9 (119.0)	36.6 (35.0)

Figures in brackets refer to previous month end

Exposure by Country, Market Cap and Sector as % of NAV as at 28 February 2007

Country	Gross%	Net%
Belgium	0.4	0.4
Canada	0.3	-0.3
Denmark	1.9	0.1
France	1.6	1.3
Germany	14.0	10.5
Italy	4.0	2.0
Luxembourg	1.8	1.8
Netherlands	7.8	2.8
Norway	27.8	17.3
Spain	2.5	-2.5
Sweden	7.9	2.1
Switzerland	7.9	-1.8
UK	30.5	7.7
US	10.2	-5.8
Other	4.1	1.1

Market Cap	Gross%	Net%
>£1bn	46.5	-2.9
£350m - £1bn	25.2	0.9
£100m - £350m	31.3	19.7
<£100m	19.9	18.9

Sector	Gross%	Net%
Construction	4.1	1.9
Consumer	3.6	0.9
Energy	22.0	16.7
Engineering	3.6	1.6
Financial	6.7	0.4
Manufacturing	6.7	2.1
Media	18.2	12.3
Mining	3.0	2.1
Property	6.5	-2.1
Retail	5.8	-0.3
Semiconductors	0.9	-0.9
Services	10.7	4.5
Technology	15.2	0.0
Transport	7.8	-1.1
Other	8.2	-1.8

Portfolio Activity

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

As at 28 February the Fund was invested in 83 (74) stocks*. This month the Fund's gross exposure was increased as we took the opportunity to increase positions in both the long and short book. Purchases in the month included Deutsche Land, a German property investment company, and Quarto, a British publisher of illustrated books.

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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