Ennismore European Smaller Companies Fund

Investor Newsletter for the month of March 2007

Issued on 10 April 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 £176.2m as at 31 March. 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 31 March 2007

Period	GBP Fund NAV[1]	GBP Fund NAV[2] % Change	GBP HSBC Index[3] % Change	EUR Fund NAV[1]	EUR Fund NAV[2] % Change	EUR HSBC Index[3] % Change	MSCI Index[4] % Change
March 2007	**48.99**	**2.4**	**5.2**	**72.18**	**1.7**	**4.5**	**3.2**
February 2007	47.85	1.3	0.7	70.99	-0.2	-0.9	-1.4
January 2007	47.23	-2.2	2.0	71.22	-0.6	3.6	1.6
December 2006	48.28	1.7	5.7	71.66	1.7	5.7	3.9
November 2006	47.49	1.0	3.0	70.47	0.3	2.4	-0.1
October 2006	47.01	1.4	3.4	70.25	2.8	4.7	3.0
September 2006	46.35	- 0.8	3.6	68.35	- 1.6	3.0	2.3
August 2006	46.72	- 1.4	1.3	69.43	0.1	2.9	2.4
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	**48.99**	**1.5**	**8.0**	**72.18**	**0.7**	**7.3**	**3.4**
Annualised return[5]		**21.8**	**13.4**		**22.2**	**13.8**	**5.5**
Since launch (27/01/99)		**399.2**	**179.8**		**412.5**	**186.4**	**55.0**

[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 2.4% this month in Sterling and 1.7% in Euro terms. Our long book and short exposure produced performances of 3.7% and -0.9% respectively. The best performer was TGS Nopec which contributed 0.7% following positive comments on the oil services sector by major brokerage houses.

Maritime Industrial Services – A Norwegian offshore services shipyard

Maritime Industrial Services ("MIS") was founded in 1979 and has a long profitable track record in the oil services industry. In the 1980s, MIS developed a niche position in drilling rig repair and maintenance, and oilfield safety services. In the 1990s, the company expanded into offshore pipeline construction, and established itself as a significant vendor of offshore services in the Middle East. In 2006, the company went from repairing and servicing jack-up rigs to also building rigs. The company has orders for two jack-up rigs to be delivered in 2008 (both units are well ahead of schedule); additionally MIS has available production capacity to build another 6-8 rigs by the year 2010.

Its traditional businesses (all of the above, except the building of jack-ups) are relatively stable and low risk. Going forward, we conservatively estimate these businesses to have revenues of USD 120-140m, no growth, and stable operating profit margins of 10-11% over the next 4-5 years. The main reason for assuming no growth is the anticipated displacement of the traditional businesses in favour of building jack-ups (MIS have limited dry docks and human resources).

As for building jack-up rigs, we forecast that MIS will sell 3 out of its 6-8 available production slots until 2010. This forecast is conservative and based on the current strong demand for premium jack-ups, especially in Saudi Arabia and the rest of the Middle East. Presently, the world's jack-up fleet counts 397 units with an average age of 25 years. Most jack-ups were built in the early 1980s, and these units will increasingly face technical and environmental limitations compared to newer jack-ups. The current order book for jack-ups to be delivered over the next three years totals 63 units (15-16% of the current fleet). Since jack-ups are much simpler and faster to build than deep water semi-submersible rigs, and current jack-up day rates offer pay-back times of 2.5-3.0 years, we believe that the high level of jack-up construction will continue beyond the three next years.

The company had revenues of USD 177m and net profits of USD 19.4m in 2006. With management owning 50% of the company, their interests are closely aligned with those of other shareholders. We estimate that approximately one third of free cash flow will be paid out to shareholders as dividends, and two thirds will be used for acquisitions of current suppliers and businesses close to their value chain. The company has a market cap of USD 184m and net cash of USD 50m. The resultant price earnings multiples and enterprise value / EBITDA compare very favourably to those of other marine construction yards, especially its closest peer, UK listed Lamprell:

	MIS	Rig Builders	Oil Services	Lamprell
Price Earnings 2007 (est)	7.3 times	18.8 times	15.0 times	20.2 times
Price Earnings 2008 (est)	4.3 times	14.0 times	11.5 times	20.7 times
Enterprise Value / EBITDA 2007 (est)	5.8 times	9.1 times	9.0 times	16.5 times
Enterprise Value / EBITDA 2008 (est)	3.5 times	7.2 times	7.3 times	15.0 times

On the back of its very favourable multiples and excess cash, we believe the MIS share price will appreciate by 40-50% in the next 12 months.

Top Five Long Holdings as at 31 March 2007

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	6.5
2	Trader Media East	Netherlands	Media	4.2
3	ITV	United Kingdom	Media	3.0
4	Charter	United Kingdom	Engineering	2.5
5	STO	Germany	Construction	2.2
				18.4

Exposure as at 31 March 2007

Longs %	Shorts %	Gross Exposure %	Net Exposure %
80.1 (79.7)	41.4 (43.2)	121.5 (122.9)	38.7 (36.6)

Figures in brackets refer to previous month end

Exposure by Country, Market Cap and Sector as % of NAV as at 31 March 2007

Country	Gross%	Net%
Belgium	0.4	0.4
Canada	0.3	-0.1
Denmark	2.0	-0.1
France	1.5	1.3
Germany	16.0	11.4
Italy	4.0	2.1
Luxembourg	2.3	2.3
Netherlands	7.8	3.2
Norway	27.1	16.6
Spain	2.7	-2.7
Sweden	8.3	2.5
Switzerland	7.7	-2.0
UK	28.5	6.6
US	8.6	-4.0
Other	4.3	1.2

Market Cap	Gross%	Net%
>£1bn	47.0	-0.4
£350m - £1bn	22.2	0.3
£100m - £350m	32.2	19.4
<£100m	20.1	19.5

Sector	Gross%	Net%
Construction	4.7	2.4
Consumer	5.2	1.4
Energy	22.6	16.2
Engineering	3.6	1.4
Financial	6.9	1.2
Manufacturing	6.5	2.8
Media	17.9	11.8
Mining	0.9	0.2
Property	6.2	-2.0
Retail	5.4	0.4
Semiconductors	0.9	-0.9
Services	9.6	7.1
Technology	15.3	0.9
Transport	7.7	-1.9
Other	8.1	-2.3

Portfolio Activity

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

As at 31 March the Fund was invested in 86 (83)* stocks. During the month we sold the Fund's holding in CAMEC outright.

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 dealing please contact:

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