Ennismore European Smaller Companies Fund

Investor Newsletter for the month of April 2007

Issued on 8 May 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 £183.9m as at 30 April. 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 April 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
April 2007	**50.41**	**2.9**	**4.2**	**73.87**	**2.3**	**3.6**	**4.1**
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
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	19.1
2007 to date	**50.41**	**4.4**	**12.5**	**73.87**	**3.1**	**11.1**	**7.6**
Annualised return[5]		**21.9**	**13.8**		**22.2**	**14.1**	**6.0**
Since launch (27/01/99)		**413.6**	**191.4**		**424.5**	**196.5**	**61.3**

[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 2.9% this month in Sterling and 2.3% in Euro terms. Our long book contributed 4.5% whilst the Fund's short exposure cost us -0.9%. The best performers were Sto, which contributed 1.3% with the publication of extremely good figures (see stock comment below), and Charter (+0.4%). There were no significant negative performers.

Sto – German producer of construction materials.

Sto is a leading producer of construction supplies comprising façade insulation, restoration and coating products. The company has a big emphasis on innovation and R&D and sells its products directly to a highly fragmented customer base. From its base in southern Germany the company has gradually grown its profitable operations in Europe, America and Asia, with 52% of its 2006 sales of EUR855m coming from abroad. In the eight years of recession in the German construction industry Sto managed to hold organic sales flat, thus increasing its market share significantly. Additionally Sto acquired a major German competitor in 2002 incurring a high level of debt. Luckily a new Finance Director in 2004 complemented Sto's excellent products and customer service with an emphasis on strong financial disciplines, cost cutting and the generation of free cash. Sto has an interesting cost structure, with high value-added and high fixed costs. In 2006 the non-German operations continued to grow nicely and profitably, but the star performer was the German sales growing by 6% in H1 and 23% in H2. This huge pick-up in demand combined with a flat fixed cost base (domestic staff levels remained flat) led to a near doubling in the operating profit margin to 8.5%. The only fly in the ointment is the holders of the ordinary unquoted shares who made a highly opportunistic offer for all of the non-voting quoted preference shares in the summer of 2005 at a paltry EUR21. Ennismore was instrumental in defeating this opportunistic offer to take the company private. Poor investor relations have since turned completely frosty – only one minor brokerage covers the shares. Nevertheless the share price has since trebled to EUR64. At this price Sto's historic price earnings ratio is less than 11 times, with a low level of debt. We expect further good sales growth and margin expansion and the outlook for the shares remains bright.

Top Five Long Holdings as at 30 April 2007

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	6.2
2	Trader Media East	Netherlands	Media	4.0
3	STO	Germany	Construction	3.4
4	Charter	United Kingdom	Engineering	2.8
5	Petromena	Norway	Energy	2.2
				18.6

Exposure as at 30 April 2007

Longs %	Shorts %	Gross Exposure %	Net Exposure %
80.1 (80.1)	40.1 (41.4)	120.2 (121.5)	40.0 (38.7)

Figures in brackets refer to previous month end

Exposure by Country, Market Cap and Sector as % of NAV as at 30 April 2007

Country	Gross%	Net%
Belgium	0.4	0.4
Canada	0.5	-0.4
Denmark	2.0	-0.3
France	2.0	1.8
Germany	17.4	12.9
Italy	4.0	2.0
Luxembourg	2.0	2.0
Netherlands	7.8	3.0
Norway	26.7	15.9
Spain	2.7	-2.7
Sweden	8.5	2.8
Switzerland	7.8	-1.8
UK	26.7	5.6
US	8.5	-3.7
Other	3.2	2.5

Market Cap	Gross%	Net%
>£1bn	46.2	-1.5
£350m - £1bn	19.9	1.4
£100m - £350m	33.0	19.5
<£100m	21.1	20.6

Sector	Gross%	Net%
Construction	6.7	4.5
Consumer	5.3	1.3
Energy	22.6	15.5
Engineering	4.0	1.6
Financial	6.8	1.1
Manufacturing	5.6	2.4
Media	15.6	10.2
Mining	0.9	0.1
Property	5.8	-1.7
Retail	6.1	1.5
Semiconductors	1.0	-1.0
Services	9.8	7.5
Technology	15.7	0.3
Transport	6.4	-0.9
Other	7.9	-2.4

Portfolio Activity

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

As at 30 April the Fund was invested in 82 (86)* stocks. The Fund's net exposure increased slightly, primarily as a consequence of market movements. As the stock strengthened during April, we took the opportunity to reduce the Fund's holding in ITV.

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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