Ennismore European Smaller Companies Fund

Investor Newsletter for the month of July 2007

Issued on 3 August 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 £190.5m as at 31 July. 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 July 2007

	GBP			EUR			
Period	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
July 07	**51.66**	**0.5**	**-1.6**	**76.69**	**0.5**	**-1.5**	**-3.5**
June 07	51.39	1.5	-3.3	76.34	2.6	-2.5	-0.7
May 07	50.64	0.5	2.5	74.44	0.8	3.0	3.2
April 07	50.41	2.9	4.2	73.87	2.3	3.6	4.1
March 07	48.99	2.4	5.2	72.18	1.7	4.5	3.2
February 07	47.85	1.3	0.7	70.99	-0.2	-0.9	-1.4
January 07	47.23	-2.2	2.0	71.14	-0.7	3.6	1.6
December 06	48.28	1.7	5.7	71.66	1.7	5.7	3.9
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	-3.2	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	-24.7	-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	**51.66**	**7.0**	**9.8**	**76.69**	**7.0**	**9.8**	**6.3**
Annualised return[5]		**21.6**	**13.1**		**22.0**	**13.5**	**5.6**
Since launch (27/01/99)		**426.4**	**184.4**		**444.6**	**193.2**	**59.5**

[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 refer to GBP unless otherwise stated

The Fund's NAV increased by 0.5% in July. Our long book cost -1.8% while the Fund's short exposure contributed 2.2%. Implied returns[1] were -2.2% on the long book and -5.7% on the short book, compared to a fall of -1.6% in the HSBC index. There were no significant gains in the long book but two of our short positions contributed 0.4% and 0.3% respectively.

Studsvik AB - a Swedish supplier of services to the international nuclear industry.

Studsvik has sixty years experience of nuclear technology and services, employing 1,200 people in seven countries. The company has four strategic business areas: Waste Treatment (42% of 2006 sales), Decommissioning (15%), Operating Efficiency and Safety (14%), and Service and Maintenance (22%). Studsvik also owns 50% of THOR Treatment Technologies (TTT) in the US. Key customers include fuel vendors, utilities, governments, nuclear power plants and construction companies.

The market for nuclear services suffered during the 1990s as globally the industry held back from large amount of planned capacity expansion. Over the past few years higher energy prices have again made it profitable for nuclear power plant operators to invest in their operations, to increase fuel efficiency and power output, and to add new capacity. The industry is also seeing a trend towards early decommissioning, with governments accelerating this process instead of leaving old plants for future generations. The National Decommissioning Agency, set up in the UK in 2005, is a clear sign of this trend, which is also gaining ground in the US, Germany, France and Italy. The International Atomic Energy Agency estimates about 160 reactors will be decommissioned between 2010 and 2015, an increase of roughly 50% over the current annual run rate. Both these trends favour Studsvik where we estimate

[1] Implied returns are calculated by grossing up the contribution on the long and short books to show what the performance would be if they represented 100% of the portfolio. For example if the long book contributed 5% to performance but only represented 50% of the fund, the implied return would be 10%. A negative implied return on the short book gives a positive contribution to the fund since short positions profit when underlying prices fall.

50% of revenues are generated from fuel efficiency software (Studsvik is the global market leader with a market share of over 50%), waste treatment and service/maintenance. The remaining revenue is generated from decommissioning related activities.

In addition to the power industry there are large quantities of hazardous waste from nuclear weapons production and other nuclear development work. This expands Studsvik's addressable market - TTT works in this area in the US. The substitute to waste treatment would be to send more material for storage, an expensive and politically sensitive solution. Studsvik's unique and patented treatment process of wet hazardous waste (THOR) is used by TTT and expansion into the European market is being planned. Barriers to entry are high, qualified personnel is scarce, and the company operates in a highly regulated environment. Following a restructuring and change of management in 2005 the company is focusing on qualified services, divesting low margin businesses and aiming at becoming more flexible in the utilization of its workforce. The newly appointed Chairman, Anders Ullberg (formerly of SSAB), is likely to add significant experience to this process.

We expect margins to double from 5.8% in 2006 to 11.6% by 2008, mainly driven by the focus on high margin services, restructuring starting to bite, and increasing capacity and volumes. On our estimates, Studsvik's shares are trading at 13.7 times 2008 earnings, with a free cash flow yield of 7%. Interestingly, the 50% stake in TTT does not show up in Studsvik's balance sheet or P&L, as until last year the venture generated losses. From 2007-08 onwards, however, we expect TTT to contribute positively to earnings, although this is not in our current estimates. Taking into account a cautious valuation of Studsvik's share in TTT, Studsvik's price earnings ratio would fall to 11 times estimated 2008 earnings. We consider this valuation to be much too conservative given the company's strong market position, growth opportunities and margin potential. We believe there is at least 30-40% upside to Studsvik's share price.

Top Five Long Holdings as at 31 July 2007

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	4.8
2	Trader Media East	Netherlands	Media	4.7
3	Atlantia	Italy	Services	3.7
4	Sto	Germany	Construction	3.5
5	Petromena	Norway	Energy	2.6
				19.3

Exposure as at 31 July 2007

Longs %	Shorts %	Gross Exposure %	Net Exposure %
82.4 (84.4)	39.0 (40.2)	121.3 (124.6)	43.4 (44.2)

Figures in brackets refer to previous month end

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

Country	Gross%	Net%
Belgium	0.4	0.4
Canada	0.2	-0.1
Denmark	2.4	-0.9
France	4.6	3.4
Germany	14.5	12.1
Italy	6.3	3.7
Luxembourg	1.8	1.8
Netherlands	7.4	4.0
Norway	25.2	14.2
Spain	1.5	-1.5
Sweden	7.5	3.6
Switzerland	8.5	-1.4
UK	27.9	6.4
US	8.7	-4.4
Other	4.4	2.1

Market Cap	Gross%	Net%
>£2bn	24.8	-2.1
£700m - £2bn	26.0	0.8
£200m - £700m	32.3	17.1
<£200m	38.2	27.6

As of this month we have updated the market cap bands used to analyse portfolio exposure. This has been done to better reflect the underlying increase in asset values as the bands had not been adjusted since inception. Each band has been doubled, compared to an increase of almost 200% in the HSBC index.

Sector	Gross%	Net%
Construction	4.9	4.9
Consumer	5.3	2.3
Energy	20.3	13.4
Engineering	4.1	0.8
Financial	8.7	-0.2
Manufacturing	7.3	3.3
Media	17.9	10.8
Mining	0.5	0.5
Property	4.6	1.3
Retail	5.1	2.0
Semiconductors	1.0	-1.0
Services	12.7	10.6
Technology	14.8	1.2
Transport	3.7	-1.0
Other	10.4	-5.5

Portfolio Activity

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

At 31 July the Fund was invested in 83 (87)* stocks. Gross and net exposures were broadly unchanged over the month.

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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