Ennismore European Smaller Companies Fund

Investor Newsletter for the month of October 2007

Issued on 5 November 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 Financial Services Authority approval, registered in Ireland and listed on the Irish Stock Exchange. The Fund size was GBP 183.6m as at 31st October. 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 October 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**
October 07	**51.43**	**-0.3**	**3.8**	**73.85**	**-0.1**	**3.8**	**2.9**
September 07	51.61	1.4	-0.2	73.94	-1.8	-3.2	1.7
August 07	50.89	-1.5	-3.0	75.30	-1.8	-3.3	-0.5
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
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	**51.43**	**6.5**	**10.3**	**73.85**	**3.1**	**6.7**	**10.8**
Annualised return[5]		**20.8**	**12.7**		**20.8**	**12.7**	**6.0**
Since launch (27/01/99)		**424.0**	**185.7**		**424.4**	**184.8**	**66.1**

[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 fell by 0.3% in October. Our long book contributed 0.4% while the short exposure cost the Fund 1.0%. Implied returns[1] were 0.4% on the long book and 1.9% on the short book, compared to an increase of 3.8% in the HSBC index.

In a mixed month there were significant positive and negative contributions from individual positions on both the long and short side. The largest single contribution of 1.6% came from our biggest short position, a supplier to the renewable energy sector. The company is a classic short case, combining aggressive accounting, an uncertain and changing business model and a high valuation. Management were forced to massively downgrade 2007 profit expectations during the month and also admitted that plans to increase the company's vertical integration up the value chain had not been realised. The share price halved in October.

Another major short position, mentioned in last month's newsletter, rose very significantly, costing the fund 0.7%. This telecom services provider settled two major lawsuits which removed the immediate uncertainty over its future. However the settlements included significant compensation payments by the company which have left it with no net cash. The operation remains heavily loss-making and we believe it is very likely that it will be forced into bankruptcy in 2008.

On the long side the most significant attribution (-1.0%) came from TGS Nopec, which was down 18.5% on the month. The company reported weaker than expected Q3 revenues due to a vessel delay and late sales being deferred into the fourth quarter. Given that the resulting profit shortfall of roughly USD 10m is non-recurring we believe the market has substantially over-reacted, taking USD 750m off the market capitalisation of the company. As a result the value case for the merged TGS Wavefield is actually stronger than before. There has also been some concern over this agreed merger with a small minority of Wavefield

[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.

shareholders objecting to the terms of the deal. We believe these objections are inconsequential and will be irrelevant once the merger is confirmed on 19 November.

The largest positive contribution to the long book (+0.6%) came from Aker Yards, which rose 40% in October after Korean shipbuilder STX Group bought a strategic stake in the company.

FDM Group – UK IT support services provider

FDM is a specialist IT recruiter with a difference. While most recruitment consultants only find and place people for employment positions, FDM also directly employs a number of IT graduates (they call them "Mounties") that they train at their own academies and then hire out on a day rate basis. The company therefore has some similarities to a full consultancy business. FDM focuses its training on areas within IT where there is strong and increasing demand, such as Java. Demand for Mounties has been very high and in January this year the company added a second academy in London (the original one is in Brighton) which is already at full capacity. Where management have sufficient visibility on customer demand, FDM may open further academies elsewhere in the UK.

Total net fee income for this year is expected to be around GBP 11m, up 30% on 2006. Growth is particularly strong in the Mounties division, which will account for about two thirds of net fee income, with the other third coming from the placement of freelancers. FDM's operating metrics compare favourably with its peers, including a conversion ratio of net fee income to operating profit of over thirty percent. The company has a fully diluted market capitalisation of GBP 28m with net cash of over GBP 5.5m expected at year end. It is trading on a price to earnings ratio of 10.5 times our 2007 estimate with growth of about 15% expected next year. We believe the FDM share price has more than 35% upside over the next 12 months, which would give the company an enterprise value of around eight times expected 2008 operating profit.

Top Five Holdings as at 31 October 2007

	Company	Country	Sector	% of NAV
1	Trader Media East	Netherlands	Media	4.8
2	Atlantia	Italy	Services	4.3
3	TGS Nopec	Norway	Services	4.2
4	Sto	Germany	Construction	3.5
5	Yell Group	United Kingdom	Media	2.9
				19.7

Exposures as at 31 October 2007

Longs %	Shorts %	Gross Exposure %	Net Exposure %
88.8 (89.1)	55.4 (52.2)	144.3 (141.2)	33.4 (36.9)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap and Sector as % NAV as at 31 October 2007

Country	Gross%	Net%
Austria	3.3	-3.3
Denmark	3.1	-1.8
Finland	0.8	-0.8
France	6.0	4.3
Germany	18.2	7.9
Italy	8.3	5.5
Luxembourg	2.3	2.1
Netherlands	8.4	3.6
Norway	25.4	13.5
Spain	1.9	-1.9
Sweden	9.6	4.8
Switzerland	10.2	-2.1
UK	30.6	2.2
US	9.3	-6.9
Other	6.9	6.3

Market Cap	Gross%	Net%
>£2bn	38.1	-3.0
£700m - £2bn	29.7	0.5
£200m - £700m	37.8	7.0
<£200m	38.7	28.9

Sector	Gross%	Net%
Construction	5.5	5.5
Consumer	6.7	-0.2
Energy	21.7	9.0
Engineering	4.0	-0.9
Financial	13.0	-3.8
Manufacturing	7.6	3.9
Media	22.0	15.2
Mining	0.5	0.5
Property	5.2	1.8
Retail	5.6	2.1
Semiconductors	1.0	-1.0
Services	13.1	9.9
Technology	20.3	-2.9
Transport	5.4	-1.5
Other	12.7	-4.2

Portfolio Activity

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

As at 31 October the Fund was invested in 92 (91)* stocks. Net exposure decreased slightly during the month.

Outlook

We remain cautious of asset valuations in general but believe good investment opportunities remain on both the long side, due to the existence of overlooked situations where valuations are underpinned by fundamentals, and on the short side, where valuations are based on over optimistic expectations of sustainable future earnings. We believe that the outlook for the Fund remains positive.

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