Ennismore European Smaller Companies Fund

Investor Newsletter for the month of February 2008

Issued on 7 March 2008

Important Notice

The number of shares in the Fund is currently limited to 3.85m. New investments will only be accepted if capacity is available, with priority being given to existing shareholders. If you would like to subscribe please call Emily Allen on +44 (0) 20 7368 4218 or email subs@ennismorefunds.com. 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 188.4m as at 29th 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 29 February 2008

	GBP			EUR			
Period	**Fund NAV[1] Per Share**	**Fund NAV[2] % Change**	**HSBC Index[3] % Change**	**Fund NAV[1]**	**Fund NAV[2] % Change**	**HSBC Index[3] % Change**	**MSCI Index[4] % Change**
February 08	**53.70**	**3.4**	**4.7**	**70.36**	**0.9**	**2.6**	**-0.3**
January 08	51.93	-1.4	-11.0	69.73	-2.8	-12.5	-11.4
December 07	52.67	3.4	0.4	71.71	0.5	-2.8	-0.5
November 07	50.96	-0.9	-6.9	71.38	-3.3	-8.8	-3.8
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
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	52.67	9.1	3.1	71.71	0.1	-5.5	6.0
2008 to date	**53.70**	**2.0**	**-6.8**	**70.36**	**-1.9**	**-10.2**	**-11.7**
Annualised return[5]		**20.6**	**10.6**		**19.4**	**9.4**	**3.8**
Since launch (27/01/99)		**447.1**	**148.9**		**399.6**	**126.5**	**40.5**

[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 are prior to expenses, exclude cash returns and refer to £ sterling unless otherwise stated.

The Fund's NAV increased by 3.4% in February. Both the long and short book contributed positively, adding 2.1% and 1.4% respectively. The HSBC index returned 4.7% for the month.

The largest positive contribution on the long side came from TGS Nopec, adding 1.0% to the Fund. The share price rose 19.5% in February. The company released strong fourth quarter results which more than offset the slight weakness seen in the previous quarter. Late sales, which had been down 16% y-o-y in Q3 07, were up 39% (and up 16% y-o-y for the second half as a whole). As this had been the main justification for Wavefield management's attempt to renegotiate the merger between the two firms it seems likely that the arbitration process later this year will result in the deal proceeding as agreed. Even without this TGS Nopec remains extremely cheap, with management guiding for standalone revenue growth of well over 20% in 2008.

Against this our position in Yell cost the Fund 0.8%. The share price fell by a third after management reduced UK revenue growth guidance from 3% down to 2%, citing the weaker economy. In particular, larger customers have been reducing their level of spend. While this puts pressure on yields we continue to believe that directory advertising will remain relatively resilient in an economic slowdown as most customers are small and therefore have a choice between advertising or not, rather than partly reducing spend. Given the very high return on investment from directory advertising few businesses are likely to cut it completely. Despite a much weaker US economy, for example, trading there remained resilient with organic revenue growth of 2.7% in the quarter. In addition, from the first quarter of their 2008/09 financial year the UK print directories will begin to benefit from the end of the RPI-6% rate cap historically imposed by the Office of Fair Trading (the new rate cap is RPI-0%). On a current year price earnings ratio of five times and with a dividend yield close to 10% we believe that the market is significantly under-estimating the stability of Yell's future cashflow.

Top Five Holdings as at 29 February 2008

	Company	Country	Sector	% of NAV
1	Trader Media East	Netherlands	Media	7.8
2	TGS Nopec	Norway	Services	4.8
3	Atlantia	Italy	Transport	3.8
4	Sto	Germany	Construction	3.1
5	Petromena	Norway	Energy	2.3
				21.8

Exposures as at 29 February 2008

Longs %	Shorts %	Gross Exposure %	Net Exposure %
81.8 (89.1)	46.3 (49.8)	128.1 (139.0)	35.5 (39.3)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap and Sector as % NAV as at 29 February 2008

Country	Gross%	Net%
Austria	1.6	-1.6
Denmark	3.0	-0.9
Finland	1.8	-1.8
France	3.1	1.9
Germany	17.0	5.6
Greece	0.9	0.9
Ireland	2.6	1.5
Italy	9.2	6.4
Netherlands	9.5	6.5
Norway	20.7	11.3
Sweden	9.1	2.5
Switzerland	7.9	-0.4
UK	27.3	6.1
US	7.8	-5.2
Other	6.6	2.7

Market Cap	Gross%	Net%
>£2bn	19.2	-4.2
£700m - £2bn	28.2	2.3
£200m - £700m	43.7	10.2
<£200m	37.0	27.2

Sector	Gross%	Net%
Construction	9.6	7.2
Consumer	5.2	-0.7
Energy	17.7	6.0
Engineering	1.5	1.5
Financial	11.9	-6.4
Manufacturing	3.9	2.2
Media	21.7	16.9
Mining	0.2	0.2
Property	5.1	2.6
Retail	9.0	4.7
Semiconductors	0.7	-0.7
Services	7.8	5.9
Technology	9.2	0.4
Transport	7.7	3.1
Other	16.9	-7.6

Portfolio Activity

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

As at 29th February the Fund was invested in 79 (85)* stocks. Our net exposure remains relatively low, at 35.5%, reflecting our continued caution with regard to asset valuations in general.

Outlook

We are seeing an increasing number of good long investment opportunities in smaller companies, where prices have often corrected massively, but also believe significant opportunities remain on the short side, where valuations are still reflecting over-optimistic expectations of sustainable future earnings. As always, we will stick closely to our philosophy and investment process. We are excited about the prospects for the Fund in 2008.

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