Ennismore European Smaller Companies Fund

Investor Newsletter for the month of April 2008

Issued on 7 May 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 197.2m as at 30th 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 2008

	GBP			EUR			
Period	Fund NAV[1] Per Share	Fund NAV[2] Per Share % Change	HSBC Index[3] % Change	Fund NAV[1] Per Share	Fund NAV[2] Per Share % Change	HSBC Index[3] % Change	MSCI Index[4] % Change
April 08	**54.71**	**1.8**	**1.3**	**69.60**	**3.2**	**2.5**	**6.2**
March 08	53.74	0.1	1.3	67.41	-4.2	-2.8	-2.5
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
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	**54.71**	**3.9**	**-4.3**	**69.60**	**-2.9**	**-10.6**	**-8.6**
Annualised return[5]		**20.4**	**10.7**		**18.8**	**9.2**	**4.1**
Since launch (27/01/99)		**457.4**	**155.4**		**394.2**	**125.6**	**45.4**

[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 Index, local currencies, total return. [5] Since inception, to date. Note: All performance figures net of fees.

Comments below on performance are prior to expenses, exclude cash returns and refer to GBP unless otherwise stated.

The Fund's NAV increased by 1.8% in April. The long portfolio contributed 2.6% and the short book cost 0.6%. The two largest contributors, TGS Nopec contributing 0.6% and Petromena 0.5%, came from our holdings in the oil services sector, which generally performed strongly in April.

GAG Immobilien – a German real estate company

Founded in 1913, GAG Immobilien is a real estate company based in the German city of Cologne. The business is focussed on the management and rental of about 44,000 apartments, of which nearly 41,000 are owned by the company, making it the largest residential landlord in the city. The company also has its own newbuild subsidiary. Long term trends in demand for property in the city continue to be favourable. Cologne benefits from inward migration from other parts of Germany and so is not significantly exposed to the risk of a declining population in the country as a whole. In common with many European cities, the potential for new supply is limited by a lack of available space and planning restrictions.

GAG's average rent of EUR 5.15 per m^2 is significantly below the average in Cologne of around EUR 8. This is due to the fact that about half of their properties are social housing with limited scope to increase rents. Offsetting this, the benefit of exposure to social housing is the availability of subsidised financing for rent controlled property - the average interest cost of GAG's debt is close to 2%. However, as properties come out of rent control, the company can choose to gradually convert them to market rates. As a result GAG should be able to increase its rents closer to the city average over the long term.

The business generates about EUR 269m from gross rental income and related activities which converts into free funds from operations (FFO) of approximately EUR 65m. At the current share price of EUR 23 this translates into a FFO yield of around 15%, higher than any of its listed peers and well above the sector average of between 5 and 7%. The main reason for this discount is the shareholder structure, with the City of Cologne being the major holder of the ordinary, unquoted shares. At the end of 2002 this enabled the city council to fend off a bid of around EUR 30 per share by private equity firm Terra Firma. Since then investor relations have been poor but, with the arrival of new management in 2007, this is slowly but steadily changing for the better. We are confident that GAG's significant cashflow generation will be reflected in its valuation over time and believe the share price has the potential to double over the next few years.

Top Five Holdings as at 30 April 2008

	Company	Country	Sector	% of NAV
1	Trader Media East	Netherlands	Media	8.1
2	TGS Nopec	Norway	Services	4.8
3	Atlantia	Italy	Transport	3.9
4	Sto	Germany	Construction	3.6
5	Petromena	Norway	Energy	3.0
				23.4

Exposures as at 30 April 2008

Longs %	Shorts %	Gross Exposure %	Net Exposure %
85.0 (84.7)	51.9 (49.6)	136.9 (134.3)	33.1 (35.1)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap and Sector as % NAV as at 30 April 2008

Country	Gross%	Net%
Austria	1.7	-1.7
Denmark	3.2	-1.2
Finland	1.2	-1.2
France	3.0	1.9
Germany	17.7	6.7
Greece	0.9	0.9
Ireland	2.2	1.5
Italy	8.1	6.5
Netherlands	10.1	6.6
Norway	24.7	13.6
Sweden	8.9	2.0
Switzerland	8.4	-0.3
UK	28.3	3.1
US	9.2	-6.7
Other	9.3	1.4

Market Cap	Gross%	Net%
>£2bn	20.8	-7.0
£700m - £2bn	30.7	0.3
£200m - £700m	44.2	10.6
<£200m	41.2	29.2

Sector	Gross%	Net%
Construction	8.8	7.1
Consumer	6.4	-2.8
Energy	20.8	9.1
Financial	12.2	-6.5
Leisure	6.0	-4.4
Manufacturing	4.3	2.5
Media	19.8	15.3
Medical	3.0	-2.3
Property	4.8	2.1
Retail	10.3	4.1
Services	8.6	7.3
Technology	10.4	-0.4
Telecoms	4.2	-1.2
Transport	8.9	3.4
Other	8.4	-0.2

Portfolio Activity

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

As at 30th April the Fund was invested in 86 (79)* stocks. Our net exposure was reduced slightly during the month and remains relatively low.

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.

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