Ennismore European Smaller Companies Fund

Investor Newsletter for the month of August 2008

Issued on 4 September 2008

Important Notice

The number of shares in the Fund is currently capped. 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 has an "A" S&P Fund Research Fund Rating. The Fund size was GBP 190.0m as at 31st August.

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 August 2008

Period	GBP Fund NAV[1] Per Share	GBP Fund NAV[2] Per Share % Change	GBP HSBC Index[3] % Change	EUR Fund NAV[1] Per Share	EUR Fund NAV[2] Per Share % Change	EUR HSBC Index[3] % Change	MSCI Index[4] % Change
August 08	**53.53**	**1.5**	**6.1**	**66.32**	**-1.0**	**3.5**	**2.5**
July 08	52.76	-0.2	-4.6	66.98	0.4	-4.1	-1.9
June 08	52.84	-2.9	-9.6	66.74	-3.6	-10.3	-9.8
May 08	54.44	-0.5	1.3	69.23	-0.5	1.5	0.6
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
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	**53.53**	**1.6**	**-11.4**	**66.32**	**-7.5**	**-19.2**	**-16.6**
Annualised return[5]		**19.3**	**9.4**		**17.5**	**7.7**	**3.0**
Since launch (27/01/99)		**445.4**	**136.6**		**370.9**	**103.9**	**32.7**

[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 per share increased by 1.5% in August. The long portfolio contributed 3.9% and the short book cost 2.1%.

Our position in building materials manufacturer Kingspan was the best performer in the month, contributing 0.8%. The company announced relatively resilient results for the first half of 2008, despite extremely weak residential construction markets in Ireland and the UK, with volumes supported by increased market share for its high performance insulation products. Kingspan also completed the acquisition of an insulated panel business in the USA which, while only modestly earning enhancing this year, adds further long term growth potential to the group.

The ongoing merger saga between TGS Nopec (which contributed 0.5%) and Wavefield (-0.0%) took an unexpected turn in August with the announcement that talks would be terminated. TGS Nopec is now pursuing compensation from Wavefield for costs related to the aborted merger process.

Rejlerkoncernen - a Swedish technical consulting company

Rejlers' core competence is consulting to the electricity and electrical engineering industries - it is the leading consultant to these sectors in Sweden - but the company has also expanded into other areas such as energy, automation, mechanical engineering, IT and telecoms. The revenue mix is now well diversified, not only by sector but also by client, with no one customer accounting for more than 5% of sales. Importantly, given general concerns over the business cycle, around half the company's revenue comes from utilities and the energy and infrastructure sectors, while we estimate only about 10% is exposed to construction and property.

Since 2002, Rejlers has posted average annual sales growth of 23%, of which the largest part was organic. Over the same period, operating margins have shown steady improvement from 4% to around 12%. This margin expansion has been driven by operating leverage, improved utilisation and controlled staff attrition. So far increased pricing has not been an important factor but, given robust demand in several key sectors, this may contribute more in future. The market leader in the Nordic area, Sweco, is also aiming to increase prices.

While some areas of the business will undoubtedly come under pressure if the Nordic economies weaken significantly, structural growth in demand related to energy and the environment should offset this. Perhaps the best example of this is the company's Energy Services division, which offers complete energy measuring services to utilities and industrial clients. Growth is being helped by regulation requiring all utilities to provide accurate automated meter readings in Sweden by 2009. Rejlers is also expanding this service into Norway and Finland. It accounted for 6% of revenues in 2007 (as of 2008 it is not reported separately. We believe that this is due to its high profitability, with operating margin in the range of 15-20%) but we expect this to more than double in the coming years with operating leverage meaning the contribution to profit growth will be even higher.

Rejlers is a family-controlled company, run by the third generation of the Rejler family, which listed on the stock market in 2003. On our current estimates for 2008, the shares are trading on a price to earnings ratio of 8.5 times with a 6% dividend yield. The company has a strong balance sheet with net cash. Given the current growth outlook and its relatively stable customer and sector exposure we see this valuation as too cautious and believe there is at least 30% upside to the share price during the coming year.

Top Five Holdings as at 31 August 2008

	Company	Country	Sector	% of NAV
1	Trader Media East	Netherlands	Media	7.3
2	Petromena	Norway	Energy	4.1
3	TGS Nopec	Norway	Services	3.7
4	Sto	Germany	Construction	3.7
5	Atlantia	Italy	Transport	3.7
				22.5

Exposures as at 31 August 2008

Longs %	Shorts %	Gross Exposure %	Net Exposure %
79.7 (76.5)	49.9 (43.4)	129.6 (119.9)	29.9 (33.1)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap and Sector as % NAV as at 31 August 2008

Country	Gross%	Net%
Denmark	5.1	-3.3
Finland	0.9	-0.9
France	2.9	0.6
Germany	17.3	5.4
Greece	0.9	0.9
Ireland	3.0	2.8
Italy	7.1	5.7
Luxembourg	0.9	0.9
Netherlands	8.1	7.2
Norway	24.3	16.0
Sweden	8.8	2.0
Switzerland	8.1	0.2
UK	27.0	2.1
US	10.2	-7.8
Other	5.0	-1.9

Market Cap	Gross%	Net%
>£2bn	17.0	-4.9
£700m - £2bn	28.5	-9.9
£200m - £700m	46.4	20.1
<£200m	37.7	24.6

Sector	Gross%	Net%
Construction	10.3	8.7
Consumer	9.7	-5.7
Energy	19.9	9.0
Financial	10.4	-5.5
Leisure	8.5	-5.8
Manufacturing	3.2	1.7
Media	18.2	12.9
Medical	3.7	-2.4
Property	3.8	3.5
Retail	5.5	4.5
Services	8.4	7.7
Technology	10.5	0.8
Telecoms	4.6	-0.8
Transport	8.3	1.6
Other	4.6	-0.3

Portfolio Activity

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

As at 31st August the Fund was invested in 78 (69)* stocks. Net exposure 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.

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