Ennismore European Smaller Companies Fund

Investor Newsletter for the month of October 2008

Issued on 7 November 2008

Important Notice

We wish to draw the attention of investors to a change to the anti-dilution levy (the "ADL") charged by the Fund on subscriptions and redemptions of shares. The ADL is payable to the Fund and is intended to compensate continuing shareholders for costs incurred by dealing in the Fund's underlying investments that is required as a consequence of subscriptions and redemptions. As such, the ADL reconciles the competing aims of continuing shareholders with those requiring short term liquidity. This allows the Fund to provide its shareholders with a high level of liquidity, with dealing on a daily basis, whilst also fulfilling its primary objective of investing in small capitalisation European companies.

Current equity market conditions for small capitalisation companies, reflecting the broader financial crisis, mean that the costs of dealing in the underlying investments of the Fund have increased materially, most notably through a widening of dealing spreads. To compensate for this, from 31st October the ADL being charged on subscriptions is 0% and on redemptions is 3%, the maximum allowed under the Fund's prospectus (both were previously 0.8%). This change is a direct response to current market conditions and, as such, is expected to be temporary in nature and will be subject to ongoing review by the Fund's directors.

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 138.3m 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 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
October 08	**45.29**	**-7.6**	**-20.1**	**57.71**	**-7.2**	**-20.1**	**-13.5**
September 08	49.00	-8.5	-17.4	62.18	-6.2	-16.0	-11.8
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
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	**45.29**	**-14.0**	**-41.5**	**57.71**	**-19.5**	**-45.7**	**-36.3**
Annualised return[5]		**17.0**	**4.7**		**15.5**	**3.3**	**0.1**
Since launch (27/01/99)		**361.5**	**56.1**		**309.8**	**37.0**	**1.3**

[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 fell by 7.6% in October. The long portfolio cost 19.3% and the short book added 11.4%. Approximately half of the decline in NAV is attributable to one holding, Trader Media East, where the market price fell by 55% in October. As we have detailed in previous comments on the company, its shares have been both highly illiquid and highly volatile since Turkish publisher Hurriyet acquired majority control in 2007 as the remaining free float, while still amounting to almost a third of the company, is tightly held by a handful of long term investors. The Fund's most likely exit from this position is a sale to Hurriyet and until recently this appeared to be an imminent possibility at a price very substantially above the current market price. However, given the current state of credit markets, we believe such a deal is unlikely in the short term. In the mean time, Trader Media East's extremely strong competitive position, continuing organic growth and, now, very low valuation mean we remain confident of the long term value this position will create for the Fund.

Top Five Holdings as at 31 October 2008

	Company	Country	Sector	% of NAV
1	Trader Media East	Netherlands	Media	4.3
2	Sto	Germany	Construction	3.7
3	Atlantia Spa	Italy	Transport	3.0
4	Kingspan Group	Ireland	Construction	2.5
5	TGS Nopec	Norway	Services	2.4
				15.9

Exposures as at 31 October 2008

Longs %	Shorts %	Gross Exposure %	Net Exposure %
60.3 (68.5)	49.2 (40.2)	109.5 (108.7)	11.2 (28.3)

Figures in brackets refer to previous month end.

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

Country	Gross%	Net%
Austria	1.2	0.3
Denmark	2.6	-0.6
Finland	1.5	-1.5
France	8.4	-5.4
Germany	14.8	5.3
Ireland	2.6	2.4
Italy	4.8	3.6
Luxembourg	1.1	1.1
Netherlands	4.9	4.2
Norway	13.3	7.1
Sweden	11.9	-4.3
Switzerland	6.2	0.1
UK	22.2	5.5
US	7.7	-5.3
Other	6.3	-1.3

Market Cap	Gross%	Net%
>£2bn	16.1	-6.3
£700m - £2bn	13.8	-13.1
£200m - £700m	31.4	-0.3
<£200m	48.2	30.9

Sector	Gross%	Net%
Construction	9.3	6.8
Consumer	17.5	-9.9
Energy	9.8	3.2
Financial	8.7	-5.0
Industrials	3.2	-1.2
Leisure	4.7	-1.0
Media	11.4	6.7
Medical	4.6	-3.4
Property	3.6	3.3
Retail	3.6	3.6
Services	6.4	5.3
Technology	7.9	2.6
Telecoms	4.9	-1.5
Transport	7.5	0.0
Other	6.4	1.7

Portfolio Activity

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

As at 31st October the Fund was invested in 64 (66)* stocks.

Outlook

We further reduced the net exposure of the Fund this month in response to the extreme weakness of equity markets, where fear has now become the driving force. Forced selling by highly leveraged investors appears to have created a vicious cycle that we expect to continue for several months. We believe this provides the perfect environment for value focussed investors who are willing and able to take a two to three year view. With no leverage and a broad shareholder base the Fund is in an excellent position to exploit this. As such, we expect the Fund's net exposure to increase over the coming months, and believe that the outlook for the Fund is positive.

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