Ennismore European Smaller Companies Fund

Investor Newsletter for the month of December 2008

Issued on 8 January 2009

Notice

After seven years with us Emily Allen has decided to stay on permanently in Dubai, where she has been based for the past year, and so left the firm at the end of the year. We would like to take this opportunity to thank her for her contribution to Ennismore and to wish her all the best for the future. Our main contact for investors is now Jo-Anne Osilade who can be contacted on +44 (0) 20 7368 4227 or on jo@ennismorefunds.com.

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 146.9m as at 31st December.

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.

The number of shares in the Fund is capped but some capacity is currently available. If you would like to subscribe please call Jo-Anne Osilade on +44 (0) 20 7368 4227 or email subs@ennismorefunds.com. Redemptions can be made through the Administrator in the usual way.

Performance as at 31 December 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
December 08	**49.69**	**7.5**	**12.7**	**51.40**	**-8.1**	**-2.9**	**0.7**
November 08	46.24	2.1	-4.1	55.92	-3.1	-8.0	-4.7
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
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	**49.69**	**-5.7**	**-36.8**	**51.40**	**-28.3**	**-51.5**	**-38.9**
Annualised return[5]		**17.7**	**5.4**		**13.9**	**2.1**	**-0.3**
Since launch (27/01/99)		**406.3**	**68.8**		**265.0**	**22.4**	**-2.8**

[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 was materially impacted by the strengthening euro during December, as it was for the year as a whole. During the month the NAV per share increased by 7.5% in sterling but fell by 8.1% in euros. The euro appreciated 16% against sterling in December and 30% for 2008 as a whole.

In sterling, the long book contributed 4.1% and the short book added 1.0%. The strongest performer was Sto, which contributed 1.3%.

Westag and Getalit - German manufacturer of building products

Westag and Getalit is a family-owned manufacturer of doors, frames, laminated worktops and formwork panels with annual turnover of EUR 230m. We highlighted this company almost three years ago when we expected earnings growth of 20% for 2006 and 2007. Since then earnings and dividends have doubled. Earnings growth has been driven by internally financed investment of around EUR 50m since 2005 with a focus on product innovation. This, combined with excellent logistics and customer service, has enabled Westag to continuously gain market share and increase exports to 25% of total sales.

Despite this excellent operating performance the share price is now back to its 2006 level, although investors continue to benefit from an attractive dividend yield of around 9% covered twice by earnings. The current market valuation of EUR 63m, with no debt, represents a discount of almost a third to its book value, which includes all of the company's property and equipment. While 2009 is clearly going to be difficult for the construction industry we expect Westag to do better than its competitors due to its healthy balance sheet, efficient operations and very good labour relations. The new, more favourable working hours scheme will allow the company to be more flexible in responding to fluctuations in demand. Weaker demand should also be partly compensated by lower input prices, which have put pressure on gross margins in the past. Even in the current market Westag should continue to generate healthy free cash flows – we forecast operating profit will decline from over EUR 15m in 2008 to around EUR 10m in 2009 - which will sustain its very attractive dividend yield and add to its cash pile. We are confident this will allow the company to emerge stronger, and hence more valuable, from the current downturn. Based on conservative earnings forecasts we estimate the business is currently at least 40% undervalued.

Top Five Holdings as at 31 December 2008

	Company	Country	Sector	% of NAV
1	Sto	Germany	Construction	4.6
2	Trader Media East	Netherlands	Media	3.7
3	Kingspan Group	Ireland	Construction	3.4
4	Atlantia	Italy	Transport	3.1
5	TGS Nopec	Norway	Services	2.2
				17.0

Exposures as at 31 December 2008

Longs %	Shorts %	Gross Exposure %	Net Exposure %
55.2 (56.7)	43.5 (44.8)	98.7 (101.4)	11.7 (11.9)

Figures in brackets refer to previous month end.

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

Country	Gross%	Net%
Denmark	2.2	-0.4
Finland	1.6	-1.6
France	7.8	-6.0
Germany	14.9	7.4
Ireland	3.5	3.3
Italy	5.1	3.8
Luxembourg	1.1	1.1
Netherlands	4.3	3.8
Norway	10.0	6.0
Spain	1.0	-1.0
Sweden	9.6	-2.3
Switzerland	5.9	-0.5
UK	20.7	1.9
US	4.3	-2.9
Other	6.7	-0.9

Market Cap	Gross%	Net%
>£2bn	14.2	-5.1
£700m - £2bn	12.4	-11.5
£200m - £700m	36.5	5.8
<£200m	35.6	22.5

Sector	Gross%	Net%
Construction	10.9	7.9
Consumer	16.7	-10.4
Energy	6.8	0.8
Financial	6.2	-3.3
Industrials	3.2	-1.7
Leisure	5.0	-3.2
Manufacturing	3.6	1.1
Media	9.1	6.1
Medical	3.6	-2.2
Property	4.1	3.7
Retail	3.5	3.5
Services	6.1	5.1
Technology	7.1	3.5
Transport	7.3	0.3
Other	5.5	0.5

Portfolio Activity

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

As at 31st December the Fund was invested in 54 (55)* stocks. There was little change to the Fund's overall exposures during the month.

Outlook

Fear remains the driving force of equity markets with forced selling by highly leveraged investors continuing. 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.

For further information please contact:	Geoff Oldfield, Ennismore Fund Management	+44 (0) 20 7368 4223	go@ennismorefunds.com
For dealing please contact:	Trevor Keane , State Street International (Ireland) Ltd	+353 (0) 1 523 4050	tkeane@statestreet.com