Ennismore European Smaller Companies Fund

Investor Newsletter for the month of January 2009

Issued on 6 February 2009

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 138.1m as at 31st January.

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 January 2009

	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
January 09	**47.85**	**-3.7**	**-6.5**	**53.83**	**4.7**	**0.9**	**-6.1**
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
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	51.4	-28.3	-51.5	-38.9
2009 to date	**47.85**	**-3.7**	**-6.5**	**53.83**	**4.7**	**0.9**	**-6.1**
Annualised return[5]		**17.1**	**4.7**		**14.3**	**2.1**	**-0.9**
Since launch (27/01/99)		**387.5**	**57.8**		**282.2**	**23.6**	**-8.8**

[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 decreased by 3.7% in January. The long portfolio cost 4.2% while the short book added 2.6%. After a large decline against the euro in December sterling rallied somewhat in the month, boosting the Fund's performance in euros with the NAV per share increasing 4.7%.

There was little significant newsflow in January. The strongest performer was TGS Nopec, contributing 0.4%. The shares rallied in the new year as an anticipated profit warning relating to the fourth quarter of 2008 failed to materialise (it is company policy to announce any earnings shortfall within a few days of the period end). Pub operator JD Wetherspoon, contributing 0.2%, did provide a relatively positive trading update as they continue to benefit from the troubles of their highly leveraged, tenanted-model competitors.

Kentz Corp – Irish civil engineer

Kentz is an Irish engineer and constructor and specialises in the oil and gas and the petrochemical sector. The company is listed in the UK and has a market cap of roughly USD 160m (the reporting currency is US dollars). In the last set of accounts to June 2008 the company had net cash of USD 195m, of which around USD 60m were customer deposits. Taking the conservative view that customer deposits are not part of the company's own cash this gives an enterprise value of USD 25m. For 2008 we expect the company to report turnover of USD 650m and operating profit of about USD 36m, up over 20%.

The company has three main divisions: Specialist Engineering, Procurement and Construction (40% of turnover), Construction (35%) and Technical Support Services (25%). Although Specialist Engineering contracts are undertaken on a fixed price basis they have never lost money on a contract going back more than ten years. All projects over USD 30m require approval at Board level and they include a contingency on all costs before marking up to price the contract. The accounting policy is also conservative with no profit taken over the first 40% of a project's value and any gains from contingencies not released until it is completed. Construction turnover is based on a cost plus methodology and is therefore lower margin. Finally, Support Services is based on time and materials and is the highest margin segment.
Visibility is high with an order book of USD 935m last reported; typically the year starts with 70-75% of the eventual turnover already in the order book. The company has a strong bias to the Middle East which accounts for two thirds of turnover and, with a falling oil price, this should be relatively more defensive than other geographical areas due to the region's lower oil production costs. To conclude, we believe the stock is significantly undervalued trading on a 2008 price to earnings ratio of 5.3 times with substantial cash backing. Management, owning 24% of the company, have their interests well aligned with shareholders which gives us comfort that the excess cash balance will be used wisely. Putting the stock on an enterprise value of four times 2008 operating profit would give an upside to the current share price of 75%.

Top Five Holdings as at 31 January 2009

	Company	Country	Sector	% of NAV
1	Sto	Germany	Construction	3.7
2	Trader Media East	Netherlands	Media	3.1
3	TGS Nopec	Norway	Services	2.7
4	Kingspan Group	Ireland	Construction	2.7
5	Atlantia	Italy	Transport	2.6
				14.8

Exposures as at 31 January 2009

Longs %	Shorts %	Gross Exposure %	Net Exposure %
51.9 (55.2)	44.5 (43.5)	96.4 (98.7)	7.4 (11.7)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap and Sector as % NAV as at 31 January 2009

Country	Gross%	Net%
Denmark	2.4	-0.5
Finland	1.7	-1.7
France	8.7	-7.1
Germany	12.6	5.8
Ireland	2.9	2.7
Italy	4.4	3.1
Japan	2.1	-2.1
Netherlands	3.6	3.5
Norway	9.4	4.1
Spain	1.6	-1.6
Sweden	10.2	-2.6
Switzerland	5.7	-0.1
UK	20.0	5.4
US	3.6	-1.8
Other	7.5	0.3

Market Cap	Gross%	Net%
>£2bn	16.4	-8.8
£700m - £2bn	10.7	-9.9
£200m - £700m	33.2	3.1
<£200m	36.1	23.0

Sector	Gross%	Net%
Construction	11.5	5.1
Consumer	16.8	-10.0
Energy	7.0	0.7
Financial	5.3	-1.9
Industrials	4.7	-3.2
Leisure	5.2	-3.2
Manufacturing	3.3	0.8
Media	8.9	6.2
Medical	3.5	-2.3
Property	4.4	4.0
Retail	2.6	2.6
Services	4.8	4.3
Technology	6.7	3.3
Transport	6.3	0.4
Other	5.4	0.6

Portfolio Activity

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

As at 31st January the Fund was invested in 58 (54)* stocks. Our gross and net exposures reduced slightly during the month and the Fund remains very cautiously positioned.

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

Ennismore Fund Management Limited, Kensington Cloisters, 5 Kensington Church Street, London, W8 4LD
Registered in England and Wales No. 3598371 Authorised and regulated by the Financial Services Authority