Ennismore European Smaller Companies Fund

Investor Newsletter for the month of February 2009

Issued on 5 March 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 135m as at 28th February.

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 Osilalde on +44 (0) 20 7368 4227 or email subs@ennismorefunds.com. Redemptions can be made through the Administrator in the usual way.

Changes at the Investment Manager

Arne Vigeland left Ennismore's fund management team in February. At the end of 2008 he was responsible for approximately 17% of the Fund's NAV. Since then his portfolio has been reduced and responsibility for the remaining holdings has been taken over by other members of the team.

Performance as at 28 February 2009

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
February 09	**47.07**	**-1.6**	**-7.2**	**52.83**	**-1.9**	**-7.0**	**-9.1**
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
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	**47.07**	**-5.3**	**-13.3**	**52.83**	**2.8**	**-6.1**	**-14.7**
Annualised return[5]		**16.8**	**3.9**		**14.0**	**1.4**	**-1.8**
Since launch (27/01/99)		**379.6**	**46.4**		**275.1**	**14.9**	**-17.1**

[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 1.6% in February. Our long book cost 2.4% while the Fund's short exposure contributed 1.2%.

The strongest performer on the long side was UK property advertising website Rightmove, contributing 0.6%, which reported its 2008 results and gave an update on current trading. Importantly the rate at which estate agents, their main clients, have been churning off the site has slowed very significantly in the first part of this year. Because Rightmove is paid for on a subscription basis this would mean its revenues stabilising despite the significant decline being seen in the wider advertising market. The shares were up by a third in February.

The TGS Nopec share price also performed strongly, up 16% (contributing 0.4%), having already rallied 15% in January. The company issued relatively robust revenue guidance for 2009 and remains valued at little more than its book value. This is despite a track record of maintaining operating margins above 30% through previous downturns, as in the late 1990s when the oil price troughed at USD 10 per barrel. While margins may come in lower this time around given management's commitment to a relatively high level of continued investment in seismic data capture, the business will remain very profitable and has a large amount of net cash on its balance sheet.

On the negative side, TME (-0.6%), Sto (-0.6%) and Kingpsan (-0.4%) all cost the Fund although there was no significant newsflow on any of them during the month.

OHB Technology – German satellite manufacturer

OHB Technology is a manufacturer focused on the space segment. Current revenue comes mainly from the design and manufacture of small satellites and boosters for the Ariane 5 rocket. Competition for most contracts is limited as German governmental spend tends to be directed within the domestic space industry, with OHB the only major manufacturer after EADS Astrium. OHB also owns 8% of Arianespace, the leading commercial satellite launch vehicle.

In December 2008 OHB was awarded prime contractor status for a European Space Agency (ESA) program to develop a platform for small geostationary satellites, which will allow OHB to enter a market with demand for 7-8 units a year. Looking forward, the tender for Galileo satellites (the EU's answer to the US's GPS system) is due to be awarded mid-2009. ESA has repeatedly stated that it wants this to be dual-sourced and has named OHB as one of two preferred suppliers. With 28 satellites in total, even a small share for OHB would be significant. This would carry some execution risk but the satellites are far less complex than previous OHB contracts and so the scope for engineering issues or cost overruns should be limited.

At the end of 2008 OHB had an order backlog of approximately EUR 700m, by far the highest in its history and more than double 2008 revenues of EUR 280m. The backlog is split across three key multi-year projects, all of which are backed by government funding and so are not at risk in the current economic climate. Based on this we expect OHB profits to be flat in 09.

OHB's current market cap is EUR 95m giving a dividend yield of close to 4% which is covered four times by operating profit. Adjusting for cash and pension liabilities, but excluding any value for its Arianespace stake, the enterprise value (EV) is EUR 115m. This means OHB is trading at an EV of 5.5 times operating profit and 8 times net operating profit after tax for 2009, which is far too cheap for a company in a protected competitive position and where it seems clear that the next five years will be significantly better than the last five. On top of this, OHB's share of Arianespace's net cash alone is worth EUR 30m. The real value of the stake is likely to be considerably higher but it is unlikely that OHB will be able to realise this in the near term and hence we exclude it from our valuation. Even so we believe that the company is worth at least 50% more than the current share price. The founding family, who still run OHB, own around 40% of its equity and have been buying shares in the market recently, supporting our view that the business is materially undervalued at present.

Top Five Holdings as at 28 February 2009

	Company	Country	Sector	% of NAV
1	Sto	Germany	Construction	3.3
2	TGS Nopec	Norway	Services	3.3
3	Trader Media East	Netherlands	Media	2.6
4	Atlantia	Italy	Transport	2.5
5	Rightmove	United Kingdom	Property	2.3
				14.0

Exposures as at 28 February 2009

Longs %	Shorts %	Gross Exposure %	Net Exposure %
50.4 (51.9)	42.5 (44.5)	92.8 (96.4)	7.9 (7.4)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap and Sector as % NAV as at 28 February 2009

Country	Gross%	Net%
Denmark	2.3	-0.5
Finland	1.7	-1.7
France	7.5	-5.8
Germany	13.1	3.7
Ireland	2.6	2.5
Italy	4.1	2.9
Luxembourg	1.2	1.2
Netherlands	3.0	2.9
Norway	8.5	4.7
Spain	1.9	-1.9
Sweden	10.6	-3.5
Switzerland	5.6	-1.0
UK	20.2	7.6
US	5.1	-3.2
Other	5.4	0.0

Market Cap	Gross%	Net%
>£2bn	14.1	-6.7
£700m - £2bn	12.3	-11.4
£200m - £700m	33.5	4.8
<£200m	32.9	21.2

Sector	Gross%	Net%
Construction	9.9	4.6
Consumer	17.8	-10.2
Energy	6.1	0.6
Financial	4.1	-0.9
Industrials	3.1	-1.5
Leisure	4.1	-2.5
Manufacturing	3.2	0.9
Media	9.5	3.4
Medical	4.9	-3.7
Property	4.7	4.2
Retail	2.8	2.2
Services	5.6	5.1
Technology	7.0	3.4
Transport	3.3	2.8
Other	6.7	-0.5

Portfolio Activity

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

As at 28th February the Fund was invested in 57 (58)* stocks. Overall exposures were little changed in 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 promising.

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