Ennismore European Smaller Companies Fund

Investor Newsletter for the month of August 2009

Issued on 7 September 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 110m as at 28th 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.

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 28 August 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
August 09	**45.69**	**4.5**	**14.2**	**51.85**	**1.4**	**10.8**	**6.5**
July 09	43.74	0.3	6.9	51.15	-0.2	6.9	9.2
June 09	43.63	-2.5	-2.6	51.23	0.5	-0.1	-1.9
May 09	44.77	4.0	4.5	51.00	3.6	6.8	4.4
April 09	43.06	-6.5	19.1	49.23	-1.0	23.1	12.8
March 09	46.06	-2.1	7.3	49.73	-5.9	2.6	3.7
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
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	**45.69**	**-8.0**	**37.6**	**51.85**	**0.9**	**49.8**	**18.9**
Annualised return[5]		**15.6**	**8.3**		**13.1**	**5.9**	**1.4**
Since launch (27/01/99)		**365.5**	**132.3**		**268.2**	**83.5**	**15.5**

[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 refer to GBP NAV per share unless otherwise stated, exclude cash returns and are prior to expenses.

The Fund's NAV increased by 4.5% in August. Our long book contributed 6.2% while the Fund's short exposure cost 2.3%.

Four of our top five holdings reported first half results in August. PubliGroupe, the strongest performer during the month contributing 0.6%, reported a mixed set of results very much in line with what we were expecting when we wrote about the stock in our June newsletter. The relative importance of the online affiliate marketing network continues to increase with a strong operating performance from their Zanox associate and the bolt-on acquisition, again in partnership with Axel Springer, of UK player Digital Window.

Other results also contained few surprises. Sto re-confirmed its guidance for the full year while Atlantia's first half actually came in ahead of consensus with traffic volumes beginning to improve. Trader Media East results, as expected, showed no signs of any upturn with Q2 much the same as Q1 and, given how late the downturn began in eastern Europe, we do not expect any meaningful recovery until 2010.

Augusta Technologie – German sensor and automation technology company (1.1% NAV)

Augusta is a German technology company focussed on two segments, sensors and controls. An in-depth restructuring in 2004 and 2005, with many non-core activities sold, successfully repositioned the business to concentrate on attractive niche markets. A new senior management team in 2006-2007 completed the transition, bringing better cost control and cash flow. The resulting high margins and healthy balance sheet are now paying off in the downturn with Augusta's profitability proving relatively resilient.

Augusta announced first half earnings in August. Although profits were down by over a third we believe this is a good performance given the scale of the current downturn. Increased exposure to demand from non-cyclical industries, in particular medical equipment, has certainly helped. The medical technology sector now accounts for over a third of sales in the sensor division. Controls, with a strong focus on cameras (about 60% of division sales), has been more affected but still reported an operating margin in the high teens. This reflects the company's dominant position in the digital camera market, where it concentrates on Firewire and GigE interface technologies, and successful cost cutting by management. With the worst now likely to be behind them we think Augusta's recent guidance of EUR 10-13m operating profit makes the shares very cheap. This forecast was reduced to reflect stabilising demand in the second half but no immediate recovery. A repeat of their first half performance would put them in the middle of this range. Assuming these are trough earnings and taking the bottom end, which looks very conservative to us, the company has an enterprise value of seven times operating profit and is on a price to earnings multiple of around nine times (after taking into account the 10% of shares held as treasury stock). With very little debt and a proven desire to return excess capital to shareholders this looks like good value to us. If earnings just stabilise we think the shares should trade 50% higher while any recovery in the economy will benefit Augusta significantly.

Top Five Holdings as at 28 August 2009

	Company	Country	Sector	% of NAV
1	Sto	Germany	Construction	5.7
2	Atlantia	Italy	Transport	4.5
3	Trader Media East	Netherlands	Media	3.9
4	PubliGroupe	Switzerland	Media	2.8
5	Informa	Jersey	Media	2.6
				19.5

Exposures as at 28 August 2009

Longs %	Shorts %	Gross Exposure %	Net Exposure %
67.2 (65.7)	30.5 (34.3)	97.6 (100.0)	36.7 (31.4)

Figures in brackets refer to previous month end.

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

Country	Gross%	Net%
Denmark	1.3	0.7
France	7.5	-7.5
Germany	17.3	9.6
Ireland	3.0	3.0
Italy	7.6	4.8
Japan	2.9	-2.9
Jersey	2.6	2.6
Luxembourg	1.4	1.4
Netherlands	5.7	2.9
Spain	2.9	-2.9
Sweden	2.1	1.8
Switzerland	3.9	3.1
UK	29.2	20.2
US	6.8	-2.9
Other	3.4	2.8

Market Cap	Gross%	Net%
>£2bn	17.3	-2.2
£700m - £2bn	11.7	-1.0
£200m - £700m	25.2	7.2
<£200m	43.4	32.7

Sector	Gross%	Net%
Construction	9.4	7.5
Consumer	4.9	0.0
Energy	6.4	-0.4
Engineering	2.7	2.7
Food	2.7	-0.7
Industrials	5.7	-0.6
Leisure	6.1	3.0
Media	18.0	9.1
Medical	3.2	-1.5
Property	4.5	4.5
Retail	4.0	2.6
Services	6.0	6.0
Technology	10.8	-0.8
Transport	4.5	4.5
Other	8.7	0.8

The geographic analysis relates to country of incorporation or listing. This may not represent the underlying economic exposure of the operating business.

Portfolio Activity

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

As at 28th August the Fund was invested in 61 (61)* stocks.

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