Ennismore European Smaller Companies Fund

Investor Newsletter for the month of October 2009

Issued on 6 November 2009

Important Notice

We wish to draw to the attention of investors that the anti-dilution levy ("ADL") charged by the Fund was reduced to 2% on redemptions from 14th October and will remain at zero for subscriptions. As a reminder the ADL was temporarily increased to 3% on redemptions a year ago in response to the extraordinary market conditions at that time (please refer to the October 2008 newsletter for full details).

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 98m 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.

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 October 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
October 09	**48.33**	**-1.1**	**-4.5**	**53.99**	**0.9**	**-2.2**	**-2.7**
September 09	48.89	7.0	8.3	53.49	3.2	4.0	3.3
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
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	**48.33**	**-2.7**	**42.4**	**53.99**	**5.0**	**52.4**	**19.5**
Annualised return[5]		**16.0**	**8.5**		**13.3**	**6.0**	**1.4**
Since launch (27/01/99)		**392.4**	**140.4**		**283.4**	**86.6**	**16.1**

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

The Fund's NAV decreased by 1.1% in October. The long portfolio cost 3.0% and the short book added 1.9%.

The most significant attribution was from our investment in Trader Media East, which cost the Fund 1.8%. This was the result of our recommendation, accepted by the Fund's Board and Administrator, to value the position at its reported book value. This is due to the ongoing lack of liquidity in the shares which means that the quoted market price is not currently a fair reflection of realisable value. We will continue to value the position in this way, updated at least quarterly to reflect the company's latest reported financial statements, until such time as significant liquidity returns to the shares. While we believe this is a fair way to value the business currently, we remain very excited about the value long term investors will realise from this investment, a view supported by recent M&A activity in the classified advertising sector.

More positively, Novera Energy contributed 0.7% following a takeover bid from private equity owned peer Infinis. The bid was rejected as too low by all major shareholders, including ourselves, and received acceptances equivalent to less than 0.1% of the share capital. We think a higher bid is likely.

On the short side, our position in a satellite navigation technology firm contributed 0.8%. The company reported results which showed increasing pricing pressure in the industry, with the bad news compounded by Google's announcement that it is now offering a competing product. The company's share price fell 44% in October.

Portfolio Activity

As at 31st October the Fund was invested in 74 (65)* stocks. We increased our net exposure during the month, including covering about half of one of our largest shorts in a display advertising business.

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

Teleplan – a German repair solutions supplier (1.1% NAV)

Teleplan is one of the top five global suppliers of repair services to equipment manufacturers in the computer (about 45% of revenue), communications (30%) and consumer electronics (25%) markets, known as the 3Cs. The company has a market share of around 5%, their largest competitors being Flextronics (17%), Celestica (10%) and Jabil (8%). Teleplan mainly focuses on in warranty repairs (80%) but is also active in the out of warranty segment, where the distributor is the customer. The 3Cs segments should continue to see steady growth in volumes as portable technologies further penetrate our way of life and Teleplan is also benefitting as manufacturers focus on their core design and build competencies, with increased outsourcing of after sales services. This trend in outsourcing is made easier by technology becoming increasingly mobile as the cost of transporting goods for repair is lowered.

Teleplan has a global, low cost network of sites enabling them to offer a speedy and cost effective service to their customers. Being the lowest cost operator is key to this business and the company has increased the proportion of its labour force based in low cost countries from 60% to over 75% in recent years, improving their competitive position and their operating margins - from loss making, on an uncompetitive cost base, five years ago to over 11% expected in 2009. With the cost base now globally competitive we expect the margins to remain higher than in the past. As well as lower costs, profitability has benefitted from a focus on serving larger, global manufacturers that smaller players do not have the resources to supply effectively. The downside to this focus on larger contracts is a relatively high customer concentration, although at 13% of revenue Teleplan's largest exposure to a single customer is not too onerous.

Put plainly, this is not as high quality a franchise as we typically invest in but it is too cheap for a well managed, efficient business that has continued to trade well in the downturn. Teleplan has a market capitalisation of EUR 110m with net debt, which has been reduced significantly in recent years, expected to be less than EUR 20m by the end of this year. It currently trades on 2009 price to earnings and enterprise value to operating profit multiples of 7 and 4.7 times respectively and we expect free cash flow of over EUR 15m next year. Simply valuing the company on ten times 2010 earnings implies a fair value more than 50% above the market price and we are confident there is substantial upside to its current level.

Top Five Holdings as at 31 October 2009

	Company	Country	Sector	% of NAV
1	Sto	Germany	Construction	6.5
2	Atlantia	Italy	Transport	4.4
3	Telenet	Belgium	Technology	3.6
4	Informa	Jersey	Media	3.3
5	PubliGroupe	Switzerland	Media	3.1
				20.9

Exposures as at 31 October 2009

Longs %	Shorts %	Gross Exposure %	Net Exposure %
79.6 (69.5)	30.2 (30.0)	109.8 (99.5)	49.4 (39.5)

Figures in brackets refer to previous month end.

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

Country	Gross%	Net%
Belgium	3.6	3.6
Czech Republic	1.4	1.4
France	4.7	-4.7
Germany	21.2	12.0
Ireland	3.1	3.1
Italy	8.9	6.0
Japan	2.0	-2.0
Jersey	4.5	4.5
Luxembourg	1.5	1.5
Netherlands	5.1	2.9
Spain	1.9	-1.9
Switzerland	4.4	3.4
UK	35.4	20.5
US	8.2	-3.3
Other	3.9	2.4

Market Cap	Gross%	Net%
>£2bn	12.6	-0.8
£700m - £2bn	17.0	3.7
£200m - £700m	29.7	7.3
<£200m	50.5	39.2

Sector	Gross%	Net%
Construction	10.2	9.5
Consumer	9.6	1.6
Energy	8.3	-0.3
Engineering	2.9	2.9
Financial	3.0	-0.8
Food	2.6	0.0
Industrials	8.3	1.3
Leisure	4.8	-0.2
Media	17.6	12.3
Property	5.4	5.4
Services	10.2	7.3
Technology	15.6	7.8
Telecoms	3.4	-0.4
Transport	4.9	4.9
Other	3.0	-1.9

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

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