Ennismore European Smaller Companies Fund

Investor Newsletter for the month of November 2009

Issued on 7 December 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 92m as at 30th November.

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 30 November 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
November 09	**49.31**	**2.0**	**1.4**	**53.90**	**-0.2**	**-0.6**	**1.9**
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
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	**49.31**	**-0.8**	**44.4**	**53.90**	**4.9**	**51.5**	**21.7**
Annualised return[5]		**16.1**	**8.6**		**13.2**	**5.9**	**1.6**
Since launch (27/01/99)		**402.4**	**143.8**		**282.7**	**85.5**	**18.3**

[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 2.0% in November. Our long book contributed 2.5% while the Fund's short exposure cost 0.5%.

The stand out contribution was from our largest holding, German building materials manufacturer Sto, which added 1.5%. The company reported Q3 09 results which revealed better than expected earnings so far this year and increasingly strong revenue growth in its core German market. The business has proved very resilient through the construction downturn with revenue down only 3.4% year on year for the first nine months of 2009. We believe this reflects the quality of its market leading products and strong brand and the benefits of its focus on growing demand for thermal insulation.

Toll road operator Atlantia contributed 0.4% after reporting a year on year increase in traffic on its main Italian motorways in October and raising its profit guidance for 2009 and the period 2009-2012.

Portfolio Activity

As at 30th November the Fund was invested in 75 (74)* stocks with overall gross and net exposures little changed during the month. We sold our investment in renewable energy producer Novera Energy to private equity vehicle Infinis at a 20% premium to their initial offer which was made in October. We also covered most of one of our larger shorts, a European focussed glassmaker, as the shares fell heavily after the company reported further losses for the third quarter, exacerbating concerns over its need for additional equity financing.

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

Buzzi Unicem – Italian cement manufacturer (2.9% NAV)

Buzzi Unicem is a cement manufacturer with strong positions in Italy (#2 operator, estimated 22% share of market capacity), Germany (#2, 19%) and the US Midwest (#2, 20%). It also has significant operations in eastern Europe and Mexico. Cement is a typical high bulk, low value building material which is supplied overland only over short distances due to the high cost of distribution relative to the value of the goods sold. Profitability in this type of industry usually depends on the relative consolidation of the customer base and the supply side in each local market. In this respect cement is very attractive with few, if any, customers having significant purchasing power while the manufacturers in many mature markets have now become highly consolidated. This favourable market structure is reflected in continued pricing discipline despite the slump in construction demand.

Buzzi entered the downturn as one of the least geared cement operators and this is one of the main reasons we are keen to own the stock. Even on depressed 2009 earnings net debt at year end will only be about 2.2 times EBITDA. Because of their relatively strong financial position management has been able to selectively continue investment in new and upgraded capacity which will begin to significantly add to earnings from next year, mostly the result of lower input costs due to improved efficiency, while lower capex will also boost free cashflow. Longer term increased capacity will, of course, also benefit the bottom line as demand recovers.

Buzzi is a family controlled company and we do not consider it as a likely acquisition target despite its strong market positions. The shares are split into two classes and we prefer to invest in the savings class, which does not having voting rights, as they trade at a significant discount to the ordinary shares (currently close to 40%, compared with an average of more like 30% over the 2004 to 2008 period) and receive a higher dividend. We estimate the savings shares currently trade on an underlying 2009 price to earnings ratio of less than nine times with a dividend yield of close to 6%. If we take 2004 operating profit as an approximation of long term earnings power, which is probably conservative given that capital employed (excluding goodwill) is now half as much again and peak 2007 EBIT was 70% higher than this level, the valuation drops to only about five times sustainable net earnings. We expect the savings shares to at least double over the next two to three years as earnings recover towards this and the discount to ordinary shares reduces to more like its historic level.

Top Five Holdings as at 30 November 2009

	Company	Country	Sector	% of NAV
1	Sto	Germany	Construction	8.3
2	Telenet	Belgium	Technology	3.9
3	Informa	Jersey	Media	3.3
4	PubliGroupe	Switzerland	Media	3.3
5	Atlantia	Italy	Transport	3.2
				22.0

Exposures as at 30 November 2009

Longs %	Shorts %	Gross Exposure %	Net Exposure %
80.1 (79.6)	29.3 (30.2)	109.4 (109.8)	50.8 (49.4)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap and Sector as % NAV as at 30 November 2009

Country	Gross%	Net%
Belgium	3.9	3.9
Czech Republic	0.9	0.9
Denmark	1.2	1.2
France	4.3	-3.9
Germany	24.6	13.1
Ireland	4.3	4.3
Italy	8.8	5.9
Jersey	4.5	4.5
Luxembourg	1.5	1.5
Netherlands	5.9	3.7
Spain	2.3	-2.3
Switzerland	4.1	3.6
UK	31.5	18.0
US	8.3	-3.8
Other	3.3	0.2

Market Cap	Gross%	Net%
>£2bn	9.5	0.1
£700m - £2bn	19.5	3.6
£200m - £700m	30.4	7.6
<£200m	50.0	39.5

Sector	Gross%	Net%
Construction	12.7	11.9
Consumer	8.4	3.4
Energy	7.5	-4.5
Engineering	3.0	3.0
Financial	2.8	-0.5
Food	2.9	-0.1
Industrials	7.6	3.4
Leisure	3.8	-1.9
Media	17.3	13.8
Property	5.5	5.5
Services	10.6	7.0
Technology	16.5	8.0
Telecoms	3.2	-0.1
Transport	4.5	4.5
Other	3.1	-2.6

The 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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