Ennismore European Smaller Companies Fund

Investor Newsletter for the month of February 2010

Issued on 8 March 2010

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 88m as at 26th February. Total assets under management by Ennismore Fund Management Limited were GBP 148m.

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 26 February 2010

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 10	**50.82**	**3.0**	**1.2**	**56.69**	**-0.3**	**-1.9**	**0.7**
January 10	49.32	0.9	-0.1	56.86	3.3	2.1	-3.8
December 09	48.89	-0.9	2.3	55.03	2.1	5.4	4.9
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
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	51.40	-28.3	-51.5	-38.9
2009	48.89	-1.6	47.7	55.03	7.1	59.7	27.7
2010 to date	**50.82**	**3.9**	**1.1**	**56.69**	**3.0**	**0.1**	**-3.1**
Annualised return[5]		**16.0**	**8.7**		**13.4**	**6.2**	**1.7**
Since launch (27/01/99)		**417.8**	**152.3**		**302.6**	**95.8**	**20.2**

[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 3.0% in February. Our long book contributed 1.6% and the Fund's short exposure added 1.1%.

The strongest performer was oil and gas exploration firm Cove Energy, contributing 0.4%, after the company announced very positive initial drill results from one of its wells. Other positive contributors were Telenet, SES and Worldspreads, adding 0.3% each. As expected cable network Telenet reported continued growth and, more surprisingly, a special dividend equivalent to a yield of over 10% due later this year. Management 's assertion that capex peaked in 2009 and their strategy to maintain an optimal capital structure, combined with the fact that the special dividend is more or less covered by 2010 free cashflow, implies that Telenet could sustain this yield, which is very attractive for such a defensive business. Worldspreads announced a deal that makes them the white label financial spread betting platform for bookmaker Ladbrokes.

The weakest performer was again cement manufacturer Buzzi Unicem, costing 0.3%, after its Dyckerhoff subsidiary forecast flat profits for 2010. This was not a great surprise to us and we took the opportunity to add to our position, as did the controlling family.

Portfolio Activity

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

As at 26th February the Fund was invested in 65 (65)* stocks. Gross and net exposures were little changed from the previous month.

COR & FJA – German software developer for the financial services industry (1.0% NAV)

COR & FJA is a software company focused on developing standard applications for insurance companies and banks. The company was formed by the merger of COR and FJA last year which made it the dominant supplier to the insurance industry in Germany. COR & FJA combined has around 1,000 employees and generates revenue of over EUR 120m, of which 70% comes from Germany and close to 80% from insurance applications. About a quarter of this revenue is recurring from maintenance and licenses with the remainder from consulting and services. The top five clients account for 30% of sales. The two firms have always had a very strong position in the life insurance sector, which is reflected in SAP's failure to capture more than a very small share of the standard software market, and this should be greatly enhanced now that they are on the same side.

In the past direct competition between COR and FJA has caused pricing pressure and meant competing software solutions were developed with neither able to set a true standard for the life insurance sector. Both companies have tried several times to take over each other and reap the obvious benefits of a combined group. Thanks to the depressed share price of FJA in late 2008 and the influence of the major shareholder, msg systems, which owns 45% of the combined group, a controlled merger has now been achieved. The newly formed company will be able to concentrate on its standard software solutions and thereby better address the needs of their clients, which will enhance the company's competitive position. In the medium term the merger should also bring savings on software development costs and free up additional capacity for paid development projects. Most importantly we believe the very much improved competitive position will allow COR & FJA to sustain higher pricing and profitability in future.

We are not assuming any improvement in market conditions over the next two years but COR & FJA's profitability should still increase from this year onwards as most of the costs of the merger were borne in 2009 while synergy benefits and improved pricing power will come through more gradually. The group has no debt on the balance sheet and around EUR 50m of tax losses to carry forward. COR & FJA's enterprise value is currently only six times the 2008 net operating profit after tax of the two standalone businesses, that is before any benefits of the merger. Given the improved competitive positioning in Germany, an operating margin that we think can be increased and sustained above 10% in the long run and growth coming from international activities, COR & FJA should be valued at more than one times sales and and we are happy to own it at below half this level.

Top Five Holdings as at 26 February 2010

	Company	Country	Sector	% of NAV
1	Sto	Germany	Construction	7.2
2	Informa	Jersey	Media	4.1
3	Telenet	Belgium	Technology	4.1
4	PubliGroupe	Switzerland	Media	3.5
5	Trader Media East	Netherlands	Media	3.1
				22.0

Exposures as at 26 February 2010

Longs %	Shorts %	Gross Exposure %	Net Exposure %
79.5 (80.4)	30.9 (29.5)	110.4 (109.8)	48.7 (50.9)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap and Sector as % NAV as at 26 February 2010

Country	Gross%	Net%
Belgium	4.1	4.1
Denmark	1.4	1.4
France	2.6	-1.7
Germany	22.4	12.8
Ireland	4.7	4.7
Italy	7.8	4.5
Jersey	5.5	5.5
Luxembourg	1.8	1.8
Netherlands	6.3	4.2
Spain	4.5	-4.5
Sweden	1.3	0.3
Switzerland	6.8	1.5
UK	29.0	18.0
US	9.2	-4.9
Other	3.0	1.0

Market Cap	Gross%	Net%
>£2bn	17.0	8.0
£700m - £2bn	13.9	-4.0
£200m - £700m	33.7	6.8
<£200m	45.8	37.9

Sector	Gross%	Net%
Construction	11.7	11.7
Consumer	7.1	4.2
Energy	7.4	-3.7
Financial	1.7	1.0
Food	2.9	-0.5
Industrials	13.4	6.0
Leisure	4.7	-2.2
Media	19.6	15.8
Medical	2.0	-2.0
Property	4.7	4.7
Services	9.3	5.5
Technology	17.8	6.9
Telecoms	4.0	-0.4
Transport	2.9	2.9
Other	1.2	-1.2

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

For further information please contact:	Geoff Oldfield, Ennismore Fund Management	+44 (0) 20 7368 4223	www.ennismorefunds.com
For dealing please contact:	Trevor Keane , State Street International (Ireland) Ltd	+353 (0) 1 523 4050	tkeane@statestreet.com