

Ennismore European Smaller Companies Fund

Investor Newsletter for the month of April 2010

Issued on 10 May 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 89m as at 30th April. Total assets under management by Ennismore Fund Management Limited were GBP 140m.

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 April 2010

Period	GBP			EUR			MSCI Index ⁴ % Change
	Fund NAV ²			Fund NAV ²			
	Fund NAV ¹ Per Share	Per Share % Change	HSBC Index ³ % Change	Fund NAV ¹ Per Share	Per Share % Change	HSBC Index ³ % Change	
April 10	52.36	1.0	-0.4	60.28	3.7	1.8	-1.8
March 10	51.84	2.0	7.9	58.12	2.5	8.4	6.9
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
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	52.36	7.1	8.6	60.28	9.5	10.5	1.6
Annualised return⁵		16.0	9.3		13.8	7.1	2.1
Since launch (27/01/99)		433.5	170.9		328.0	116.1	26.1

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 increased by 1.0% in April. The long portfolio contributed 3.2% and the short book cost 1.5%.

The main positive contributions were from Sto (0.9%), Kentz Corp (0.6%) and JD Sports (0.6%). German building insulation manufacturer Sto reported excellent 2009 results during the month, with its highest ever profit before tax, despite the construction recession in all of its main European markets. Revenue and operating profit were only fractionally lower than in 2008 - a growing domestic market coupled with strong results from France, Austria and Switzerland overcompensating for weaker demand in the US, UK and eastern Europe - and the company ended the year with net cash of almost EUR 100m. With a market cap of EUR 450m, even after its recent performance, Sto is valued at only eight times 2009 earnings and, on an enterprise value basis, less than five times operating profit. We expect Sto to grow its business in the coming years as residential construction recovers somewhat in Europe and building standards for energy efficiency continue to be tightened and are very happy it remains our largest investment.

Portfolio Activity

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

As at 30th April the Fund was invested in 65 (69)* stocks.

VIB Vermoegen – German real estate company (2.1 % NAV)

VIB Vermoegen (VIB) is a commercial real estate company based in Bavaria. Management, led by Ludwig Schlosser, has a conservative buy and hold investment strategy and is very well established within its core region in southern Germany, enabling them to identify attractive properties at very reasonable prices. The portfolio is well diversified with 85 properties and 645,000 square metres of lettable space. Of this, 37% is for retail use, 24% logistics, 21% industrial and 18% is offices.

VIB employs conservative accounting which is reflected in a high rental income yield of more than 7%, based on its accounted market values of EUR 638m, and the fact that in 2009 the portfolio valuation needed to be adjusted down by less than ten million euros to reflect extremely tough commercial property markets. Long term financing enables the company to generate healthy cash flows which are used to pay back debt and we expect increasing dividend pay outs in future. In 2009 VIB achieved its best ever result - net asset value per share (NAV) increased 7% to EUR 11.85 due to lower debt and the most relevant cash flow measure, funds from operations (FFO), was up over 40% to EUR 0.95. These strong operational developments led management to increase the dividend by 25% to EUR 0.25.

VIB is being materially mispriced by the market, in our view, with a share price of around EUR 6.5 giving a discount of 45% to NAV and a FFO yield of more than 14%. We expect that the valuation gap will be narrowed as high visibility going into 2010/11 should result in another good operational result and at the same time management makes progress towards increased transparency, for example by deconsolidating a brewery business, acquired as part of larger portfolio, which accounts for only a small percentage of the value of the company. We view the discount of more than 40% to an already conservative NAV as a very decent margin of safety for our investment. With strong cash flows and good quality assets in attractive locations, supported by a lean cost structure, we are very happy to own VIB and see upside of more than 50% over the next 12 months, which would still leave the stock trading on a discount to NAV of almost 20%.

Top Five Holdings as at 30 April 2010

Company	Country	Sector	% of NAV
1 Sto	Germany	Construction	8.2
2 Telenet	Belgium	Telecoms	4.1
3 Diploma	United Kingdom	Industrials	3.8
4 Kentz Corp	United Kingdom	Industrials	3.7
5 Informa	Jersey	Media	3.6
			23.4

Exposures as at 30 April 2010

Longs %	Shorts %	Gross Exposure %	Net Exposure %
77.6 (79.3)	31.5 (34.4)	109.2 (113.6)	46.1 (44.9)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap and Sector as % NAV as at 30 April 2010

Country	Gross%	Net%	Market Cap	Gross%	Net%	Sector	Gross%	Net%
Belgium	4.1	4.1	>£2bn	12.6	5.7	Auto	0.9	-0.9
France	2.3	-1.5	£700m - £2bn	13.9	-6.9	Construction	13.1	13.1
Germany	25.6	16.6	£200m - £700m	36.8	8.8	Consumer	5.7	3.7
Ireland	3.3	3.3	<£200m	45.9	38.5	Energy	6.7	-3.0
Italy	7.6	4.2				Financial	2.2	0.0
Japan	1.7	-1.7				Food	2.3	-0.4
Jersey	4.9	4.9				Industrials	17.3	6.2
Luxembourg	1.4	1.4				Leisure	4.8	-2.5
Netherlands	4.3	4.3				Media	18.7	13.3
Spain	5.4	-5.4				Medical	1.7	-1.7
Sweden	1.9	-0.1				Property	4.1	4.1
Switzerland	5.3	-0.3				Services	10.1	6.3
UK	29.8	19.1				Technology	12.6	4.9
US	8.6	-3.9				Telecoms	8.5	2.5
Other	3.0	1.1				Other	0.5	0.5

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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