

Ennismore European Smaller Companies Fund

Investor Newsletter for the month of December 2011

Issued on 13 January 2012

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 186m as at 30th December. Total assets under management by Ennismore Fund Management were GBP 228m. Our funds are hard closed to new investment with the number of shares in issue capped and we have a waiting list of clients that want to invest as and when capacity becomes available through redemptions. If you would like to be included on this please call Eleanor Scott on +44 (0) 20 7368 4219 or email subs@ennismorefunds.com. Redemptions can be made through the Administrator in the usual way.

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.

Performance as at 30 December 2011

	Share Class ²					HSBC Index ³		MSCI Index ⁴
	GBP A £	GBP A €	GBP B	EUR A	EUR B	GBP	EUR	(local)
NAV per Share ¹	63.58	76.11	10.74	10.82	10.87			
Period	% Change					% Change		
December 11	-1.4	1.0	-1.4	0.6	0.6	-1.7	0.7	1.0
November 11	-4.0	-1.5	-4.0	-2.4	-1.9	-8.0	-5.6	-4.0
October 11	2.9	0.9	2.9	1.3	1.3	10.5	8.1	10.9
September 11	-0.2	2.5	-0.2	2.2	2.0	-10.5	-7.8	-4.6
August 11	-0.2	-1.2	-0.2	-1.3	-1.0	-9.2	-10.3	-9.5
July 11	-0.7	2.4	-0.7	1.9	1.8	-6.2	-3.2	-4.5
2011 ⁶	9.8	12.6	7.4	8.2	8.7	-20.7	-18.6	-9.3
Annualised return ⁵	15.6	13.9				7.0	5.5	1.4
Since launch ⁵	547.8	440.4				141.1	100.4	20.2

¹Source: Administrator, Net Asset Value. ²Source: Administrator, Net Asset Value, net income reinvested. ³Source: Bloomberg, HSBC Smaller European Total Return Index. ⁴Source: Bloomberg, MSCI Europe Index, local currencies, total return. ⁵Since inception of GBP A share class on 27/01/99 to date. ⁶From launch to 30 December 2011 for GBP B, EUR A, and EUR B share classes. GBP B launched 19/01/11, EUR A and EUR B launched 31/01/11. 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 holding in Trader Media East continues to be valued based on the latest net asset value reported by that company, as explained in our October 2009 newsletter.

The Fund's NAV decreased by 1.4% in December but increased in euros due to the continued weakness of that currency. Our long book cost 3.3% while the Fund's short exposure contributed 2.1%. The main negative contribution came from Xing, costing 1.1%, with the shares down 18% in the month. Despite this decline the stock performed well in 2011, returning over 20% (including a special dividend of EUR 3.76). More importantly the operating business has performed even more strongly, as their recent third quarter results showed, and we therefore used the share price weakness in December to add to our position having previously sold some shares in the autumn.

Portfolio Activity

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

As at 30th December the Fund was invested in 74 (73)* stocks. Gross and net exposures were little changed in the month.

Westag and Getalit - German manufacturer of building products (0.8% NAV)

We have owned Westag and Getalit, a German manufacturer of doors, frames, laminated worktops and formwork panels, since 2004 and the investment has returned about 15% a year for the Fund. We have written on the stock more than once in the past and are happy to do so once again because the fundamental attractions have not changed. The company is family owned and run as such. It is well invested - capital expenditure was maintained in line with depreciation even in the financial crisis - and conservatively financed, with net cash on the balance sheet throughout the past decade. Management's continued commitment to product innovation and manufacturing efficiency are reflected in 2011 revenue already being back to its pre-recession peak of EUR 230m and a very solid average pre-tax return on capital employed of 15% over the last business cycle. Even more notable has been their performance in the current downturn with operating profit in 2009 falling less than 10% from its 2007 peak. Westag and Getalit continues to be ignored by the sell side of the investment community with no analyst coverage.

Despite its solid long term return for the Fund this investment remains modestly valued at a 10% discount to tangible book value. While 2011 profit will be lower than 2010 due to a lag in passing through higher raw material costs, mostly wood, we expect this margin will be recovered this year with flat revenue in a stable domestic market where residential construction is showing some signs of picking up. We estimate the price to earnings ratio for the shares to be around eleven times for last year and closer to nine times in 2012. The dividend yield is high, at close to 6%, and well covered. On top of this the company has been using excess capital to buy back its own shares below book value. Westag and Getalit continues to be a very solid, well run business and we think it will continue to contribute to the Fund as it has in the past.

Top Five Holdings as at 30 December 2011

Company	Country	Sector	% of NAV
1 Sto	Germany	Materials	4.9
2 Xing	Germany	Information Technology	4.9
3 Informa	Jersey	Consumer Discretionary	4.9
4 Howden Joinery	United Kingdom	Consumer Discretionary	3.7
5 Vib Vermoegen	Germany	Financials	3.4
			21.8

Exposures as at 30 December 2011

Longs %	Shorts %	Gross Exposure %	Net Exposure %
78.1 (77.3)	31.6 (31.7)	109.7 (109.0)	46.5 (45.6)

Figures in brackets refer to previous month end.

Exposures by Country, Market Cap and Sector as % NAV as at 30 December 2011

Country	Gross%	Net%	Market Cap	Gross%	Net%	Sector	Gross%	Net%
Austria	1.1	0.5	>£2bn	12.7	3.5	Consumer Discretionary	39.3	14.8
Bermuda	4.4	-2.2	£700m - £2bn	12.0	-3.9	Consumer Staples	3.8	-1.9
Denmark	2.3	1.4	£200m - £700m	41.3	14.1	Energy	2.9	0.5
France	4.5	2.5	<£200m	43.7	32.8	Financials	12.8	11.1
Germany	25.5	16.8				Health Care	2.3	-1.9
Ireland	3.1	3.1				Industrials	17.1	7.5
Italy	6.3	3.9				Information Technology	19.0	7.5
Jersey	7.6	5.6				Materials	9.6	9.6
Netherlands	3.1	2.2				Telecommunication	2.6	-0.4
Singapore	1.5	1.5				Utilities	0.3	-0.3
Sweden	2.7	-1.9				Other	0.0	0.0
Switzerland	4.8	3.0						
UK	34.8	10.6						
US	5.1	-0.9						
Other	2.9	0.4						

Geographic analysis relates to country of incorporation or listing. This may not represent the underlying economic exposure of the operating business. Sector analysis is based on the Global Industry Classification Standard ("GICS"). Source: Bloomberg.

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