Ennismore European Smaller Companies Fund

Investor Newsletter – June 1999

Fund Details

Daily dealing UCITS and Central Bank of Ireland regulated open ended investment company with FSA approval, registered in Ireland and listed on the Irish Stock Exchange. The Fund has an AA S&P Fund Research New Fund Rating.

Performance as at 31 May 1999

	NAV	May	Since Launch (27/1/99)
£			
Ennismore European Smaller Companies*	10.97	1.4%	9.7%
HSBC Europe inc. UK Small Cap Index#		-1.1%	6.3%
€			
Ennismore European Smaller Companies*	16.74	1.7%	16.7%
HSBC Europe inc. UK Small Cap Index#		-0.1%	14.2%

* Net Asset Value, net income reinvested # Source: Bloomberg, excludes income. All performance figures net of fees.

Comments on Performance refer to £ Sterling unless otherwise stated.

The increase in NAV in May was 1.4%. We have built up our investment further and the Fund was 74% invested on average in May on which the return was 1.9%. Few holdings made a noteworthy positive or negative contribution to performance. Whitehead Mann, Medion, TJ Hughes, ConSors and Comino contributed between 0.3% and 0.5%, whilst Amadeus and CFS had a negative contribution of 0.3% each.

Top Ten Holdings as at 31 May 1999

	Company	Country	Sector	% of NAV
1	Medion	Germany	Distribution	6.3
2	ConSors	Germany	Financial Services	5.2
3	Porsche	Germany	Auto	4.3
4	Monsoon	UK	Retail	4.0
5	CFS Group	UK	I.T.	3.5
6	Comino	UK	I.T.	3.4
7	Reliance Security	UK	Services	3.4
8	Alain Manoukian	France	Consumer	3.3
9	Fielmann	Germany	Retail	3.2
10	Whitehead Mann	UK	Services	3.1
			Total:	**39.7**

Fielmann – The leading German optical retailer with 99% brand awareness. Large outlets, a high level of productivity and extremely low prices have given this "category killer" an unassailable lead in the German market (19% share by value, 39% share by volume). Further market share gains in Germany and a cautious, mainly organic European expansion strategy should lead to 18% compound sales growth at rising margins, as the foreign price level is significantly above the German level, whilst sales densities achieved so far compare well with Germany. On 18x current year earnings.

Jaakko Pöyry – international energy, forestry and infrastructure consulting. This Finnish company is incorrectly perceived as being entirely dependent on new capital projects in the pulp and paper industry. Following the acquisition of the Swiss consultancy business Electrowatt Engineering AG, only 12% of revenues now come from consultancy work on new capital investments in the forestry industry. The company now has strong global market positions in energy consulting, environmental and infrastructure consulting and urban transportation. Jaakko's management have explicit and achievable financial targets of greater than 20% return on investment and 15% average annual earnings per share growth. The company recently reported results for Q1 1999 which showed a 29% increase in earnings per share compared to Q1 1998, and a 21% increase in the order backlog since December 1998. We have not assumed any upturn in the pulp and paper cycle in our forecasts but despite this we believe the company is valued at only 9 times December 2000's earnings.

Country & Sector Weighting

Country	% of NAV
UK	30.6
Germany	27.0
France	10.4
Switzerland	2.8
Sweden	2.7
Denmark	2.6
Finland	2.5
Italy	1.7
Netherlands	0.3
Cash	19.4

Sector	% of NAV
Retail	16.9
Services	12.7
I.T.	12.1
Consumer	11.0
Distribution	9.8
Financial Services	9.1
Auto	4.5
Leisure & Media	4.5
Cash	19.4

Portfolio Activity

As at 31 May 1999, the Fund was 81% invested in 31 shares. Purchases were Selecta, Europe's leading operator of vending machines, Whitehead Mann, an executive recruitment company, two German I.T. consulting companies, Stedim, a 'fallen angel' in France, and Beru, an extremely cheap yet highly profitable, well managed and fast growing auto supplier. We sold our position in ConSors in early June. First quarter figures were only slightly above the expectation of the lead manager at the time of the new issue and below our own. This seemed to leave little scope for earnings upgrades to underpin the current valuation following a 154% rise from the issue price. We are seeing the company again in mid June.

Outlook

We are visiting and researching a large number of companies, with a particular emphasis on Scandinavia and France. There is no shortage of good ideas at attractive valuations. The outlook for the Fund remains promising.

For further information please contact:

Gerhard Schöningh	Ennismore Fund Management Limited	0171 313 9521	gs@ennismorefunds.com
Geoff Oldfield	Ennismore Fund Management Limited	0171 313 9523	go@ennismorefunds.com

For dealing please contact:

Sinéad Whelehan	Deutsche International Fund Services	(353) 1 607 6409	sinead.whelehan@db.com
Audrey Galvin	Deutsche International Fund Services	(353) 1 607 6358	audrey.galvin@db.com
Simon Ibbitson	Warburg Dillon Read	0171 568 4572	simon.ibbitson@wdr.com