Ennismore European Smaller Companies Fund

Investor Newsletter – July 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.
On 26 July the Fund reopens for subscriptions. It is currently £15.9m.

Performance as at 30 June 1999

	NAV	June	Since Launch (27/1/99)
£ Sterling			
Ennismore European Smaller Companies*	£11.33	3.3%	13.3%
HSBC Europe inc. UK Small Cap Index#		2.3%	8.8%
€ Euro			
Ennismore European Smaller Companies*	€17.30	3.3%	20.6%
HSBC Europe inc. UK Small Cap Index#		1.7%	16.1%

* 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 net asset value in June was 3.3%. On average the Fund was 72% invested on which the return was 4.5%. Medion, Birkby, Fitness First and Navision contributed between 2% and 0.4% whilst Plenum was the only significant negative contributor with –0.5%.

Top Ten Holdings as at 30 June 1999

	Company	Country	Sector	% of NAV
1	Medion	Germany	Distribution	7.0
2	Porsche	Germany	Auto	3.9
3	Comino	UK	I.T.	3.8
4	Reliance Security	UK	Services	3.3
5	Zapf	Germany	Consumer Goods	3.2
6	CFS Group	UK	I.T.	3.2
7	Monsoon	UK	Retail	3.1
8	Alain Manoukian	France	Apparel	2.7
9	TJ Hughes	UK	Retail	2.7
10	Whitehead Mann	UK	Services	2.7
			Total:	**35.6**

Comino – software development and services. We increased our holding in this UK company following strong reported results and a reinforced belief that the future prospects for the business are excellent. For the year to March 1999 turnover increased by 41% and profit after tax rose by 42%. The company licences its internally developed software solutions to pension scheme administrators, local authorities and housing associations. In addition to the licence sale Comino will normally provide ongoing support and maintenance to the client, giving Comino excellent earnings visibility and highly predictable cash flows. The markets that Comino addresses are experiencing rapid growth as new legislation and information technology fuel demand for higher customer service levels and effective cost controls in both the public and private sectors. Comino's suite of products leave the company well placed to exploit these trends in its particular niche markets. Comino is capitalised at £45 million and has £7 million of net cash on the balance sheet. With expected earnings in excess of 17p per share for the year to March 2000 the company is trading on 19x earnings. The valuation is compelling relative to its growth rate, the defensive characteristics of the business model and its well diversified customer base.

Zapf – an industry consolidator amongst the fragmented German doll producers. Its German market share of 28% is the result of an 81% market share in the 'function' doll segment. This is distinctly different from the 'fashion' doll segment dominated globally by 'Barbie', but replicates the underlying concept of a strong installed base of dolls generating recurring revenues in the shape of accessories and clothing. TV advertising and a tight control of stock released to retailers position Zapf as one of the few 'pull' rather 'push' brands amongst toy manufacturers. With Germany now being a maturing, but highly profitable cash generator, Zapf is making successful inroads into other major European markets. Organic growth of 20% plus at rising margins may be enhanced by acquisitions that give Zapf a distribution platform in foreign markets. Despite a strong management and market position, a high level of profitability and 20% + growth potential, Zapf is trading at a miserly rating of 12 times estimated year 2000 earnings.

Country, Market Cap & Sector Weightings

Country	% of NAV
UK	30.5
Germany	27.4
France	9.2
Denmark	2.7
Switzerland	2.4
Sweden	2.3
Finland	2.0
Italy	1.6
Ireland	1.4
Other	0.5
Cash	20.0

Market Cap	% of NAV
> £1bn	10.9
£350m - £1bn	10.1
£100m - £350m	20.9
<£100m	38.1
Cash	20.0

Sector	% of NAV
Retail	14.0
Services	13.8
IT	11.8
Distribution	7.2
Consumer	6.6
Auto	5.8
Apparel	4.2
Financial	3.6
Healthcare	3.6
Other	9.4
Cash	20.0

Portfolio Activity

As at 30 June the Fund was 80% invested in 36 shares. New purchases were Zapf, see earlier commentary, Barlo, an Irish industrial company, Flammarion, a French publisher, Whatman, a UK healthcare company, and Pararede, a Portuguese IT stock. We added to our positions in Comino and Reliance Security. At the start of July we sold one third of our position in Medion after a particularly strong June performance.

Outlook

In the first five months we have met with 203 companies, 65 of these meetings being held at the companies' premises. Trips are planned to Sweden, Finland, France, Ireland and the West Midlands. We believe valuations in a number of smaller companies are compelling and the risk : return ratio particularly attractive.

August Newsletter

There will be no Newsletter in August. Normal service will resume in September. Shareholders in the Fund will receive, however, the half yearly interim report towards the end of August.

For further information please contact:

Gerhard Schöningh	Ennismore Fund Management Limited	(44) 171 313 9523	gs@ennismorefunds.com
Geoff Oldfield	Ennismore Fund Management Limited	(44) 171 313 9521	go@ennismorefunds.com

For dealing please contact:

Mark Belton	Deutsche International Fund Services	(353) 1 607 6362	mark.belton@db.com
Simon Ibbitson	Warburg Dillon Read	(44) 171 568 4572	simon.ibbitson@wdr.com

Ennismore Fund Management Limited, 150A Kensington Church Street, London W8 4BN, Registered in England and Wales No. 3598371
Regulated by IMRO.