Ennismore European Smaller Companies Fund

Investor Newsletter for the month of March 2000

Issued on 13 April 2000

Important Notice

Following an increase in the size of the Fund by more than 5.5 times to £55m/EUR89m since inception a year ago the Directors of the Fund resolved on 10 February to limit the number of shares in issue at 3m. This limit was reached on 25 February and will apply until at least 15 September 2000.
Redemptions can be made through the administrator in the usual way. Ennismore Fund Management is keeping an informal waiting list for investors wishing to subscribe to shares in the event of any redemptions. To be included in this list, please call Franziska Günther on +44 20 7313 9519.

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. The Fund size was £60m as at 31 March.

Performance as at 31 March 2000

	NAV (31/3/00)	March %	Year to Date %	Since Launch (27/1/99) %
£ Sterling				
Ennismore European Smaller Companies*	£20.06	- 0.2	34.6	100.6
HSBC Europe inc. UK Small Cap Index#		- 2.3	5.8	31.9
€ Euro				
Ennismore European Smaller Companies*	€33.49	2.0	41.3	133.4
HSBC Europe inc. UK Small Cap Index#		- 0.7	9.7	53.5
Local Currency				
MSCI Europe 15 Index (Large Cap)#		2.3	3.2	31.9

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

Comments on Performance refer to £ Sterling unless otherwise stated.

Net asset value in March decreased by 0.2%. There were no significant individual stock contributions in the month, either positive or negative.

Top Ten Holdings as at 31 March 2000*

	Company	Country	Sector	% of NAV
1	Free Record Shop	Netherlands	Retail	4.3
2	Lusomundo	Portugal	Media	3.8
3	ACG	Germany	Services	3.1
4	Zapf Creation	Germany	Consumer	3.0
5	Think Tools	Switzerland	Software	2.9
6	MFI Furniture	UK	Retail	2.9
7	Beru	Germany	Auto	2.3
8	Reliance Security	UK	Services	2.1
9	Fitness First	UK	Leisure	2.1
10	Unit 4	Netherlands	Software	2.1
				28.6

* excludes ARINS

Rational - producer of ovens for the catering industry. Rational's ovens combine the traditional method of cooking by heat with steam, producing faster and better results, as well as a quick pay-back through savings in space, time, energy and reduced shrinkage of cooked food. The combination steamer segment accounts for only 14% of the global installed base of ovens and is growing fast. Rational is the clear global leader with a 43% market share, five times that of its nearest competitor. This gives it excellent economies of scale resulting in a significant technological lead. The competitive lead is extended by a strategy of pricing the products competitively. The excellent product and production strategy are complemented by a recently implemented marketing strategy. Already boasting a 19% EBIT margin, a return on net operating assets above 60% and a high level of free cash generation, we expect Rational to be capable of at least 20% low-risk earnings growth until 2002. The main reason for the flotation of this excellent company was not a need for capital, but to incentivise the management with share options. The main reason for its underpricing (up 70% after 2 months) was that the company has the misfortune of belonging to the "old economy". Still good value on 15 times estimated 2002 earnings.

Country, Market Cap & Sector Weightings as at 31 March 2000

Country	% of NAV
UK	25.0
Germany	20.2
Netherlands	9.4
Sweden	6.2
France	4.1
Portugal	3.8
Switzerland	2.9
Finland	1.7
Spain	1.4
Norway	1.0
Other	2.5
Cash	21.8

Market Cap	% of NAV
>£1bn	5.3
£350m - £1bn	18.4
£100m - £350m	27.2
<£100m	27.3
Cash	21.8

Sector	% of NAV
Retail	13.3
Media	11.9
Services	9.2
Software	8.2
Financial	6.0
Consumer	5.8
Distribution	4.7
Auto	3.9
Capital Goods	3.5
Telecom	2.9
Leisure	2.7
Other	6.1
Cash	21.8

Portfolio Activity

As at 31 March the Fund was 78.2% invested in 64 shares. March was a busy month. We sold completely our holdings in Cybertron, Mikron, Søndagsavisen, Redstone, ParaRede, Comptel and Aldata - all with good profits. We realised some gains in UCA and Zapf. Important new purchases were Sartorius, a cheap German industrial, BKN International, a European cartoon producer, Bellway, a UK housebuilder, Oasis, a UK women's clothing retailer, Dinamia, a Spanish venture capital company and Think Tools, a fast growing and profitable Swiss developer of knowledge management software. We added to our positions in ACG, Beru and Macro 4. The net effect of all these changes has been to reduce the price - earnings ratio of the portfolio.

Outlook

With no shortage of good ideas at attractive valuations we believe that the outlook for the Fund is promising.

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