Ennismore European Smaller Companies Fund

Investor Newsletter for the month of April 2000

Issued on 9 May 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 £57.1m as at 30 April.

Performance as at 30 April 2000

	NAV (30/4/00)	April %	Year to Date %	Since Launch (27/1/99) %
£ Sterling				
Ennismore European Smaller Companies*	£19.15	-4.6	28.5	91.5
HSBC Europe inc. UK Small Cap Index#		-5.4	0.1	24.7
€ Euro				
Ennismore European Smaller Companies*	€33.02	-1.4	39.3	130.1
HSBC Europe inc. UK Small Cap Index#		-2.6	6.9	49.6
Local Currency				
MSCI Europe 15 Index (Large Cap)#		-0.8	2.3	30.8

* Source: Administrator, 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.

Net asset value in April decreased by 4.6%. The only noteworthy attributions by individual stocks were Lusomondo with a positive 0.8% contribution, following a take-over at a 35% premium, and negative contributions of 0.8% each from Free Record Shop and ACG.

Top Ten Holdings as at 30 April 2000*

	Company	Country	Sector	% of NAV
1	MFI Furniture Group	UK	Retail	4.0
2	Free Record Shop	Netherlands	Retail	3.1
3	Zapf Creation	Germany	Consumer	2.9
4	Think Tools	Switzerland	Software	2.7
5	ACG	Germany	Services	2.5
6	Beru	Germany	Auto	2.4
7	Rational	Germany	Capital Goods	2.2
8	Reliance Security	UK	Services	2.0
9	Fitness First	UK	Leisure	1.9
10	Unit 4	UK	Software	1.8
				25.5

* excludes ARINS

Bijou Brigitte - a leading German fashion jewellery retailer. A rare bargain basement find for Germany. Bijou Brigitte is the clear and uncontested market leader in fashion jewellery retailing with 250 German outlets. This follows the failure of small competitors to achieve scale as well as Bijou Brigitte's takeover of its leading competitor in 1996. High gross margin products produce a 23% operating margin. Combined with a small balance sheet the group produces a return on net operating assets in the region of 100% and is highly cash generative. Given the scale reached by the company and the fact that this a niche, we are not overly concerned about low entry barriers. On the basis of our year 2000 estimates, 25% of the stock market value is covered by cash, whilst the post-tax operating profit is valued at only 7 times. The group should be capable of at least 15% organic growth, possibly more, if cautious current attempts to grow the concept in the Netherlands, Austria, Spain and Eastern Europe bear fruit. The historic dividend yield (including the tax credit to German retail investors) is 7.2%. An excellent risk-reward ratio, but, sadly, only a 1.5% weighting, as we already own 5% of the free float.

Country, Market Cap & Sector Weightings as at 30 April 2000

Country	% of NAV
UK	25.9
Germany	20.7
Sweden	8.1
Netherlands	7.5
France	4.1
Switzerland	2.7
Spain	2.1
Norway	0.9
Ireland	0.9
Finland	0.8
Other	1.4
Cash	24.9

Market Cap	% of NAV
>£1bn	3.6
£350m - £1bn	16.4
£100m - £350m	29.8
<£100m	25.3
Cash	24.9

Sector	% of NAV
Retail	17.2
Services	8.9
Media	8.4
Software	6.5
Consumer	5.8
Financial	5.7
Distribution	4.7
Auto	3.9
Capital Goods	3.6
Leisure	2.5
Other	7.9
Cash	24.9

Portfolio Activity

As at 30 April the Fund was 75.1% invested in 64 shares. Important new purchases were Bijou Brigitte and Phenomedia, an undiscovered and profitable German multimedia company. We added to positions in MFI, following two meetings with the company, Fayrewood, Gardena and Oasis.

Outlook

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

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