Ennismore European Smaller Companies Fund

Investor Newsletter for the month of June 2000

Issued on 12 July 2000

Important Notice

Following an increase in the size of the Fund by more than 5.5 times to £55m/EUR89m since inception in January 1999 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 £59.6m as at 30 June.

Performance as at 30 June 2000

	NAV (30/6/00)	June %	Year to Date %	Since Launch (27/1/99) %
£ Sterling				
Ennismore European Smaller Companies*	£19.98	1.8	34.1	99.8
HSBC Europe inc. UK Small Cap Index#		0.8	4.3	29.9
€ Euro				
Ennismore European Smaller Companies*	€31.54	0.1	33.1	119.8
HSBC Europe inc. UK Small Cap Index#		-1.2	2.4	43.3
Local Currency				
MSCI Europe 15 Index (Large Cap)#		-0.8	0.9	29.0

* 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 June increased by 1.8%. In thin and volatile markets there were again no clear trends among the contributors to the month's performance.

Top Ten Holdings as at 30 June 2000*

	Company	Country	Sector	% of NAV
1	MFI Furniture	UK	Retail	3.9
2	Reliance Security	UK	Services	2.7
3	Free Record Shop	Netherlands	Retail	2.6
4	Zapf Creation	Germany	Consumer	2.4
5	Rational	Germany	Capital Goods	2.4
6	Beru	Germany	Auto	2.3
7	Barlo	Ireland	Construction	2.3
8	Sartorius	Germany	Capital Goods	2.2
9	ACG	Germany	Services	1.9
10	Fitness First	UK	Leisure	1.8
				24.5

* excludes ARINS

Barlo - a manufacturer of radiators and transparent sheet plastic. Under its excellent Irish management team, the company has achieved a significant presence outside Ireland through a combination of organic growth as well as cheap and skilfully integrated acquisitions, with the UK and Continental Europe now accounting for 30% and 60% of sales respectively. The company has achieved an 8% share of the fast consolidating European radiator market (which Barlo intends to increase further) as well as leadership with a 15% share in extruded plastic sheeting. By concentrating on cost leadership, good economies of scale as a result of capacity expansion, and building a strong Continental European distribution platform the company has achieved an excellent level of profitability and free cash generation. Despite strong organic growth of 15%+ over the next 2-3 years, likely further acquisitions (we have a high degree of conviction that management will buy cheaply and realise real synergies), and a strong balance sheet the stock is trading at barely over six times current year earnings. This puts it at a significant discount to its European peers, despite faster growth and better management which can only be explained by the mistaken perception of the stock as 'Irish' in a climate where Irish institutions diversify their holdings into Euroland. Barlo is a long-term position with an attractive risk-reward profile.

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

Country	% of NAV
UK	26.8
Germany	20.4
Sweden	7.2
France	7.2
Netherlands	5.7
Switzerland	3.8
Spain	2.8
Ireland	2.3
Belgium	0.8
Norway	0.8
Other	0.7
Cash	21.5

Market Cap	% of NAV
>£1bn	6.8
£350m - £1bn	13.6
£100m - £350m	36.8
<£100m	21.3
Cash	21.5

Sector	% of NAV
Retail	20.7
Media	9.9
Service	9.4
Financial	6.2
Consumer	5.8
Capital Goods	4.6
Distribution	4.1
Software	4.1
Auto	3.9
Construction	3.7
Other	6.1
Cash	21.5

Portfolio Activity

As at 30 June the Fund was 78.5% invested in 64 shares. Significant transactions included purchases of Barlo (described above) and DFS, a U.K. furniture retailer. We sold outright small positions in 2M Invest and Ticket Travel.

Outlook

We expect markets to remain difficult and volatile. We have a good pipeline of ideas and remain confident for the future.

July Newsletter

As last year, there will be no newsletter for July. Normal service will resume in September.

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