Ennismore European Smaller Companies Fund

Investor Newsletter for the months of July and August 2000

Issued on 14 September 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 further notice.

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 £60.3m as at 31 August.

Performance as at 31 August 2000

	NAV (30/7/00)	July %	NAV (30/8/00)	August %	Year to Date %	Since Launch (27/1/99) %
£ Sterling						
Ennismore European Smaller Companies*	20.18	1.0	20.19	0.1	35.5	101.9
HSBC Europe inc. UK Small Cap Index#		-0.1		3.2	7.4	33.8
€ Euro						
Ennismore European Smaller Companies*	32.80	4.0	32.80	0.0	38.3	128.6
HSBC Europe inc. UK Small Cap Index#		2.2		4.5	9.3	53.0
Local Currency						
MSCI Europe 15 Index (Large Cap)#		1.0		2.4	4.4	33.4

* 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.

The net asset value per share increased by 1.1% over the period of July and August, compared to an increase in the HSBC Smaller Companies index of 3.0%. The top five performers, mostly prominent weightings, were Rational, Robert Walters, Phoenix Mecano, Barlo and Porsche contributing 2.2% in total. Small negative attributions came from a number of our value investments and were not based on disappointing fundamentals. The exception to this was a profit warning from DPA, a Dutch temporary employment company, which resulted in a 30% share price drop. The main reason for the underperformance against the index lies in our modest exposure to highly-rated stocks in the Technology, Media and Telecommunications sectors whose recovery underlies the strong index performance in August.

Top Ten Holdings as at 31 August 2000*

	Company	Country	Sector	% of NAV
1	Robert Walters	United Kingdom	Services	4.1
2	Barlo	Ireland	Construction	2.9
3	Beru	Germany	Auto	2.4
4	Rational	Germany	Capital Goods	2.4
5	MFI Furniture	United Kingdom	Retail	2.4
6	Free Record Shop	Netherlands	Retail	2.3
7	Sartorius	Germany	Capital Goods	2.3
8	Porsche	Germany	Auto	2.1
9	Dinamia Capital	Spain	Financial	2.1
10	Reliance Security	United Kingdom	Services	2.0
				25.0

* excludes ARINS

Dinamia – the only listed venture capital company in Spain. Dinamia has established a market leading position as an early mover in the under-developed Spanish private equity market. Chief executive Jorge Mataix has over 10 years of private equity experience and exploits his extensive network of contacts to generate a consistent deal flow. Another key relationship exists with Electra Partners, the highly regarded UK private equity firm, who have a 10.4% stake in Dinamia and consequently allow Dinamia to co-invest alongside them in larger deals that they have sourced outside of Spain.

We are particularly excited about the growth prospects for Grupo Isolux, one of Dinamia's largest holdings. Isolux develops engineering assemblies for the fast growing telecoms infrastructure and wind energy sectors. Revenues grew by 36% in 1999 and are expected to grow in excess of 40% in 2000. In addition, the current order backlog represents a workload of more than one year. Isolux is likely to be floated during the first quarter of 2001. A conservative valuation of 15 times year 2000 net profit would value Dinamia's holding at €55m. We value the remainder of the unlisted investments in the current portfolio at €85m. The portfolio also contains over €40m in net cash. Consequently we expect the NAV for the whole of Dinamia to exceed €180m (€21.05 per share) by the second quarter of 2001, compared to the current market capitalisation of €109m (€12.8 per share). We expect to see a narrowing of this 39% discount and a further strong progression of the NAV during the second half of 2001.

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

Country	% of NAV
UK	29.6
Germany	18.9
Sweden	8.1
France	6.0
Netherlands	5.3
Switzerland	3.9
Spain	3.3
Ireland	2.9
Belgium	1.5
Norway	1.1
Other	0.7
Cash	18.7

Market Cap	% of NAV
>£1bn	9.1
£350m - £1bn	15.7
£100m - £350m	33.9
<£100m	22.6
Cash	18.7

Sector	% of NAV
Retail	19.3
Services	10.9
Media	8.7
Financial	6.9
Construction	5.1
Capital Goods	4.7
Consumer	4.6
Auto	4.5
Distribution	4.0
Software	2.8
Other	9.8
Cash	18.7

Portfolio Activity

As at 31 August the Fund was 81.3% invested in 65 shares. Major transactions included new long positions in Robert Walters, a U.K. employment services company, AECO, a Dutch producer of optical media test equipment and CML Microsystems, a U.K. designer of semiconductors for telecommunications applications. We added to a large number of existing positions including Dinamia, IPC Archtec and Paragon. There were few major sales over the period. We sold our remaining positions in ACG and Unit 4 outright and reduced MFI, Rational and Zapf.

Outlook

We expect markets to remain difficult and volatile. We do not bank on a strong recovery in technology and related sectors, where we still find many prohibitively high valuations for companies of doubtful quality. We continue to concentrate our efforts on finding clear high growth situations that are undiscovered and cheap, and believe this to be most in line with the fund's objective of achieving good returns at a low level of risk. We have a good pipeline of ideas and remain confident for the future.

For further information please contact:

Gerhard Schöningh	Ennismore Fund Management Limited	(44) 20 7313 9521	gs@ennismorefunds.com
Geoff Oldfield	Ennismore Fund Management Limited	(44) 20 7313 9523	go@ennismorefunds.com

For dealing please contact:

Louise Mullan	Deutsche International Fund Services	(353) 1 607 6690	louise.p.mullan@db.com
John Howson	Warburg Dillon Read	(44) 20 7568 0942	john.howson@ubsw.com