Ennismore European Smaller Companies Fund

Investor Newsletter for the month of September 2000

Issued on 10 October 2000

Important Notice

On 10 February 2000, the Directors of the Fund resolved to limit the number of shares in issue at 3m. This limit was reached on 25 February 2000 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 £58.9m as at 30 September.

Performance as at 30 September 2000

	GBP			EUR			
	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	MSCI Index# % Change
September	**19.68**	**- 2.5**	**- 5.6**	**32.74**	**- 0.2**	**- 3.3**	**- 4.8**
August	20.19	0.1	2.4	32.80	0.0	4.5	2.4
July	20.18	1.0	1.0	32.80	4.0	2.2	1.0
June	19.98	1.8	0.8	31.54	0.1	- 1.2	- 0.8
May	19.62	2.5	3.3	31.50	- 4.6	- 3.1	- 0.7
April	19.15	- 4.6	- 5.4	33.02	- 1.4	- 2.6	- 0.8
March	20.06	- 0.3	- 2.3	33.49	2.0	- 0.7	2.3
February	20.11	20.7	8.8	32.82	18.9	7.7	7.0
January	16.66	11.8	- 0.4	27.59	16.4	2.6	- 5.7
2000 Year to date		**32.1**	**1.4**		**38.1**	**5.7**	**0.7**
Since Launch (27/01/99)		**96.8**	**26.4**		**128.2**	**47.9**	**27.0**

* 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.

The net asset value per share decreased by 2.5% during September, compared to a decrease in the HSBC Smaller Companies index of 5.6%. Our high weightings Robert Walters, Macro 4, Rational, MFI, Porsche and Reliance contributed a total of 1.5%. Five positions recorded a negative attribution between 0.3% and 0.5%, amongst them our Top Ten weighting Barlo where there are concerns over the effect of the oil price on the plastic sheeting business.

Top Ten Holdings as at 30 September 2000*

	Company	Country	Sector	% of NAV
1	Robert Walters	United Kingdom	Services	5.1
2	Barlo	Ireland	Construction	3.4
3	Macro 4	United Kingdom	Software	2.8
4	Rational	Germany	Capital Goods	2.7
5	MFI Furniture	United Kingdom	Retail	2.6
6	Beru	Germany	Auto	2.4
7	Porsche	Germany	Auto	2.3
8	Dinamia	Spain	Financial	2.2
9	Reliance Security	United Kingdom	Services	2.1
10	Sartorius	Germany	Capital Goods	2.1
				27.7

* excludes ARINS

Robert Walters - UK specialist recruitment consultancy. The company has an excellent brand name, a top tier client list and its net fee income is equally split between contract and permanent recruitment. Key growth drivers are the U.K. banking and commerce practice (50% of group net fee income) which is currently experiencing a cyclical upturn, I.T. and call centre recruitment and the extensive overseas operations (35% of net fee income). Robert Walters should have scope to increase its margins significantly as nearly half of its 17 offices are less than two years old and still on below average margins or loss making. In addition, following a take-over by US recruitment company StaffMark two years ago, 1999 was only a mediocre year, being marred by poor staff motivation and some departures. StaffMark decided to sell and re-list Robert Walters from July 2000 and 14% of the share capital was given to the company's founder, Robert Walters, the executive management and employees through a combination of shares with a three-year lock-up and options. The company's net fee income growth has already accelerated strongly in H1/00, but a strengthening of the infrastructure diluted earnings growth. In 2001 we expect continued strong top line growth of 30%+, combined with margin expansion due to a below-proportional increase in operating costs. This IPO was highly unusual in that the company's original founder and management, being new share and option holders themselves, had no incentive whatsoever to overstate the company's prospects or argue for a high price. This was not lost on the market judged by the nearly 50% price rise since the IPO, but the stock remains attractive on a valuation of 14 times enterprise value to taxed operating profit.

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

Country	% of NAV
UK	32.1
Germany	18.9
Sweden	7.2
France	6.2
Switzerland	3.7
Netherlands	3.6
Spain	3.5
Ireland	3.4
Belgium	2.0
Norway	1.1
Finland	0.6
Cash	17.7

Market Cap	% of NAV
>£1bn	9.4
£350m - £1bn	12.6
£100m - £350m	32.3
<£100m	28.0
Cash	17.7

Sector	% of NAV
Retail	18.0
Services	13.0
Media	8.2
Financial	6.0
Construction	5.5
Capital Goods	4.8
Auto	4.7
Consumer	4.1
Distribution	3.9
Software	3.8
Other	10.3
Cash	17.7

Portfolio Activity

As at 30 September the Fund was 82.3% invested in 64 shares. There were few major transactions. We sold the remaining half of our position in German venture capital company U.C.A. at a good profit, but well below the peak. On the buy side, we added to existing positions Macro 4, Barlo, Roularta and CML Microsystems, and built up a new position in German media services company Procon Multimedia.

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.

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