Ennismore European Smaller Companies Fund

Investor Newsletter for the month of October 2000

Issued on 8 November 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 £56.7m as at 31 October.

Performance as at 31 October 2000

	GBP			EUR			
	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	MSCI Index+ % Change
October	**19.09**	**- 3.0**	**- 4.3**	**32.87**	**0.4**	**-2.1**	**2.5**
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		**28.1**	**- 2.9**		**38.6**	**3.5**	**1.8**
Since Launch (27/01/99)		**90.9**	**21.0**		**129.1**	**44.8**	**30.1**

* Source: Administrator, Net Asset Value, net income reinvested. #HSBC Europe inc. UK Small Cap Index, Euro, Source: Bloomberg, excludes income. +MSCI Europe 15, Loc curr., 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 3% during October. The three main contributors to performance were Bellway, Barlo and WM Data. The three largest negative contributors were Aeco, MFI and PSD. Only in the case of Aeco was this as a result of deteriorating fundamentals. With approximately 60% of the Fund held in Euro, either through stocks or directly through cash, the 2.0% weakening of the Euro against Sterling during the month clearly hurt Sterling investors by approximately 1.2%. Conversely Euro investors benefited from the fact that approximately 30% of the Fund is held in Sterling.

Top Ten Holdings as at 31 October 2000*

	Company	Country	Sector	% of NAV
1	Robert Walters	United Kingdom	Services	4.3
2	Barlo	Ireland	Construction Supplies	3.9
3	Macro 4	United Kingdom	Software	2.8
4	PSD	United Kingdom	Services	2.6
5	Beru	Germany	Auto	2.5
6	Reliance Security	United Kingdom	Services	2.3
7	MFI Furniture	United Kingdom	Retail	2.3
8	Bellway	United Kingdom	Construction	2.2
9	Roularta	Belgium	Media	2.2
10	Porsche	Germany	Auto	2.2
				27.3

* excludes ARINS

Bellway – UK housebuilder. Through organic growth, a decentralised approach and a strong focus on return on capital employed Bellway has grown to become the UK's fifth largest housebuilder with a 4% market share. The three-year land bank acquired at sensible prices, the high exposure to the "calmer" North and Midlands, and the same experienced management team that achieved a trough pretax margin of 8.6% in 1991 give us confidence that when a downturn in the market comes Bellway will continue to perform well for its shareholders. Having announced an earnings increase of 34% for the year to July 2000, Bellway trades on 6 times historic earnings and has an historic yield of 3.7% covered 4.5 times. With steadily increasing prices and volumes the outlook for the current financial year is strong.

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

Country	% of NAV
UK	32.7
Germany	18.0
Sweden	8.0
France	5.5
Ireland	4.3
Switzerland	3.8
Netherlands	3.4
Spain	2.8
Belgium	2.2
Norway	1.1
Other	0.7
Cash	17.5

Market Cap	% of NAV
>£1bn	7.8
£350m - £1bn	13.9
£100m - £350m	34.9
<£100m	25.9
Cash	17.5

Sector	% of NAV
Retail	16.4
Services	14.2
Media	7.8
Construction	6.6
Financial	5.9
Auto	4.7
Consumer	4.3
Capital Goods	4.1
Distribution	4.1
Software	3.8
Other	10.6
Cash	17.5

Portfolio Activity

As at 31 October the Fund was 82.5% invested in 62 shares. There were few major transactions. Following reviews we sold our positions in Peacock and James Beattie. We took some profits in Rational and Robert Walters. We added strongly to our position in PSD and increased our holdings in Roularta and Fayrewood. Our sole new purchase was The Health Clinic, a UK contact lens retailer.

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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