Ennismore European Smaller Companies Fund

Investor Newsletter for the month of November 2000

Issued on 11 December 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.

On 12 October the Directors resolved that in January each year the Fund will open to take in new investments up to the size of any performance fee paid for the previous year. This will enable Ennismore Fund Management to reinvest, in accordance with their prospectus obligation, a minimum of 50% of any performance fee earned and allow investors on the waiting list to subscribe for shares. Accordingly, if appropriate, Franziska Günther will contact investors at the start of January.

Redemptions can be made through the administrator in the usual way. Ennismore Fund Management is keeping a waiting list for investors wishing to subscribe for shares in the event of any redemptions or at the time of the January re-opening. To be included in this list, please call Franziska 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 £58.4m as at 30 November.

Performance as at 30 November 2000

	GBP			EUR			
	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	MSCI Index+ % Change
November	**19.58**	**2.6**	**- 3.7**	**32.02**	**- 2.6**	**- 8.5**	**- 5.0**
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		**31.4**	**- 6.5**		**35.0**	**- 5.3**	**- 3.4**
Since Launch (27/01/99)		**95.8**	**16.5**		**123.1**	**32.5**	**23.6**

* Source: Administrator, Net Asset Value, net income reinvested. #HSBC Europe inc. UK Small Cap Index, 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 increased by 2.6% during November. The three main contributors were Paragon, Rational and MFI which each contributed at least 0.5% to the Fund. The two largest negative contributors, which cost the Fund 0.5% each, were Zapf and Macro 4. In neither case was this as a result of deteriorating fundamentals.

The Euro's 4.5% appreciation against Sterling on the month helped the sterling return by approximately 2.5%. Naturally the Fund's return in Euro suffered as a result of its 30% sterling exposure.

Top Ten Holdings as at 30 November 2000*

	Company	Country	Sector	% of NAV
1	Barlo	Ireland	Construction Supplies	3.6
2	Robert Walters	UK	Services	3.1
3	Paragon	UK	Financial	2.9
4	Beru	Germany	Auto	2.8
5	Roularta	Belgium	Media	2.7
6	MFI Furniture	UK	Retail	2.6
7	Macro 4	UK	Software	2.5
8	Bellway	UK	Construction	2.4
9	Reliance Security	UK	Services	2.3
10	PSD	UK	Services	2.3
				27.2

* excludes ARINS

CML Microsystems – a UK producer of low power semiconductors for the communications industry. The company has a wide portfolio of mixed signal chips which are used primarily in the high growth markets of wireless data terminals and private radio networks. The chips are application specific and for a number of requirements in the wireless data field there is currently no competing solution to CML's. Demand for wireless data terminals is booming, especially in areas such as vehicle telematics where CML's low power modem is used to transmit data from an electronic box in a vehicle on the road to a fleet control centre. Most of the niche markets that CML serves are too small to attract the attention of the large multinational semiconductor companies. Recently announced interim results showed turnover from continuing businesses increasing by 35% and profits rising by 84%. We expect sales to grow at this pace for the next two years and the operating margin to increase from 21% to 26%. At 680p per share the company's enterprise value is £86m, a multiple of 15.5x our expected March 2002 operating profit after tax. Given the visibility of the growth in demand for CML's products we believe this multiple should be closer to 25 times, giving a 12 month target price of 1045p per share, a 54% increase.

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

Country	% of NAV
UK	34.5
Germany	17.2
Sweden	6.5
France	5.9
Switzerland	3.6
Ireland	3.6
Netherlands	3.4
Spain	3.0
Belgium	2.7
Norway	1.1
Finland	0.6
Cash	17.9

Market Cap	% of NAV
>£1bn	9.0
£350m - £1bn	15.4
£100m - £350m	29.3
<£100m	28.4
Cash	17.9

Sector	% of NAV
Retail	15.8
Services	12.6
Media	8.5
Financial	7.1
Construction	6.4
Capital Goods	5.3
Distribution	4.9
Auto	4.8
Consumer	4.0
Software	3.2
Other	9.5
Cash	17.9

Portfolio Activity

As at 30 November the Fund was 82.1% invested in 62 shares. We made new purchases in Nextrom, a Swiss machinery producer, Gericom, an Austrian supplier of high specification notebooks, and Inficon, a vacuum instrumentation producer. We added to our positions in The Health Clinic, Paragon, Roularta, CML, Macro 4 and Reliance Security. Following reviews we sold outright our positions in Rottneros, Fielmann and Phoenix Meccano. We took some profits in Robert Walters.

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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