Ennismore European Smaller Companies Fund

Investor Newsletter for the month of January 2001

Issued on 20 February 2001

Important Notice

The number of shares in the Fund is currently limited to 3.157m and new investments will only be accepted if shares become available through any redemptions. Ennismore Fund Management is keeping a waiting list for investors wishing to subscribe for shares in the event of any redemptions. To be included in this list, please call Franziska Günther on +44 20 7313 9519. Redemptions can be made through the administrator in the usual way.

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 Fund Rating. The Fund size was £64.2m as at 31 January.

Performance as at 31 January 2001

	GBP			EUR			
	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	MSCI Index+ % Change
January	**20.69**	**2.4**	**4.8**	**32.51**	**2.1**	**3.5**	**1.4**
December	20.21	3.2	0.7	31.84	- 0.6	- 1.6	- 0.2
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
Year 2000		**35.7**	**- 5.8**		**34.3**	**- 6.8**	**- 3.5**
Since Launch (27/01/99)		**106.9**	**23.1**		**126.6**	**35.0**	**25.1**

* 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 2.4% during January. Most of our top ten holdings made a positive contribution to performance, led by MFI (0.9%), Barlo (0.5%), Bellway (0.3%) and Beru (0.3%). The underperformance relative to the index can be explained by the relatively cautious positioning of the Fund and a high cash position, rather than fundamental disappointments from the stocks owned.

Top Ten Holdings as at 31 January 2001*

	Company	Country	Sector	% of NAV
1	Barlo	Ireland	Construction Supplies	3.9
2	MFI Furniture	UK	Retail	3.6
3	Paragon	UK	Financial	3.2
4	Robert Walters	UK	Services	2.9
5	Beru	Germany	Auto	2.8
6	CML Microsystems	UK	Semiconductors	2.7
7	Macro 4	UK	Software	2.6
8	Bellway	UK	Housebuilder	2.5
9	PSD	UK	Services	2.4
10	Roularta	Belgium	Media	2.3
				28.9

* excludes ARINS

Macro 4 Group – UK's leading developer of systems management software. Historically Macro 4's core revenue stream has been the provision of stand alone IBM mainframe software. During the 1990's this market matured and Macro 4 initially struggled to react to the slowdown in demand. In May 1998 a new Chief Executive was appointed to refocus the business towards the higher growth areas of open systems software, Unix and Windows NT. Following three years of static profits this transition in the business is now complete and Macro 4 is poised to deliver strong sales and profits growth over the next few years. The company's new business information logistics software suite is central to this new strategy and the step change in profit growth. This software is XML based and enables a company to capture electronic documents, such as invoices, statements or reports, generated by any type of computer system and store them in a highly compressed form on a server. It also enables the presentation and exchange of computer generated documents of any form, both within enterprises via an intranet and between enterprises over the internet. We expect sales and profit growth above 20% per annum from June 2001 and believe the stock to be attractively valued on 20 times June 2001 earnings.

Country, Market Cap & Sector Weightings as at 31 January 2001

Country	% of NAV
UK	35.0
Germany	15.4
Sweden	6.7
France	6.2
Ireland	3.9
Spain	3.5
Netherlands	3.5
Belgium	2.3
Austria	1.9
Switzerland	1.2
Other	1.4
Cash	19.0

Market Cap	% of NAV
>£1bn	5.2
£350m - £1bn	16.5
£100m - £350m	37.0
<£100m	22.3
Cash	19.0

Sector	% of NAV
Retail	14.6
Services	12.6
Financial	8.5
Media	7.7
Construction	6.4
Electrical Equipment	5.3
Auto	4.8
Distribution	4.4
Consumer	4.1
Capital Goods	2.9
Other	9.7
Cash	19.0

Portfolio Activity

As at 31 January the Fund was 81% invested in 60 shares. There were no significant transactions in January.

Outlook

We expect markets to remain difficult and volatile. We do not bank on a sustained 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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