Ennismore European Smaller Companies Fund

Investor Newsletter for the month of February 2001
Issued on 9 March 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 9524. 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 £65.7m as at 28 February.

Performance as at 28 February 2001

	GBP			EUR			
	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	MSCI Index+ % Change
February	**20.84**	**0.7**	**- 4.6**	**32.63**	**0.4**	**- 4.8**	**- 7.7**
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
Year to date		**3.1**	**0.0**		**2.5**	**- 1.5**	**- 6.4**
Since Launch (27/01/99)		**108.4**	**17.4**		**127.4**	**28.5**	**15.5**

* 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 0.7% during February, whilst sharp falls in the markets reversed the recovery seen in January. The Fund recorded an aggregate contribution of 1.6% from its seven ARINs. The underlying securities are highly valued stocks with deteriorating fundamentals and their sharp falls in February led to increases in value of all the ARINs in the portfolio which now account for close to the 10% of NAV limit for the fund. Our other positions experienced mixed fortunes. Several growth stocks on extremely low ratings such as Barlo, Bellway and JJB Sports fared well, whilst our big positions in the employment firms PSD and Robert Walters contributed a negative 0.8% caused by concern over the sector. Gericom, which is featured below, accounted for a negative 0.6% purely caused by downbeat statements from U.S. companies in the same sector that have little direct relevance to Gericom.

Top Ten Holdings as at 28 February 2001*

	Company	Country	Sector	% of NAV
1	Barlo	Ireland	Construction Supplies	4.4
2	PSD	UK	Services	3.2
3	MFI Furniture	UK	Retail	3.0
4	Paragon	UK	Financial	2.9
5	Bellway	UK	Housebuilder	2.8
6	Beru	Germany	Auto	2.7
7	Macro 4	UK	Software	2.7
8	CML Microsystems	UK	Electrical Equipment	2.5
9	Reliance Security	UK	Services	2.2
10	Robert Walters	UK	Services	2.2
				28.6

* excludes ARINS

Gericom – Austrian assembler of notebook computers. Floated on a depressed Neuer Markt in November 2000 at a heavily reduced price of EUR17, Gericom is a leading multi-channel assembler of high specification, innovative notebooks. The company is a serious force in the German notebook market where it has trebled its market share from 3.4% in 1998 to an estimated 10% in 2000. Product quality is excellent based on numerous independent tests and the company claims to enjoy access to new technology on a par with Toshiba and Dell. An assembly site in the heart of Europe and sophisticated logistics allow the company to supply customers all over Europe within 48 hours as well as building to order both large and small sales volumes. Media Markt of Germany is the largest customer accounting for 40% of 2000 sales, and has started using Gericom for a European roll out of notebooks. Gericom has also just been signed up by German discounter Lidl. Margins, working capital control and management quality are all impressive and comparable with the sector darling Medion. However Gericom is focused on a more attractive and much higher growth niche than Medion. We believe that sales and earnings in 2001 can nearly double and still grow at 40% p.a. thereafter until 2004, whilst growth at Medion should be a compound 35% over the next four years. Despite having risen 50% since the flotation Gericom is a classic re-rating candidate with a current year price/earnings ratio of 15, half that of Medion.

Country, Market Cap & Sector Weightings as at 28 February 2001

Country	% of NAV
UK	38.5
Germany	14.9
Sweden	6.8
France	6.2
Ireland	4.4
Spain	3.9
Netherlands	3.1
Belgium	2.0
Norway	0.8
Switzerland	0.8
Finland	0.5
Cash	18.1

Market Cap	% of NAV
>£1bn	9.2
£350m - £1bn	16.9
£100m - £350m	34.2
<£100m	21.6
Cash	18.1

Sector	% of NAV
Retail	15.0
Services	12.8
Financial	8.2
Media	7.2
Construction	7.2
Electrical Equipment	4.8
Autos	4.5
Distribution	4.3
Consumer	3.8
Software	3.7
Other	10.4
Cash	18.1

Portfolio Activity

As at 28 February the Fund was 82% invested in 58 shares. Seven positions representing 10% of the Fund were ARINs as described above. There was a low level of activity in February. On the buy side, we added to existing positions in PSD, Gericom, Suess Microtec and Macro 4 and opened one further ARIN position. We continued to execute several sell orders. As liquidity is generally poor and as we have strict price limits these can take some time to complete.

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.

For further information please contact:

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

For redemptions please contact:

Louise Mullan	Deutsche International Fund Services	(353) 1 607 6690	louise.p.mullan@db.com

For market making please contact:

John Howson	UBS Warburg	(44) 20 7568 0942	john.howson@ubsw.com

For inclusion on the waiting list please contact:

Franziska Günther	Ennismore Fund Management	(44) 20 7313 9519	fg@ennismorefunds.com

Ennismore Fund Management Limited
150A Kensington Church Street, London W8 4BN; Registered in England and Wales No. 3598371; Regulated by IMRO.