Ennismore European Smaller Companies Fund

Investor Newsletter for the month of April 2001

Issued on 21 May 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 £61.7m as at 30 April.

Performance as at 30 April 2001

	GBP			EUR			
	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	MSCI Index+ % Change
April	**19.63**	**2.2**	**4.4**	**31.69**	**1.9**	**4.7**	**6.5**
March	19.21	- 7.8	- 9.6	31.11	- 4.7	- 7.3	- 4.8
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
Year to date		**- 2.9**	**- 5.7**		**- 0.5**	**- 4.3**	**- 5.0**
Since Launch (27/01/99)		**96.3**	**10.8**		**120.8**	**24.8**	**17.1**

* 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 2.2% during April. Stock markets recovered some of March's sharp losses, with smaller companies again lagging behind. The Fund's increase was below that of the HSBC index and was held back by its high cash position of an average 30% in April as well as the defensive nature of our investments. The vast majority of our positions recorded gains, with 13 positions attributing between 0.1 and 0.3%, but no outstanding performers. There were 6 positions with negative attributions between 0.1 and 0.3%, including three of our Top 10 positions, PSD (concern over outlook for permanent recruitment), and, for no discernable reason, both Barlo and Reliance. The ARIN positions (8% on average) had a neutral impact on performance.

Top Ten Holdings as at 30 April 2001*

	Company	Country	Sector	% of NAV
1	Barlo	Ireland	Construction Supplies	3.6
2	Paragon	UK	Financial	3.0
3	Bellway	UK	Housebuilder	2.9
4	Beru	Germany	Auto	2.8
5	Gericom	Austria	Distribution	2.8
6	PSD	UK	Services	2.3
7	CML Microsystems	UK	Semiconductors	2.2
8	Dinamia	Spain	Financial	2.2
9	Reliance Security	UK	Services	2.0
10	Porsche	Germany	Auto	2.0
				25.8

* excludes ARINS

AF Group – Swedish industrial and environmental consultancy. AF is one of the largest industrial consultancies in Scandinavia with 2500 employees operating across six business areas. Growth in the sector is driven by an increased propensity for companies to outsource project management and a greater corporate focus on environmental and energy legislation. The larger consultancies are consolidating the market to strengthen pricing and broaden their range of services. Following a tough year in 1999 when the company recruited too aggressively and suffered a decline in its consultant utilisation rate, AF started restructuring to rebuild profitability. Early results show an operating margin increase to 5.7% in 2000, from 3% in 1999. We expect organic sales growth of 6% per annum to be supplemented by small 'bolt-on' acquisitions, and operating margins to build towards 8% in 2002. Recently announced results for the first quarter of 2001 were excellent with sales growing by 13% and a near trebling of operating profit. The order entry during the quarter was also strong. At the current price of SEK145, AF is valued at less than 10 times our estimated current year earnings. We expect to benefit from a re-rating and a return of surplus capital to shareholders.

Country, Market Cap & Sector Weightings as at 30 April 2001

Country	% of NAV
UK	30.0
Germany	10.0
Sweden	6.2
France	4.4
Spain	4.2
Ireland	3.6
Austria	2.8
Netherlands	2.5
Belgium	1.1
Norway	0.9
Other	0.7
Cash	33.6

Market Cap	% of NAV
>£1bn	3.9
£350m - £1bn	11.5
£100m - £350m	24.8
<£100m	26.2
Cash	33.6

Sector	% of NAV
Retail	11.1
Services	10.7
Financial	7.6
Construction	6.4
Distribution	4.8
Auto	4.8
Media	4.2
Semiconductors	3.8
Medical	3.6
Consumer	2.9
Other	6.5
Cash	33.6

Portfolio Activity

As at 30 April the Fund was 66% invested in 54 shares. The major purchase was AF Group described above. We concluded our sale of MFI at a good profit as it had reached its target price. We completed the sale of several small positions such as Tieto-X, BKN and Reponse which had become marginal to the portfolio.

Outlook

We expect markets to remain difficult and volatile. We do not bank on a sustained recovery in technology and related sectors, where we continue to 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. Despite sharp corrections we see few favourably valued opportunities in technology and high growth stocks, whilst many value stocks have enjoyed a re-rating or have less appeal given the less certain economic outlook. We have to dig deeper to find strong ideas, but we remain confident given the large number of stocks in our universe and the limited amount of funds under management.

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