Ennismore European Smaller Companies Fund

Investor Newsletter for the month of June 2001

Issued on 11 July 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 £62.3m as at 30 June.

Performance as at 30 June 2001

	GBP			EUR			
	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	MSCI Index+ % Change
June	**19.78**	**- 0.6**	**- 6.0**	**32.95**	**- 1.0**	**- 6.8**	**- 3.5**
May	19.90	1.4	- 2.3	33.27	5.0	1.4	- 2.2
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
Year to date		**- 2.1**	**- 13.4**		**3.5**	**- 9.6**	**- 10.4**
Since Launch (27/01/99)		**97.8**	**1.7**		**129.6**	**17.9**	**10.5**

* 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.

Whilst small and large cap indices recorded sharp losses the Fund's net asset value decreased by 0.6% during June. This was achieved through the Fund's ARIN positions which, whilst accounting for only 6% of the portfolio, managed to contribute 1.2%. As the underlying stocks are highly valued and/or loss-making a number of profit warnings, earnings disappointments or the prevailing nervousness about excessive valuations generated excellent returns. The remaining investments, accounting for 59% of the portfolio, gave a negative attribution of 2%, somewhat better than the market due to the overall defensive structure of the portfolio.

Top Ten Holdings as at 30 June 2001*

	Company	Country	Sector	% of NAV
1	Gericom	Austria	Distribution	3.2
2	Paragon	UK	Financial	3.1
3	Beru	Germany	Auto	3.0
4	Barlo	Ireland	Construction Supplies	3.0
5	Bellway	UK	Housebuilder	2.5
6	Reliance Security	UK	Services	2.5
7	Dinamia	Spain	Financial	2.2
8	Porsche	Germany	Auto	2.2
9	CML Microsystems	UK	Semiconductors	2.1
10	PSD	UK	Services	2.1
				25.9

* excludes ARINS

Reliance Security – UK security services and facilities management
The company's principal activities are the provision of security guards, installation and maintenance of surveillance equipment and the management of outsourced business services. With costs tightly managed and the core business employing very little capital, internal cash generation is excellent. This cash is now being directed towards new organic growth opportunities in police task outsourcing and facilities management. The company recently reported strong results with earnings growth of above 20% for the fourth consecutive year. We expect earnings to grow by at least 20% during the current year as the company benefits from large contracts recently won from BT and BAE Systems, and as the police force and prison service expand private sector involvement across the range of activities that they perform. In many ways Reliance epitomises the attractions of small company investing in that it is one of the fastest growing security operators, but because of its low investor profile it has one of the lowest valuations in its sector. On a price-earnings of 15 times current year earnings and with a steady flow of new contract wins anticipated, Reliance retains all of the characteristics of a low risk, high reward investment proposition. We have therefore taken advantage of recent share price weakness to add to our existing holding.

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

Country	% of NAV
UK	29.2
Germany	10.1
Sweden	4.7
Ireland	4.0
Spain	3.9
France	3.8
Austria	3.2
Netherlands	2.3
Belgium	0.5
Switzerland	0.4
Cash	37.9

Market Cap	% of NAV
>£1bn	4.0
£350m - £1bn	10.0
£100m - £350m	22.3
<£100m	25.8
Cash	37.9

Sector	% of NAV
Services	12.2
Retail	9.8
Financial	7.4
Construction	7.3
Auto	5.2
Distribution	3.9
Medical	3.6
Consumer	2.9
Software	2.8
Semiconductors	2.3
Other	4.7
Cash	37.9

Portfolio Activity

As at 30 June the Fund was 62% invested in 56 shares. We increased our position in Reliance and bought shares in T Clarke plc, a UK electrical installer. We completed sales in P4 Radio, Suess Microtech, Argonaut and Foncia. The number of ARIN positions was increased by four to twelve.

Outlook

We expect markets to remain difficult and volatile. We do not bank on a sustained recovery in technology and related sectors. Despite the sharp price falls over the last 15 months we continue to find many prohibitively high valuations for companies of doubtful quality which make good ARIN opportunities. On the purchase side, we continue to concentrate our efforts on finding clear high growth situations that are undiscovered and cheap. Many value stocks have less appeal given the less certain economic outlook and a re-rating over the last year. 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.

Next Newsletter

As last year, there will be no newsletter for July. Normal service will resume in September.

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