ENNISMORE FUND MANAGEMENT

Please note that we have moved and our new address is:

Kensington Cloisters
5 Kensington Church Street
London W8 4LD

Our telephone numbers are:

Switchboard	+44 (0) 20 7368 4200
Fax	+44 (0) 20 7368 4299
Gerhard Schöningh	+44 (0) 20 7368 4221
Geoff Oldfield	+44 (0) 20 7368 4223
Robert Gurner	+44 (0) 20 7368 4222
Franziska Günther	+44 (0) 20 7368 4224
Orla Maguire	+44 (0) 20 7368 4220
Nick Mitchell	+44 (0) 20 7368 4219

Our email addresses will remain unchanged.

Please see the next page for our newsletter.

Ennismore European Smaller Companies Fund

Investor Newsletter for the months of July and August 2001

Issued on 18 September 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 7368 4224. 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 £62m as at 31 August.

Performance as at 31 August 2001

	GBP			EUR			
	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	MSCI Index+ % Change
August	**20.20**	**1.8**	**- 2.1**	**32.00**	**- 1.1**	**- 4.1**	**- 5.7**
July	**19.83**	**0.4**	**- 3.2**	**32.34**	**- 1.0**	**- 5.0**	**- 2.5**
June	19.76	- 0.7	- 6.0	32.68	- 1.8	- 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
Year to date		**- 0.1**	**- 17.9**		**0.5**	**- 17.7**	**- 17.6**
Since Launch (27/01/99)		**102.0**	**- 3.7**		**123.0**	**7.4**	**1.6**

* 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.

Whilst small and large cap indices recorded further losses the Fund's net asset value increased by 2.2% during July and August. Sterling returns were helped by a 4.5% appreciation of the Euro against £ Sterling over the period. As in July the Fund's ARIN positions made a significant positive contribution of 2.5%. The remaining investments, accounting for 55% of the portfolio, produced a negative attribution of just under 1%. The top performer was Bellway with an attribution of 0.5%, the bottom performer was our big weighting Gericom. Following a price fall of 40% over the period for no fundamental reason the company has been derated to a price earnings ratio of 12 times, despite strong current trading and a good outlook for next year.

Top Ten Holdings as at 31 August 2001*

	Company	Country	Sector	% of NAV
1	Beru	Germany	Auto	3.1
2	Paragon	UK	Financial	3.1
3	Porsche	Germany	Auto	3.1
4	Barlo	Ireland	Construction Supplies	3.1
5	Reliance Securities	UK	Services	2.9
6	Bellway	UK	Housebuilder	2.9
7	Gericom	Austria	Distribution	2.6
8	Dinamia	Spain	Financial	2.1
9	Monsoon	UK	Retail	1.7
10	Health Clinic	UK	Health	1.6
				26.2

* excludes ARINS

Zapf Creation – German toy maker. Having bought Zapf shortly after its flotation at EUR20 in early 1999 we sold it at prices between EUR39 and 73 on the basis of the share's high rating. The figures for the first half of 2001 proved these concerns justified. Despite 22% growth in the core category of dolls gross margin fell by 4.4% and labour costs increased by 88%. This produced a small operating loss compared to a small profit last year and led to a collapse in the share price to EUR22. A recent placing by the former majority shareholder at a much higher price was a contributing factor. The second half is decisive for full year earnings and management expects continued strong growth in the core category dolls of 20 - 24% in the second half and a below proportional increase in fixed costs, leading to at least 50% growth in operating profit in the second half. We consider this goal realistic. This values Zapf at 10.7 times current year enterprise value to taxed operating profit, clearly cheap for a highly profitable 20% plus organic grower with a large element of recurring revenues, leadership in its segment in Germany and the proven ability to replicate the concept in foreign markets. A strong management team, good controlling, benefits derived from a softer dollar and the possibility of a takeover all add further to the attractions of this classic 'Fallen Angel'.

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

Country	% of NAV
UK	28.0
Germany	12.7
Sweden	4.5
Ireland	4.3
France	3.9
Spain	3.0
Austria	2.6
Netherlands	2.3
Switzerland	0.5
Cash	38.2

Market Cap	% of NAV
>£1bn	4.8
£350m - £1bn	8.9
£100m - £350m	21.8
<£100m	26.3
Cash	38.2

Sector	% of NAV
Services	11.7
Retail	8.9
Construction	8.2
Financial	8.0
Auto	6.2
Consumer	3.8
Medical	3.4
Distribution	3.1
Software	1.9
Leisure	1.7
Other	4.9
Cash	38.2

Portfolio Activity

As at 31 August the Fund was 62% invested in 55 shares. The focus continued to be on sales and profit taking. We completed outright sales of PSD, Roularta and Suess Microtec. Three ARIN positions were sold and six new ones taken out, bringing the total number to 15. We repurchased Zapf and added to our positions in Porsche, Gericom and Reliance.

Outlook

The portfolio has held up well in the immediate aftermath of the horrific terrorist attack on the United States. A downturn in US consumer spending now seems a certainty, at least in the near term, and there remains uncertainty about the response to the aggression. Markets are likely to remain volatile and we see few reasons for a quick turn in the negative mood. In our stock picking we will continue to focus on favourably valued defensive situations and on companies whose specific circumstances should permit them to defy a weak economy. We will also continue to exploit overvalued and/or poor quality situations with ARINs.

For further information please contact:

Gerhard Schöningh	Ennismore Fund Management	(44) 20 7368 4221	gs@ennismorefunds.com
Geoff Oldfield	Ennismore Fund Management	(44) 20 7368 4223	go@ennismorefunds.com

For redemptions please contact:

Bairbre Keogh	Deutsche International Fund Services	(353) 1 607 6362	bairbre.keogh@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 7368 4224	fg@ennismorefunds.com

Ennismore Fund Management Limited

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