Ennismore European Smaller Companies Fund

Investor Newsletter for the month of September 2001

Issued on 9 October 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 £58.6m as at 30 September.

Performance as at 30 September 2001

	GBP			EUR			
	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	MSCI Index+ % Change
September	**19.27**	**- 4.6**	**- 17.7**	**31.01**	**- 3.1**	**- 16.9**	**- 10.8**
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
Year to date		**- 4.7**	**- 32.5**		**- 2.6**	**- 31.5**	**- 26.5**
Since Launch (27/01/99)		**92.7**	**- 20.8**		**116.1**	**- 10.7**	**- 9.3**

* 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 sharp losses the Fund's net asset value decreased by 4.6% during September. The Fund's ARIN positions made a significant positive contribution of 4.1%. The remaining investments, accounting for an average of 50% of the portfolio, produced a negative attribution of 8.7%. Only three holdings produced positive returns over the month with a modest combined attribution of 0.1%. The worst performer was Porsche which experienced a 25% price decline subsequent to the terrorist attacks in the United States, following which a 40% earnings decline in the current year is a worst case scenario. Unlike most of its peers Porsche should be able to fully compensate for this through the launch of the sports utility vehicle in 2002 and on scaled back assumptions it remains compelling value.

Top Ten Holdings as at 30 September 2001*

	Company	Country	Sector	% of NAV
1	Beru	Germany	Auto	3.3
2	Reliance	UK	Services	3.0
3	Paragon	UK	Financial	2.9
4	Bellway	UK	Housebuilder	2.8
5	Barlo	Ireland	Construction Supplies	2.7
6	Gericom	Austria	Distribution	2.7
7	Porsche	Germany	Auto	2.3
8	Dinamia	Spain	Financial	1.9
9	Ratos	Sweden	Sector	1.5
10	Monsoon	UK	Retail	1.4
				24.5

* excludes ARINS

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

Country	% of NAV
UK	24.8
Germany	10.6
Sweden	4.6
Ireland	3.8
France	3.5
Spain	3.3
Austria	2.7
Netherlands	2.0
Switzerland	0.5
Cash	44.2

Market Cap	% of NAV
>£1bn	5.2
£350m - £1bn	8.1
£100m - £350m	19.9
<£100m	22.6
Cash	44.2

Sector	% of NAV
Services	10.2
Retail	7.6
Construction	7.5
Financial	7.4
Auto	5.5
Consumer	3.3
Distribution	3.0
Medical	2.9
Media	1.9
Leisure	1.4
Others	5.1
Cash	44.2

Portfolio Activity

As at 30 September the Fund was 56% invested in 54 shares. Portfolio activity was extremely low during the month with a continued focus on profit taking. We sold PHS Group outright and the management buy out of Oasis Stores was completed. One new ARIN position was opened, bringing the total number to 16.

Outlook

We still do not bank on a strong recovery in markets. The painful fallout from the outbreak of widespread speculation that characterised 1999 and early 2000 provides a reasonable assurance that another sharp upturn will not occur immediately. Periodic bouts of liquidity fuelled optimism are likely, but quantifying the depth and duration of the downturn in corporate profitability is an issue of much greater consequence for investors.

The current economic environment is more suited to disciplined stock picking than at any other time during the past five years. Many low quality businesses will incur losses or fail completely during the coming months. Conversely, many excellent companies will gain market share from their weakened competitors and emerge from the current downturn in a very strong position. We will continue to focus on those favourably valued and high quality companies that fall into the latter category. We will also continue to exploit the opportunities posed by overvalued growth stocks and by low quality businesses with ARINs.

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