Ennismore European Smaller Companies Fund

Investor Newsletter for the month of December 2001

Issued on 11 January 2002

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 £63.7m as at 31 December.

Performance as at 31 December 2001

	GBP			EUR			
	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	MSCI Index+ % Change
December	**20.52**	**2.8**	**- 0.9**	**33.54**	**4.7**	**1.8**	**2.1**
November	19.96	2.7	10.5	32.02	2.2	9.0	5.0
October	19.44	0.9	7.6	31.33	1.0	7.7	4.2
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
Year 2001		**1.5**	**- 20.4**		**4.9**	**- 18.2**	**- 17.8**
Since Launch (27/01/99)		**105.2**	**- 6.3**		**133.7**	**6.7**	**1.4**

* Source: Administrator, Net Asset Value, net income reinvested. # HSBC Europe inc. UK Small Cap Index, Source: Bloomberg, excludes income. + MSCI Europe 15, Local currency., Source: Bloomberg, excludes income. All performance figures net of fees.

Comments on Performance refer to £ Sterling unless otherwise stated.

The Fund's net asset value increased by 2.8% in December. A 2% fall in the euro versus sterling over the month reduced the sterling return by 1.3%. December's performance ensured that the Fund delivered a positive return for the year as a whole in both sterling and euro. Puma was the best performer during the month producing an attribution of 1.0%. There is now an increased awareness of Puma's brand momentum and earnings recovery but we still see a further 30% share price upside. Another strong performer in December was Free Record Shop which delivered an attribution of 0.5% after receiving a bid from the company's own management at a 60% premium. There were no significant negative contributors to the Fund's performance during the month.

Top Ten Holdings as at 31 December 2001*

	Company	Country	Sector	% of NAV
1	Puma	Germany	Consumer	6.5
2	Paragon	UK	Financial	3.6
3	Porsche	Germany	Auto	3.3
4	Gericom	Austria	Distribution	3.3
5	Beru	Germany	Auto	3.2
6	Reliance Security	UK	Services	3.2
7	Bellway	UK	Construction	2.9
8	Vendex	Netherlands	Retail	2.7
9	Zapf Creation	Germany	Consumer	2.4
10	Monsoon	UK	Retail	2.0
				33.1

* excludes ARINS

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

Country	% of NAV
UK	23.8
Germany	18.9
Netherlands	5.1
Austria	3.3
Sweden	3.3
France	2.9
Spain	2.6
Ireland	2.1
Italy	0.8
Switzerland	0.4
Cash	36.8

Market Cap	% of NAV
>£1bn	5.4
£350m - £1bn	12.3
£100m - £350m	29.2
<£100m	16.3
Cash	36.8

Sector	% of NAV
Retail	11.6
Consumer	11.3
Financial	7.8
Services	7.7
Auto	6.5
Construction	6.1
Distribution	3.9
Health	3.3
Media	1.5
Leisure	1.1
Other	2.4
Cash	36.8

Portfolio Activity

As at 31 December the Fund was 63.2% invested in 51 shares. Overall activity during the month was light. We added two new holdings to the portfolio and exited two holdings.

Outlook

We still do not bank on a sustained recovery in markets. 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 sharp rally of the past three months has resulted in valuations again becoming stretched in the technology and telecom sectors of the market. We do not intend to place investors' capital at risk by chasing every twist and turn in stock market sentiment. Our sole investment criterion remains the identification of attractively valued and high quality small companies. This is a constant challenge but it is the strategy best suited to meeting the Fund's absolute return objective.

Following significant infrastructure investments over the past six months the destiny of the Fund's performance is more within our control than ever before. We believe that the outlook for the Fund in 2002 is promising.

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:

Kate Alaway	Ennismore Fund Management	(44) 20 7368 4217	ka@ennismorefunds.com

Ennismore Fund Management Limited, Kensington Cloisters, 5 Kensington Church Street, London W8 4LD
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