Ennismore European Smaller Companies Fund

Investor Newsletter for the month of January 2002

Issued on 11 February 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 Kate Alaway on +44 20 7368 4217. Redemptions can be made through the administrator in the usual way.

We are sorry to announce that Franziska Günther has decided for personal reasons to move back to Berlin. Her last day with us will be on 15 February. Having temped for us at Baring Asset Management, Franziska joined Ennismore in September 1998 as one of the "original four." With a strong work ethic and an ability to multi-task at speed, Franziska has played a significant role in our development. We would like to take this opportunity to thank her for her contribution and wish her every success for the future. Her job is being divided amongst several new recruits and a comprehensive handover has been taking place over the last four weeks.

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 £64.8m as at 31 January.

Performance as at 31 January 2002

	GBP			EUR			
	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	MSCI Index+ % Change
January	**20.78**	**1.3**	**1.3**	**34.07**	**1.6**	**1.7**	**- 2.3**
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
Year 2001		**1.5**	**- 20.4**		**5.3**	**- 18.2**	**- 17.8**
Since Launch (27/01/99)		**107.8**	**- 5.3**		**137.4**	**8.6**	**- 0.9**

* 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 1.3% in January. The German auto components company Beru was the best performer during the month producing an attribution of 0.5% after winning several large contracts for its new tyre pressure monitoring product. Another strong performer in January was Thomas Clarke which delivered an attribution of 0.3% after announcing that profits for 2001 would be 25% ahead of the market's prior expectations. There were two significant negative contributors to the Fund's performance during the month, Gericom and Macro 4, producing a combined attribution of - 0.5%. Macro 4 finally delivered a profits warning that we had anticipated some time ago, however poor liquidity in the stock prevented us from fully disposing of our position before the bad news emerged.

Vendex – Dutch retailer. The company is the leading non-food retailer in the Netherlands with a portfolio of 25 distinct formats spanning department stores, DIY, fashion clothing and consumer electronics. This lack of strategic focus has led to investor disenchantment with the management of the company. We believe that this provides an opportunity. The current group structure is undoubtedly cumbersome but this is excessively reflected in the low valuation of the shares. Management now appear committed to a restructuring programme involving the disposal of some of the smaller retail formats and a buyback of up to 10% of the outstanding equity. Such a strategy will unlock significant hidden value if well executed, particularly as several of the disposal candidates currently contribute little to group profit but have market leading positions in the Netherlands and are likely to attract good prices. Restructuring potential aside, Christmas trading was robust and Vendex is attractively valued in its current form. We expect the company to deliver earnings per share of at least EUR1.45 in the year to January 2003, giving a price-earnings ratio of nine times at the current price of EUR13.

Top Ten Holdings as at 31 January 2002*

	Company	Country	Sector	% of NAV
1	Puma	Germany	Consumer	6.8
2	Paragon	UK	Financial	3.6
3	Porsche	Germany	Auto	3.5
4	Reliance Security	UK	Services	3.1
5	Gericom	Austria	Distribution	2.9
6	Bellway	UK	Construction	2.7
7	Vendex	Netherlands	Retail	2.6
8	Monsoon	UK	Retail	2.1
9	Zapf Creation	Germany	Consumer	2.0
10	Dinamia	Spain	Financial	1.8
				31.1

* excludes ARINS

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

Country	% of NAV
UK	23.5
Germany	17.8
Netherlands	5.1
Sweden	3.9
Austria	2.9
France	2.7
Spain	2.4
Ireland	2.1
Italy	0.8
Switzerland	0.4
Cash	38.4

Market Cap	% of NAV
>£1bn	5.7
£350m - £1bn	13.6
£100m - £350m	26.8
<£100m	15.5
Cash	38.4

Sector	% of NAV
Retail	14.1
Consumer	10.9
Services	8.4
Financial	7.6
Construction	6.5
Auto	5.2
Distribution	3.6
Medical	1.6
Media	1.5
Leisure	1.0
Other	1.2
Cash	38.4

Portfolio Activity

As at 31 January the Fund was 61.6% invested in 51 shares. During the month we started to build positions in two new companies and we exited two holdings.

Outlook

We do not expect a sustained rally in markets. We have historically performed well in difficult market conditions where stock selection is key and we believe that the outlook for the Fund in 2002 is promising.

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