Ennismore European Smaller Companies Fund

Investor Newsletter for the month of March 2002

Issued on 8 April 2002

Important Notice

The number of shares in the Fund is currently limited to 3.2m. New investments will only be accepted if shares become available through 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 on this list, please call Kate Alaway on +44 20 7368 4217. 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 £69.0m as at 31 March.

Performance as at 31 March 2002

	GBP			EUR			
	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	Fund NAV*	Fund NAV % Change	HSBC Index# % Change	MSCI Index+ % Change
March	**21.63**	**3.3**	**5.5**	**35.31**	**2.9**	**5.3**	**4.3**
February	20.95	2.2	- 1.1	34.30	2.1	- 1.5	- 0.6
January	20.50	1.3	1.3	33.61	1.6	1.7	- 2.3
December	20.24	2.8	- 0.9	33.08	4.7	1.8	2.1
November	19.69	2.7	10.5	31.58	2.2	9.0	5.0
October	19.17	0.9	7.6	30.90	1.0	7.7	4.2
September	19.01	- 4.6	- 17.7	30.59	- 3.1	- 16.9	- 10.8
August	19.92	1.8	- 2.1	31.56	- 1.1	- 4.1	- 5.7
July	19.56	0.4	- 3.2	31.90	- 1.0	- 5.0	- 2.5
June	19.49	- 0.7	- 6.0	32.23	- 1.8	- 6.8	- 3.5
May	19.63	1.4	- 2.3	32.82	5.0	1.4	- 2.2
April	19.36	2.2	4.4	31.26	1.9	4.7	6.5
Year to date		**6.9**	**5.7**		**6.7**	**5.5**	**1.3**
Since Launch (27/01/99)		**119.3**	**- 1.2**		**149.5**	**12.6**	**2.8**

* 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 3.3% in March. The German apparel company Puma was the best performer during the month producing an attribution of 1.2% as the stock benefited from positive broker commentary and buoyant first quarter order intake. Other strong performers in March with attributions of between 0.3 and 0.4% were Vendex KBB and Monsoon. The month's performance was negatively impacted by the Fund's ARIN positions, which produced a combined attribution of – 0.8%. ARIN positions were generally affected by the overall strength of European equity markets during March but the major culprit was our ARIN position in the Swedish fashion retailer Hennes & Mauritz. The stock rose 15.4% on the month following the release of strong first quarter profits and an improving sales outlook.

Stock Comment

Deutscher Industrie Service AG - DIS is a leading player in the highly fragmented German temporary employment market with a 3.5% market share making it the 6th largest player of the tightly bunched leaders. Unlike the majors the company concentrates successfully on the higher margin and less cyclical niches for placements of highly skilled office support, engineering, finance and IT staff, whilst the less attractive blue collar segment accounts for only 29% of sales with a falling trend. The German temporary employment market has enjoyed volume growth of 12% annually over the last 15 years. Temporary workers account for only 0.9% of the total workforce, less than half the level of the US, Britain, France or Holland, and recent measures to further liberalize the market will not have been the last so that market growth should accelerate. Focus, risk minimisation and a high level of bottom line orientation are attributes of DIS's excellent owner-manager. Early pre-emptive cost cutting and a beginning recovery in demand in the second half will ensure a resumption of strong earnings growth from Q3 or Q4 of this year onwards. We see scope for earnings growth of 80% between 2001 and 2004 and would expect investors to value the shares at 18 times 2004 earnings in late 2003. This is well below the excessive levels of around 30 times forward earnings the market was prepared to pay in the past, but still implies upside of nearly 50% from current levels.

Top Ten Holdings as at 31 March 2002*

	Company	Country	Sector	% of NAV
1	Porsche	Germany	Auto	3.7
2	Puma	Germany	Consumer	3.7
3	Reliance Security	UK	Services	3.3
4	Paragon	UK	Financial	3.3
5	Vendex	Netherlands	Retail	3.0
6	Monsoon	UK	Retail	2.7
7	Gericom	Austria	Distribution	2.3
8	Zapf Creation	Germany	Consumer	2.2
9	Ratos	Sweden	Financial	2.0
10	Dinamia	Spain	Financial	2.0
				28.2

* excludes ARINS

Country, Market Cap & Sector Weightings as at 31 March 2002

Country	% of NAV
UK	25.0
Germany	16.0
Netherlands	4.2
France	4.0
Sweden	3.3
Spain	2.4
Austria	2.3
Ireland	1.9
Italy	1.1
Switzerland	0.3
Cash	39.5

Market Cap	% of NAV
>£1bn	6.1
£350m - £1bn	20.1
£100m - £350m	20.8
<£100m	15.5
Cash	39.5

Sector	% of NAV
Retail	14.1
Services	10.2
Financial	7.7
Consumer	7.1
Auto	6.1
Construction	5.5
Distribution	2.8
Medical	2.6
Media	1.4
Leisure	1.0
Other	2.0
Cash	39.5

Portfolio Activity

As at 31 March the Fund was 60.5% invested in 56 shares. During the month we sold our existing position in Ioltech outright and purchased six new positions, three longs and three ARINs.

Outlook

The stock market agenda has shifted from the fear of whether or not economic growth will resume to the likely pace and duration of the recovery. The second quarter is likely to be characterised by the search for an earnings recovery and the timing of upward movements in global interest rates. We remain relatively cautiously positioned as we feel that in many cases equity valuations are fully discounting a profits recovery. We believe that the outlook for the Fund remains promising.

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