Ennismore European Smaller Companies Fund

Investor Newsletter for the month of April 2002

Issued on 8 May 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 Emily Allen on +44 20 7368 4218. 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 £70.0m as at 30 April.

Performance as at 30 April 2002

	GBP			EUR			
	Fund NAV[1]	Fund NAV[2] % Change	HSBC Index[3] % Change	Fund NAV[1]	Fund NAV[2] % Change	HSBC Index[3] % Change	MSCI Index[4] % Change
April	**21.96**	**1.5**	**- 0.3**	**35.52**	**0.6**	**- 1.3**	**- 3.9**
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	20.78	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
Year to date		**8.5**	**5.3**		**7.4**	**4.2**	**- 2.6**
Since Launch (27/01/99)		**122.6**	**- 1.6**		**151.0**	**11.2**	**- 1.2**

[1] Source: Administrator, Net Asset Value, excludes income. [2] Source: Administrator, Net Asset Value, net income reinvested. [3] HSBC Europe inc. UK Small Cap Index, Source: Bloomberg, excludes income. [4] 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 1.5% in April, sterling returns were aided by a 1% appreciation of the Euro during the month. The German apparel company Puma was the best performer producing an attribution of 0.7% as the company reported a tripling of first quarter earnings and a 62% increase in its order backlog. Another strong performer in April was New Look, which delivered an attribution of 0.3% after the UK fashion retailer said it expected profits to be ahead of analysts' prior expectations. Our ARIN positions also performed well with a combined attribution of 1.1%, lead by Thiel Logistik with an attribution of 0.3%. Thiel fell 28% during the month as investors reflected on the management's unconvincing justification of the recent capital increase.

Stock Comment

Autoroutes du Sud de la France - The largest toll motorway operator in France. We participated in the French State's initial public offering of this simple business with highly predictable cash flows. The company derives 98% of its revenues from toll collection and has one of the most attractive growth profiles in the sector. Traffic growth is being driven by network expansion, the strong population growth in southern France and the increase in international transfers to and from Spain and Italy. Recently reported first quarter sales rose 11.6% year on year. It is also clear that cost control has not been the overriding priority of the company under state ownership and we fully expect to see a sharper focus on costs as the state loosens its grip on the company. We have specifically identified manual toll collection, road resurfacing, winter salting and grass verge maintenance as areas where significant cost savings can be achieved. With rising revenues, improved cost discipline and a falling cost of debt as expensive legacy borrowings are retired and refinanced, margins and cash flow are set to expand markedly over the next five years. Analysts forecasts have been very conservatively framed and the stock appears to be mispriced by a French domestic investor base that has had limited exposure to this type of company and is overly focused on post depreciation earnings. We expect the equity to be valued at a minimum of 10 times our expected 2002 operating cash flow of €720 million within six months, giving a target price of €32.3 per share – 19% upside from current levels.

Top Ten Holdings as at 30 April 2002*

	Company	Country	Sector	% of NAV
1	Autoroutes du Sud	France	Transport	3.5
2	Porsche	Germany	Auto	3.5
3	Vendex	Netherlands	Retail	3.4
4	Reliance Security	UK	Services	3.4
5	Puma	Germany	Consumer	3.0
6	Paragon	UK	Financial	3.0
7	Monsoon	UK	Retail	2.7
8	Zapf Creation	Germany	Consumer	2.1
9	Bellway	UK	Construction	2.0
10	Dinamia	Spain	Financial	2.0
				28.6

* excludes ARINS

Country, Market Cap & Sector Weightings as at 30 April 2002

Country	% of NAV
UK	25.0
Germany	16.6
France	8.4
Netherlands	4.5
Sweden	2.9
Spain	2.5
Ireland	2.1
Austria	2.0
Switzerland	0.3
Cash	35.7

Market Cap	% of NAV
>£1bn	9.1
£350m - £1bn	20.8
£100m - £350m	21.5
<£100m	12.9
Cash	35.7

Sector	% of NAV
Retail	14.3
Services	9.8
Financial	7.4
Consumer	6.4
Auto	6.0
Construction	5.9
Transport	3.5
Medical	2.5
Distribution	2.4
Leisure	1.9
Other	4.2
Cash	35.7

Portfolio Activity

As at 30 April the Fund was 64.3% invested in 58 shares. During the month we sold five existing positions, two longs and three ARINs, and built up five new longs and two new ARIN positions.

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. Our cautious positioning has served us well during April and early May and we still believe 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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