Ennismore European Smaller Companies Fund

Investor Newsletter for the month of October 2002

Issued on 7 November 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 £66.5m as at 31 October.

Performance as at 31 October 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
October	**21.08**	**3.3**	**4.8**	**33.30**	**2.6**	**4.0**	**9.7**
September	20.41	- 4.1	- 14.0	32.47	- 3.3	- 13.3	- 14.3
August	21.28	0.6	- 0.9	33.56	- 0.5	- 1.9	0.1
July	21.16	- 5.3	- 11.7	33.72	- 2.2	- 8.8	- 11.7
June	22.34	- 1.0	- 7.6	34.48	- 2.4	- 9.0	- 8.3
May	22.56	2.7	0.1	35.33	- 0.5	- 3.0	- 3.2
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
Year to date		**4.2**	**- 23.2**		**0.7**	**- 25.7**	**- 28.2**
Annualised return		**22.5**	**- 8.5**		**25.6**	**- 6.0**	**- 8.1**
Since launch (27/01/99)		**113.7**	**- 28.2**		**135.3**	**- 20.8**	**- 27.2**

[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 3.3% in October. The most significant contributor was Porsche with an attribution of 0.8%. The share price rose 18% during the month after the company announced strong second-half profits. Other strong performers were Puma, Vendex and Gericom with attributions between 0.3 and 0.4%. Hydralift also produced an attribution of 0.3% after the company was bid for by National Oilwell.

The overall contribution of the Fund's short positions was – 0.3%. However, our position in ARM Holdings produced a positive attribution of 0.5% after the company issued a profits warning.

Stock Comment

Bijou Brigitte - Germany's leading specialist retailer of fashion jewellery with an 80% market share. Low shopfitting costs and a modest working capital requirement combined with extremely high gross and contribution margins result in a pay back period of under 18 months for new outlets. Having steadily expanded its market share in Germany and with a small presence in Holland and Austria, Bijou Brigitte started a wider scale roll out in Spain, Poland and Hungary in 2001. Profitability in these markets compares well with from Germany. With domestic competition fragmented and the US chain Claire's focussing primarily on the U.K. and France there is a high chance that Bijou Brigitte will achieve a strong acceleration in its sales growth to an average 15% plus at its customary high margins over the next few years. The hands on, conservative management team achieved the remarkable feat of maintaining profitability in Germany in 2001 despite a 7% drop in comparable store sales. With a secure and high dividend, excellent balance sheet and free cash generation and a significant valuation discount to the slower growing and less profitable Claire's, Bijou Brigitte should be a strong performer on the back of its earnings growth as well as a likely re-rating.

Top Ten Holdings as at 31 October 2002*

	Company	Country	Sector	% of NAV
1	Porsche	Germany	Auto	5.6
2	Camaieu	France	Retail	2.4
3	Paragon	UK	Financial	2.3
4	Vendex	Netherlands	Retail	2.3
5	Zapf Creation	Germany	Consumer	2.2
6	Autoroutes du Sud	France	Transport	2.2
7	New Look	UK	Retail	2.2
8	Bijou Brigitte	Germany	Retail	2.1
9	Bellway	UK	Construction	2.0
10	Ratos	Sweden	Financial	1.6
				24.9

* excludes ARINS

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

Country	% of NAV
UK	15.4
Germany	15.1
France	7.6
Sweden	3.2
Netherlands	3.1
Ireland	2.3
Spain	1.8
Italy	1.7
Norway	1.2
Austria	0.9
Other	0.8
Cash	46.9

Market Cap	% of NAV
>£1bn	10.6
£350m - £1bn	11.7
£100m - £350m	19.2
<£100m	11.6
Cash	46.9

Sector	% of NAV
Retail	13.3
Auto	6.7
Financial	6.4
Services	6.2
Construction	5.8
Consumer	4.5
Transport	2.2
Distribution	1.5
Medical	1.1
Media	1.0
Other	4.4
Cash	46.9

Portfolio Activity

As at 31 October the Fund was 53.1% invested in 60 shares. During the month we began building up three new long positions and two new ARIN positions. We sold two existing long positions outright, DFS Furniture and Fitness First, and closed one ARIN.

Outlook

The prospects for stockmarkets overall appear unexciting. Investor sentiment is balanced between economic weakness and the degree of stimulus provided by further interest rate reductions. The immediate operating environment experienced by the majority of the companies that we meet remains tough. However, we expect to profit from cautiously and selectively buying into the prevailing gloom and doom as we are now finding a good number of attractively valued small and mid-cap companies who are generating cash and growing earnings. We intend to start deploying our cash balances to exploit the valuation anomalies that now exist. We believe that the outlook for the Fund remains promising.

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