Ennismore European Smaller Companies Fund

Investor Newsletter for the month of December 2002

Issued on 9 January 2003

Important Notice

Following a Board resolution of 7th January 2003, it has been agreed to reopen the Fund to take in an additional £8m. Emily Allen will be contacting people at the top of the waiting list over the next few days. To be included on this list, please call Emily on +44 20 7368 4218. Redemptions can be made through the administrator in the usual way.

Over the course of the year these new monies will be invested selectively in "mini" micro caps, companies below £50m market capitalisation. Many companies here have seen their share price halve over the last year, from already reasonable valuation levels, without any long-term fundamental justification. Due to the illiquid nature of this area a maximum of 15% of the Fund will be invested into it.

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 £68.7m as at 31 December.

Performance as at 31 December 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
December	**21.49**	**- 0.6**	**- 4.2**	**32.98**	**- 2.4**	**- 6.1**	**- 8.2**
November	21.61	2.5	6.7	33.80	1.5	5.6	4.8
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
Year 2002		**6.2**	**- 21.5**		**- 0.3**	**- 26.3**	**- 30.9**
Annualised return		**22.0**	**- 7.6**		**24.1**	**- 6.0**	**- 8.7**
Since launch (27/01/99)		**117.9**	**- 26.6**		**133.0**	**- 21.4**	**- 29.9**

[1] Source: Administrator, Net Asset Value, excludes income. [2] Source: Administrator, Net Asset Value, net income reinvested. [3] Source: Bloomberg, HSBC Europe inc. UK Small Cap Index, excludes income. [4] Source: Bloomberg, MSCI Europe 15, local currencies, excludes income. All performance figures net of fees.

Comments on Performance refer to £ Sterling unless otherwise stated.

The Fund's net asset value decreased by 0.6% in December. In weak stock markets only one in three of our positions produced positive attributions. The worst performers were Porsche and Paragon, each producing attributions of – 0.3%.

Portfolio Activity

As at 31 December the Fund was 41.4% invested in 49 shares. During the month we began building up five new long positions. We sold two existing long positions outright, Gericom and GW Pharmaceuticals. We also received payment for our holding in Hydralift as the acquisition of the company was completed. All of our ARIN positions were closed during the month because the Fund's provider, CSFB, decided to stop offering this product. We expect to be able to announce alternative arrangements in next month's newsletter.

Top Ten Holdings as at 31 December 2002*

	Company	Country	Sector	% of NAV
1	Zapf Creation	Germany	Consumer	2.7
2	Vendex	Netherlands	Retail	2.5
3	Bijou Brigitte	Germany	Retail	2.3
4	Camaieu	France	Retail	2.2
5	Paragon	UK	Financial	2.1
6	New Look	UK	Retail	1.9
7	Porsche	Germany	Auto	1.9
8	Bellway	UK	Construction	1.8
9	Ratos	Sweden	Financial	1.7
10	Geberit	Switzerland	Engineering	1.3
				20.4

** excludes ARINS*

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

Country	% of NAV
UK	13.0
Germany	8.9
France	6.3
Netherlands	3.6
Sweden	2.7
Ireland	2.7
Switzerland	1.3
Italy	1.1
Denmark	0.9
Norway	0.7
Other	0.2
Cash	58.6

Market Cap	% of NAV
>£1bn	3.9
£350m - £1bn	9.8
£100m - £350m	15.6
<£100m	12.1
Cash	58.6

Sector	% of NAV
Retail	13.1
Construction	6.4
Financial	3.9
Auto	3.1
Services	3.1
Consumer	2.7
Engineering	2.4
Transport	2.2
Media	0.9
IT Software	0.8
Other	2.8
Cash	58.6

Outlook

The prospects for stockmarkets overall seem unexciting. Following the recent interest rate reductions in the US and Europe there is limited scope for additional monetary stimulus and the focus of investors will now fall squarely onto corporate earnings. In this respect 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 attractively valued small and mid-cap companies who are generating cash and growing earnings. We intend to start deploying our cash balances to exploit valuation anomalies where they exist. We believe that the outlook for the Fund remains promising.

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