Ennismore European Smaller Companies Fund

Investor Newsletter for the month of January 2003

Issued on 10 February 2003

Important Notice

The number of shares in the Fund is currently limited to 3.6m. 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.

As mentioned last month, all ARIN positions have been closed because the Fund's provider, CSFB, decided to stop offering the product. ARINs contributed 7.3% and 5.1% in 2002 and 2001 respectively to the Fund and clearly are important in enabling it to meet its investment objective of generating positive returns in each calendar year. Due to the niche nature of ARINs we were unable to find alternative providers. To prevent the Fund being exposed in this way again, and following approval by the Board of Directors, Ennismore Fund Management applied to the FSA on 8th October 2002 to extend its permitted business to providing ARINs to the Fund. We are hopeful that we will receive permission to start offering this product in the near future. In the meantime, due to the absence of this product, we believe it is prudent in the light of the Fund's objective to maintain a very high cash position.

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 £73.7m as at 31 January.

Performance as at 31 January 2003

	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
January	**21.18**	**- 1.5**	**- 4.9**	**32.43**	**- 1.7**	**- 5.0**	**- 6.7**
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
2003 to date		**- 1.5**	**- 4.9**		**- 1.7**	**- 5.0**	**- 6.7**
Annualised return		**21.1**	**- 8.6**		**23.0**	**- 7.0**	**- 10.1**
Since launch (27/01/99)		**114.7**	**- 30.2**		**129.1**	**- 25.3**	**- 34.6**

[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 1.5% in January. In weak stock markets just over one in four of our positions produced positive attributions. The best performer was Bijou Brigitte with an attribution of 0.3%. The worst performers were Vendex and Zapf Creation, producing attributions of – 0.3% and – 0.2% respectively.

Top Ten Holdings as at 31 January 2003*

	Company	Country	Sector	% of NAV
1	Bijou Brigitte	Germany	Retail	2.4
2	Zapf Creation	Germany	Consumer	2.4
3	Camaieu	France	Retail	2.1
4	Vendex	Netherlands	Retail	2.0
5	Paragon	UK	Financial	2.0
6	Porsche	Germany	Auto	1.7
7	Bellway	UK	Construction	1.7
8	Geberit	Switzerland	Engineering	1.6
9	New Look	UK	Retail	1.6
10	Ratos	Sweden	Financial	1.6
				19.1

** excludes ARINS*

Country, Market Cap & Sector Weightings as at 31 January 2003

Country	% of NAV
UK	12.8
Germany	8.5
France	5.0
Netherlands	3.7
Sweden	2.9
Ireland	2.5
Switzerland	2.0
Italy	1.0
Denmark	0.8
Norway	0.7
Other	0.1
Cash	60.0

Market Cap	% of NAV
>£1bn	2.7
£350m - £1bn	10.1
£100m - £350m	14.3
<£100m	12.9
Cash	60.0

Sector	% of NAV
Retail	12.1
Construction	7.4
Financial	3.6
Auto	2.8
Engineering	2.8
Services	2.8
Consumer	2.4
IT Software	1.3
Transport	1.3
Medical	0.9
Other	2.6
Cash	60.0

Portfolio Activity

As at 31 January the Fund was 40.0% invested in 52 shares. During the month we began building up seven new long positions. We sold four existing long positions outright, Autoroutes du Sud, Dinamia, Pizza Express and T Clarke. We have started increasing our exposure to mini-micro caps. This is progressing at a moderate yet steady pace. Many stocks are highly illiquid and we are operating with tight price limits.

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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