Ennismore European Smaller Companies Fund

Investor Newsletter for the month of February 2003

Issued on 10 March 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.

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 £77.7m as at 28 February.

Performance as at 28 February 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
February	**21.67[5]**	**2.3**	**- 0.9**	**31.67[5]**	**- 2.3**	**- 5.0**	**- 2.2**
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
2003 to date		**0.8**	**- 5.8**		**- 4.0**	**- 9.8**	**- 8.7**
Annualised return		**21.3**	**- 8.6**		**21.8**	**- 8.1**	**- 10.4**
Since launch (27/01/99)		**119.7**	**- 30.8**		**123.8**	**- 29.0**	**- 36.0**

[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. [5] Ex dividend price. A distribution of £0.107282 per share (total distribution £384,474) was declared on 28 February. The pay date for this distribution is 14 March.

Comments on Performance refer to £ Sterling unless otherwise stated.

The Fund's net asset value increased by 2.3% in February. Two thirds of our positions produced positive attributions. The best performers were Zapf Creation, Bijou Brigitte and Bellway, each contributing 0.2%. The worst performer was Vendex with a negative attribution of – 0.4%. Sterling returns benefited from the near 5% appreciation in the Euro during the month.

Stock Comment - Sjælsø Gruppen

Sjælsø Gruppen is a leading developer of commercial and residential property in Denmark. The company was founded 25 years ago by CEO Ib Henrik Rønje and currently has a market capitalisation of DDK600m (€80m). The business concept is to identify attractive sites and land rights, and sign long-term lease contracts with prospective tenants before construction. The group then negotiates with external contractors and manages the construction process before selling the buildings (with the lease contracts) to investors 3-6 months after construction. The risks taken by Sjælsø are relatively limited due to this focus on pre-lets with 'blue chip' tenants. Currently the market for commercial buildings is slowing, but Sjælsø is picking up market share from a number of struggling competitors. We estimate that Sjælsø's turnover will remain around its current level for the next two years. At a share price of DDK250, the company is currently trading at a free cash yield of 23% for 2002 and 2003, a P/E of 4.0x for 2002 and 2003, Price/Book of 1.0 and a dividend yield of 10%. We believe that Sjælsø is significantly undervalued relative to a sector that is currently trading at historically low P/E multiples of 6.0-10.0x, and we see a share price appreciation potential of 30 - 40% in the next 12 months.

Top Ten Holdings as at 28 February 2003

	Company	Country	Sector	% of NAV
1	Bijou Brigitte	Germany	Retail	2.5
2	Zapf Creation	Germany	Consumer	2.4
3	Paragon	UK	Financial	2.1
4	Bellway	UK	Construction	1.8
5	Ratos	Sweden	Financial	1.6
6	Vendex	Netherlands	Retail	1.6
7	New Look	UK	Retail	1.6
8	Geberit	Switzerland	Engineering	1.5
9	Luminar	UK	Leisure	1.4
10	Monsoon	UK	Retail	1.2
				17.8

Country, Market Cap & Sector Weightings as at 28 February 2003

Country	% of NAV
UK	13.8
Germany	8.0
France	3.6
Netherlands	3.2
Sweden	2.9
Switzerland	2.5
Ireland	2.5
Italy	1.6
Norway	1.5
Denmark	0.9
Other	0.1
Cash	59.4

Market Cap	% of NAV
>£1bn	2.3
£350m - £1bn	10.9
£100m - £350m	15.0
<£100m	12.4
Cash	59.4

Sector	% of NAV
Retail	10.7
Construction	8.4
Financial	3.8
Services	2.7
Engineering	2.6
Consumer	2.4
Leisure	2.0
Auto	1.8
Transport	1.3
Food	1.2
Other	3.7
Cash	59.4

Portfolio Activity

As at 28 February the Fund was 40.6% invested in 55 shares. During the month we began building up eight new long positions. We have continued 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. Whilst the potential for conflict in the Gulf dominates current sentiment it is rarely a consideration for us in our assessment of a business's long-term value. Once the uncertainty of war is removed the real economic concerns of an over-geared consumer and a lack of corporate pricing power will remain. It is still the case that the immediate operating environment experienced by the majority of the companies that we meet remains tough. However, the prevailing pessimism is producing valuations that in many cases fully discount the difficult outlook. We expect to profit from cautiously and selectively buying attractively valued companies who are generating cash and growing earnings. We believe that the outlook for the Fund remains promising.

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