Ennismore European Smaller Companies Fund

Investor Newsletter for the month of March 2003

Issued on 7 April 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 £78.3m as at 31 March.

Performance as at 31 March 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
March	**21.98**	**1.4**	**0.2**	**31.84**	**0.6**	**-1.2**	**-2.6**
February	21.67	2.8	- 0.9	31.67	- 1.9	- 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
Launch	10.00			14.35			
1999	14.90	49.0	24.6	23.71	65.2	39.9	27.8
2000	20.21	35.7	-5.8	31.84	34.3	-6.8	-3.5
2001	20.52	1.5	-20.4	33.54	5.3	-18.2	-17.8
2002	21.49	6.2	-21.5	32.98	-0.3	-26.3	-30.9
2003 to date		**2.8**	**-5.6**		**-3.0**	**-10.8**	**-11.1**
Annualised return		**21.4**	**-8.4**		**21.6**	**-8.2**	**- 10.7**
Since launch (27/01/99)		**124.0**	**- 30.7**		**126.1**	**- 29.9**	**- 37.7**

[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 increased by 1.4% in March. Half of our positions produced positive attributions. The best performers were Bijou Brigitte and Geberit, contributing 0.3% and 0.2% respectively. The worst performer was Oystertec with an attribution of – 0.2%.

Stock Comment – Orc Software

Swedish developer of electronic trading software. The long term shift towards trading financial instruments electronically, as opposed to physically on a trading floor, is undeniable. Orc Software has a truly global presence with clients in 19 countries and real-time connectivity to 40 electronic exchanges. The company's customers are principally investment banks, brokerage houses and institutional investors. Unsurprisingly Orc's sales momentum has recently been affected by the reductions in headcount across the investment banking sector, however the company still achieved sales growth of 31% and gained significant market share in 2002. Going forward there is potential to grow substantially in the USA and Asia where the adoption of electronic trading is lagging the development seen in Europe. In addition Orc has recently entered into a strategic alliance with Reuters, whereby Reuters will integrate Orc's software into its flagship product. The current valuation has more to do with the near term pressures facing investment banks than with the outstanding medium term growth prospects for the business. With 35% of its market capitalisation in cash, excellent ongoing free cash generation and a 2003 price earnings ratio of 10, we believe that the company is 30 - 40% undervalued.

Top Ten Holdings as at 31 March 2003

	Company	Country	Sector	% of NAV
1	Bijou Brigitte	Germany	Retail	2.8
2	Zapf Creation	Germany	Consumer	2.6
3	Paragon	UK	Financial	2.1
4	Vendex	Netherlands	Retail	1.8
5	Bellway	UK	Construction	1.8
6	Geberit	Switzerland	Engineering	1.7
7	New Look	UK	Retail	1.6
8	Ratos	Sweden	Financial	1.6
9	Luminar	UK	Leisure	1.3
10	Enterprise	UK	Services	1.2
				18.5

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

Country	% of NAV
UK	16.4
Germany	8.7
Netherlands	3.6
France	3.6
Sweden	2.9
Switzerland	2.8
Ireland	2.7
Norway	2.4
Italy	1.6
Denmark	0.8
Other	0.4
Cash	54.1

Market Cap	% of NAV
>£1bn	1.6
£350m - £1bn	12.7
£100m - £350m	17.9
<£100m	13.7
Cash	54.1

Sector	% of NAV
Retail	13.2
Construction	8.6
Financial	3.7
Services	3.7
Engineering	3.2
Consumer	2.7
Leisure	2.0
IT Software	1.5
Oil	1.3
Transport	1.3
Other	4.7
Cash	54.1

Portfolio Activity

As at 31 March the Fund was 45.9% invested in 65 shares. During the month we began building up eight new positions and sold one existing position outright. We have continued increasing our exposure to mini-micro caps.

Outlook

The prospects for stockmarkets overall seem unexciting. Whilst the 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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