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Ennismore European Smaller Companies Fund

Investor Newsletter for the month of April 2003

Issued on 12 May 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 £82.9m as at 30 April.

Performance as at 30 April 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
April	**23.05**	**4.9**	**12.1**	**33.02**	**3.7**	**10.9**	**11.2**
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
Launch (27/01/99)	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	**23.05**	**7.8**	**5.9**	**33.02**	**0.6**	**- 1.1**	**- 1.2**
Annualised return		**22.3**	**- 5.8**		**22.2**	**- 5.7**	**- 8.3**
Since launch (27/01/99)		**134.9**	**- 22.2**		**134.4**	**- 22.2**	**- 30.8**

[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 4.9% in April. In strong markets 90% of our positions produced positive attributions. The best performers were Bijou Brigitte and Zapf Creation, each contributing 0.6%. Vendex was also a strong performer, contributing 0.5%. The worst performer was Oystertec with an attribution of – 0.3%.

Stock Comment

Arcadis - Dutch international service provider in infrastructure, environment, buildings and communications. The company primarily offers consulting services and has little exposure to contracting activities. This is reflected in the relatively high operating margin of 7.5%. Due to the long-term nature of large infrastructure projects and the trend towards more environmental awareness, the infrastructure and environment divisions generate 80% of group sales. The public sector accounts for 50% of revenues, providing further stabilisation. Arcadis aims to be a strong player in selected markets and management therefore focuses on growth in existing markets. The company has been successful in cross-selling its four types of services to its international client base, thereby gaining market share in typically fragmented markets. The business model ties up little capital and facilitates strong cash generation. Management is focused on maximising return on capital employed (ROCE) since their incentive scheme requires them to achieve a ROCE of at least 15%. Trading at a price-earnings ratio (PER) of 7.5x with no debt and supported by a dividend yield of 5.5%, we believe the company is undervalued and see upside potential of 25%.

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For inclusion on the waiting list please contact:

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Registered in England and Wales No. 3598371 Regulated by the FSA

Top Ten Holdings as at 30 April 2003

	Company	Country	Sector	% of NAV
1	Bijou Brigitte	Germany	Retail	3.2
2	Zapf Creation	Germany	Consumer	3.0
3	Paragon	UK	Financial	2.1
4	Bellway	UK	Construction	1.7
5	Vendex	Netherlands	Retail	1.7
6	New Look	UK	Retail	1.6
7	Geberit	Switzerland	Engineering	1.6
8	Fuchs Petrolub	Germany	Oil	1.6
9	Luminar	UK	Leisure	1.5
10	Ratos	Sweden	Financial	1.5
				19.5

Country, Market Cap & Sector Weightings as at 30 April 2003

Country	% of NAV
UK	16.9
Germany	11.1
Netherlands	3.7
Ireland	3.0
France	2.8
Norway	2.7
Switzerland	2.7
Sweden	2.6
Italy	1.6
Denmark	0.8
Other	0.7
Cash	51.4

Market Cap	% of NAV
>£1bn	2.1
£350m - £1bn	12.3
£100m - £350m	23.2
<£100m	11.0
Cash	51.4

Sector	% of NAV
Retail	13.4
Construction	8.5
Services	4.4
Financial	3.7
Consumer	3.1
Engineering	2.7
Auto	2.1
Leisure	2.1
Oil	1.6
Transport	1.4
Other	5.6
Cash	51.4

Portfolio Activity

As at 30 April the Fund was 48.6% invested in 70 stocks. During the month we began building up five new positions and sold one existing position outright. We have continued increasing our exposure to mini-micro caps.

Outlook

The relatively rapid conclusion to the war in Iraq helped fuel a strong stockmarket rally in April that has continued in early May. However, the real economic concerns of an over-geared consumer and a lack of corporate pricing power remain. Profit margins may in some cases benefit from recent cost-cutting but the immediate operating environment experienced by the majority of the companies that we meet remains tough. We expect to continue to profit from cautiously and selectively buying attractively valued companies that are generating cash and growing earnings. We believe that the outlook for the Fund remains promising.

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