Ennismore European Smaller Companies Fund

Investor Newsletter for the month of September 2003

Issued on 8 October 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 Inge Tilg on +44 20 7368 4266. 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 £93.4m as at 30 September.

Performance as at 30 September 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
September	**25.84**	**2.2**	**- 0.9**	**36.87**	**1.2**	**- 1.8**	**- 3.6**
August	25.30	1.5	4.8	36.45	2.4	5.8	1.6
July	24.93	3.3	7.2	35.60	2.6	6.4	4.1
June	24.14	0.0	1.9	34.69	3.2	5.1	2.2
May	24.13	4.7	8.1	33.62	1.8	5.2	1.8
April	23.05	4.9	12.1	33.02	3.7	10.9	11.2
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	**25.84**	**20.9**	**30.0**	**36.87**	**12.4**	**20.9**	**4.7**
Annualised return		**23.1**	**- 1.0**		**22.9**	**- 1.1**	**- 6.4**
Since launch (27/01/99)		**163.4**	**- 4.6**		**161.8**	**- 5.0**	**-26.6**

[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 below on Performance are prior to expenses, exclude cash returns and refer to £ Sterling unless otherwise stated.

During September markets stopped for breath following the strong rally since March. Both our long and ARIN books achieved positive results. Our long investments performed significantly better than the small cap index. At an average of 72% of the Fund's value their performance contribution was 2.1%. The star performer was Bijou Brigitte, contributing 0.9%. Other strong performers included Paragon, contributing 0.3%, and Charter Plc, contributing 0.1%. The worst performer was TGS Nopec, contributing a negative 0.3%, and we took the opportunity to build up our position during the month. Axel Springer also performed poorly, contributing –0.1%. During the month ARIN positions averaged 8.9% of the Fund. The underlying stocks performed poorly in the weak markets, falling 3% on average, and consequently ARINs contributed 0.5%.

Top Ten Long Holdings as at 30 September 2003

	Company	Country	Sector	% of NAV
1	Bijou Brigitte	Germany	Retail	4.0
2	Paragon	UK	Financial	3.0
3	Monsoon	UK	Retail	2.9
4	Zapf Creation	Germany	Consumer	2.7
5	Fuchs Petrolub	Germany	Oil Refining	1.9
6	New Look	UK	Retail	1.8
7	Luminar	UK	Leisure	1.8
8	Axel Springer	Germany	Media	1.8
9	BAM	Netherlands	Construction	1.8
10	Sjaelsoe	Denmark	Construction	1.8
				23.5

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

Country	% of NAV
UK	24.3
Germany	20.6
Norway	7.5
Netherlands	7.0
France	5.7
Switzerland	4.1
Ireland	3.5
Sweden	2.9
Italy	2.5
Denmark	2.0
Other	2.3
Cash	17.6

Market Cap	% of NAV
>£1bn	10.6
£350m - £1bn	15.3
£100m - £350m	37.6
<£100m	18.9
Cash	17.6

Sector	% of NAV
Retail	17.3
Construction	13.1
Services	8.3
Engineering	7.1
Financial	4.8
Auto	4.1
Consumer	4.1
Transport	4.0
Oil	4.0
Media	3.9
Other	11.7
Cash	17.6

Portfolio Activity

Figures in brackets refer to previous month end.

As at 30 September the Fund was 82% (79%) invested in 113 (117) stocks. We decreased the number of ARIN positions to 19 (23), representing 9.7% (8.1%) of the Fund. We made sizeable purchases in Monsoon, a UK retailer, Andritz, an Austrian engineering company, and TGS Nopec (see stock comment overleaf). We sold outright our positions in Orc Software, Imtech, and Hackman while Macdonald Hotels left the portfolio following a tender offer. Profit taking slightly reduced our position in Bellway.

Stock Comment – TGS Nopec – Norwegian Offshore Seismic Provider

TGS Nopec is a leading international provider of offshore geophysical data to oil companies. Its main markets are the US Gulf of Mexico (c. 70%), South America and the North Sea. The company is listed in Norway with a market cap of approximately EUR 230m. TGS' business model is to forecast oil company needs for geophysical data, hire vessels and equipment, and to collect, process and market the data to multiple companies on a single user basis ("Multi Client"). Recently, TGS' competitive situation has improved substantially since its key competitors, Western-Geco, PGS and Veritas DGC, have all withdrawn from the Multi-Client market for different reasons. We believe that TGS' guidance of 10% revenue growth for 2003 is realistic, and that this growth level will continue for the next 2-3 years while operating margins remain high at 35-40%. TGS trades on estimated 2003 and 2004 price earnings multiples of 8.9 and 7.6 times respectively, and has EUR 18m in net cash. Moreover, we believe that TGS' earnings are understated due to the company's conservative accounting practice of amortising all geophysical data fully within four years. Given TGS' 35-50% relative valuation discount to its peers and its open shareholder structure, we regard TGS to be a strong take-over candidate. We consider the stock to be substantially undervalued with an appreciation potential of 40-50% in the next 12 months.

Outlook

We remain agnostic on the exact timing and degree of the economic recovery expected for late 2003/2004. Companies are making good progress cutting costs and this supports earnings near term. In many cases the sharply higher valuations make investing a gamble on the event of a significant economic recovery. Our large universe of companies allows us to pursue the safer course of identifying genuinely overlooked longs where valuations still offer downside support even if an economic recovery fails to materialise or is weak. Additionally, ARIN opportunities have increased again as a result of some exaggerated price moves unaccompanied by an improvement in fundamentals. We believe the outlook for the Fund remains promising.

For further information please contact:

Gerhard Schöningh	Ennismore Fund Management	(44) 20 7368 4221	gs@ennismorefunds.com
Geoff Oldfield	Ennismore Fund Management	(44) 20 7368 4223	go@ennismorefunds.com

For redemptions please contact:

Lisa Moran	State Street International (Ireland) Ltd	(353) 1 853 8654	lisa.moran@teamstatestreet.com
Neil MacGuiness	State Street International (Ireland) Ltd	(353) 1 853 8459	neil.macguiness@ teamstatestreet.com

For market making please contact:

Paul Harrington	UBS Warburg	(44) 20 7568 4569	Equities-paul.harrington@ubsw.com