Ennismore European Smaller Companies Fund

Investor Newsletter for the month of October 2003

Issued on 11 November 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 £94.1m as at 31 October.

Performance as at 31 October 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
October	**26.08**	**0.9**	**5.3**	**38.06**	**3.2**	**7.7**	**6.0**
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
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	**26.08**	**22.0**	**36.9**	**38.06**	**16.0**	**30.2**	**11.0**
Annualised return		**22.8**	**0.1**		**23.3**	**0.5**	**- 5.1**
Since launch (27/01/99)		**165.7**	**0.5**		**170.3**	**2.4**	**- 22.1**

[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

The Fund lagged behind indices in October's strong market rally. Accounting for an average 9.4% of the Fund our ARIN portfolio made a negative 2% contribution as a result of a strong presence of cyclicals that outperformed markets. Our long investments lagged the performance of the small cap index slightly. At an average of 75% of the Fund's value, their performance contribution was 3.6%. This was due to a negative 0.5% attribution from Zapf Creation, which has a high weighting in the Fund and fell 20% after the company cut its estimate for full-year operating profit growth following disappointing sales in the US. The strongest performers were Monsoon and Escada, each contributing 0.5%. Porsche also performed well, contributing 0.4%. Euro returns were aided by the 2% appreciation of Sterling during the month.

Stock Comment - Fuchs Petrolub – German lubricant manufacturer

With sales of EUR1.1bn Fuchs Petrolub is the eighth largest global lubricant manufacturer and the largest independent behind the majors such as Shell, Exxon and BP. The production and sale of lubricants is a fairly low risk business, characterised by a diversified customer base, relatively stable demand and low currency transaction risk resulting from local production. Fuchs has thrived over the last 50 years by focussing on small, research intensive niches such as greases and corrosion preventives. The company has only a selective and highly opportunistic presence in the huge segment of aftermarket automotive oils, which is driven by big marketing budgets. The industry continues to consolidate rapidly and Fuchs has an excellent track record at both serving as a 'safe haven' for small family companies throwing in the towel and as an acquirer and successful integrator of non-core operations put up for sale by the majors. The company is now concentrating on reducing its high level of gearing by increasing profitability through ongoing rationalisation, by reducing net working capital and by being economical about capital expenditure. Having been deserted by most brokers during the new economy boom, the Fuchs share price has doubled over the last year. The company trades on a 2004 cash adjusted price earnings ratio of under nine times and is still poorly covered. We expect this to change, resulting in a further re-rating, with earnings upgrades possible in the event of a sustained economic recovery.

Top Ten Long Holdings as at 31 October 2003

	Company	Country	Sector	% of NAV
1	Bijou Brigitte	Germany	Retail	4.0
2	Monsoon	UK	Retail	3.4
3	TGS Nopec	Norway	Services	3.2
4	Sjaelsoe	Denmark	Construction	2.1
5	Escada	Germany	Consumer	2.1
6	Axel Springer	Germany	Media	2.0
7	Porsche	Germany	Auto	2.0
8	New Look	UK	Retail	1.9
9	Zapf Creation	Germany	Consumer	1.9
10	Fuchs Petrolub	Germany	Oil Refining	1.9
				24.5

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

Country	% of NAV
UK	25.3
Germany	22.9
Norway	8.6
Netherlands	6.7
France	5.4
Switzerland	3.8
Sweden	2.8
Italy	2.5
Denmark	2.3
Ireland	2.3
Other	4.0
Cash	13.4

Market Cap	% of NAV
>£1bn	11.5
£350m - £1bn	14.1
£100m - £350m	43.2
<£100m	17.8
Cash	13.4

Sector	% of NAV
Retail	18.1
Construction	11.1
Services	9.0
Engineering	7.2
Consumer	5.7
Media	5.1
Financial	5.0
Transport	4.9
Auto	4.1
Oil	3.9
Other	12.5
Cash	13.4

Portfolio Activity

Figures in brackets refer to previous month end

As at 31 October the Fund was 87% (82%) invested in 120 (113) stocks. We made sizeable purchases in Escada, a German luxury goods retailer, TGS Nopec, a Norwegian oilfield service provider, and Leica Geosystems, a Swiss provider of survey equipment. Profit taking resulted in us selling outright our positions in Readymix and Sika, and reduced our positions in Paragon, Luminar and Abbey. The Fund held 19 (19) ARIN positions at the end of the month.

Outlook

Data on current growth in the US and on the outlook for economic growth in Europe have generally been strong. However there remain many uncertainties about the extent and sustainability of the recovery in both regions. We have reflected the more confident outlook by making small changes to our ARIN portfolio, eliminating positions that can reach a reasonable valuation with a modest economic recovery. There remain a large number of genuinely overlooked longs where valuations still offer downside support even if an economic recovery fails to materialise or is weak. We believe the outlook for the Fund remains promising.

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