Ennismore European Smaller Companies Fund

Investor Newsletter for the month of November 2003

Issued on 9 December 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 £96.0m as at 30 November.

Performance as at 30 November 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
November	**26.63**	**2.1**	**2.6**	**38.21**	**0.4**	**1.0**	**1.6**
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
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	**26.63**	**24.6**	**40.5**	**38.21**	**16.5**	**31.5**	**12.8**
Annualised return		**22.9**	**0.6**		**22.9**	**0.7**	**-4.7**
Since launch (27/01/99)		**171.4**	**3.1**		**171.3**	**3.4**	**-20.9**

[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

Our long investments performed slightly better than the small cap index. At an average of 78% of the Fund's value, their performance contribution was 2.3%. This was despite negative contributions of 0.5% from Zapf Creation after the second profit warning in a month due to a major management problem in the US, and of 0.4% from Monsoon. The position in Zapf Creation was subsequently sold. The strongest performers were Fuchs Petrolub, Scala and Andritz, contributing 0.3% each. Clinton Cards, Roularta, Axel Springer, Leroy Seafood and Univar contributed 0.2% each. Accounting for an average of 8.6% of the Fund, our ARIN portfolio made a pleasing positive 0.5% contribution.

Stock Comment – BAM Group – Leading Dutch construction company

BAM is listed on Euronext ("BAMA") and has a market capitalisation of EUR 284m. The company offers residential and non-residential construction (48% of sales), infrastructure construction (42%) and other construction (10%). In terms of geographical exposure, the Netherlands has a 50% share of sales, the UK 20%, Germany 11% and the rest of the world 19%.

The company has partaken in the extensive consolidation of the Dutch construction industry with the acquisition of NBM-Amstelland in 2000 and HBG in 2002. In October 2003, BAM divested the majority of its dredging business, and by the end of this year is expected to have no net interest bearing debt. The company will have a turnover of EUR 7.7bn and net profits of EUR 80m for 2003 (after EUR 18m of restructuring costs). Despite a solid order book of 1.5x annual sales, we expect sales to decline by 2-3% in the next 1-2 years based on the poor business climate. Nevertheless, there is considerable potential for net margin improvement via cost cuts and reorganisation. We expect operating costs to be reduced by EUR 10-15m in 2004.

The Dutch construction industry is under investigation by the Anti-Cartel Authorities, and BAM and the rest of the industry are likely to be fined severely some time in the next year. Estimating BAM's fine at EUR 70m and treating it as a debt, and fully diluting for all convertible debt instruments, BAM trades on an EV/EBITA of 2.0x, a P/E (goodwill adjusted) of 3.2x and at 60% of tangible net assets. On the basis of its proven management, internationally diversified business portfolio and extremely compelling earnings multiples, we regard BAM as an excellent investment with an appreciation potential of 40-50% in the next 12 months.

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For redemptions please contact:

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For market making please contact:

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Top Ten Long Holdings as at 30 November 2003

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	4.0
2	Bijou Brigitte	Germany	Retail	4.0
3	Monsoon	UK	Retail	2.9
4	Porsche	Germany	Auto	2.7
5	Axel Springer	Germany	Media	2.1
6	Fuchs Petrolub	Germany	Oil Refining	2.1
7	Sjaelsoe	Denmark	Construction	2.1
8	Escada	Germany	Consumer	1.9
9	BAM	Netherlands	Construction	1.9
10	Paragon	UK	Financial	1.9
				25.6

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

Country	% of NAV
UK	22.6
Germany	21.6
Norway	10.1
Netherlands	6.9
France	5.2
Switzerland	4.5
Belgium	3.3
Denmark	2.9
Sweden	2.6
Italy	2.5
Other	6.6
Cash	11.2

Market Cap	% of NAV
>£1bn	12.6
£350m - £1bn	14.7
£100m - £350m	41.8
<£100m	19.7
Cash	11.2

Sector	% of NAV
Retail	18.1
Construction	11.4
Services	8.9
Engineering	7.0
Media	6.7
Financial	5.4
Oil	4.7
Transport	4.6
Auto	4.1
Consumer	3.5
Other	14.4
Cash	11.2

Portfolio Activity

Figures in brackets refer to previous month end

As at 30 November the Fund was 89% (87%) invested in 124 (120) stocks. We made sizeable purchases in GIMV, a Belgian investment company, Findel, a British mail-order stationery retailer, and District Offshore, a Norwegian shipping company. We substantially increased our positions in TGS Nopec, a Norwegian oilfield service provider, and Andritz, an Austrian capital goods manufacturer. We sold outright our positions in Zapf Creation, Luminar and St. James's Place. The Fund held 18 (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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