Ennismore European Smaller Companies Fund

Investor Newsletter for the month of December 2003

Issued on 12 January 2004

Important Notice

Following the payment and subsequent reinvestment of the performance fee for 2003, the number of shares in the Fund has been increased to 3.8m. Investors on the waiting list are being notified of any available shares. Further 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 £99.3m as at 31 December.

Performance as at 31 December 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
December	**27.65**	**3.8**	**1.8**	**39.25**	**2.7**	**0.6**	**3.3**
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
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
Year 2003	**27.65**	**29.3**	**43.0**	**39.25**	**19.6**	**32.3**	**16.5**
Annualised return		**23.5**	**1.0**		**23.2**	**0.8**	**- 4.0**
Since launch (27/01/99)		**181.8**	**5.0**		**178.7**	**4.1**	**-18.3**

[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 significantly better than the indices. At an average of 82% of the Fund's value, their performance contribution was 4.6%. The strongest performers were Bijou Brigitte and Escada, contributing 0.7% and 0.6% respectively. Escada's performance was due to a revaluation in the market following a successful capital restructuring. TGS Nopec also performed strongly, contributing 0.5%. Andritz and Porsche each contributed 0.3%. There were no major negative contributions. Accounting for an average of 7.5% of the Fund, our ARIN portfolio made a pleasing positive 0.2% contribution.

Komplett – A Norwegian Web-based Computer Retailer

Komplett is listed in Norway and has a market capitalisation of EUR 93m. The company sells a broad range of computer hardware as well as complementary consumer electronics such as digital cameras, video products and telephony peripherals. The company operates in Norway (70% of sales), Sweden (20%), UK (8%) and Germany (2%). Approximately two-thirds of sales are directly to consumers and one-third is wholesale. Since 1998, the company has developed a highly successful Internet-based business model, and sales have grown organically from EUR 12m in 1998 to approx. EUR 200m in 2003 (annual growth of 60%) despite fierce competition and high market volatility.

We believe that the company will achieve overall organic sales growth in excess of 20% p.a. in the next 2-3 years, primarily based on expected growth in Sweden and the UK. In Q4-03 Komplett invested in a new warehouse in the Netherlands and this should improve their logistics considerably with respect to the UK and German operations. We expect net earnings to increase by 25-30% p.a. for the next three years. At present Komplett trades on 10.8 times estimated net profit for 2004, and the company has a strong balance sheet with 23% of its market capitalisation in net cash. The stock has suffered recently due to disappointing sales growth for November 2003, but we are confident that this was an isolated month and that Komplett has resumed its high sales growth once again. We consider the share to have an appreciation potential of 40% in the next 12 months.

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Warning: This newsletter is issued by Ennismore Fund Management Limited, regulated by the FSA. Past performance is not necessarily a guide to future performance. The value of shares can go down as well as up and is not guaranteed. Changes in rates of exchange may also cause the value of shares to fluctuate. Any reference to individual investments within this newsletter should not be taken as a recommendation to buy or sell. This newsletter should be read in conjunction with the full text and definitions section of the Prospectus dated 12 January 1999.

Top Ten Long Holdings as at 31 December 2003

	Company	Country	Sector	% of NAV
1	Bijou Brigitte	Retail	Germany	4.4
2	TGS Nopec	Services	Norway	4.3
3	Monsoon	Retail	UK	3.0
4	Porsche	Auto	Germany	2.8
5	Escada	Consumer	Germany	2.4
6	Axel Springer	Media	Germany	2.2
7	Fuchs Petrolub	Oil Refining	Germany	2.1
8	Andritz	Engineering	Austria	2.1
9	BAM	Construction	Netherlands	2.1
10	Sjaelsoe	Construction	Denmark	2.0
				27.4

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

Country	% of NAV
Germany	22.6
UK	22.2
Norway	10.4
Switzerland	7.4
Netherlands	7.1
France	4.8
Belgium	3.3
Denmark	3.0
Sweden	2.7
Austria	2.7
Other	6.4
Cash	7.4

Market Cap	% of NAV
>£1bn	12.8
£350m - £1bn	16.3
£100m - £350m	43.8
<£100m	19.7
Cash	7.4

Sector	% of NAV
Retail	19.4
Construction	11.5
Services	9.0
Media	6.8
Engineering	6.7
Financial	5.9
Oil	4.8
Transport	4.5
Auto	4.0
Consumer	3.9
Other	16.1
Cash	7.4

Portfolio Activity

Figures in brackets refer to previous month end

As at 31 December the Fund was 93% (89%) invested in 123 (124) stocks. We made sizeable purchases in Jelmoli, a Swiss retailer, and Bobst Group, a Swiss capital goods manufacturer. We substantially increased our positions in Komplett (see stock comment overleaf) and Gildemeister, a German machine tool manufacturer. We repurchased Sika, a global manufacturer of construction and industrial sealants and admixtures. We sold outright our positions in Leroy Seafood, Sarna and Oystertec. The Fund held 16 (18) 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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