Ennismore European Smaller Companies Fund

Investor Newsletter for the month of January 2004

Issued on 10 February 2004

Important Notice

The number of shares in the Fund is currently limited to 3.8m. 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 4216. 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 £105.2m as at 31 January.

Performance as at 31 January 2004

	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
January	**28.44**	**2.9**	**3.5**	**41.67**	**6.2**	**6.7**	**1.7**
December	27.65	3.8	2.3	39.25	2.7	1.0	3.3
November	26.63	2.1	2.5	38.21	0.4	0.6	1.7
October	26.08	0.9	5.3	38.06	3.2	8.0	6.1
September	25.84	2.2	- 0.8	36.87	1.2	- 1.5	- 3.5
August	25.30	1.5	5.5	36.45	2.4	5.7	1.9
Launch (27/01/99)	10.00			14.35			
1999	14.90	49.0	24.8	23.71	65.2	42.1	2.0
2000	20.21	35.7	- 3.3	31.84	34.3	- 4.7	- 2.2
2001	20.52	1.5	- 18.3	33.54	5.3	- 15.6	- 16.4
2002	21.49	6.2	- 19.8	32.98	- 0.3	- 24.8	- 29.4
2003	27.65	29.3	48.8	39.25	19.6	37.5	19.8
2004 to date	**28.44**	**2.9**	**3.5**	**41.67**	**6.2**	**6.7**	**1.7**
Annualised return		**26.7**	**4.0**		**27.3**	**0.2**	**- 6.4**
Since launch (27/01/99)		**189.8**	**21.9**		**195.9**	**1.1**	**- 28.3**

[1] Source: Administrator, Net Asset Value, excludes income. [2] Source: Administrator, Net Asset Value, Net income reinvested. [3] Source: Bloomberg, HSBC Smaller European Total Return Index. [4] Source: Bloomberg, MSCI Europe, local currencies, total return. All performance figures net of fees.

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

From this newsletter onwards we will be using the HSBC Smaller European Total Return Index and the MSCI Daily TR Net Europe Local Index. These indices are a more accurate basis for performance comparisons. They differ from the indices used previously in that they take account of dividends reinvested.

Our long book, which accounted for 88% of the NAV over the month of January, outperformed the HSBC (£) index. With an implied return of 5.9%, the Fund's long investments contributed 5.2% to performance over the month. By far the strongest performers were TGS Nopec and Pricer, contributing 1.4% and 0.9% respectively. Pricer's share price leapt after it won an order (worth more than the company's 2002 full-year sales) to supply its electronic shelf labels to French retailer Carrefour. TGS Nopec continued to perform well, thanks to renewed global interest in oil service providers. Ratos and Porsche were the worst performers, with each contributing negative performances of 0.1%. Accounting for an average of 6.5% of the Fund, our ARIN portfolio produced a negative contribution of 1.4%.

Delft Instruments – A Dutch Medical and Industrial Technology Company

Delft Instruments has a market capitalisation of EUR 120m and is listed on Euronext. The company develops, manufactures and sells instruments to the medical sector (2/3 of turnover) and petrochemical sector (1/3 of turnover). In the medical business, Delft is a niche player in radiotherapy equipment and software, ultrasound and diagnostic imaging. In the industrial business, Delft supplies tank level gauging and fuel management systems to the oil and gas industry. The company sells directly to end-users and to OEMs such as Siemens and Elekta. Delft has undertaken substantial streamlining of its businesses over the last years, and acquisitions and divestitures have left the company with an attractive portfolio of strong brand products in niche markets.

Delft trades at a very attractive valuation of 9.2 times expected net earnings (goodwill amortisation adjusted) for 2004. This equates to a discount to the medical technology and petroleum equipment industry of approximately 65% and 55%, respectively. Net debt is low at EUR 7.5m. Despite Dutch companies' fierce anti-takeover laws and practises, Delft is an obvious acquisition target for companies like Siemens, Elekta, Varian or General Electric. We think the Delft share has an upside potential of 30-40% in the next year.

Top Ten Long Holdings as at 31 January 2004

	Company	Country	Sector	% of NAV
1	TGS Nopec	Services	Norway	5.4
2	Bijou Brigitte	Retail	Germany	4.0
3	Monsoon	Retail	UK	2.9
4	Porsche	Auto	Germany	2.5
5	BAM	Construction	Netherlands	2.4
6	Fuchs Petrolub	Oil Refining	Germany	2.2
7	New Look	Retail	UK	2.2
8	Axel Springer	Media	Germany	2.2
9	Escada	Consumer	Germany	2.1
10	Paragon	Financial	UK	2.0
				27.9

Country, Market Cap & Sector Weightings as at 31 January 2004

Country	% of NAV
UK	24.0
Germany	21.6
Norway	11.2
Netherlands	8.2
Switzerland	7.2
France	4.5
Sweden	3.6
Belgium	3.0
Ireland	2.9
Denmark	2.8
Other	8.0
Cash	3.0

Market Cap	% of NAV
>£1bn	12.1
£350m - £1bn	17.5
£100m - £350m	45.8
<£100m	21.6
Cash	3.0

Sector	% of NAV
Retail	19.2
Construction	11.3
Services	10.2
Media	6.7
Engineering	6.7
Financial	5.6
Consumer	4.9
IT Hardware	4.8
Transport	4.4
Oil	4.3
Other	18.9
Cash	3.0

Portfolio Activity

Figures in brackets refer to previous month end

As at 31 January the Fund was 97% (93%) invested in 129 (123) stocks. We made sizeable purchases in Altadis, a Spanish tobacco company, and Irish Continental Group, a passenger and freight transport provider. We increased our holding in Norwegian transportation group Stolt-Nielsen and in New Look, the UK women's clothing retailer. Profit-taking reduced our position in Bijou Brigitte and we sold outright our position in Rheinmetall, the German industrial group, and in Burren Energy, a UK-based oil exploration company. The Fund held 17 (16) 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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