Ennismore European Smaller Companies Fund

Investor Newsletter for the month of February 2004

Issued on 9 March 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 £110.2m as at 29 February.

Performance as at 29 February 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
February	**29.21**	**2.7**	**1.5**	**43.63**	**4.7**	**3.9**	**2.3**
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
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	**29.21**	**5.6**	**5.0**	**43.63**	**11.2**	**10.8**	**4.0**
Annualised return		**23.9**	**4.7**		**24.9**	**5.5**	**- 1.3**
Since launch (27/01/99)		**197.6**	**26.1**		**209.8**	**31.0**	**- 6.6**

[1] Source: Administrator, Net Asset Value, income reinvested. [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

Our long book, which accounted for an average of 91% of the NAV in February, outperformed the indices. The Fund's long investments contributed 3.5% to performance over the month giving an implied return of 3.8%. By far the strongest performer was Charter (see Stock Comment below), contributing 1.3%. Further positive contributions came from Fuchs Petrolub and Escada. Both are being re-rated as a result of wider coverage by brokers. The worst performing stock was Bijou Brigitte which produced a small negative attribution for no fundamental reason. Accounting for an average of 6.6% of the Fund, our ARIN positions produced a minimal negative contribution.

Charter – UK Engineering Company

We first made an investment in this UK listed engineering company eight months ago at a price of 59p. Since then, David Gawler, the Chairman and Chief Executive, has done exactly what he said: reduced net debt from £195m to £135m through the sale of non core assets, including their London head office, restructured the terms of the debt, settled the dispute with the US bondholders (Charter has never missed an interest payment) and continued a rigorous restructuring programme. Following a 3 for 5 rights issue, announced on 20th February, to raise £45m, the net debt will fall to £95m which combined with a post rights market capitalisation of £223m gives an enterprise value of £318m (£442m including the pension deficit). The share price at £1.90 has increased by 25% following the announcement of the rights issue and by 320% since our initial purchase. Despite the large recent price increase we believe the stock has substantial upside from here.

There are two businesses left: Esab, the world leader in consumable welding products and Howden, a manufacturer of air and gas handling equipment, with turnovers of £577m and £256m respectively in 2003. Assuming the recent improvement in trading of both companies continues we believe the Group is on a price earnings ratio of less than eight times 2005. More probably, however, one or both of the businesses will be sold before that. There are several eager and deep-pocketed buyers for Esab ex-North America which is the real jewel in the crown. Conservatively this is worth at least one times turnover and more than the enterprise value (including pension deficit) of the whole Charter Group. We would expect any offers to be wholly in cash. The remaining £173m of Esab's turnover in North America will have some value despite a weak market position and some legacy asbestos claims. This leaves Howden which the previous management paid a ridiculous £400m for in April 1997 – the reason the Group acquired its debt mountain. Conservatively valuing Howden at 40% of turnover implies a value of approximately £100m. Consequently, we expect a further share price appreciation of at least 50%.

Top Ten Long Holdings as at 29 February 2004

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	5.2
2	Bijou Brigitte	Germany	Retail	3.5
3	Charter	UK	Engineering	3.1
4	Monsoon	UK	Retail	2.7
5	Porsche	Germany	Auto	2.4
6	Escada	Germany	Consumer	2.3
7	Axel Springer	Germany	Media	2.3
8	Fuchs Petrolub	Germany	Oil Refining	2.3
9	New Look	UK	Retail	2.2
10	Sjaelsoe	Construction	Denmark	2.0
				28.0

Country, Market Cap & Sector Weightings as at 29 February 2004

Country	% of NAV
UK	26.1
Germany	20.9
Norway	11.7
Netherlands	7.9
Switzerland	7.4
France	5.4
Belgium	3.2
Sweden	3.0
Denmark	3.0
Ireland	2.8
Other	6.9
Cash	1.7

Market Cap	% of NAV
>£1bn	11.9
£350m - £1bn	17.8
£100m - £350m	43.9
<£100m	24.7
Cash	1.7

Sector	% of NAV
Retail	18.7
Construction	11.5
Services	9.7
Engineering	7.8
Media	6.7
Financial	5.5
Consumer	5.4
Oil	4.7
IT Hardware	4.2
IT Software	3.5
Other	20.6
Cash	1.7

Portfolio Activity

Figures in brackets refer to previous month end

As at 29 February the Fund was 98% (97%) invested in 139 (129) stocks. The biggest change has been the sizeable purchase made in Charter, which is now the Fund's third largest holding. New positions have been built in Jarvis, a UK engineering company and Airspray, a Dutch company which produces a variety of non-aerosol dispensers. We increased our positions in Swiss chemicals group Quadrant and in Sika, a Swiss manufacturer of construction materials. We sold outright our positions in Stolt-Nielsen, a Norwegian transportation group, and in Beru, a German auto parts manufacturer. The Fund held 20 (17) 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.

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