Ennismore European Smaller Companies Fund

Investor Newsletter for the month of August 2004

Issued on 8 September 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 Emily Allen on +44 20 7368 4218. Redemptions can be made through the administrator in the usual way.

Fund Details

Daily dealing UCITS and Irish Financial Services Regulatory Authority 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 £116.0m as at 31 August.

Performance as at 31 August 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
August	**30.74**	**1.5**	**0.8**	**45.50**	**- 0.5**	**- 1.5**	**- 0.2**
July	30.28	- 0.9	- 3.3	45.73	0.4	- 1.9	- 2.1
June	30.56	4.6	4.3	45.55	3.8	3.5	2.0
May	29.22	- 1.5	- 2.3	43.87	- 0.0	- 1.1	- 1.0
April	29.66	2.1	2.3	43.88	1.0	1.3	2.0
March	29.06	- 0.5	- 1.7	43.46	- 0.4	- 1.5	- 2.3
Launch (27/01/99)	10.00			14.35			
1999	14.90	49.0	27.2	23.71	65.2	42.1	29.8
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	**30.74**	**11.2**	**4.8**	**45.50**	**15.9**	**9.4**	**2.4**
Annualised return		**22.7**	**4.2**		**23.4**	**4.7**	**- 1.5**
Since launch (27/01/99)		**213.2**	**25.9**		**223.1**	**29.3**	**- 8.0**

[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

The Fund's net asset value increased by 1.5% in August. In bumpy stock markets roughly two-thirds of our positions produced positive attributions with the Fund's long book contributing 1.3%. The best performing stock, with a contribution of 0.6%, was TGS Nopec where the stock price rose by 9% during the month after the company announced a 43% increase in second quarter sales. Cewe Color gave a negative contribution of 0.3% following a disappointing trading statement. The ARIN book added to performance, contributing 0.5% in total.

Sika – Swiss producer of specialist chemicals

Sika produces specialist chemicals for construction and industrial applications. Products supplied to the construction industry (62% of sales) include concrete admixtures, sealants, waterproofing and structural strengthening products. Sika is a market leader in each segment but with market shares ranging from 6 to 15% there is scope for further gains. Its industrial products (22% of sales) comprise of sealants for cars, trains and lorries, and the white goods industry, as well as a number of fast growing automotive OEM materials for sound deafening, reinforcing and bonding. Complementing its traditional emphasis on technological excellence, Sika has focussed on improving its financial performance for the last three years. It has been using its balance sheet more efficiently by investing below depreciation and meeting increasing demand by adding shifts in existing plants. Net working capital has been reduced significantly from 25% of sales (2001) to 23% (2003), with a target of 18%. The company's objective is to add sales of 8-10% p.a. with only a small increase in fixed costs, which was successfully achieved, primarily through organic growth, in the difficult years of 2001 – 2003. Although Sika has had to make some pricing concessions, with a material cost ratio of 40%, the net effect is still strongly margin enhancing. The net margin will be boosted further as a result of strong cash generation and by a programme to reduce corporate taxation.

Sika shares have more than doubled over the last two years but the shares still trade on a ratio of 12 times expected 2004 earnings and 10 times those conservatively estimated for 2005. Brokers have historically ignored Sika but this is beginning to change and there should be further earnings upgrades as well as a further re-rating.

For further information please contact:

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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 31 August 2004

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	5.0
2	Charter	UK	Engineering	4.0
3	Bijou Brigitte	Germany	Retail	3.9
4	Monsoon	UK	Retail	3.1
5	Tandberg Data	Norway	Technology	2.6
6	Porsche	Germany	Auto	2.5
7	Axel Springer	Germany	Media	2.3
8	Quadrant	Switzerland	Manufacturing	2.0
9	Escada	Germany	Consumer	1.8
10	Fuchs Petrolub	Germany	Oil	1.7
				28.9

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

Country	% of NAV
UK	25.4
Germany	22.3
Norway	12.9
Switzerland	9.9
Netherlands	5.7
France	3.8
Sweden	2.6
Austria	2.4
Denmark	2.1
Belgium	2.0
Spain	1.2
Finland	1.1
Ireland	0.9
Other	1.5
Cash	6.2

Market Cap	% of NAV
>£1bn	9.6
£350m - £1bn	21.0
£100m - £350m	33.1
<£100m	30.1
Cash	6.2

Sector	% of NAV
Retail	16.6
Services	11.6
Engineering	8.2
Construction	8.1
Technology	6.8
Manufacturing	6.8
Media	6.6
Financial	5.6
Oil	5.2
Consumer	4.7
Auto	2.5
Leisure	2.0
Property	1.9
Other	7.2
Cash	6.2

Portfolio Activity

Figures in brackets refer to previous month end

As at 31 August the Fund was invested in 146 (140) stocks. Ten new positions were opened during the month including ISS, a Danish provider of maintenance services. We also increased our position in Rapala, a Finnish producer of fishing lures, by 33%. We closed four positions during the month, including PKL Holdings and Diploma. The Fund held 25 (23) ARIN positions at the end of the month.

Outlook

Markets are still uncertain about the sustainability of the economic recovery and remain volatile, reacting nervously to both economic data and geopolitical events. Expectations of further interest rate rises in the UK have reduced during the month but the level of oil prices continues to weigh on market expectations. However, there remain a large number of genuinely overlooked smaller companies 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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