Ennismore European Smaller Companies Fund

Investor Newsletter for the month of October 2004

Issued on 8 November 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 £120.1m as at 31 October.

Performance as at 31 October 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
October	**31.84**	**1.9**	**2.6**	**45.69**	**0.4**	**1.1**	**1.4**
September	31.25	1.7	4.3	45.53	0.1	2.7	2.4
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
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	**31.84**	**15.1**	**12.2**	**45.69**	**16.4**	**13.6**	**6.3**
Annualised return		**22.7**	**5.3**		**22.7**	**5.3**	**- 0.8**
Since launch (27/01/99)		**224.4**	**34.7**		**224.4**	**34.3**	**- 4.5**

[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 1.9% in October. In rising markets our long book produced a contribution of 2.6% which was slightly offset by a -0.1% contribution from our ARIN positions. Charter continued its recent strong performance with a contribution of 0.4%. Other significant contributions came from Bijou Brigitte and Monsoon, which each contributed 0.3%. There were no major negative contributions during the month.

Exact – Dutch software developer

Exact is a leading accounting and ERP (Enterprise Resource Planning) software vendor to Dutch small and medium sized companies (SMEs). The company's new products, Globe 2003 and e-Synergy, will increase the number of users within individual customers. As the pricing model is user-based, this will be the most important basis for revenue growth. Globe 2003 is an integrated ERP suite for SMEs, providing accounting, job costing, human resource management, and customer relationship management functions. e-Synergy is a web-based, remote access, product which supports all business functions of a company. Both products share the same database, thus e-Synergy can be sold on top of Globe. Results for the first half of 2004 were solid with profitability exceeding market expectations. The results demonstrated both licence growth and a stabilisation in maintenance revenues confirming that the SME ERP sector is beginning to recover. The stock price over-reacted to the departures of the CEO and Head of Finance announced in September and we took the opportunity to buy the stock at the weak point. Importantly, the regional operating officers, who actually manage the business, remain with the company and hence the risk of operational disruption is limited.

The company should be able to generate over €30m of free cash flow this year, rising to €43m by 2006, and with net cash on the balance sheet of approximately €120m compared to a market capitalisation of €475m the current valuation is too modest.

Top Ten Long Holdings as at 31 October 2004

	Company	Country	Sector	% of NAV
1	Charter	UK	Engineering	4.4
2	TGS Nopec	Norway	Services	4.4
3	Monsoon	UK	Retail	3.2
4	Bijou Brigitte	Germany	Retail	3.1
5	Axel Springer	Germany	Media	2.3
6	Escada	Germany	Consumer	2.1
7	Amazys Holding AG	Switzerland	Manufacturing	1.9
8	Quadrant	Switzerland	Manufacturing	1.7
9	Jelmoli	Switzerland	Retail	1.7
10	Paragon	UK	Financial	1.6
				26.4

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

Country	% of NAV
UK	27.0
Germany	22.8
Switzerland	10.1
Norway	9.4
Netherlands	4.7
France	4.5
Spain	3.1
Sweden	2.1
US	1.9
Austria	1.8
Belgium	1.6
Denmark	1.5
Ireland	1.4
Other	3.1
Cash	5.0

Market Cap	% of NAV
>£1bn	11.7
£350m - £1bn	29.4
£100m - £350m	28.1
<£100m	25.8
Cash	5.0

Sector	% of NAV
Retail	16.1
Services	9.9
Technology	9.4
Manufacturing	8.8
Construction	7.8
Engineering	7.3
Financial	7.0
Media	6.5
Consumer	5.0
Energy	4.6
Medical	3.3
Property	2.3
Leisure	1.8
Other	5.2
Cash	5.0

Portfolio Activity

Figures in brackets refer to previous month end

As at 31 October the Fund was invested in 166 (157) stocks. Twenty-seven new positions were opened during the month including Domino's Pizza, a UK fast-food franchise, and Balda, a German manufacturer of plastic components. We also significantly increased our existing positions in Kaufman & Broad and in NDS Group. We closed eighteen positions during the month, including Geberit and Bam Group. Of the positions held by the Fund at the end of the month 30 (24) were ARINs.

Outlook

Market direction remains uncertain. The clear result in the US presidential election may give equity markets a short term boost but there are continuing concerns about the impact of higher energy costs on the sustainability of any economic recovery. 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.

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:

Alison Morey	State Street International (Ireland) Ltd	(353) 1 853 8352	alison.morey@teamstatestreet.com

For market making please contact:

Paul Harrington	UBS Warburg	(44) 20 7568 4569	Equities-paul.harrington@ubsw.com