Ennismore European Smaller Companies Fund

Investor Newsletter for the month of December 2004

Issued on 11 January 2005

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 £128.7m as at 31 December.

Performance as at 31 December 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
December	**34.15**	**4.4**	**5.2**	**48.33**	**2.7**	**3.6**	**2.8**
November	32.72	2.8	5.6	47.06	3.0	5.8	2.6
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
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	**34.15**	**23.5**	**24.6**	**48.33**	**23.2**	**24.4**	**12.2**
Annualised return		**23.5**	**7.0**		**23.2**	**6.7**	**0.1**
Since launch (27/01/99)		**247.9**	**49.6**		**243.2**	**47.1**	**0.8**

[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 4.4% in December. In very strong markets our long book produced a contribution of 5.6% which was offset by a -0.3% contribution from our ARIN positions. The strongest performers were Charter and TGS Nopec with contributions of 0.6% and 0.5% respectively. Charter was up 13% on the month as a trading statement confirmed the company would beat analysts' forecasts for full-year results. TGS also rose sharply as a major Scandinavian investment bank released a bullish research note and increased its price target on the stock. There were no major negative contributions during the month.

Portfolio Activity

Figures in brackets refer to previous month end

As at 31 December the Fund was invested in 161 (159) stocks. Seventeen new positions were opened during the month including Netia, a Polish telecom service provider. We also significantly increased our existing position in OTP Bank in Hungary. A total of fifteen positions were closed during the month, including Acerinox and PA Resources. Of the positions held by the Fund at the end of the month 30 (31) were ARINs.

Top Ten Long Holdings as at 31 December 2004

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	5.3
2	Charter	UK	Engineering	4.8
3	Monsoon	UK	Retail	3.6
4	Bijou Brigitte	Germany	Retail	2.7
5	Escada	Germany	Consumer	2.4
6	Axel Springer	Germany	Media	2.1
7	Tandberg Data	Norway	Technology	1.9
8	Paragon	UK	Financial	1.9
9	Amazys	Switzerland	Manufacturing	1.7
10	Quadrant	Switzerland	Manufacturing	1.6
				28.0

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

Country	% of NAV
UK	26.7
Germany	21.3
Norway	11.1
Switzerland	8.0
Netherlands	4.0
France	3.4
Spain	2.5
Sweden	2.4
Hungary	2.0
US	1.7
Poland	1.3
Denmark	1.3
Ireland	1.2
Other	3.7
Cash	9.4

Market Cap	% of NAV
>£1bn	12.8
£350m - £1bn	24.3
£100m - £350m	30.3
<£100m	23.2
Cash	9.4

Sector	% of NAV
Retail	13.5
Services	12.4
Technology	10.3
Financial	7.1
Manufacturing	6.7
Consumer	6.6
Engineering	6.1
Energy	5.6
Media	5.6
Construction	5.5
Property	2.3
Medical	2.2
Leisure	1.8
Other	4.9
Cash	9.4

Outlook

European markets finished 2004 with a strong rally but this momentum has not carried through into the first few days of the new year and economic data continues to give mixed messages about the strength and sustainability of growth in Europe. 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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