Ennismore European Smaller Companies Fund

Investor Newsletter for the month of January 2005

Issued on 9 February 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 £133.0m as at 31 January.

Performance as at 31 January 2005

	GBP Fund NAV[1]	GBP Fund NAV[2] % Change	GBP HSBC Index[3] % Change	EUR Fund NAV[1]	EUR Fund NAV[2] % Change	EUR HSBC Index[3] % Change	MSCI Index[4] % Change
January	**35.25**	**3.2**	**3.8**	**50.91**	**5.3**	**5.9**	**1.5**
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
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
2005 to date	**35.25**	**3.2**	**3.8**	**50.91**	**5.3**	**5.9**	**1.5**
Annualised return		**23.8**	**7.6**		**23.9**	**7.7**	**0.4**
Since launch (27/01/99)		**259.2**	**55.3**		**261.5**	**55.7**	**2.4**

[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 3.2% in January. As markets started the year strongly, our long book produced a contribution of 5.4% which was offset by a -0.8% contribution from our ARIN positions. Among the strongest performers were top ten holdings Monsoon, Charter and Bijou Brigitte with contributions of 0.8%, 0.4% and 0.3% respectively. Monsoon's share price rose 20% during January following the publication of the company's interim results. A 28% jump in first-half profits and a positive outlook from Peter Simon, the company's Chairman, were the main drivers. Sekerbank, a new holding, also added to performance, contributing 0.4% as the Turkish banking sector made impressive gains (See stock comment). There were no major negative contributions during the month.

Stock comment – Turkish banks

Turkish banking stocks delivered impressive performance in 2004 and especially after December 17th when accession talks for entry into the EU were kicked off. This triggered spectacular performance gains of 80% in the past year with banks outperforming the market by 19%. Despite that out performance, our basket of holdings of Sekerbank, Finansbank, Denizbank and Garanti continue to offer significant value trading at prices of less than seven times 2005 earnings and, on average, one and a half times book value of assets whilst generating sustainable returns on equity ranging between 20% and 25% over the next 2 years. These banks benefit from having strong balance sheet growth supported by high capital adequacy ratios and strong cash generation capacity. With their focus on high quality retail lending they are all able to experience very high margins (5 – 6%) and are exposed to strong private sector loan growth (up 44% year-on-year) driven by consumer and credit card lending. Following a recent visit to Istanbul, we are particularly encouraged that all the banks have given guidance on earnings for 2005 well above consensus estimates. These expectations are quite credible given the relatively low ratio of loans to deposits. Furthermore Turkey's chief banking regulator expects bank asset expansion of more than 60% in the next 3 years.

Top Ten Long Holdings as at 31 January 2005

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	5.1
2	Charter	UK	Engineering	5.1
3	Monsoon	UK	Retail	4.2
4	Escada	Germany	Consumer	2.3
5	Axel Springer	Germany	Media	2.0
6	Bijou Brigitte	Germany	Retail	1.9
7	Paragon	UK	Financial	1.8
8	Amazys Holding AG	Switzerland	Manufacturing	1.8
9	Tandberg Data	Norway	Technology	1.7
10	Takkt	Germany	Retail	1.5
				27.4

Country, Market Cap & Sector Weightings as at 31 January 2005

Country	% of NAV
UK	28.3
Germany	20.2
Norway	11.9
Switzerland	7.7
Netherlands	4.9
Sweden	3.7
Turkey	3.7
France	3.1
Spain	2.4
US	2.2
Italy	1.5
Finland	1.3
Ireland	1.3
Other	5.9
Cash	1.9

Market Cap	% of NAV
>£1bn	13.3
£350m - £1bn	37.3
£100m - £350m	25.3
<£100m	22.2
Cash	1.9

Sector	% of NAV
Retail	14.8
Services	13.6
Technology	11.0
Financial	9.7
Consumer	6.7
Manufacturing	6.4
Engineering	6.2
Energy	5.6
Media	5.3
Construction	4.7
Property	2.7
Transport	2.7
Medical	2.0
Other	6.7
Cash	1.9

Portfolio Activity

Figures in brackets refer to previous month end

As at 31 January the Fund was invested in 181 (161) stocks. Thirty-two new positions were opened during the month including Marzotto, an Italian clothing manufacturer, as well as the Turkish banking stocks mentioned above. We also significantly increased our existing positions in Aker Yards and Domino's Pizza. A total of twelve positions were closed during the month, including MOL and Bank of Piraeus. Of the positions held by the Fund at the end of the month 39 (31) were ARINs.

Outlook

After a hesitant start, markets performed strongly during the month. Sentiment concerning US economic growth prospects was positive but the picture in the Eurozone remains less clear. 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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