Ennismore European Smaller Companies Fund

Investor Newsletter for the month of February 2005

Issued on 8 March 2005

Important Notice

The number of shares in the Fund is currently limited to 3.85m. 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 £138.4m as at 28 February.

Performance as at 28 February 2005

	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	**36.73**	**4.2**	**3.7**	**53.35**	**4.8**	**4.3**	**2.9**
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
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	**36.73**	**7.6**	**7.6**	**53.35**	**10.4**	**10.4**	**4.5**
Annualised return		**24.2**	**8.2**		**24.5**	**8.3**	**0.9**
Since launch (27/01/99)		**274.2**	**61.0**		**278.8**	**62.4**	**5.4**

[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 4.2% in February. In robust markets this month, our long book produced a contribution of 5.9% against a -0.3% contribution from our ARIN positions. Among the strongest performers were top ten holdings TGS Nopec, Bijou Brigitte and Quadrant with contributions of 1.2%, 0.4% and 0.4% respectively. TGS's share price had its largest gain in six months after the company said fourth quarter profit jumped 64% - an announcement that led two major Scandinavian brokerage houses to upgrade their 2005 targets. There were no major negative contributions during the month.

Todco - A shallow water oil rig driller

Todco was spun off from the rig company Transocean Inc. in 2004, and currently operates 24 shallow water jack-up rigs and 28 barge rigs in the Gulf of Mexico. These units are relatively old and the utilisation of the fleet is less than 60% at the moment. Current oil and gas prices strongly encourage further exploration and production spending by oil companies, and we expect further increases in demand for shallow water rigs in the next 1-2 years. Todco is in an excellent position to benefit from such an upturn due to its superior operational leverage (numerous units and low current utilisation) and the fixed supply of shallow water units (no new shallow water units are likely to be constructed in the foreseeable future). Based on modest increases in utilisation and day rates, we estimate free cash flow to equity of 6% and 10% for 2005 and 2006, respectively. However, there is a considerable upside to these numbers if more units were to be activated. Despite a market capitalisation of EUR 1.2bn (net cash of EUR 30m), Todco is relatively under analysed due to limited stand-alone history. In the next 6-12 months, we expect a share price appreciation of 20-30% driven by positive news flow on the activation of its idle rigs, increased day rates and improved research coverage.

Top Ten Long Holdings as at 28 February 2005

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	5.8
2	Charter	UK	Engineering	4.1
3	Monsoon	UK	Retail	3.0
4	Escada	Germany	Consumer	2.3
5	Bijou Brigitte	Germany	Retail	2.3
6	Axel Springer	Germany	Media	2.0
7	Tandberg Data	Norway	Technology	1.7
8	Paragon	UK	Financial	1.7
9	Amazys Holding AG	Switzerland	Manufacturing	1.6
10	Quadrant	Switzerland	Manufacturing	1.5
				26.0

Country, Market Cap & Sector Weightings as at 28 February 2005

Country	% of NAV
UK	24.4
Germany	21.6
Norway	13.7
Switzerland	8.5
Netherlands	4.5
Turkey	3.7
Spain	3.2
France	2.9
Sweden	2.5
Italy	2.4
US	2.2
Denmark	1.3
Portugal	1.1
Finland	1.1
Other	4.4
Cash	2.5

Market Cap	% of NAV
>£1bn	12.4
£350m - £1bn	37.6
£100m - £350m	25.0
<£100m	22.5
Cash	2.5

Sector	% of NAV
Services	14.7
Retail	13.8
Financial	8.3
Consumer	7.3
Manufacturing	7.3
Technology	6.8
Media	6.1
Construction	5.8
Energy	5.7
Engineering	5.0
Telecommunications	3.0
Transport	2.7
Property	2.6
Medical	1.6
Other	6.8
Cash	2.5

Portfolio Activity

Figures in brackets refer to previous month end

As at 28 February the Fund was invested in 192 (181) stocks. Thirty-three new positions were opened during the month including Mota Engil, a Portuguese civil engineering firm, and Terna, a Greek construction company. We also significantly increased our existing positions in Unique Zurich Airport and Active 24. A total of twenty-two positions were closed during the month, including Millicom and Dignity. Of the positions held by the Fund at the end of the month 46 (39) were ARINs.

Outlook

During February, equity markets further extended their solid start to the year. 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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