Ennismore European Smaller Companies Fund

Investor Newsletter for the month of March 2005

Issued on 8 April 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 £141.0m as at 31 March.

Performance as at 31 March 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
March	**36.86**	**0.4**	**- 1.4**	**53.75**	**0.7**	**- 1.0**	**- 0.4**
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
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	**36.86**	**7.9**	**6.1**	**53.75**	**11.2**	**9.3**	**4.1**
Annualised return		**23.9**	**7.8**		**24.3**	**8.0**	**0.8**
Since launch (27/01/99)		**275.6**	**58.8**		**281.6**	**60.8**	**4.9**

[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 0.4% in March. In volatile markets this month, our long book produced a contribution of -0.3% versus a 0.6% contribution from our ARIN positions. Among the stronger performers were Cewe Color and Charter, both with contributions of 0.3%. Cewe Color had an impressive month following an upbeat trading statement. The company expects profit to surge in 2005 as it continues to increase its share of the photo-finishing market through increased sales of digital photos. Charter's share price rose by 7.1% in March as the company produced solid 2004 results. The largest drags on performance were TGS Nopec and Escada with each holding costing the fund -0.3% for no fundamental reason.

Axel Springer – German newspaper publisher - Springer is the leading German newspaper publisher with a 23% market share. Its largest title "Bild" dominates the German tabloid segment with a 67% share and is the highest selling paper on the Continent. In addition the company has strong to dominant regional newspaper franchises and holds the No.2 position in magazine publishing in Germany. Following a restructuring programme, Springer achieved a substantial improvement in EBITA margin to 10.1% of sales in 2004. This was despite the depressed state of the German advertising market, strong competition in magazine publishing and high launch costs for new titles. Springer is also an asset rich and overcapitalized company with net cash and financial assets accounting for 20% of its current stock market value. Assuming only a moderate improvement in the operating margin to 12.3% by 2006, in contrast to management's stated longer term target of 15%, Springer is on a ratio of enterprise value to operating profit of 12.6 times. This is extremely cheap compared to the industry given the cyclically depressed state of earnings and Springer's strong market position. Why is this company so cheap? Despite a stock market value of EUR3bn, Springer's effective free float is only 2%, leading to minimal coverage by analysts. Californian private equity group Hellman & Friedman took a 19.5% stake in October 2003 and can be relied on to push both for an increase in profitability and for the sensible use of Springer's substantial financial assets. We expect them to exit by means of a secondary offering at a price much above current levels. European media analysts and investors will be all over this stock. **Gerhard Schőningh**

Top Five Long Holdings as at 31 March 2005

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	5.1
2	Charter	UK	Engineering	4.2
3	Monsoon	UK	Retail	2.7
4	Bijou Brigitte	Germany	Retail	2.1
5	Axel Springer	Germany	Media	2.0
				16.1

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

Country	% of NAV
UK	24.0
Germany	21.4
Norway	16.2
Switzerland	8.5
Turkey	3.4
Netherlands	3.1
Spain	2.7
Italy	2.6
Sweden	2.0
France	1.7
US	1.7
Portugal	1.2
Finland	1.1
Ireland	0.9
Other	2.4
Cash	7.1

Market Cap	% of NAV
>£1bn	12.5
£350m - £1bn	34.8
£100m - £350m	23.1
<£100m	22.5
Cash	7.1

Sector	% of NAV
Retail	12.9
Services	11.7
Technology	8.8
Energy	8.6
Financial	7.2
Manufacturing	6.7
Consumer	6.2
Media	6.0
Construction	5.9
Engineering	5.0
Transport	2.9
Property	2.6
Auto	2.0
Leisure	1.7
Other	4.7
Cash	7.1

Portfolio Activity

Figures in brackets refer to previous month end

As at 31 March the Fund was invested in 185 (192) stocks. Sixteen new positions were opened during the month including Consafe Offshore, a Norwegian provider of offshore accommodation services, and Exploration Resources, a Norwegian firm offering geophysical consulting services. Positions in both companies were built through respective IPOs. We also significantly increased our existing positions in Porsche and Cenit. A total of twenty-three positions were closed during the month, including Stork and Completel. Of the positions held by the Fund at the end of the month 45 (46) were ARINs.

Outlook

Prospects for economic growth within Europe remain uncertain with no consistent picture being given by economic indicators. 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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