Ennismore European Smaller Companies Fund

Investor Newsletter for the month of June 2005

Issued on 8 July 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 £147.8m as at 30 June.

Performance as at 30 June 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
June	**38.43**	**4.7**	**3.9**	**56.90**	**5.0**	**4.1**	**3.5**
May	36.71	2.1	6.0	54.21	1.6	5.6	5.0
April	35.97	- 2.4	- 4.1	53.33	- 0.8	- 2.5	- 2.6
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	5.5	5.9	1.5
December	34.15	4.4	5.2	48.24	2.5	3.6	2.8
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	48.24	22.9	24.4	12.2
2005 to date	**38.43**	**12.5**	**12.1**	**56.90**	**18.0**	**17.2**	**10.2**
Annualised return		**23.7**	**8.4**		**24.3**	**8.9**	**1.7**
Since launch (27/01/99)		**291.6**	**67.7**		**304.0**	**72.3**	**11.1**

[1] Source: Administrator, Net Asset Value. [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.

The Fund's net asset value rose by 4.7% in June. In bullish equity markets, our long book produced a contribution of 6.3% versus a 3.9% gain in the smaller companies index. A 0.5% negative contribution from our ARIN positions weighed on performance. Amongst the better performing long positions were Charter, CeWe Color and Consafe Offshore, contributing 0.5%, 0.5% and just under 0.4% respectively. Charter's share price rose 12% as the company said that the better than expected trading experienced in the first quarter had continued throughout May thanks to increased Chinese and North American demand. CeWe Color raised its full year sales target during the month, citing increased demand for digital photo prints. The company's share price had jumped by 34% by the end of June, whilst Consafe Offshore had risen 17%.

Eidesvik Offshore ASA – A Norwegian niche provider of offshore oil services

Eidesvik Offshore is listed on the Oslo Stock Exchange and has a market capitalisation of EUR 195m. The company was listed in June by means of a new issue to raise cash for fleet expansion. The free float is limited to 34% and the remainder is held by the Eidesvik family. The company owns and operates highly specialised vessels used by the offshore oil industry in the North Sea. Its three business segments are: Supply and Logistics (41% of the cash flow), Subsea (22% of the cash flow) and Seismic (37% of the cash flow). The contract coverage for the existing vessels is considerable and equates to approximately three years of revenues for its fleet. Since vessel operating costs are reasonably contained, future profits are correspondingly predictable. On the back of the relatively low financial debt of the company, net debt is EUR 77m, we expect the company to grow its fleet considerably in the next 2-3 years. We believe in continuing high oil and gas prices for at least the next five years due to resilient energy demand growth in Asia and the inadequate capacity of OPEC to keep up with that growth. Subsequently, we favour investing in companies, such as Eidesvik Offshore, that have a strong exposure to the exploration for and development of new oil and gas reserves.

Despite the high earnings visibility of the company, its shares trade at multiples of 9.0x and 8.0x prospective earnings for 2005 and 2006 respectively. Based on market values for its vessels, the shares trade at a discount to their asset value of approximately 15%. At the moment there is a substantial valuation gap between Eidesvik and its American and Norwegian peers (approx. 25-50%), and we expect this gap to narrow as more investors and brokers start covering the company. We expect the share price to appreciate by 30-40% in the next 12 months.

Arne Vigeland Paulsen

Top Five Long Holdings as at 30 June 2005

	Company	Country	Sector	% of NAV
1	Charter	UK	Engineering	4.9
2	TGS Nopec	Norway	Services	4.5
3	Grupa Lotos	Poland	Energy	3.0
4	Monsoon	UK	Retail	2.8
5	Bijou Brigitte	Germany	Retail	2.3
				17.5

Country, Market Cap & Sector Weightings as at 30 June 2005

Country	% of NAV
UK	22.7
Germany	21.7
Norway	14.1
Switzerland	5.6
Sweden	3.7
Poland	3.0
US	2.9
Netherlands	2.8
Turkey	2.8
France	2.7
Spain	2.1
Finland	1.2
Italy	0.8
Ireland	0.7
Austria	0.5
Other	1.9
Cash	10.8

Market Cap	% of NAV
>£1bn	13.2
£350m - £1bn	29.2
£100m - £350m	27.0
<£100m	19.8
Cash	10.8

Sector	% of NAV
Energy	13.4
Services	11.1
Retail	10.2
Technology	9.2
Engineering	6.1
Consumer	5.8
Construction	5.2
Media	4.7
Financial	4.3
Manufacturing	4.3
Leisure	2.9
Transport	2.2
Auto	2.0
Machinery	1.9
Medical	1.5
Other	4.4
Cash	10.8

Portfolio Activity

Figures in brackets refer to previous month end

As at 30 June the Fund was invested in 175 (180) stocks. New positions opened during the month included AgCert International, a UK environmental waste management company, and Ratos, a Swedish investment company. We also increased our existing positions in Charter, Eidesvik Offshore and Gulf Keystone. Of the positions held by the Fund at the end of the month 34 (38) were ARINs.

Outlook

Conditions for economic growth remain uncertain, particularly with the further surge in the oil price. 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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