Ennismore European Smaller Companies Fund

Investor Newsletter for the month of July 2005

Issued 9 August 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 £157.1m as at 31 July.

Performance as at 31 July 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
July	**40.98**	**6.6**	**7.4**	**59.40**	**4.4**	**5.3**	**4.1**
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
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	**40.98**	**20.0**	**20.4**	**59.40**	**23.1**	**23.3**	**14.7**
Annualised return		**24.6**	**9.5**		**24.8**	**9.6**	**2.3**
Since launch (27/01/99)		**317.5**	**80.1**		**321.8**	**81.4**	**15.7**

[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.

Comments below on Performance are prior to expenses, exclude cash returns and refer to £ Sterling unless otherwise stated

The Fund's net asset value rose by 6.6% in July. In a month which saw European equity markets hitting three-year highs, our long book produced a contribution of 9.0% versus a 7.4% gain in the smaller companies index. Our ARIN positions weighed on performance, costing the Fund 0.7%. Amongst the better performing positions were Monsoon, TGS Nopec and Gulf Keystone, contributing 0.7%, 0.7% and 0.5% respectively. Monsoon's share price leapt 23% as Chairman Peter Simon entered discussions about a possible bid for the 24.6% of the company he does not already own. The price was further buoyed on the announcement that operating profit had climbed 34%. TGS Nopec announced this month that it had won multi-client contracts to provide seismic data on the Barents Sea, pushing the share price up 10%, whilst Gulf Keystone rose 33% as four of the company's directors bought shares. There were no major negative contributions during the month.

Poweo – France's leading independent electricity reseller

Poweo buys electricity from producers and is able to sell it on to customers at cheaper rates than EDF, France's state-owned incumbent, due to its lower cost structure. The French electricity market has been gradually liberalised since 2000, and by July 2004 all businesses were able to opt for an alternative provider. Liberalisation of the residential market will start in 2007. To date Poweo has managed to capture more than 50% of business accounts that have left EDF. In May 2005 the company also started its gas reselling activities; the gas market is being liberalised in a similar way to the electricity market. The market is set for dynamic growth and Poweo benefits from its first mover advantage and should achieve critical mass ahead of the competition, although there are low barriers to entry and limited capital needs. Sales are forecast to grow rapidly reaching €165m for 2005, and increasing to circa €860m by 2007. Earnings and operating cash flow will become positive later in 2005 and earnings of €15-16m are forecast for 2007. As sales continue to grow in subsequent years, operating profits should expand disproportionately to the cost base.

While Poweo is anticipated to capture a modest 2% of a €30bn market, return on capital is expected to rise to 22% by 2007. Free cash flow of €31m should be achieved in 2008 and with its current market capitalisation of €155m the stock currently trades on a multiple of 7.4 times prospective earnings for 2008. We anticipate that the share price will increase by 50% over the next 12 months. **Sylvia Solomon & Tracy Collins**

Top Five Long Holdings as at 31 July 2005

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	4.8
2	Charter	UK	Engineering	4.7
3	Monsoon	UK	Retail	3.2
4	Bijou Brigitte	Germany	Retail	2.5
5	Grupa Lotos	Poland	Energy	2.3
				17.5

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

Country	% of NAV
UK	24.4
Germany	21.9
Norway	14.4
Switzerland	5.8
Sweden	4.4
France	3.2
United States	3.1
Turkey	2.7
Netherlands	2.4
Poland	2.3
Spain	1.3
Italy	1.1
Finland	0.9
Greece	0.9
Ireland	0.7
Other	1.7
Cash	8.8

Market Cap	% of NAV
>£1bn	15.2
£350m - £1bn	32.4
£100m - £350m	24.8
<£100m	18.8
Cash	8.8

Sector	% of NAV
Energy	13.1
Services	12.0
Retail	10.6
Technology	10.4
Engineering	6.3
Consumer	5.9
Financial	5.1
Construction	4.9
Media	4.6
Manufacturing	3.7
Leisure	2.2
Transport	2.1
Auto	2.0
Machinery	1.9
Medical	1.5
Other	4.9
Cash	8.8

Portfolio Activity

Figures in brackets refer to previous month end

As at 31 July the Fund was invested in 169 (175) stocks. New positions opened during the month included Fitzwilliam Capital, a UK investment company, where we participated in a placing to finance the reverse takeover of Getmobile AG. Other new holdings were Bank of Piraeus and GfK, a German company which offers client-specific market research. We also increased our existing positions in HF Company, a French manufacturer of TV and telecommunications equipment, and Know-IT, a Swedish IT consultancy. Of the positions held by the Fund at the end of the month 33 (34) were ARINs.

Outlook

Continued weakness in consumer demand has prompted the Bank of England to reduce interest rates. However, there remain a large number of genuinely overlooked smaller companies where valuations

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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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