Ennismore European Smaller Companies Fund

Investor Newsletter for the month of September 2005

Issued 11 October 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 £167.2m as at 30 September.

Performance as at 30 September 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
September	**43.70**	**3.3**	**5.1**	**64.12**	**3.7**	**5.5**	**4.4**
August	42.29	3.2	0.4	61.85	4.1	1.2	- 0.2
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
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	**43.70**	**28.0**	**27.0**	**64.12**	**32.9**	**31.7**	**19.5**
Annualised return		**25.1**	**10.1**		**25.5**	**10.4**	**2.8**
Since launch (27/01/99)		**345.2**	**90.1**		**355.3**	**93.7**	**20.5**

[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 3.3% in September. As European equity markets experienced another strong month, our long book produced a contribution of 5.4% versus a 5.1% gain in the smaller companies index. In such bullish markets, our ARIN positions cost the Fund 1.1%. The best performing position was Charter, which contributed 1.2%, followed by Gulf Keystone, Todco and Bijou Brigitte, which contributed 0.5%, 0.4% and 0.4% respectively. Charter announced first half profits had risen by 82% thanks to increased demand globally and restructuring benefits. A strong trading statement and upgrades from two brokerage houses pushed the share price up 22% over the month. Energy stocks Todco and Gulf Keystone also performed well as the former said production in the Gulf of Mexico was largely unaffected by Hurricane Katrina, and the latter gave an upbeat production update. Gulf Keystone's strong run in September has meant it is now the Fund's fifth largest holding. There were no significant negative contributions during the month.

Bank of Piraeus – Greek commercial bank

Traditionally focused on the smaller and medium sized business sector, Bank of Piraeus is increasing its exposure to retail banking via expansion of its branch network. Historically, Bank of Piraeus has had a stronger presence in northern Greece, but it is targeting market share gains in the Athens area, where a significant portion of its network expansion is concentrated. As the new branches reach breakeven and then maturity, the bank's cost-income ratio should continue to improve. First half results were very positive, with net profits up 72% year on year, driven by continued strong loan growth, rising fee income and increasing efficiency. The bank's return on capital is already close to management's 2007 target of at least 20% and we expect the bank to be able to increase this to at least 22% in the next 2 years. Assuming this level of return on capital is reached, we consider that the stock deserves to trade at a price of 3.5 times book value which, allowing for growth, leads us to our estimated fair value of €22.7 per share, offering a further 30% upside to current levels.

Top Five Long Holdings as at 30 September 2005

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	6.7
2	Charter	UK	Engineering	5.9
3	Monsoon	UK	Retail	3.2
4	Bijou Brigitte	Germany	Retail	2.6
5	Gulf Keystone	Bermuda	Energy	2.3
				20.7

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

Country	% of NAV
UK	25.1
Norway	19.8
Germany	18.7
Switzerland	5.2
Turkey	4.6
France	3.4
Netherlands	2.2
Greece	2.1
US	1.9
Sweden	1.8
Denmark	1.5
Spain	1.4
Finland	0.9
Italy	0.8
Other	3.1
Cash	12.4

Market Cap	% of NAV
>£1bn	17.8
£350m - £1bn	29.8
£100m - £350m	24.9
<£100m	20.0
Cash	12.4

Sector	% of NAV
Energy	16.7
Services	11.5
Retail	9.9
Technology	8.5
Engineering	7.4
Financial	6.1
Media	6.0
Consumer	5.8
Construction	3.8
Manufacturing	3.6
Leisure	2.3
Auto	2.2
Transport	1.9
Property	1.7
Other	5.1
Cash	12.4

Portfolio Activity

Figures in brackets refer to previous month end

As at 30 September the Fund was invested in 178 (170) stocks. Through participation in two new issues, we opened new positions this month in Petromena and Offshore Rig Services, both Norwegian providers of drilling & accommodation services to the international oil and gas industry. We also increased our existing position in Sterling Energy, a UK-based oil and gas company, following a period of price weakness in early September. We closed two of our largest positions, BPB and Tandberg Data, as both traded at their year highs and, after recent solid performance, we took the opportunity to reduce our exposures in both Todco and Grupa Lotos. Of the positions held by the Fund at the end of the month 30 (34) were ARINs.

Outlook

The beginning of October has seen increasing concern about economic growth both globally and within the Eurozone and this uncertainty has been reflected in the stock markets. Nonetheless, 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.

For further information please contact:

Gerhard Schöningh	Ennismore Fund Management	(44) 20 7368 4221	gs@ennismorefunds.com
Geoff Oldfield	Ennismore Fund Management	(44) 20 7368 4223	go@ennismorefunds.com

For redemptions please contact:

Alison Morey	State Street International (Ireland) Ltd	(353) 1 853 8654	amorey@statestreet.com
David O'Leary	State Street International (Ireland) Ltd	(353) 1 853 8205	do'leary@statestreet.com

For market making please contact:

Paul Harrington	UBS Warburg	(44) 20 7568 4569	Equities-paul.harrington@ubsw.com