Ennismore European Smaller Companies Fund

Investor Newsletter for the month of October 2005

Issued 8 November 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 £158.9m as at 31 October.

Performance as at 31 October 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
October	**41.43**	**- 5.2**	**- 5.4**	**60.84**	**- 5.1**	**- 4.8**	**- 2.8**
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
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	**41.43**	**21.3**	**20.2**	**60.84**	**26.1**	**25.3**	**16.2**
Annualised return		**23.8**	**9.1**		**24.2**	**9.5**	**2.4**
Since launch (27/01/99)		**322.1**	**79.8**		**332.0**	**84.3**	**17.2**

[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 fell by 5.2% in October. The major reason for this was the Fund's exposure to the oil & energy sector. Accounting for an average of 19.7% net over the month, this group alone was responsible for a 3.0% drop in the Fund's performance. TGS Nopec gave the largest single negative contribution, (-1.1%) followed by Norse Energy and Gulf Keystone (both at -0.4%). Our total long book contributed -7.5% as non-energy holdings such as Active 24 (-0.4%), who announced that third quarter earnings would not meet expectations, also weighed on the Fund. In these bearish markets the stocks underlying our ARIN positions, which averaged 15% of the Fund during the month, contributed 0.7% to performance.

Portfolio Activity

Figures in brackets refer to previous month end

As at 31 October the Fund was invested in 177 (178) stocks. Through participation in the company's IPO, we opened a new position this month in Design Bau, a German construction company that specialises in building residential developments. We took advantage of price weakness to increase our positions in Offshore Rig Services and Aker Yards, Norwegian service providers to the international oil and gas industry. The Fund closed one of its largest positions, Todco, as the stock traded at historical highs and, after recent solid performance, we took the opportunity to sell our holdings in Otokar and Deutscher Industrie Service. Of the positions held by the Fund at the end of the month 45 (30) were ARINs.

Top Five Long Holdings as at 31 October 2005

	Company	Country	Sector	% of NAV
1	TGS Nopec	Norway	Services	6.2
2	Charter	UK	Engineering	6.0
3	Monsoon	UK	Retail	3.4
4	Bijou Brigitte	Germany	Retail	2.5
5	Escada	Germany	Consumer	2.1
				20.2

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

Country	% of NAV
UK	24.5
Norway	19.8
Germany	18.5
Switzerland	4.6
France	2.8
Netherlands	2.3
Sweden	1.9
Greece	1.8
Denmark	1.6
Italy	1.4
Spain	1.0
Finland	0.9
Ireland	0.7
US	0.6
Other	2.8
Cash	19.2

Market Cap	% of NAV
>£1bn	12.0
£350m - £1bn	30.3
£100m - £350m	19.5
<£100m	23.4
Cash	19.2

Sector	% of NAV
Energy	12.6
Services	10.1
Retail	9.5
Engineering	7.7
Technology	6.5
Consumer	6.3
Media	6.0
Financial	5.7
Construction	4.0
Manufacturing	3.8
Transport	2.8
Leisure	2.4
Property	1.6
Auto	1.5
Other	4.7
Cash	19.2

Outlook

Inflation, and the manner in which central banks respond to it, is still the major threat to growth. We would expect a degree of restraint until the direction of European interest rates and perhaps commodity prices is confirmed. The recent oil price decline has weighed particularly on the energy sector as well as related services. However, valuations in these areas remain attractive with many companies trading below 10 times 2006 earnings multiples.

Following the third quarter reporting season, the majority of companies reported in-line or better than expected nine month earnings figures. This, coupled with recent corporate action in Europe, reminds us that free cashflow generation remains very strong. 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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