



Dear Investor

Return the third quarter of 2005

In the third quarter Sparinvest Global Value returned 11.49 percent



The third quarter of 2005 saw an increase in the value of Sparinvest Global Value of 11.49 percent. In comparison, the MSCI World Index increased by 7.43 percent. Third quarter development has been very satisfactory in relative terms compared with the MSCI World Index. In absolute terms, performance has been satisfactory as well, since it is our objective to provide a positive return for our investors. Year-to-date performance is also very satisfactory in both relative and absolute terms with a 29.01 percent return for the fund, compared with 19.77 percent for the MSCI World Index.

The table below shows the return for the fund in the third quarter of 2005 and YTD compared with various stock market indices:

	Third quarter 2005	YTD 2005
Sparinvest Global Value	11.49 %	29.01 %
MSCI World Index	7.43 %	19.77 %
MSCI World Value Index	7.01 %	20.07 %
MSCI World Small Cap Index	9.37 %	24.59 %

*MSCI World Index, MSCI World Value Index and MCSI World Small Cap Index are all indices containing a broad selection of stocks from throughout the world.

Reviewing the fund's performance from a country perspective, the German market has been the most rewarding in terms of Sparinvest Global Value's 2005 return. The approximately 18 % of the fund currently invested in German equities has contributed more than 30 % of the total 2005 return.

The economy the recent quarter



The attention of the world markets is focused on political and economic developments in the U.S. The U.S. economy remains crucial for the global stock markets. It is therefore of great importance how the economic climate in the U.S. and company profits there will develop in the quarter to come.

The U.S. economy continues to be powered by a boom in consumption, massive by historic standards, which saw the average consumer spending 120 percent of disposable income at the end of the second quarter this year. This level remains very high despite efforts by the US Federal Reserve to reverse the trend by raising interest rate several times, from 1 percent to 3.75 percent. However, additional interest rate hikes should pay off in the longer term and help dampen the borrowing and reduce the spending of the American consumer. This American credit boom has had a ripple effect in the global economy, and it has had a positive impact on worldwide stock markets in recent years.

Soaring oil prices, on the other hand, put pressure on the profits of most global companies. The latest rise in oil prices is to some extent driven by short-term speculation on continued growth in global demand, which world production is not currently geared to match.

In Japan, the world's second largest economy, everyone focused on the election in the recent quarter. The reason for the election was that the opposition chose to veto the privatisation of Japan Post, which besides delivering the Japanese daily mail has grown to be the world's largest savings bank and life insurer with \$3 trillion in assets. Prime Minister Junichiro Koizumi called the election, defeated the opposition and with his Liberal Democratic Party returned to power with an increased majority. Koizumi's victory and strengthened position could pave the way for further reforms and deregulation of the Japanese economy. The recent events have improved the outlook for the Japanese stock market, which was reflected in the later part of the quarter.

In Europe growth is still slow, especially in the larger European economies. All of them are in need of significant changes in the form of fresh reforms. In the past quarter, Germany has been at the centre of attention due to the election of a new chancellor. The German economy is like a supertanker that needs to turn around - it is a laborious task that takes time. The country is still suffering from a substantial level of unemployment, which naturally reduces consumption. The result of the election reflects the distrust of a majority of voters for the two chancellor candidates. Hence, the two larger parties both lost ground - Schröder's Social Democrats a bit more than Merkel's CDU - and afterwards neither was able to muster a majority. The vague results could create additional uncertainty at a time when it is of utmost importance to speed up the reform process and encourage growth.

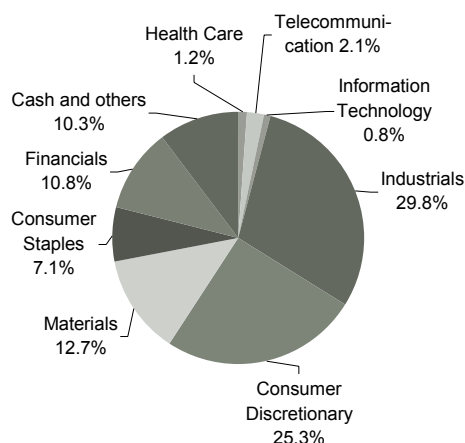
The present condition of the fund

Hosiden Corporation and Nippon Telegraph & Telephone Corporation are new entries to the portfolio

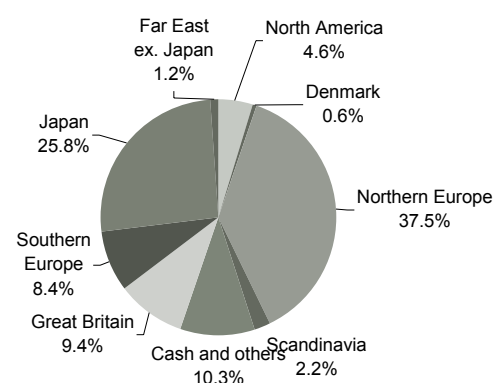


At the end of the third quarter liquidity was around 10.3 percent of the total capital. The assets have been invested in 100 companies with the following allocation.

Sector allocation



Geographic allocation



The ten largest positions constitutes 26.75 percent of the total portfolio holdings:

Capital	Sector	Share
Salzgitter Ag	Materials	3.38 %
Volkswagen	Consumer	3.01 %
Man AG	Industrials	2.68 %
Peugeot SA	Consumer	2.64 %
Mitsui Somitomo Ins	Financials	2.63 %
Thomson	Consumer	2.57 %
Baa Plc	Industrials	2.56 %
Nipponkoa Insurance	Financials	2.47 %
Hochtief Ag	Industrials	2.45 %
Agfa Gevaert	Consumer	2.36 %

During the third quarter we made additional investments in 38 companies in the portfolio and two new stocks were added. The newcomers are Japan's Nippon Telegraph & Telephone Corporation (telecommunication) and Hosiden Corporation (electronics).

It has been a very quiet quarter regarding actual or potential mergers and acquisitions and other corporate activity.

Bucher
Target reached 

Bucher Industries is a Swiss industrial conglomerate involved in the manufacture of agricultural equipment, auto parts, foods, hydraulic components and glass manufacturing equipment. We invested in the company when it was affected by the general downturn in the markets. The cyclical recession substantially affected the revenue and profit of the company, but since several of its products were best in class, we were certain that solid results would follow when the general economic and business climate improved.

During the past couple of years, we have continued to build our position, as the company has maintained a healthy balance sheet despite very harsh conditions and had to record a net loss only once since 1998.

As demand has improved, Bucher's revenue and profit did indeed increase as expected, and this has been reflected by the market value. Early this year we decided to sell, as the stock had reached our target. On average we bought Bucher at CHF 33.04 and we exited at CHF 81.

Pinguely-Haulotte
Target reached 

France's Pinguely-Haulotte, formed by a merger of two companies founded in 1881 and 1924 respectively, specialises in producing cranes and excavators. Pinguely-Haulotte is headquartered in L'Horme, France, where the company designs and manufactures equipment related to transport and materials handling.

Following a 1998 EU directive that imposed stringent safety regulations on manufacturers, many rental companies invested heavily to build up their fleets before the regulations and higher prices kicked in. Soon this led to a severe market crisis (2001-03) and the least efficient players were acquired or pushed out. Pinguely-Haulotte took advantage of this end-market crisis to strengthen its market position from no. 13 to third on revenue. Having streamlined its operations and cost structure, improved earnings and higher returns were a very likely outcome.

We made our initial investment in the summer of 2003 at a price of €4, when the company was attractively priced according to most of our key criteria. Our average purchase price was €4.77, and we recently chose to sell our shares at an average price of €15.7, acknowledging that the market price had reached our intrinsic value.

The near future



In recent years, the global stock markets have yielded significant returns, but this trend can not be expected to continue infinitely. The largest threat to continued sustainable progress stems from the U.S. economy. It has achieved substantial growth, significant tax cuts and increased consumption based on extensive private borrowing. Following a phase with the U.S. economy “on steroids”, it is fair to assume that the economy will stagnate as interest rates increase, restricting cheap consumer finance and lowering the appetite for borrowing. Several years of positive stock market returns tend to create a lot of uncertainty in the market that is usually justified later.

As a value investor it is important to remain disciplined and to follow your investment philosophy at all times - to focus on the company’s intrinsic value and not the short-term market evaluation. Equity investment always involves an element of market risk that can not be eliminated through diversification. On the other hand, the risk related to buying an individual stock is minimised by thorough analysis and evaluation of the company - our main focus being to keep large safety margins in our investments.

Our investment strategy, finding undervalued and well-capitalised companies, is strictly adhered to, no matter what the market conditions. It was certainly easier to identify cheap companies in 2002, when the stock markets were extremely negative and equities were sold off as part of an effort to reduce exposure to the asset class as a whole, without any consideration of their actual value. Even after the most recent gains in the stock markets, there are still a number of undervalued and well-consolidated companies in our portfolio, and new ones are being added. The risk of permanent loss of capital in Sparinvest Global Value is limited, and the up-side potential is still very satisfactory. We have a genuinely positive view of the potential for our investments in the future.

Yours faithfully,

Sparinvest Fondmæglerselskab A/S

Jens Moestrup Rasmussen
Head of Equities and Lead Portfolio Manager
October 20th, 2005

The mentioned sub-fund is part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company. For further information we refer to the prospectus and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest S.A. or of appointed distributors. Investments are only made on the basis of these documents. Past performance is no guarantee for future returns. Investors may not get back the full amount invested. Investments may be subject to foreign exchange risks. The investor bears a higher risk for investments into emerging markets. The indicated performance is calculated Net Asset Value to Net Asset Value in the fund's base currency, without consideration of subscription fees. Published by Sparinvest S.A., 1a, rue du Nord, L-2229 Luxembourg.