Dear Investor

Return in Q4 2005
In the fourth quarter Sparinvest Global Value returned 1.84 %

In the fourth quarter of 2005, the Sparinvest Global Value fund returned 1.84 %, compared with 5.34 % for the MSCI World Index.

This kind of performance is not satisfactory in relative terms. In absolute terms - although positive - the return is a bit disappointing, but still acceptable as it satisfies our main objective of yielding a positive return to our shareholders.

The 2005 full year return is very satisfactory in both relative and absolute terms, 31.39 % versus the 26.17 % of the MSCI World Index.

The below table highlights the fund's return in the fourth quarter and the full year of 2005 compared to various stock market indices:

	Q4 2005	2005
Sparinvest Global Value (EUR)	**1.84 %**	**31.39 %**
MSCI World Index	5,34 %	26,17 %
MSCI World Value Index	5.14 %	26.24 %
MSCI World Small Cap Index	7,02 %	33.33 %

*MSCI World Index, MSCI World Value Index and MSCI World Small Cap Index are all indices that contain a broad selection of companies from all over the world. All returns on investment are in EUR.

Economics

The Federal Reserve raised the U.S. interest rates twice in the fourth quarter, and the European Central Bank followed suit on one occasion with an early December increase by 25 basis points. There are mixed opinions as to whether the FED has additional rate hikes in the pipeline. However, consensus forecasts suggest one additional rate hike at the end of January.

Many economists seem to think, that the U.S. economy will make it through a soft landing guided by carefully timed interest rate hikes lowering private consumption, real estate prices, growth and inflation to a long-term sustainable level. A few pitfalls still exist. The price of oil continues to raise concerns, and it can not be ruled out, that it will continue to soar in 2006. If the U.S. real estate market turns bearish, the 's number one 'consumer nation' risks stalling. Furthermore, a deteriorating USD in the wake of the gigantic trade and budget deficits of the Bush-administration could seriously dampen the U.S. appetite for foreign consumer goods. Bottom line, a troubled U.S. economy will have a negative impact on stock markets in both Europe and Japan.

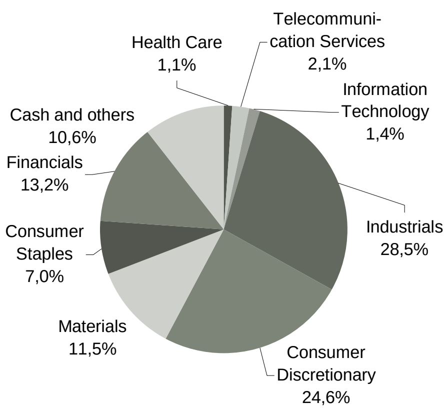
In Japan, the economy has finally started to move. Due to a questionable privatization of the Japanese postal service, which performs financial services and serves as the country's – even the world's – largest bank, the government chose to call an election, was re-elected and emerged strengthened to continue reforms and encourage domestic consumption. The Japanese consumers do indeed seem to be waking up after years of depression, and domestic bank lending is starting to increase. The prolonged deflation appears to be a thing of the past, and the stock market celebrated 2005 with a strong 45 % gain - primarily driven by foreign investors.

China continues to receive a lot of attention from both investors and politicians. The U.S. maintains pressure on China to give up their currency peg to USD. The Americans think that the Chinese renminbi is artificially low after decades of strong economic growth and development. Chinese companies can hereby benefit from advantageous export conditions allowing them to win business from U.S. companies, or the U.S. companies will be pre-emptive and simply continue to move production and jobs to the China mainland. Recently, the Chinese central bank seems to soften up a bit, and it has allowed a couple of large international banks to trade its currency – still supervised and within a narrow band.

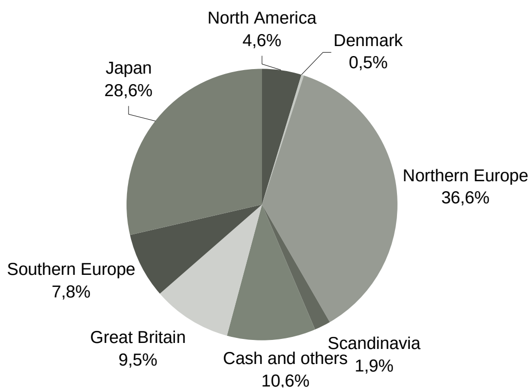
Fund update
5 new investments

At the end of the fourth quarter the liquidity was around 10.3 % of the total capital. The assets are invested in 103 companies with the following industry and country break down:

Sector allocation



Geographic allocation



The ten largest positions make up 26.75 % of the total portfolio holdings:

Capital	Sector	Share
Salzgitter AG	Materials	3.30 %
Man AG	Industrials	2.84 %
Volkswagen	Consumer	2,76 %
Baa PLC	Industrials	2.68 %
Sainsbury J.	Consumer Staples	2.58 %
Thomson	Consumer	2.58 %
Peugeot	Consumer	2.55 %
Fraport AG	Industrials	2.49 %
Hochtief AG	Industrials	2.49 %
Douglas Holding	Industrials	2.40 %

During the quarter we made additional investments in 40 companies and five new stocks were added. The newcomers are Deutsche Postbank, the U.S. electronics and furniture manufacturer Kimball, Japanese Clean-Up Corp, a manufacturer of kitchen and bathroom equipment, 4Kids Entertainment Inc, a U.S. toys and cartoon producer, and Japanese chemical and waterworks company Maezawa Kasei.

Carter Holt Harvey
Take-over

We sold off one holding during the quarter, when New Zealand timber and paper company Carter Holt Harvey was acquired by the Rank Group. Also, we expect a friendly take-over offer from private equity fund APAX Partners for Tommy Hilfiger to come through this spring. A deal worth USD 1.6 billion.

Carter Holt Harvey is an Auckland-based forest, timber and pulp company with annual revenues of EUR 1.8 billion and more than 10,000 employees. Carter Holt is highly diversified across the forest and timber industry with activities ranging from plantations, sawmills, pulp, cardboard and several wood fibre products. In 2001 there was a recession in the industry, and specifically in the South East Asian economies – home of Carter Holt's largest customers. In addition, the New Zealand Dollar had strengthened and made New Zealand products more expensive in international markets. Tough times triggered a round of cost-savings and poor performing divisions were sold off. At the same time, we noticed that Carter Holt Harvey had substantial hidden forest and land assets and a strong cash flow, so we decided that the downside risk was limited.

We were not the only ones to recognize the potential of Carter Holt. In August 2005, the Rank Group bought the controlling 50.5 % holding from International Paper Company at NZD 2.50 and had to make a similar offer to the remaining shareholders in order to comply with the New Zealand takeover code. Although the price was 30 % higher than the prior day's close, it was short of the fair value target we had. With no other bidders approaching the company, we decided to accept the offer. We bought Carter Holt in January

2002 during launch of the fund, and we have had an annual return close to 10 %.

Tommy Hilfiger
Take-over offer

Tommy Hilfiger is a well-known U.S. fashion and clothing manufacturer. The company was founded in 1984 by New York designer Tommy Hilfiger and began its international expansion five years later. In 1992 Hilfiger entered Japan and a few years later the Hilfiger clothes were all over Europe. Today, the company is present in 37 countries, has more than 6,000 employees and annual revenues in excess of € 1.1 billion.

For quite a while now Hilfiger has had a tough time growing profits. Particularly in the U.S. market, many teenagers have abandoned the once so popular brand for other upcoming products. On the other hand, the company has had success expanding in Europe, and at the same time it had a strong balance sheet. Furthermore, Hilfiger has generated a solid cash flow of USD 11.45 per share since 2002 – regardless of the fact, that several industry experts considered the company to be in a crisis.

December 23rd 2005, private equity fund APAX Partners announced a take-over offer. The fund had enrolled founder Tommy Hilfiger, who is still chief designer and a significant shareholder. The offer is USD 16.8 and only 5 % above the closing price of December 22nd. We reckon that the price is a bit low, as the value of the company in a normalized earnings scenario would exceed the APAX offer. However, we do not consider the offer entirely unfair, since the company does have problems in its primary U.S. market and was given several years to perform the necessary turn-around. We therefore expect the shareholders to accept the 16.8 dollars at the upcoming shareholder meeting. We started buying Hilfiger shares in 2002, and we have had an annual return of around 20 % on the investment.

The near future

At the beginning of the new year, the global enthusiasm for equity investments remains. 2005 was the third year in a row with strong stock market returns, and the annual return of the MSCI World Index has been 14.1 % since 2002, whereas Sparinvest Global Value has returned 25.5 % annually. It is obvious, that the global stock markets have gone through an extremely favourable period. In the long term, investors should not expect annual returns close to 30 %. Our long term return target for Sparinvest Global Value is 12-15 % annually. Historical data show - and most of the investment community agrees - that equity investments in the long term will yield only 8-10 %. Sparinvest Value, the Danish mother fund, has yielded 16 % (DKK) annually since 1997.

Despite large equity returns over the last couple of years, the 103 companies in the Sparinvest Global Value portfolio are still moderately priced. The average price/book of 1.25 for the portfolio stands out when compared to the MSCI World Index' 3.56.

We remain disciplined and continue to focus on downside risk before pursuing potential return. As always, we prefer companies with a wide safety margin in terms of asset backing – i.e. hidden value in land, property, plant and equipment - and at the same time we demand that the companies have long-term stable earnings potential. We are still able to find healthy and undervalued companies around the world. Last quarter gave proof, as we added five new stocks to the portfolio. Two U.S. companies, two Japanese and one from Germany.

Like all other trades in life, value investing is a subjective concept with room for numerous interpretations. In this context, however, it is fair to state that Sparinvest Global Value belongs to the very conservative end of the spectrum. The persistent discipline in the investment process demand that our investors will have to accept lower-than-market returns in the short term in order to achieve a higher-than-market return in the long term. The risk of permanent loss of capital in Sparinvest Global Value is limited, and the upside potential is still very satisfactory. We have a genuinely positive view of the potential for our investments in the future.

Sincerely yours,

Sparinvest Asset Management A/S (Fondmæglerselskab)

Jens Moestrup Rasmussen
Head of Equities and Lead Portfolio Manager
January 12th, 2006