



Dear Investor

Return the first quarter of 2005

In the first quarter Sparinvest Global Value had a return of 10.58 %, primarily driven by the European and Japanese shares



The first quarter of 2005 gave an increase in the value of Sparinvest Global Value of 10.58 %. In comparison, the MSCI World Index increased with 3.43 %. The development in the quarter has been very satisfactory, both in relative and absolute terms, since it is our aim to create a positive return to the investors. It is especially the European and Japanese shares that have contributed to the performance in the quarter.

The table below presents the return for the fund in the first quarter of 2005 and 2004 compared to different stock market indices:

	1. quarter 2005	2004
Sparinvest Global Value	10.58 %	18.03 %
MSCI World Index	3.43 %	6.46 %
MSCI World Value Index	4.48 %	9.97 %
MSCI World Small Cap Index	4.12 %	15.36 %

*MSCI World Index, MSCI World Value Index and MCSI World Small Cap Index are all indices that contain a broad selection of companies from all over the world.

The economy the latest quarter



The U.S. economy continues to be characterised by growth, high private consumption and consequently a very large deficit in the balance of payments that contributes to put pressure on the dollar. The key indicators from the U.S. are however still mixed and do not indicate a clear picture of a future decrease of the economy. The U.S. Federal Reserve, FED, has increased the interest rates several times lately to the present 2.75 %. This is done to avoid a plausible over heating leading to inflation and is the result of the continuing process of FED monitoring the development of the U.S. economy.

After 2004, ending with falling oil prices, the development has turned significantly in the first quarter of 2005. The oil price is back on the record high level (USD 55) in line with what we saw in October last year. The high oil price continues to put pressure on the companies' profits and consequently the stock market. The IMF (the International Monetary Fund) has lately announced that they fear permanent high oil prices in the future, and that this is a serious threat to the overall global growth. This said, it should be mentioned that the same institu-

tion in the late 1990's (1998-1999, when we were subject to the proclaimed "new economy") thought that the oil price would remain on the very low levels that was the case then (USD11-12). Thus, it is always difficult to foresee the future in a dynamic global economy. However, it is a fact that new consumers have appeared and that these nations will contribute to increase the overall global demand.

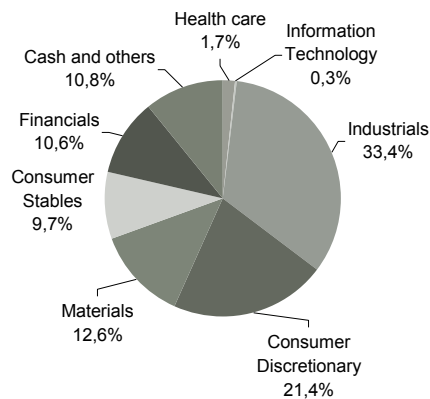
The department's present condition

Medion, Volkswagen and Nichicon are new companies in the portfolio

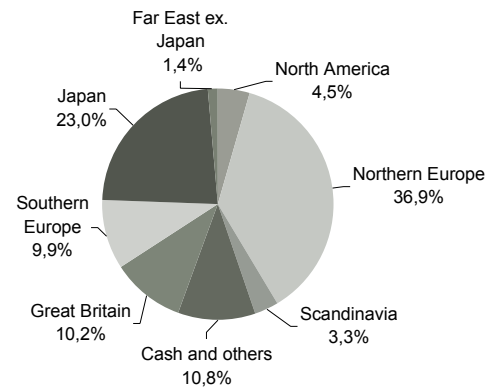


At the end of the first quarter of 2005 the liquidity is about 10.8 % of the total capital. The capital is divided on 100 companies with the following allocation.

Sector allocation



Geographic allocation



The ten largest blocks constitutes 24.96 % of the capital according to the following:

Capital	Sector	Share
Nipponkoa Insurance (8754)	Finance	2,71 %
Mitsui Sumitomo Ins. (8752)	Finance	2,66 %
Thomson SA	Consumer	2,60 %
Man AG	Industry	2,58 %
Peugeot SA	Consumer	2,54 %
BAA Plc.	Industry	2,50 %
Stork NV	Industry	2,42 %
Salzgitter AG	Materials	2,38 %
Agfa Gevaert NV	Industry	2,29 %
Hochtief Ag	Industry	2,28 %

Three new shares have been added to the portfolio. The new shares are the German Medion (electronic hardware), Volkswagen (car producer) and the Japanese Nichicon (electronic components).

It is interesting to note that there have been several interesting episodes among the companies in the portfolio, considering actual or potential acquisitions and other business activities.

Somerfield Group

Bid of 205-215 pence



Somerfield Group has grown to become UK's largest chain of small supermarkets (market share of around 6 %), with shops situated in local areas such as the main street or as corner shops. The market for supermarkets in the UK is very competitive and profits are therefore generally under constant pressure. Somerfield's supermarkets' strength and focus is the local representation, as an alternative to the largest supermarkets that are usually located in the outskirts of the large cities. Somerfield Group is running more than 1250 supermarkets under the brands Somerfield and Kwik Save spread over the UK. Kwik Save is a discount supermarket that is trying to offer known everyday commodities to the lowest price. The focus for Somerfield is to a lesser extent discount and to a greater extent to make it easy and convenient to make all your purchases locally and at the same time buy fresh food items of a good quality.

Somerfield's history starts in 1875, when a small family owned grocery shop was started by J H Mills in Bristol. In 1900 J H Mills founded a limited company and had at that point 12 shops. In 1950 the company's business changed to self-service supermarkets of the kind we know today. This was made at the same time that the company changed main shareholder and as a consequence changed its name to Gateway. The name Gateway symbolised that Bristol is "the Gateway to the West Country" in England. From 1964 onwards followed a long period with changing of names and owners. The company was called Frank Dee, Linfood Holdings Group, The Dee Corporation, among other names. Later more supermarkets and names were added in connection with the acquisitions of Keymarkets, Lennons, International Stores, Fine Fare and Carrefour Hypermarkets.

In 1990 the first supermarket under the name Somerfield was opened, with its own Somerfield labelled products. Until 1996 the company had a period with an unstable economic situation after being bought by an investment company, Isosceles, and left with a large debt. In 1996 Somerfield was detached from Isosceles' economic difficulties and was listed on the London stock exchange. In March 1998 Somerfield merged with Kwik Save and the company took the form it has today. This was followed by a period of restructuring and changing of management. In May 2000 the present managing director John von Spreckelsen joined

the company and another turnaround was initiated in an attempt to increase the profit in Somerfield so that it to a greater extent would match the relatively high turnover of the company.

Somerfield's balance and profit potential was satisfactory and furthermore it was our opinion that there were values hidden in the company's assets among which some had not been valued since 1996. We bought shares in the company at the end of 2002 for around 75 pence after a large decrease in market value of around 50 % following a devaluation of the profits. Already in the spring 2003 our estimations of an intrinsic value far above the market value was confirmed when a group of investors turned to Somerfield with a bid on the company. After a rejection of the first bid there have been several official bids as well as rumours of bids.

The situation is now such that Somerfield has had three bid approaches. The Icelandic Baugur and British London & Regional have both bid 190 pence and a group led by an Iranian multimillionaire, Robert Tchenguiz, has bid 205 pence. Recently the three prospective buyers joined in a consortium to present a joint bid. It is expected that the bid will have to be in the level of 205-215 pence to be recommended by the board. We have an average purchase price of 123 pence and we are following the development closely since the share is close to our price target. The capital in Somerfield constitutes 1.10 % of the portfolio.

Insurance Auto Auctions Inc
Bid from Kelso of USD 28.25



Insurance Auto Auctions Inc. (IAAI) is a company that gathers, administers and sells damaged cars and cars that have been stolen, for the big insurance companies, car rental companies and other companies that lease vehicles in the US. Kelso, an American investment company, has bid USD 28.25 for the shares in IAAI. We bought the share for the portfolio for an average price of USD 13.75. IAAI constitutes around 0.25 % of the portfolio.

Nippon Broadcasting System Inc.
Fight over the company



Nippon Broadcasting System Inc. (Nippon) is a Japanese radio broadcaster that was founded in 1953 and later listed on the stock exchange in 1996. The company's most valuable asset is a share of 22.5 % in Fuji Television that inversely is a shareholder in Nippon which creates a special relationship. On 17 January, Fuji Television, who then owned around 13 % of Nippon, offered to purchase the shares in Nippon at a 7 % higher price than the current market price. While the offer was valid, the Japanese internet company Livedoor Co. became interested in Nippon which resulted in an attempt for a hostile take over of the company. Livedoor over a short time bought large amounts of shares in Nippon outside the market's opening hours, and in spite of the rules of disclosure of large stock holdings Livedoor succeeded in increasing their holding six times to around 35 % of the company's shares before the

holding was made official. The manoeuvre was officially criticised but the market price increased rapidly. In an attempt to ward off Livedoor, Fuji and Nippon tried to issue warrant rights to Fuji, but a Japanese court barred the plan. However, Fuji managed to secure a large amount of shares through the purchase offer and the two companies have since fought for the power over Nippon.

Hostile takeovers are unusual in Japan where they traditionally have negotiated mergers so that business relationships are not damaged. Therefore there has been a large attention paid to the share in the Japanese media as Japan is implementing new rules for takeovers. In Japan they are nervous that the struggle will cast a shadow over the mergers and acquisitions and leave potential foreign investors wait. We chose to be faithful to our investment philosophy and accept the purchase offer of JPY 5950 that was close to the intrinsic value that we had estimated to JPY 6000. We bought the share in the autumn 2002 with an average price of JPY 4015. At the time of the offer Nippon constituted 0.30 % of the portfolio.

Vallourec
Our largest holding
reached the target



Vallourec is a French operator in the steel industry. The company produces and distributes steel pipes and cables, gas cylinders and components for cars. In 1997 the company initiated a joint venture with Mannesmannröhren-Werke (a German company owned by Salzgitter AG) concerning production of compressed steel pipes to the oil and gas industry etc. The newly founded V&M Tubes, from the start constituted a large part of Vallourec's total turn-over.

The steel industry is very cyclic and when we first invested in the company, Vallourec was purchased for a very low price estimated on a number of key ratios, and at a time when the steel prices were historically low. The company had a strong balance and was cash-positive, while the financial statements showed black numbers in spite of the low steel prices. We believed in the company's long-term potential and apart from a single year with red numbers in 1999 the company showed a profit potential. Gradually, as the conditions for the steel industry improved with increasing steel prices in recent years, the company's market price increased, but we still thought that the company's value was too low compared to its intrinsic value. Therefore we continued to buy more shares in the company.

On 21 January 2005 the investment took an interesting turn. Vallourec announced that they were going to buy Salzgitter's 45 % share in V&M Tubes so that the company became a fully owned daughter company. The purchase showed the value of the company since the value of a great part of Vallourec was revealed. Consequently, V&M Tubes constituted 79 % of the company's consolidated turnover during the first half of 2004. With the price tag rapidly followed a 26 % increase in the

share price and a steady increase during the following months as a consequence that the company was now in focus.

We had an average price of around EUR 84.50. We chose to sell at a price of EUR 170 when the share had reached the intrinsic value that we had estimated. Vallourec was at the time of the sale the largest investment in the portfolio, accounting for around 2.9 %.

The near future



The global stock markets have during a long period increased significantly and rapidly, and this can not be anticipated to continue for ever. The threat against the continuing good progress on the stock market comes from several sources. It is expressed by the generally high P/E levels, the prospect of decreasing profit growth, increasing interest rates, increasing prices of oil and commodities and a historically high profit in the companies. At a macro economic level this creates a record high U.S. deficit on the trade balance, concerns about high indebtedness which puts an implicit pressure on the US-dollar.

The U.S. economy has in recent years been through an extreme period with record low interest rate and significant tax reductions that has nourished a large consumption which has created a record high private indebtedness. After such a period with a U.S. economy “on steroids” companies should announce largely increased profits and show great balance sheets. That should be considered as a natural law of financial economics. The question is if not the number of stimulants for the economy should be expected to decrease in the near future and put more pressure on the companies’ future profit.

The development in the U.S. economy is therefore of great importance for the development on the global stock markets in the near future. This said, it should be mentioned that the current situation in Europe and Japan is not characterised by the same imbalances as in the US and it is primarily in these regions that we find value shares today.

It is therefore important as an investor always to remain disciplined and follow your investment philosophy at all times. That means focus on the company’s intrinsic value and not the short term market value. Investment in shares always involves an element of market risk that cannot be reduced by diversification. On the other hand, the risk that is related to a single company is minimised by a thorough analysis and evaluation of the company. We therefore always focus on keeping a large safety margin in our investments.

Our investment criteria, finding under-valued and well capitalised companies, are always followed, also in periods with market conditions such as we have experienced lately. It was certainly easier to find cheap shares in 2002 when the stock markets were extremely negative

and where equities were being sold as the asset group, without any reflection of the actual valuation. Even after the recent increase on the stock markets there are still a number of under-valued and well consolidated companies in our portfolio, and new ones are added. The risk for permanent loss of capital in the portfolio is limited and the potential for value growth is satisfactory. We have a genuine positive view on the potential of our investments in the future.

Sincerely yours

Sparinvest Fondmæglerselskab A/S

Jens Moestrup Ramussen
Head of Equity and Lead Portfolio Manager
19th April, 2005