Sparinvest
Prudent investments...

Global Value
Letter to Shareholders
Q2/06

Dear Investor,

Q2 2006 return: -5.51%

We are unhappy to report, that the Sparinvest Global Value fund had a loss of 5.51% during second quarter of 2006. Year-to-date return has been 3.82%. Although one quarter is far too short a period of time to measure skill and performance, this is not a satisfactory return. The equity markets in general were very volatile, and the MSCI World Index lost 5.84%, which makes our relative return appear less disappointing. Still, it is our goal to achieve a positive absolute return regardless of benchmark performance.

The table below presents the second quarter return, the year-to-date return and the 2005 return of the fund compared with different stock market indices:

Sparinvest Global Value versus Index			
	Q2 2006	YTD 2006	2005
Sparinvest Global Value	-5.51%	3.82%	31.39%
MSCI World Index	-5.84%	-2.16%	26.17%
MSCI World Value Index	-4.63%	-0.45%	26.24%
MSCI World Small Cap Index	-9.78%	-1.81%	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

Investors remained focused on the US economy and particularly US inflation, interest rates and the Federal Reserve. The Fed's every move was monitored very closely as news reports kept changing back and forth from a 'rising interest rates scenario' to a 'low or very little inflationary pressure scenario'. This in turn created a very volatile stock market with signals switching from favourable to unfavourable environment for equity investors. At the end of the quarter the Federal Reserve had raised interest rates twice, in mid-May and late June, to a level of 5.25%. The June event was a record 17^{th} consecutive hike. In Europe, The ECB raised the interest rate only once during the first half of June by 25 basis points to 2.75%.

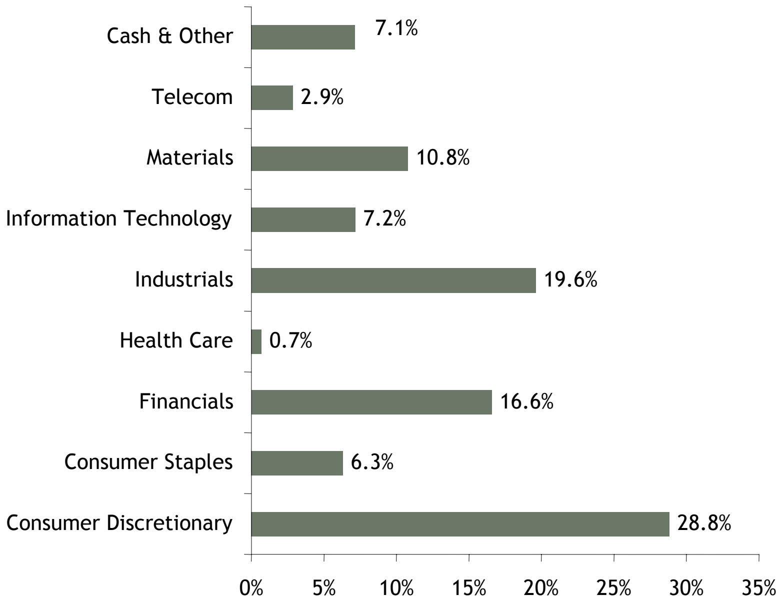
April started off very bullish, and European indices achieved highs not reached for five years. Earnings were strong in the US with 72 % of the S&P 500 members beating analyst estimates for first-quarter earnings. For Europe, approximately 56% of large cap stocks exceeded expectations. In May, higher than expected US inflation was the first of a series of bad macroeconomic news. In the stock market the significant year-to-date gains were almost eliminated during the May downturn, which was followed by a calm neutral to slightly negative market in June.

In Japan, the Nikkei Index experienced the largest decline in five years after having reached record levels above 17,500 in April. Japanese equities lost 8.5% of their value. Emerging Markets suffered an even harder blow, when Russia, Argentina, India and Poland all suffered losses of 10% or more in May.

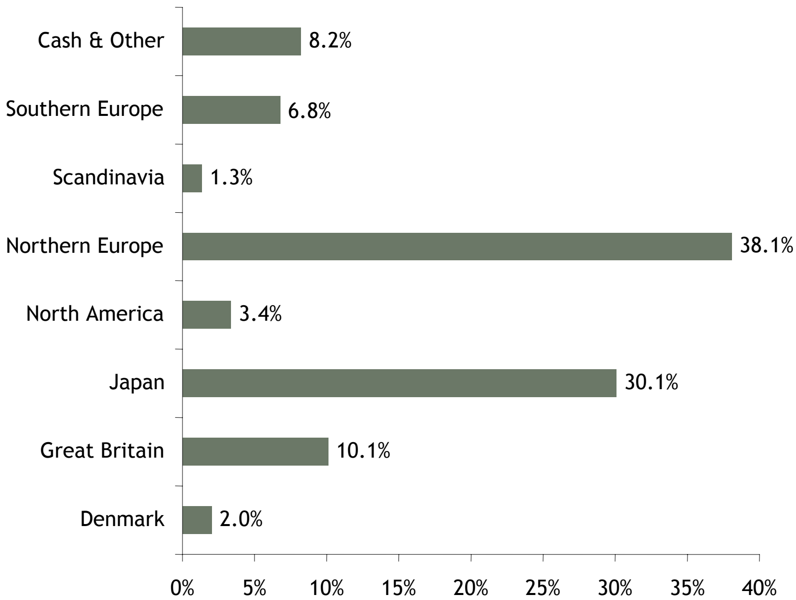
Fund update
2 new investments
and additional take-over activity

End of second quarter the cash position was 7.15% of assets under management. The fund had 102 holdings with the following industry and country breakdown:

Sector allocation



Geographic allocation



During the quarter we sold our holdings in Syms Corp. We made additional investments in 41 companies, and we bought the shares of two new companies. The newcomers

are Belgian, Tessenderlo Chemie, and Irish, Fyffes Plc.
End of Q2 the 10 largest positions accounted for 29.62 % of total portfolio holdings.

Top 10 holdings		
Company	Sector	Share
Man Ag	Industrials	3.34%
Salzgitter Ag	Materials	3.33%
Baa Plc	Industrials	3.22%
Volkswagen Ag	Consumer Discretionary	2.97%
Nipponkoa Insurance Co Ltd	Financials	2.94%
Nippon Tel&Tel	Telecommunication Services	2.87%
Mitsui Sumitomo Insurance Co	Financials	2.77%
Agfa-Gevaert N.V.. Mortsel	Consumer Discretionary	2.76%
Peugeot Sa	Consumer Discretionary	2.74%
J.Sainsbury Plc	Consumer Staples	2.68%

We mentioned last quarter, that the British airport operator BAA received a take-over offer of 810 pence per share from Spanish construction group, Grupo Ferrovial. Initially, management turned down the offer claiming that it was far from the fair value of the company. This triggered a round of bidding between Ferrovial and well-known investment bank Goldman Sachs. Management's strategy paid off, and the bidding ended, when BAA accepted an offer of 950 pence per share. This value is in line with our price target and we have therefore decided to accept the offer.

The rumours concerning a possible take-over of the British hotel operator De Vere were accurate. The secret admirer turned out to be property developer Richard Balfour-Lynn. Through his hotel- and conference company AHG Venice he recently acquired the conferencing unit of Rentokil Initial Plc. With the addition of De Vere's 4- and 5-star hotel resorts, Balfour-Lynn aims at becoming the leader in the UK hospitality market. Initially, Balfour-Lynn bid 825 pence per share. Then buyout fund Permira stepped in and urged shareholders to hold on to their shares. This made Balfour-Lynn increase his offer twice to 875 pence per share, although the board had already accepted the 825 pence per share offer. At the beginning of July, Permira announced that it would not launch a competing bid, so we expect the deal to come through at 875.

In mid-June the pub and brewing company Hardys & Hansons Plc. received an offer of 10.59 pounds per share. This values the company at GBP 270 million and adds 250 pubs mostly located in East-England to the acquirer, Greene King Plc.'s, network. So far, no other bidder has made an approach, and current management considers the bid to be at fair value. Investors who have been with Sparinvest since 2004 might remember that Burtonwood Brewery was acquired by Wolverhampton and Dudley. The Hardys & Hansons case resembles almost every aspect of this deal.

Also last quarter, we noticed that department store operator House of Fraser were considering a bid from private equity fund Apax Partners. Since then, Icelandic Baugur Group has entered the competition with an indicative 148 pence-a-share offer. This values England's third-largest department store at GBP 350 million.

Syms Corp.
Target reached

Syms Corp. operates apparel stores throughout the Northeastern and Middle Atlantic regions of USA. In total the company owns 36 large outlets in 15 states and employs a little less than 2,000 people. Syms Corp acts as the 'off-price' representative for approximately 200 designer brand names. This form of retailing is an alternative to original brand manufacturers running a so-called factory outlet, and therefore you will find well-known brands such as Ralph Lauren, Givenchy, Hugo Boss and Calvin Klein when shopping at Syms.

In 2001 Syms was trading at a price to book ratio as low as 0.28 without any goodwill or debt on its books. Earnings were not impressive, and the potential for improvement seemed limited. Hence, the market appeared to have given up on the Syms family, who were indeed running the company very conservatively while remaining the majority shareholder. Although the company's earnings were unimpressive, Syms was still running steady positive cash flows from operations year after year.

We started buying Syms shares in March of 2002 at a price level of USD 5.83, although we have been a holder of Syms shares in the Danish mother fund since 1999.

Most investors would get impatient with Syms. From 1999 up until 2005 its share price was no way near the book value per share. Some investors would probably claim that it would be impossible to uncover the company's potential and hidden values. Then something happened. Syms started paying a significant dividend in 2005, and in 2006 management announced a tender offer to buy back 20 % of its outstanding shares at a price in the USD 16-18 interval. Having reached our price target, with Sparinvest being a fairly large shareholder and Syms being a small company with limited turn-over in its stock, we took advantage of this offer and sold our entire holding at USD 18.

Our annual return of the investment exceeds 32%. Rather than naming Syms a value-trap, we once again want to emphasize, that time catches up, and that value sooner or later will be uncovered and reflected in the share price.

Outlook

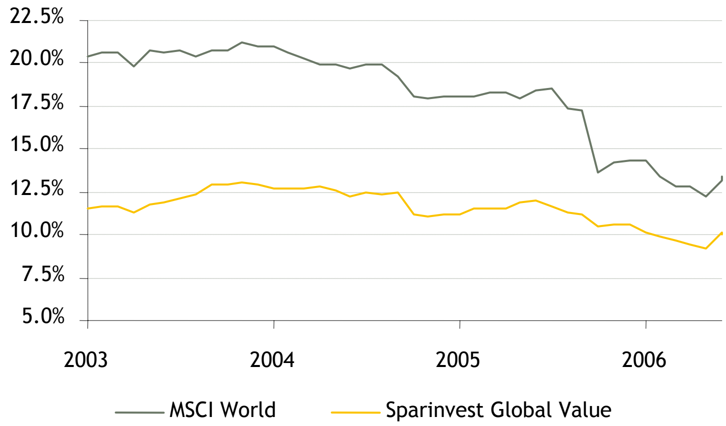
The fear that additional rate hikes from various central banks will stall the World economy continues to affect equity markets, and second quarter 2006 will be remembered for the substantial losses globally. In a situation like this, investors often sell stocks without any consideration of the underlying fundamentals of the companies.

The last three years have indeed been very rewarding for equity investors. Now, with just one quarter of losses investors are debating whether or not to reduce their equity holdings and whether or not we are experiencing a permanent market correction with lower equity premiums. We are of course never excited to see our investors lose money, but we encourage everyone to remain calm and focus on the long term. It is at times like this, you need to stick with your strategy and focus on the intrinsic value and not the short-term fluctuations in the market price of your holdings.

At Sparinvest - volatile markets or not - it is business as usual. In fact, the value team has gotten a lot busier screening the markets recently. Historically, our value strategy has proven strong – especially in negative markets - as we are able to find more cheap stocks satisfying our 40%-upside requirement. In other words, we are able to do some of our best stock selection in volatile markets.

Because of the steady increases in stock markets globally and a relatively flat US market in share prices since 2003, the general volatility of stocks has fallen rapidly during the last year. Since launch, the Sparinvest Global Value strategy has had a volatility of 12.8 percent compared to 16.6 percent of the MSCI World Index for the same period of time.

3Y volatility of Sparinvest Global Value versus MSCI World



Recently, the volatility of the world index measured by 36 months standard deviation has approached the very low level of our fund. The remains of the tech bubble have been washed out of the numbers, but with the market corrections in May and June, we suspect this trend will reverse, so that the MSCI World Index could return to a level closer to the historical average.

Yours sincerely,

Sparinvest Asset Management

Jens Moestrup Rasmussen
Head of Equities and Lead Portfolio Manager
July 10th, 2006

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