

DEAN CHASE GLOBAL VALUE, LLC

First Quarter 2006

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DEAN CHASE
GLOBAL VALUE

INTERNATIONAL EQUITY PRODUCT

A Closer Look at Dean Chase Global Value, LLC

Dean Chase Global Value, LLC is an investment advisory firm, rooted in the traditions of the Graham & Dodd discipline, founded to manage assets for employee benefit plans, public entities, endowments, foundations, Taft-Hartley and high net worth individuals via separate accounts, pooled trusts and sub-advisory vehicles.

Portfolio Manager: Al Polit, CFA

Product Overview

Dean Chase utilizes an absolute value, Graham & Dodd, bottom-up stock selection process to the international markets. The universe includes foreign stocks with a market capitalization over US \$1 billion. The portfolio tends to purchase unloved and out of favor companies that are temporarily mispriced by the marketplace, yet have absolute determinable value. Dean Chase believes that the temporary disparity that exists between the price of a stock and the true worth of the business will close over time creating a profit for the investor. Strict buy and sell disciplines are adhered to by applying a margin of safety.

The portfolio characteristics tend to exhibit stocks with low price-earnings, low price-book, and low price-cash flow valuation ratios. High dividend yields are simply a by-product of the investment process. Dean Chase has a bias for companies with conservative capital structures. Turnover tends to be low and holding periods are typically three to five years.

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Top Three Holdings

Deutsche Telekom	4.49%
KPN NV	4.03%
Heineken NV	3.85%

Top Three Country Weightings

United Kingdom	26.08%
Japan	16.18%
Netherlands	14.22%

Top Three Sector Weightings

Telecommunication Services	26.64%
Consumer Discretionary	16.23%
Consumer Staples	12.54%

Top Three Industry Weightings

Diversified Telecom. Services	23.91%
Media	11.51%
Pharmaceuticals	7.71%

Portfolio Characteristics

* Ending March 31, 2006

	Dean Chase Portfolio	MSCI EAFE Index
P/E	15.96x	16.81x
P/B	1.89x	2.42x
P/CF	7.20x	9.79x
Div. Yld	2.88%	2.27%
MktCap (mm) (weighted)	\$30,032	\$54,044
MktCap (mm) (average)	\$27,593	n/a

Market Capitalization Weightings

Large-Cap (>\$5bn)	71.58%
Mid-Cap (\$1-5bn)	27.93%

Regional Weightings

Europe	60.71%
Asia/Pacific/Latin America	27.39%
North America	11.42%
Developed Markets	88.31%
Emerging Markets	11.20%

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The MSCI EAFE Index is an unmanaged index consisting of securities listed on exchanges in European, Australasian and Far Eastern markets and includes dividends net of foreign withholding taxes and distributions, but does not reflect fees, brokerage commissions or other expenses of investing.

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1ST QUARTER 2006 COMMENTARY (page 1 of 3)**PERFORMANCE**

As a bottom-up, absolute-value manager, allocations in certain sectors, industries, countries, and the like, are solely a by-product of the investment process. Due to the strict investment discipline, select holdings having reached our estimates of intrinsic value were sold from the portfolios with the proceeds redirected to companies with significant price appreciation potential. Positions in the health care, information technology, and consumer staples sectors, as well as in countries including the U.K., Denmark, and Japan, were among those affected. Positive performance contributors came from sectors including telecommunication services, materials, and information technology with no absolute negative performing sectors. Select holdings in the U.K. performed exceptionally well followed by those in the Netherlands and Japan. Canada, however, was a slight drag on performance. Europe, which at quarter-end was 60.7% of the representative portfolio, had the largest regional performance impact. Select emerging market holdings outpaced their developed counterparts. On average, mid-size market capitalization holdings, defined as those between \$1 and \$5 billion, performed much better than large market capitalization positions. At quarter-end, the emerging market exposure was approximately 11.2%.

MARKET RECAP

The U.S. dollar reversed course during the quarter losing ground against most foreign currencies upon expectations of a narrowing of global interest rate differentials. In the developed markets, the European euro and British pound gained 2.6% and 1.0%, respectively, against the U.S. dollar, while the Japanese yen and Canadian dollar edged up slightly. In the BRIC (Brazil, Russia, India, and China) countries, the Brazilian real strengthened the most at 7.6% while the South Korean won continued its momentum gaining 4.0% against the greenback. The New Zealand dollar, however, fell 10.3% as continuing rate hike expectations by the U.S., Europe, and Japan made the carry trade less attractive. The Icelandic krona suffered a similar fate. In local currency terms, the best developed and emerging equity markets for the quarter were Norway and Venezuela advancing 19.6% and 46.5%, respectively. The worst performing emerging equity market was Jordan declining 14.6%, while Italy, even with positive returns, was the least performing developed market at 6.0%. On a U.S. dollar basis, the BRIC countries, as a group, posted a positive gain of 22.7% with Russia leading the pack at 28.3%. The MSCI EAFE and MSCI ACW x-USA indices advanced 9.4% and 9.7%, respectively.

EUROPE

The President of the European Central Bank, Jean-Claude Trichet, raised rates prompted by data showing that the Euro economies are growing. Trichet claims existing monetary policy is still too accommodative as, when factoring in inflation, real interest rates are close to zero. Evidence of increased bank loan demand, rising consumer confidence, and recent tax revenues also supports this view. Critics continue to maintain that further rate increases may hinder European growth.

The European Commission (EC) is extremely concerned at the level of protectionism among its member states and has initiated legal challenges to select members derailing cross-border deals. European Union (EU) member protectionism appears to have escalated by the entry into the EU of ten new member states in 2004 mainly from lower-wage earning and poorer central/southern Europe. Such protectionist measures go against the spirit of a single EU market, which includes capital, goods, services, and people as membership freedoms. Current economic conditions in Western Europe, including high unemployment, make protectionist actions popular. The EC has also taken its own protective stance with the outside world. In the Doha Round of trade talks, for instance, the EC refuses to propose further tariff cuts to agricultural imports until other nations, especially Brazil and India, agree to further reduce their own barriers. In other protective news, the EC is set to impose 20% anti-dumping duties on Chinese and Vietnamese made footwear to contain Asian imports. Unfortunately, the ultimate price for protectionism will be paid for by its consumers.

Angela Merkel, the German Chancellor whose Christian Democratic Union party appears unified and confident, is presiding over stronger German conditions with increasing exports, rising corporate investment, and a leveling of high unemployment. Germany, which makes up a third of euro-zone GDP, is also sporting consumer confidence at a five-year high. But, this has all yet to translate into actual increased consumer spending. Consumers may be reluctant to spend with continual pressure on wages, corporate restructuring, and the uncertainty from upcoming changes to state-sponsored benefits. This, in turn, encourages more savings. In Europe, consumers have saved approximately 14% of gross disposable income versus less than 1% in the U.S. Clearly, the future of German economic growth lies in this huge spending potential. Also, unlike the U.S., German consumers tend to have less credit and real estate making them more dependent on wage growth for spending. Consumer confidence may simply be high because of the buzz and

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excitement of a new Chancellor while the high unemployment rate can be partly attributed to increased labor-intensive production shifting abroad.

French Prime Minister Dominique de Villepin, whose approval ratings have plummeted, has pushed through unpopular labor reforms intended to increase employment among youths, specifically those 26 years of age and under, by giving companies greater flexibility over their employment for a two year trial period before being provided an employment contract. Industry associations welcomed the changes, however, students and trade unions were disappointed staging mass protests and strikes to retain the status quo. Jacques Chirac, the French President, has stood by de Villepin eventually signing the reform into law, but has delayed implementation until changes are made. The new labor law is essentially a two-tier system guaranteeing employment for older workers while being relatively carefree for new ones. With youth unemployment at 23%, double the national average, this has been hard for youths to digest. While encouraging, the reform still fails to go far enough in creating jobs as France is structurally burdened by high minimum wage rates and poor training schemes. In spite of this, French business confidence is up and, as would be expected because of the protests, consumer confidence dropped.

Politics in Italy continue to be in disarray. Italian Prime Minister Silvio Berlusconi, the media billionaire, continues to make a mockery of politics. He has been tried and convicted in the courts several times but been spared because of statute of limitations. With fresh elections around the corner, opponents have aggressively attacked one another. Rather than discuss issues of critical importance including employment, education, and economic growth, the politicians have argued over fair and equal media access during the campaign. Italy, posting no economic growth last year, needs to deregulate industry, reform labor markets, and continue to privatize state enterprises, or risk being subject to drastic restructurings due to globalization. Italian business confidence rose to its highest level in five years, most likely because of increased competitiveness from a weaker euro.

The U.K., much like the U.S., has a large current account deficit as easy money fueled home prices and encouraged consumers to borrow against their equity lines for spending purposes. Tighter monetary policy has leveled housing prices and impacted spending with consumers more inclined to replenish depleted savings. U.K. retail sales have fallen and mortgage approval ratings have dropped making it likely the Bank of England may be more accommodative with monetary policy.

ASIA

The Bank of Japan is finally saying *Sayonara* to excess liquidity and tightening monetary policy with recent evidence of inflation. In the previous deflationary environment, the Japanese saved excessively in expectation that prices would continue to fall. Now that those savings will lose their purchasing power, spending should rebound. Estimates are that Japanese households have approximately \$7 trillion at the bank, and retiring baby boomers are expected to be big spenders of their savings. The economy, mainly driven by domestic demand, is increasingly gaining momentum as unemployment is falling, upward wage pressure is evident, and companies are once again hiring. Consumer spending should also increase imports and eventually reduce Japan's trade surplus.

China's Central Bank has mentioned that they intend to diversify their huge foreign reserve pile away from the U.S. dollar as 70% is in the greenback. Critics maintain that diversification may send the U.S. dollar lower - something that is disadvantageous to China being large holders of the currency. Theoretically, significant diversification may be impossible as long as the Chinese aim to fix their currency, the yuan, to the U.S. dollar. Selling dollars would pressure the greenback and disrupt the 'fixed' exchange rate forcing China to once again purchase dollars. Under a flexible exchange rate regime, diversification is not a problem. Meanwhile, the U.S. continues to exert pressure on China to reform its markets and allow for more flexible exchange rates, reduce barriers on U.S. exports, protect

Point of Interest

Origin of Left or Right-Hand Sided Driving

Estimates are that 30% of the world's population has laws requiring driving on the left-hand side of the road, leaving the other 70%, including the U.S., to drive on the right. The origin can be traced back to history. In old times, it was generally believed that traveling on the left-hand side enabled you to better defend yourself with your weapon in the event of a surprise attack as most people are right-handed. Eventually, the British implemented laws requiring traffic to stay on the left. The French, however, adopted a right-hand side approach as it was more sensible to keep to the right to view and stay clear of oncoming traffic as horse carriage drivers positioned themselves on the rear left side of the carriage to control the horses with their right hand. With British and French colonization came the eventual direction of traffic which now exists in many parts of the world. The U.S., a former British colony, once had traffic go to the left but, after declaring Independence and with the help of the French, changed to the right.

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intellectual property rights, relax visa requirements for Chinese tourists, and further deregulate markets, or else face legislation. A yuan appreciation would make U.S. goods more attractive to Chinese interests increasing U.S. exports and make Chinese imports less attractive to U.S. concerns. All else being equal, this alone will not reduce the U.S. trade deficit unless other currencies, especially those in Asia, revalued, as well. Otherwise, U.S. consumers would simply look to purchase from other low-cost exporting countries. Economists believe U.S. consumers need to save more and consume less while Asian countries need to do the exact opposite. According to The Economist's latest Big Mac Index, which compares the price of a Big Mac around the world using current exchange rates, the Chinese yuan is undervalued by a whopping 59% relative to the U.S. dollar.

LATIN AMERICA

Venezuela, the third largest supplier of oil to the U.S., changed its 2001 laws and has taken control of dozens of foreign-owned and operated oil fields. The ultimate consequences will be reduced investment in Venezuela, already suffering from poor infrastructure investment. Spain, already having strained relations with Washington by pulling troops out of Iraq early, proceeded with selling military aircraft to Venezuela despite U.S. concerns. Chavez continues his anti-U.S. rhetoric probably in hopes that it will divert attention from Venezuela's real structural problems.

Brazil continues to be embroiled in allegations of political corruption. However, Brazilian President Luiz Inacio Lula da Silva continues to be popular with the people having raised the national minimum wage, cut taxes, presided over falling unemployment and accelerating industrial production, increased social programs, and loosened monetary policy. Antonio Palocci, Brazil's finance minister, resigned under pressure of allegations he was connected to the corruption scandals. Markets initially reacted negatively but reversed course after critics determined current economic policy would continue.

COMMODITIES

Brent crude oil prices ended the quarter at approximately \$66 per barrel and, as usual, were volatile throughout the quarter compounded by Iran's nuclear ambitions and supply disruptions in Nigeria. President Bush wants to reduce U.S. dependence on Middle East oil which accounts for 20% of U.S. oil imports. To appease consuming nations, OPEC has agreed to maintain current production levels in spite of high inventory levels.

While there is mixed evidence to support the notion that fundamental supply versus demand imbalances are driving the rally in metals prices (especially with the high inventory levels of some metals), one clear responsible factor has been the excess liquidity created from loose monetary policies encouraging speculators to initiate carry trades - borrowing in a low interest rate environment or weakening currency to finance speculative investments. The Japanese yen was one such currency used for carry trades as shown by the strong correlation with a strengthening yen and falling metal prices. Tighter monetary policies (or rising rates) and narrowing global interest rate differentials should erode the appeal of carry trades. An appreciation of the Chinese yuan may also push speculators to unwind their carry trades (pressuring metal prices downward) as other Asian central banks would likely allow their currencies to strengthen. It is no doubt that institutional investors have also poured big money into metals for diversification purposes. However, the theory that the rising price of metals is justified because of inflationary expectations may be flawed as a flat U.S. yield curve says otherwise. At the time of this writing, we are of the opinion that metal company stocks, in general, are too expensive. On valuation concerns, we do not have any investments in metal stocks.