

DEAN CHASE GLOBAL VALUE, LLC

Fourth Quarter 2005

www.dcglobalvalue.com



DEAN CHASE
GLOBAL VALUE

INTERNATIONAL EQUITY PRODUCT

Top Three Holdings

Deutsche Telekom	4.89%
Nippon Tel & Tel	4.19%
KPN NV	3.95%

Top Three Country Weightings

United Kingdom	21.60%
Japan	19.98%
Canada	10.65%

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.

For More Information:

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Top Three Sector Weightings

Telecommunication Services	29.57%
Information Technology	14.81%
Financials	14.08%

Top Three Industry Weightings

Diversified Telecom. Services	24.36%
Pharmaceuticals	10.86%
Electronic Equip. & Inst.	9.38%

Portfolio Characteristics

* Ending December 31, 2005

	Dean Chase Portfolio	MSCI EAFE Index
P/E	14.32x	16.93x
P/B	1.98x	2.40x
P/CF	6.82x	9.78x
Div. Yld	2.39%	2.31%
MktCap (mm) (weighted)	\$29,405	\$51,322
MktCap (mm) (average)	\$25,725	n/a

Market Capitalization Weightings

Large-Cap (>\$5bn)	63.50%
Mid-Cap (\$1-5bn)	35.83%

Regional Weightings

Europe	55.35%
Asia/Pacific/Latin America	33.33%
North America	10.65%
Developed Markets	85.99%
Emerging Markets	13.34%

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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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PERFORMANCE

Similar to last quarter, the volatility in the markets created opportunities to sell holdings having reached their estimates of intrinsic value with the proceeds being reinvested in companies offering long-term potential. Dean Chase has a strict sell discipline with positions being sold once they reach their internal sell targets. As a result of the bottom-up approach to investing, allocations in certain industries and countries are solely a by-product of the investment process. For the quarter, positive performance contributors came from holdings in Japan, the Netherlands, and the United Kingdom, while Canada was a negative factor. The financials sector performed strongly, however, telecommunication services, as a group, dragged on results. Select positions in the Netherlands, United Kingdom, Sweden, Japan, Germany, and Switzerland were sold with available cash directed towards names in a variety of sectors, including those in information technology, telecommunication services, consumer discretionary, and materials. The median market capitalization for the representative portfolio was \$12,227 million.

MARKET RECAP

The U.S. dollar continued its strength against most developed-market foreign currencies this last quarter driven, again, by the attraction to higher U.S. interest rates. In comparison to the U.S. dollar, developed-market foreign currencies including the European euro, Japanese yen, and British pound, lost 2.2%, 4.0%, and 3.0%, respectively. The South Korean won, on the other hand, appreciated relative to the greenback by 3.0%. For the year, the Brazilian real gained 13.7% against the U.S. currency, outpacing most other foreign paper. In the crude oil markets, Brent closed the year below \$59 per barrel. In local currency terms, the best performing developed and emerging equity markets for the year were Japan and Egypt, respectively. The worst performing developed market, yet still attaining positive returns in excess of those generated in the U.S., was New Zealand, and Venezuela was the poorest returning emerging market.

EUROPE

In a show of authority, the European Central Bank (ECB) raised interest rates alarming the markets that the move may have been premature as several European economies are still in recovery. While some fragile euro-zone countries, such as Germany, France, and Italy, have shown signs of life lately, the turnaround risks being short-lived with continued rate rises. European telecommunication consolidation continued during the quarter. Relative to the U.S., Europe has a more fragmented telecommunication industry with 21 large publicly-quoted companies versus five for the U.S., and with substantial cash flow generation from traditional lines of business, European players have pursued mergers and acquisitions. Most recently, O2 and TDC A/S agreed to be acquired. Clearly, the old unwritten rule amongst incumbent European telecommunication companies that they would not invade each other's territory has lost its strength over the years.

After intense negotiations between the Social Democratic Party (SDP) and Christian Democratic Union (CDU), Gerhard Schroder finally conceded defeat paving the way for Angela Merkel to be sworn in as Germany's first female Chancellor, or *Bundeskanzlerin*. However, eight of the fourteen cabinet seats will be filled by SDP members tying the new Chancellor's hands and limiting her candidacy vows to immediately overhaul the tax and labor markets, both long believed to be impediments to future economic growth. German companies would have welcomed lower employer payroll and corporate taxes, and more flexibility in nationwide wage agreements. But, the government priority has shifted in favor of narrowing the 35 billion euro budget deficit by 2007, of which Germany intends to finance by scrapping tax loopholes, raising some taxes, cutting public spending, and conducting assets sales. The retirement age will also move from 65 to 67 on a transitory basis from 2011 through 2035. In any event, German companies have continued to restructure and look for ways to enhance shareholder value. For example, DaimlerChrysler is only one of many considering switching its corporate charter to *Societas Europaea* (SE) which not only allows more flexibility in corporate transactions, but in the more important corporate governance area, such as replacing the two-tiered board structure with a unitary board. It also reduces the power of employee representation. SE's are chartered at the European level.

With a weakening of the European euro, German exports have become more competitive lifting domestic business confidence. But, this has been offset by continued layoffs and still historically high energy prices restricting consumer spending. However, consumer confidence has started to turn more favorable lately. In what is being questioned as a conflict of interest, the former German Chancellor accepted a position to become director of a Russian-German pipeline consortium. The consortium, linked to Russia's Gazprom, was formed while Schroder was still head of state.

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In France, the people initiated a protest over discontent with rising unemployment. Dominique de Villepin, the French Prime Minister, responded selfishly seeking popularity points with voters prior to the 2007 presidential election by voicing his stance against 'delocalization' of national companies and corporate downsizing. At the other extreme, Interior Minister Nicolas Sarkozy, his likely presidential contender, has long professed that France could learn a thing or two from the British labor market model. With pent-up anger and frustration against government inaction on a variety of issues, civil riots quickly broke out after two French minority youths were accidentally electrocuted while in hiding from police. Surprisingly, Sarkozy added fuel to the fire by angering the public with his politically incorrect language. French President Jacques Chirac has been consistently absent as his credibility has been tarnished with the loss of the EU referendum. Recent polls indicate only one percent of voters want Chirac to seek a third presidential term.

At the strong urging of the French, the European Union (EU) continued to defend the heavily reformed 2003 Common Agricultural Policy (CAP) against the wishes of many developed and developing countries. The French stance has made it difficult for the EU to progress on world trade talks. The CAP is essentially a direct subsidy payment made to EU farmers. Without progress on agriculture, it is unlikely emerging countries would open their markets further to the manufactured goods and services sectors. The CAP issue is a great example of the need for France to be more flexible and adaptive, or risk being left behind. It is estimated that approximately 80% of the taxpayers 40 billion euros a year in CAP subsidies go to the richest 20% of farmers (mostly large agricultural businesses and/or landowners). EU farmers only account for 2% of the total EU workforce (4% in France), and farming is only 3% of France's GDP. Even Sarkozy, known to be pro-market, has backed the French position. Over the long-run, the public and consumers do not gain by continuing to protect uncompetitive businesses. Inaction just prolongs and makes harsher necessary reforms.

Italian business confidence is at a one-year high, yet government austerity measures are still lacking. For example, pension costs are approximately 14% of GDP. And, with elections coming next April, politicians are unlikely to push for much needed restructuring. To make matters worse, the Italian Prime Minister, Silvio Berlusconi, was behind amending the national constitution with those in his circle being the main beneficiaries. Changes include increasing the powers of the Prime Minister and easing the threat of jail time for white-collar crimes. It is no coincidence that the Prime Minister is also the subject of embezzlement, fraud, and questionable accounting practices related to his media company. The good news is that, under pressure from the public and prosecutors for abuse of his powers, Antonio Fazio finally resigned as governor of the Bank of Italy paving the way for the bank to restore its damaged credibility. The new governor will serve a six year term renewable once.

In the United Kingdom, banks have started to tighten their lending as individual and corporate insolvencies have increased as a result of over-extended borrowing in recent years. And, in Spain, the government moved forward to end 'golden shares' which prevented some domestic companies from ever being taken over.

ASIA

The Bank of Japan (BOJ) continues to signal its intent to end 'quantitative easing,' the zero interest rate policy designed to pump cheap funds into the domestic market, as deflation appears dead. Japanese politicians, on the other hand, are unconvinced and have gone so far as to intimidate the BOJ by proposing to strip it of interest rate setting authority. Politicians are also concerned that higher rates could be followed by a stronger yen potentially impacting exporters. The weakening of the Japanese yen, caused mainly by interest rate differentials versus other foreign currencies, has fueled domestic exports. Japanese consumers have turned positive as the outlook for jobs and wages have improved, while business confidence is bullish. It is expected that the growth in domestic demand will make the economy less vulnerable to any external shocks. Interestingly, the recent oil shocks have been more limited in Japan versus other countries as Japan, having few domestic energy sources, invested in energy efficiencies during the last shock in the 1970's.

Japanese institutional investors have been net sellers of Japanese equities with foreigners being net buyers. Shareholder activism is

Point of Interest

Origin of the British currency pound sign

The £ is widely used as the British pound currency symbol. As is apparent, it is simply a combination of the round-hand written capital letter L with one or two crossbars across it to distinguish it from the actual capital letter. The L part of the currency symbol stands for the Latin word libra, a unit of weight. Libra, or lb for short, also came to be known as a pound in weight. And, since the pound sterling, or the pound, is the official currency of the United Kingdom, the £ symbol was derived.

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expected to pick up as cross shareholdings, at the 50% level in the 1990's, are now at 20%. Also, anti-capitalist proposals to limit share for share takeovers in Japan by foreigners without a 50% approval of shareholders by headcount was eventually squashed.

The Bank of Korea raised interest rates to head off inflation from higher crude oil prices. Consumer spending has accelerated, but has been at the risk of higher debt levels. Domestic investors, long missing in action since the 1997-98 Asian financial crisis, have finally started buying local shares. A major credit rating agency raised the country's credit rating citing reduced tensions with North Korea. In Thailand, consumer prices jumped on rising fuel and fresh food prices, and the elimination of government diesel subsidies.

Russian President Vladimir Putin's chief economic advisor resigned following clear signs of what he called Russia's 'grab of economic power.' The latest move by the Russian government was to seek control of Autovaz, the largest Russian automaker, with the appointment of government officials even though government ownership is minimal.

LATIN AMERICA

The Brazilian central bank cut interest rates signaling that inflation is under control. But, with the continued strength of the Brazilian real caused by demand for its commodities, manufactured products, and high interest rates, Brazilian exports have been losing some competitiveness and manufacturers have started to delay capital investments. To win votes in an election year, it would be no surprise to see political action to devalue the currency. Political corruption accusations continue to persist with fresh allegations that President Luiz Inacio Lula da Silva's Worker's Party used public funds. However, the strong economy and his popularity have diverted the public's attention away from the scandals. In addition, opposition parties have been more subdued in their efforts to embarrass Lula's party waiting instead to time the negativity before the presidential elections in October.

In welcome news for Brazil but unwelcome to the International Monetary Fund (IMF) because of less revenue generation, Brazil is repaying its IMF debts. Brazil does not have an investment grade credit rating from any of the rating agencies, but has been on the right path. For example, in 2002, 40% of domestic debt was floating and linked to the U.S. dollar versus only a fraction today. Also, Brazil has issued more fixed rate debt and has a large budget surplus, both absent a few years ago. Further south in South America, Argentina once again risks going down the wrong economic road with inflation averaging 1% per month. Roberto Lavagna, the Economy Minister and long hailed as steering the country out of a deep recession, was forced to step down by Argentine President Kirchner. Argentina, like Brazil, is also repaying its IMF debt early, but will be left with minimal reserves.

As has been the norm now, Venezuelan President Hugo Chavez continues to buy political support with oil money, creating unease with the U.S. The Venezuelan central bank has started selling U.S. Treasuries for European investments and has continued to issue unjustified tax collection notices to foreign subsidiaries and/or issue the temporary closure of foreign local offices. In his quest for power, Chavez is seeking to buy nuclear reactors from Argentina maintaining that its use is for peaceful ends. During the Summit of the Americas in Argentina, he gathered thousands of demonstrators to protest against President Bush's visit. Anti-Chavez political parties boycotted the recent Venezuelan legislative elections because of concerns polling results would be fixed and not kept confidential. And, in Bolivia, a protégé of Chavez, Evo Morales, won the presidential election with 51% of the votes.

THE VALUE IN GOLD

Gold, reaching close to \$540 per ounce in mid December, appears to have broken any relationship with the U.S. dollar and inflation. Historically, gold was seen as a hedge against a depreciating U.S. dollar and inflationary expectations. With a strengthening U.S. dollar (due to rising U.S. interest rates) and tamer inflation expectations (due to the declining price of oil and current bond yields), gold prices would be expected to decline, but have continued to advance sharply and defy history. External concerns such as the threat of terrorism could also explain higher gold prices, but that does not appear to be the case as world equity markets would also react negatively (and have been quite the contrary). The latest theories on the rising price of gold circulated by the media are that Japanese investors have been buying the yellow commodity to hedge against their depreciating yen, and that some participants have purchased gold with the expectation central banks would buy more bullion - highly unlikely at these prices. In our opinion, as an investor, gold has limited utility making it difficult to ascertain long-run determinable value. As is probably evident from this, Dean Chase does not have any investments in gold stocks.