YEOMAN 3-RIGHTS VALUE ASIA FUND

(Co. Regn: 53979 C1 GBL; Fund Business Licence: C1/04/01282)

At 31 Dec 2005
NAV/Share:
S$112.24

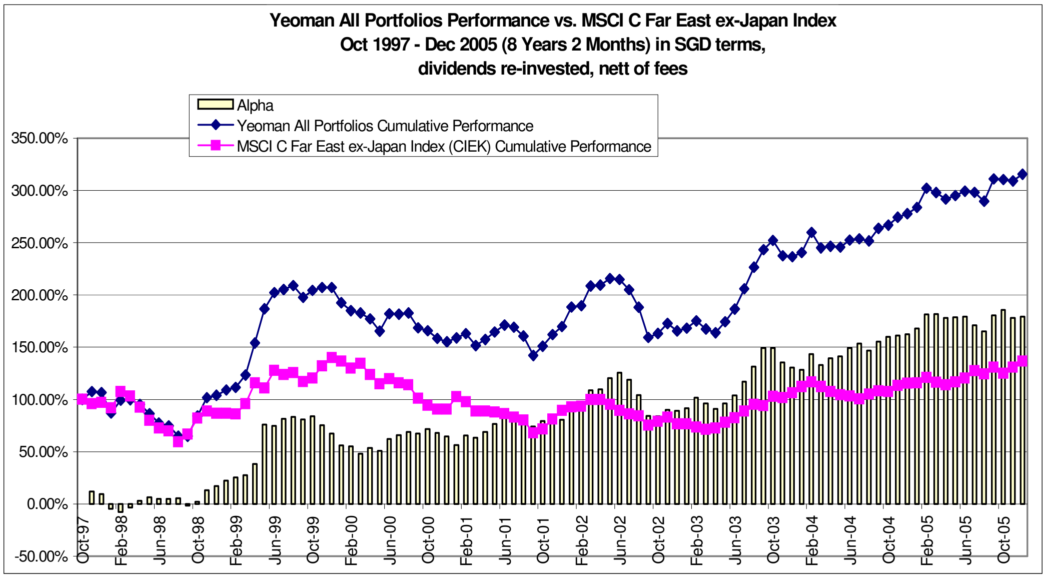
Performance Figures for Month of December 2005

Month of December 2005 **+2.12%**
YTD 2005 **+13.62%**
Cumulative 8 yr 2 mo performance **+215.61%**
Implying a compounding rate of return of **+15.11% p.a.** over the longer term
(Nett of all fees, with dividends re-invested and in SGD terms)

Equities/Cash Allocations
Equities 98.02%
Cash 1.98%

Country Allocations
Singapore 38.91%
Korea 39.03%
Hong Kong 20.08%

Portfolio Valuations (trailing)
PE 8.63x
P/NTA 1.23x
Dividend Yield 2.95% p.a.
ROE 15.69% (1 yr)
21.73% (5 yrs average)



Yeoman All-Portfolios Performance

8yr 2mo ending 31/12/2005

Period	Yeoman-All Performance	MSCI C FE x Japan Performance
Oct 97 to Dec 97	**+6.6%**	**-2.9%**
Jan 98 to Dec 98	**-2.5%**	**-10.7%**
Jan 99 to Dec 99	**+99.3%**	**+61.4%**
Jan 00 to Dec 00	**-25.1%**	**-35.2%**
Jan 01 to Dec 01	**+9.5%**	**-1.6%**
Jan 02 to Dec 02	**-2.6%**	**-14.5%**
Jan 03 to Dec 03	**+42.9%**	**+39.2%**
Jan 04 to Dec 04	**+17.5%**	**+8.8%**
Jan 05 to Dec 05	**+13.6%**	**+18.1%**
Cumulative Performance from 10/97 to 12/05 (8Yr 2mo)	**+215.61%**	**+36.33%**
CAGR	**+15.11%**	**+3.87%**

Note: In SGD terms, nett of all fees, dividends re-invested and calculated according to CFA (AIMR) PPS standards

General Information

Fund Address:
10 Frere Felix De Valois Street,
Port Louis, Mauritius

Manager:
Yeoman Capital Management Pte Ltd
11 Unity Street #02-13,
Robertson Walk,
Singapore 237995
(Co. Regn. 199902308Z)

Tel: +65-67373922
Fax: +65-67376780
Email: cio@yeomancap.com

Website:
www.yeomancap.com

Total Value of Fund:
S$39,971,092.13

Total Number of Shares:
356,133.97

Management Fee:
1% p.a.

Performance Fee:
15% High Water Mark

Sales Charge:
2.5% of NAV (payable to Distributor if applicable)

Manager Subscr Charge:
S$2,500 (one-time fixed sum payable to Manager)

Fund Subscription Charge:
1% of NAV (payable to Fund)

Fund Redemption Charge:
1.5% of NAV (payable to Fund)

Subscription frequency:
Monthly

Redemption frequency:
Quarterly

Investment Horizon Recommended:
3-5 years or more

Minimum Investment:
S$250,000

Custodian:
British and Malayan Trustees Ltd, Deutsche Bank

Auditor:
KPMG

MANAGER'S COMMENT AND PERFORMANCE REVIEW AT 4Q 2005

Absolute Performance

Month of Dec 05 **+2.12%**
Full Year 2005 **+13.62%**
Cumulative Oct 97 to Dec 05 (8yr 2mo period): **+215.61%**
CAGR **+15.11% p.a.** (compounding)

With the above result, another *New High* was set at the year end.

Relative Performance

The above compares favourably against the regional MSCI C FE x Japan Index which is up +18.07% for 2005 (ahead of us) and +36.33% (far behind us) cumulative over the same 8yr 2mo time frame to end Dec 05 implying a CAGR of +3.87% p.a. Short term the Index is ahead of us but over the longer term, you could say that we are more like the proverbial tortoise in the long haul than the action-hero hare who fizzled out after the initial spurt.

(Note: As before, our figures are nett of all fees with dividends reinvested and in SGD terms. Performance calculations follow the CFA (formerly AIMR) PPS standards consistently and measures all/all accounts under management for period Oct 97 to Dec 04 and thereafter for Jan 05 onwards, only our Mauritius domiciled Yeoman 3-Rights Value Asia Fund is reported.)

Portfolio Comment

At end of the period our allocations were as follows:

Equities vs Cash: 98.02% vs 1.98%
Country Allocations: Spore 38.91%, Korea 39.03%, HK 20.08%
Our top 5 holdings made up 41.97% of our Fund

I would now like to talk about valuations inherent in the stocks we own. At end Dec 05, our portfolio on a blended stock-weighted basis exhibited the following ratios on a trailing (i.e. historical, we are not making any guesses as to the future) basis.

P/E **8.63x**
P/NTA **1.23x** (some analysts may call it P/Book)
Dividend Yield **2.95%**
ROE **15.69%** (1 year trailing)
ROE **21.73%** (5 years, averaged out)

What the above means is that we are getting an *earnings yield* of 11.59% on our portfolio (the inverse of the PE ratio) and we are only paying a premium of 23% over nett tangible assets in the underlying businesses (see the P/NTA ratio) to obtain that. Are we overpaying to own this portfolio? Our considered answer is no. Where can you walk up to someone who owns a viable operating business generating earnings yielding 11.59% a year (which is double the risk-free rate in the USA of 4.4% p.a. or triple the risk-free rate in Spore of 3.2% p.a.) at ROE of 15 - 22% and just give him a premium of 23% to each dollar of operating assets? The double digit earnings yield that we are getting makes it sensible to be taking risk (which is what owning equities entails) because we are getting an attractive incentive over the prevailing safe rate.

And these assets are not donkey assets either for in the past year, the return on equity is in the mid teens. When we look back further at the last 5 years and we average out the earnings over the period and apply it to the same equity base, we get an even higher ROE. Why do we look back 5 years? Well, in our belief, businesses are subject to business cycles and the 5 year period would help us get a better grip on the real underlying earnings power of the businesses under scrutiny over the ebb and flow of economic cycles. As value investors we act and think as part-owners, shareholders in the underlying businesses so we need to apply more rigour than the casual day trader.

When we look at our portfolio valuations on a country by country basis, we get an even more interesting picture.

	PE	P/NTA	Div Yield	ROE	5 Yr Ave ROE
Singapore	9.74	1.84	4.38	20.44%	25.41%
Korea	6.52	0.48	3.95	8.89%	11.86%
Hong Kong	9.57	1.04	6.02	18.45%	33.79%

On a PE basis, Spore and HK is valued at about the same at just under 10x multiple and Korea is the clearly superior undervaluation case at 6.5x. On a P/NTA basis, Korea is the obvious superior undervaluation case at 0.48x as compared with 1.04x for HK and 1.84x for Spore. When it comes to dividend yield, the range is from 4 – 6% p.a. with Korea at the lower and HK at the higher end. Probably as a result of the lower payout, capital efficiencies (ROE) are weaker in Korea relative to the other two.

We are not investing in single countries or single stocks however, and when we take on a portfolio mindset we get the ratios found on the previous page. In this portfolio each stock that we select, each business that we own satisfies the 3 criterion – above average economics (Right business), undervalued (Right price) and with competent/honest management (Right people, as far as we can assess anyway) in place.

<u>Performance Attribution (past and going forward)</u>

In the past year, our Korea stock picks contributed most to our performance. We started the year with 20% Korea weight but at the close of the year we were closer to 40% resulting mainly from market and individual stock re-rating. Individual stocks have put on 50% to 250% which left us smiling to ourselves no end.

Our HK holdings which comprise mainly manufacturing companies were weak. Short term, sales were up but earnings came down on the back of sharp rises in raw material prices (well, manufacturers do need to use raw materials in the production process) and Mr Market saw it fit to punish their traded stock prices, in most cases undeservedly.

In Spore, only our larger market capitalization companies saw some price appreciation. The smaller market cap companies that we own were flat. Why? We cannot penetrate the mind of Mr Market but small caps have generally been out of favour for the last 12-18 months following the several high profile scandals and collapses that we saw in Spore.

In hindsight, I suppose we could cheer over Korea and groan over HK and Spore but the overall picture is that **<u>we registered +13.62% gains overall for the year</u>**, nett of all fees.

But the future will not necessarily look like the past so what about our prospects going forward?

As value investors applying our own basic intelligence, we see no reason why a portfolio of businesses generating historical trailing ROEs of between 15 – 22% should be trading at a premium of only 23% to the underlying NTA. If Mr Market comes to his senses one day, he might do us the favour of according to our stock picks a minimum P/NTA rating of 2x, perhaps even more (today, the Spore overall market is priced at 1.8x P/NTA already).

Can this happen ever? Well, it has already happened in some cases. Today, the whole Indian stock market is trading at a P/NTA ratio of just under 4x (see excerpt from BCA Emerging Markets Strategy report dated 22/12/05) as compared with around 1x when we ourselves first scanned India, Sri Lanka and Pakistan back in end 2003. In the years that we have been in this business, we have seen dramatic individual stock and market re-ratings take place at the most unexpected times and we have seen it take place more than just once.

Why Spore, HK or Korea should be given recognition different from India, is something I will suggest Mr Market to mull over. And as long as he sits on his hands, we know that we have the 3-Rights in our favour (especially under-valuation), and we can be sure that our stocks are not just lottery tickets but shares in real businesses generating earnings, dividends and value each day which (over time) just goes to increase the under-valuation merits of the already undervalued securities. Getting our reward is not a matter of “if” but “when” and time is on our side as our long term historical CAGR of >15% will attest.

In the course of our turning over each stone that we came across, we found some undervalued Thai and Malaysian companies that meet our investment criteria. When we get more cash, whether from fresh subscriptions or when we sell some of our stocks that have reached or exceeded their fair values, we will action those stock selections (i.e. buy them).

I take this opportunity to wish all clients and shareholders a Happy New Year 2006!!

YEO SENG CHONG
Director and Manager
Yeoman 3-Rights Value Asia Fund