

The objective of the Fund is long term capital growth from investment in European equity markets mainly in property backed European asset situations which are considered by the Manager to be undervalued.

European Asset Value Fund

Performance

This investment management report relates to performance figures to 31 December 2009.

	Qtr	Financial Yr	Calendar Yr
EAVF¹	3.4%	47.6%	35.6%
Benchmark²	2.0%	54.1%	38.2%
S&P Europe³	3.1%	63.1%	39.7%

Quarterly Investment Manager's Review

Markets have bounced strongly from the lows reached in Q1 '09. We start from the premise that central banks will keep rates lower for longer due to the requirement to foster growth as economies have suffered a marked decline in activity and asset pricing.

Coupled with debt the excessive prices that were paid for assets at the peak are liable to cause banks and investors indigestion for some time to come. The corollary is that there will also be some great opportunities to buy for those with cash or access to facilities.

The listed market appears to be divided: a higher rating is applied to those companies that enjoy high stock trading volumes and good medium to long term revenue streams whilst a low rating (high discount) is applied to stocks that suffer on the volume and cash flow front. An additional caveat is the quality and frequency of communication by management.

In a few cases we feel it is too early to invest in stocks where the discount remains wide though this may look attractive at first sight.

Purchases totalled €12.3 m

We continue to seek those companies that have debt around 40% maximum. If they have higher debt they should have diversified long term revenue flows and stable assets such as residential and retail.

The largest purchase in the period was of French listed office and retail investor *Icade* which agreed to the disposal in 2009 of 26,000 residential units to realise €2.0bn. This leaves the company almost debt free and its first move has been to seal the purchase of the 94% or so of shares held by Morgan Stanley in *Compagnie la Lucette*, also held in the Fund, albeit at a wide discount to the net asset value. The latter made a capital return of €1.35 per share in late November.

We expect that merger and acquisition activity may continue but for many the immediate concern is repair of balance sheet and reduction of high gearing levels. We are also keen to see a higher proportion of debt being held on a fixed rate in preparation for the withdrawal of quantitative easing and higher rates.

Other sizeable purchases included retail investor *Eurocommercial Properties*, Lyon and Marseille focused residential, retail and office investor *ANF* and retail and office investor *PSP Swiss Property*.

Sales totalled €16.6 m

We sold *Grontmij* as the share price appeared to reflect all the restructuring that has taken place and the likely benefits to flow from ongoing cost cutting and streamlining of operations.

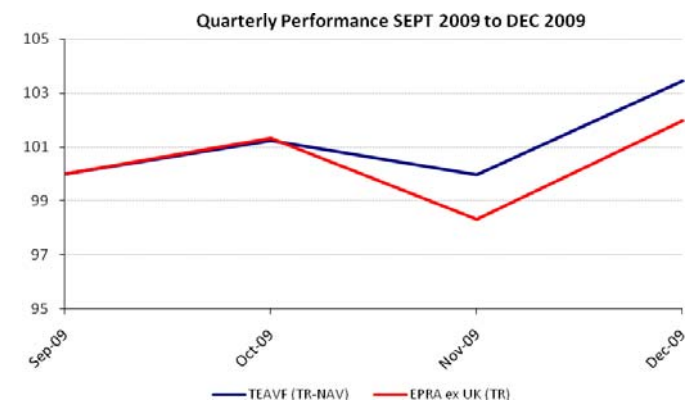
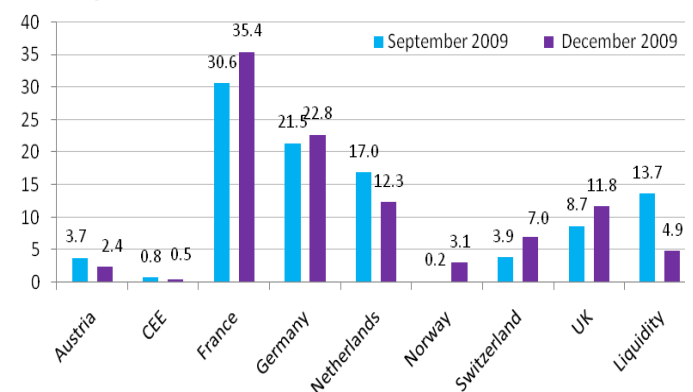
In line with previous comments about management communication we sold part of the *Ablon* stake. The company is highly exposed to development and will burn cash as lettings are proceeding too slowly to underpin outflows. We also sold Norwegian quoted *Faktor Eiendom* as communication is non-existent and the company is highly exposed to residential development with sales proving difficult to progress.

The other large sale, unfortunately also at a loss, was of *Züblin Immobilière France*. The company holds some good quality property in the vicinity of La Défense but we believe will be forced to raise new equity to repair the balance sheet and refurbish and upgrade buildings to the newly introduced "Grenelle" eco standard. Some weakness is being experienced in rent flows as adjustments to market levels take place.

Top Ten Equity Holdings

	%
ANF	9.56
Eurocommercial Properties	7.21
TAG Immobilien	6.14
VIB Vermögen	5.47
Vinci	5.25
Wereldhave	5.13
Nymphenburg Immobilien	5.00
Foncière Paris France	4.63
CLS Holdings	4.23
USI Group	3.77
TOTAL	56.39

Geographic Breakdown (% of total assets)



Statistics

	1 Qtr %	1 year %	3 years %	5 years %
Fund Price ¹ (€)	3.4	35.6	-42.9	11.0
EPRA Index ² (€)	2.0	38.2	-38.5	15.8
Fund Price ¹ (\$)	1.5	39.9	-37.9	17.1
EPRA Index ² (\$)	0.2	44.7	-30.9	28.5

Annual Returns € (%)	2009	2008	2007	2006
Price ¹	39.9	-48.9	-17.7	34.6
EPRA Index ²	38.2	-41.9	-23.4	46.6

1 Source: Fundamental Data.

2 REXUK(€), RUXUK(\$) - EPRA ex UK. Official Fund Benchmark Index.

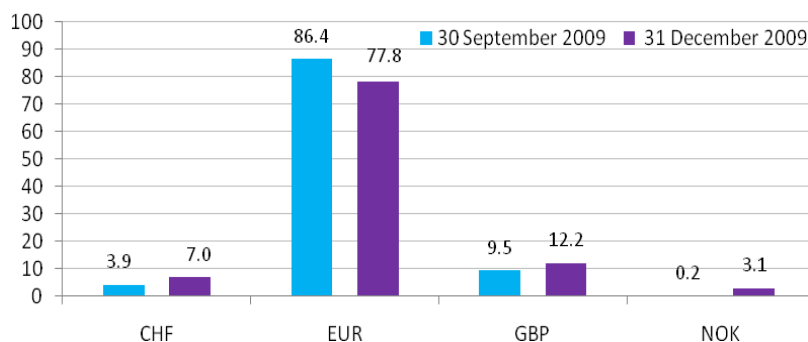
Source: European Public Real Estate Association/Bloomberg

3 S&P/Citigroup European Property TR. Source Fundamental Data. Previously the Citigroup Property index

4 Source: Pictet & Cie (Europe)

* The European Asset Value Fund financial year commences on 1st April.

Currency Exposure (% of total assets)



Major Movers

Largest Risers	Percent change	Percent of Assets
TAG Immobilien	46.58%	6.14%
Terra Catalyst	19.90%	2.74%

Largest Fallers	Percent change	Percent of Assets
Windsor	-21.21%	0.83%
Centrale des Bois & Scieries	-11.74%	2.58%

Capital Structure

Ordinary Shares ⁴	1,908,471
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Assets

Gross Assets as at 31 December 2009 ⁴	€82m
Net Asset Value as at 31 December 2009 ⁴	€43.02

Fund Codes

Bloomberg	EURAVFI LX
Reuters (monitor page)	PICTET04
Reuters Ticker	LU0054601074

Further Information

The European Asset Value Fund (the "Fund") is an open-ended investment company organized as a Société d'Investissement à Capital Variable ("SICAV").

Asset Value Investors Limited ("AVI") is the investment manager of the Fund. Contact: Mark Townsend: +44 20 7647 2900 or info@assetvalueinvestors.com.

The NAV figure can be found in the FT "MANAGED FUNDS SERVICE" section under the heading Asset Value Investors Ltd. Information may be found on The European Asset Value Fund website. www.europeanassetvalue.com or www.europeanassetvalue.co.uk

The Fund is recognized for sale in the United Kingdom, Belgium, Luxembourg and Switzerland. The Fund is not offered or sold in the United States or to US persons other than to Accredited Investors under Regulation D, a "safe harbor" from the general requirement that offerings of securities be registered with the SEC. The Fund's charges are more fully described in the Prospectus. For a copy of the Prospectus, please contact AVI using the e-mail address or telephone number above.

Risk Factors you should consider before investing

Investment in the Fund carries risks, which are more fully described in the Prospectus. Listed below are some of the key risks:

Investors are reminded that past performance is not a guide to future performance and that their capital will be at risk and they may therefore lose some or all of the amounts that they choose to invest in the Trust.

Movements in exchange rates can impact the capital value of your investment. If the currency of your residence strengthens against the currency in which the underlying investments of the fund are made, the value of your investment will reduce and vice versa.

Where investments are made in smaller companies, their potential volatility may increase the risk to the value of and the income from the investment.

Source: Asset Value Investors Limited ("AVI") unless otherwise stated. All figures as at the period under review unless otherwise stated. AVI is authorised and regulated by the Financial Services Authority ("FSA") and is a registered investment adviser with the Securities and Exchange Commission of the United States. This document does not constitute an offer to buy or sell shares in the Fund. The prospectus of the Fund is the only authorised document for offering of shares of the Fund. The prospectus may only be distributed in accordance with the laws and regulations of each appropriate jurisdiction in which any potential investor resides. Investors in the UK are reminded that they will not benefit from the UK investors compensation scheme. The Fund is only suitable for sophisticated investors. The contents of this message are not intended to constitute, and should not be construed as, investment advice. Potential investors in the Fund should seek their own independent financial advice. AVI neither provides investment advice to, nor receives and transmits orders from, investors in the Fund nor does it carry on any other activities with or for such investors that constitute "MiFID or equivalent third country business" for the purposes of the FSA's rules.