

### Sparinvest

Sub-fund of Luxembourg domiciled Sicav - Part 1

Report Issued: January 2007

#### Peer Group:

Global Equities Mainstream

#### Fund Manager/Adviser:

Jens Moestrup Rasmussen (since launch)

#### Location:

Copenhagen

**Launch Date:** December 2001

**Fund Size (October 2006):**

€578m

#### Group Contact No:

+352 262747 1

#### Website:

www.sparinvest.eu

**S&P ID Number:** OS503701

#### Share class screened:

Ord

Details of fund charges and other

share classes can be found on

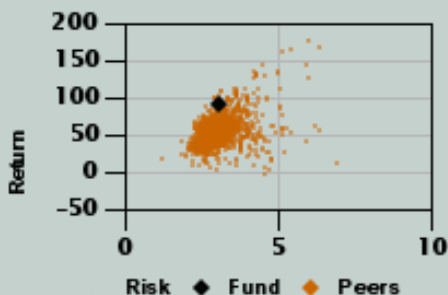
www.funds-sp.com.



### INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

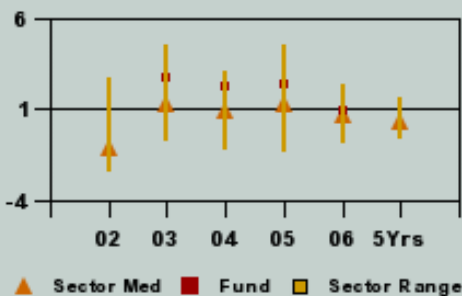
### RISK RETURN (STD DEVIATION) OVER 3 YEARS



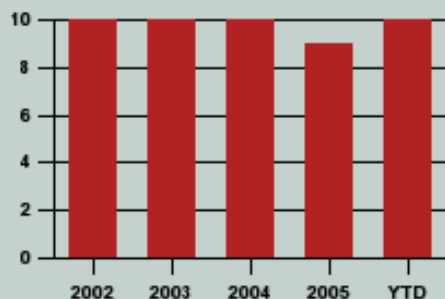
### 3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Low	-5.9
Volatility	Low	10.6
Correlation	High	0.8
Beta	Medium	1.0

### SHARPE RATIO VS PEER GROUP



### CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

Please see page 2 for required research analyst certification disclosure.

All statistical data on this report has been run to 29/09/2006 on Bid to Bid basis, with gross income reinvested, in US Dollars.

### STANDARD & POOR'S OPINION (DECEMBER 2006)

Sparinvest was founded in 1968 as a mutual fund company by a number of Danish savings banks. Assets under management have grown steadily since the mid-1990s to a current €15bn spread across a range of active and passive equity accounts, fixed income and property mandates.

The firm's active equity mandates follow an almost classical Graham & Dodds approach to value investing.

Jens Moestrup Rasmussen joined Sparinvest in 1997 and has managed this fund since 2001 as a member of the four-man global value team. He seeks value in all corners of the market using a disciplined bottom-up approach based on the team's monthly screening of a global universe of around 22,000 stocks which highlights high quality companies trading at a significant discount to their intrinsic

value. This produces a shortlist of stocks for more detailed analysis, for a final portfolio of 80-100 names.

Portfolio construction reflects the manager's conviction, with Rasmussen making good use of the relatively relaxed risk controls applied to this mandate, to seek out value in all parts of the market. Portfolio positioning often deviates significantly from that of the benchmark MSCI World index.

Performance since launch has been consistently top decile relative to both the S&P peer group of competitor funds and the MSCI World Value index. This, together with the disciplined application of a well understood investment approach by a small but highly focused team, comfortably supports the fund's AA (New) rating.

### FACT FILE

**Group:** Originally founded as a mutual fund company by a group of Danish savings banks in 1968, Sparinvest is now an asset management firm owned by a broad range of over 90 institutional shareholders. Assets under management (€7bn) and consultancy (€8bn) have grown rapidly over the last decade.

**Team:** This fund is managed by Sparinvest's value equity team of four experienced portfolio manager/analysts and is headed by Jens Moestrup Rasmussen. The team is based in Copenhagen.

**Fund Manager:** Jens Moestrup Rasmussen joined Sparinvest as an equity analyst in 1997 from KOB, the Danish credit rating agency. He has managed money since 2000 and the equity team since 2001.

**Style:** A classic Graham & Dodd approach to value-based, bottom-up stock selection, focusing on out-of-favour quality companies.

**Performance:** Over the three years to 29/09/2006 the fund has returned 92.5%, compared with 53.6% for the sector median and 61.9% for the index, ranking 61/1614.

### FUND MANAGER & TEAM

The Sparinvest equity team in Copenhagen comprises seven fund manager/analysts, of which four focus on value investing. The overall team is led by Jens Moestrup Rasmussen and assets under management are around €4bn spread across 17 portfolios.

Jens Moestrup Rasmussen - MSc economics (Copenhagen University), joined the Sparinvest equity team in 1997 from the Danish credit rating agency, KOB. Began managing money in 2000 and has been head of equities since 2001.

Kasper Jacobsen - MSc economics (Copenhagen Business School). joined Sparinvest in 2000 from Danish business daily Dagbladet Børsen. He was previously a credit analyst at Danish rating agency KOB.

Per Kronberg Jensen - MSc economics (Aarhus University) joined Sparinvest as an analyst in 2004 to focus on developing valuation models.

Thomas Bastrup - MSc economics (Copenhagen University) & MBA (Stanford University), was a member of the strategic asset allocation team in 2000/01 before taking a sabbatical to take his MBA. He returned in 2005.

## PORTFOLIO CHARACTERISTICS

No. of holdings	93
Turnover ratio (%)	11 est.
% in top 10	29

## TOP 10 HOLDINGS (01/10/06)

	%
MAN	3.5
Volkswagen	3.5
Hochtief	2.9
J.Sainsbury	2.9
Mitsui Sumitomo Insurance	2.8
Peugeot	2.8
Nippon T&T	2.7
Nipponkoa Insurance	2.7
Salzgitter	2.6
Agfa-Gevaert N.V. Mortsel	2.5

\* In top 10 holdings a year ago

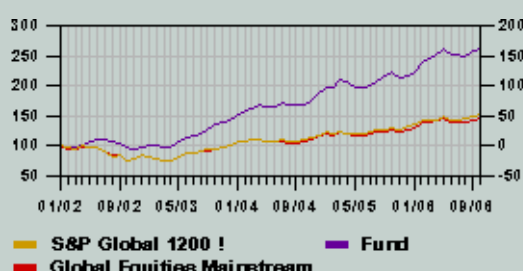
## ALLOCATION BREAKDOWN (01/10/06)

	Fund %
North America	3
Europe (ex UK)	54
United Kingdom	6
Japan	29
Pacific (ex Japan)	-
Others	-
Cash	8

## PERFORMANCE STATISTICS

	3 Years
Fund	92.5%
Standard & Poor's Peer Median	53.6%
Index**	61.9%
Fund Rank	61/1614
Standard Deviation	10.6
Relative Standard Deviation	1.0
Volatility Adjusted Ranking	18/1614

## CUMULATIVE PERFORMANCE



# SPARINVEST SICAV - GLOBAL VALUE FUND

Peer Group: Global Equities Mainstream



## MANAGEMENT STYLE

- This fund is managed in a traditional Graham & Dodds approach, seeking quality companies that are trading at a significant discount to their intrinsic value, but have a viable catalyst to unlock that value.
- A universe of some 22,000 stocks is screened monthly to identify quality companies trading at a discount of at least 40%. Intrinsic value is calculated by assessing the profit & loss accounts, crosschecked with tests for balance sheet strength. Key criteria include low price to book, price to cashflow, price to earnings, enterprise multiples and net debt to equity. Stocks capitalised below \$150m are avoided on grounds of liquidity. A database of over

400,000 corporate takeovers is used to help assess takeover value.

- Stock selection is constructed from the bottom-up with no attention to benchmark weights. Country and sector positioning can deviate significantly from that of the benchmark MSCI World index.

- Risk is controlled primarily by buying high quality companies - no more than 50% net debt to equity - and only buying when there is a considerable margin of safety in the price.

- The fund invests in developed markets but can take small positions in emerging market companies.

## PORTFOLIO REVIEW

The fund contained 93 holdings at the time of our review with the top 10 accounting for 29% of total portfolio assets.

Country and sector weights deviated significantly from the fund's MSCI World benchmark, reflecting the manager's bottom-up, stockpicking approach to portfolio construction and value focus.

The fund was underweight the US by 47% primarily due to the lack of stocks meeting the manager's value threshold but also because of the greater number of more attractively

valued companies to be found in Europe - notably the Germanic markets - and Japan where the fund was overweight by 37% and 22%, respectively.

Sector weights differed considerably from those of the benchmark with the fund significantly overweight capital equipment, materials and consumer goods, underweight services, financials and multi-industry and zero-weight energy and utilities. Cash, though high (8.0%), was well below the fund's maximum 15%.

## PERFORMANCE ANALYSIS (OCTOBER 2006)

This fund has performed extremely well since launch in December 2001, however this is flattered to some extent by market conditions that have favoured value and smaller companies. That said, the fund has outperformed the S&P Citi EMI Value index in four out of the last five years, suggesting the manager has added value through skill.

Relative to our peer group, the fund has been consistently top-quartile in each of the last five calendar years and is comfortably top quartile cumulatively over three years.

In 2003, the fund benefited from the manager's well timed purchase of a large number of low valued smaller companies in Germany ahead of the market rally that began in March 2003.

In 2005, the fund benefited from its country positioning, underweight the US and overweight Japan and Europe added value. Year-to-date overweight Japan has acted as a drag on performance but was limited by good stockpicking and was offset by the overweight to Europe and the underweight to the US.

## DISCRETE PERFORMANCE (CALENDAR YEARS)

	2002		2003		2004		2005		YTD 29/09/2006	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	0.5	36/1402	53.3	67/1542	27.2	48/1632	14.0	237/1681	16.4	113/1741
Index**	-19.6		32.9		14.9		10.2		12.0	
Median	-19.4		32.0		13.2		8.5		10.1	

\*\* S&P Global 1200

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