



European Value

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Fund Facts

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| Strategy | Value Equity |
| Risk | N/A |
| ISIN | LU0264920413 |
| Share Class Currency | EUR |
| Fund Inception | 02-Nov-2006 |
| Fund Manager | Jens Moestrup Rasmussen |
| Benchmark | MSCI Europe (net dividends) |
| Morningstar Category | Europe Mid-Cap Equity |

- sparinvest.eu

Performance

In the first quarter of 2009, the Sparinvest European Value Fund declined by 11.63%. The European equity market, as measured by the MSCI Europe Index, declined by 10.55%, while MSCI Europe Value and MSCI Europe Small Cap indices declined by 14.07% and 2.40%, respectively. European growth stocks posted a return of -7.23%.

During the quarter, our relatively large exposure in industrial companies, especially in Germany, dragged on the portfolio. At the same time, our exposure to the best-performing European country, the UK, was limited compared to benchmark. Hence we lagged the MSCI Europe Index by 1.09%, but nonetheless beat the European Value index.

Portfolio Composition

At the end of the quarter, the cash position was 10.8% of assets under management. The fund had 66 holdings and our ten largest positions accounted for 25.59% of the total.

We made no new investments during the quarter, but in general rebalancing of the portfolio we made additional investments in some existing holdings and reduced others. We have now exited our positions in Hypo Real Estate and Thomson, which are discussed below.

For further data on the fund, including complete portfolio holdings, performance and breakdowns by industry and geographical sector, please refer to our website and the latest fund factsheet.

Portfolio Valuation

Valuations and indicators of the financial strength of our holdings remain extremely encouraging. The average P/B in the fund is 0.7 times, with an EV/EBITDA (one measure

of the price you pay for the earnings power) around 3.5 times. Financial gearing is low, with net-debt-to-equity of just 20%. We remain confident in the quality of our holdings – both in terms of their balance sheets and the robustness of their business models. We are convinced that the strength and low pricing of our portfolio will allow us to generate healthy long-term returns.

Individual Positions

Rigorous monitoring of our portfolio is an integral part of our investment process. We accept that, like all investors, some of our investments will be unsuccessful. Indeed, this is one key reason for our highly-diversified portfolio. During the first quarter, this monitoring led us to sell two investments which had suffered under the duress of the credit crisis. It is never easy to sell investments at a loss, but we consider this pruning of the portfolio vital to ensure its future potential.

Thomson

Sold with loss

Thomson is a French company focused on video, broadcast and communications technology. The company holds various industry-standard patents for video and audio technologies – which give it a stable stream of licensing income. Thomson is also involved in network television, both at the broadcast end and at the consumer end, providing the set-top boxes needed for consumers to access the network.

We first acquired shares in Thomson in 2006, at fund launch, paying around EUR 14 a share. The company had low debt levels, healthy free cash flows and was cheaply valued – both relative to its book value and its long-term earnings history.

By early 2008, Thomson's balance sheet was not as strong as it had been, with higher levels of debt and goodwill relative to equity than when we invested. However, we still considered the company to have solid cash-flow generation power, not least thanks to its continued ability to earn licensing income. Nonetheless, it was one of the holdings we monitored most closely during the year.

Unfortunately, as the credit crisis unfolded, Thomson was hit hard. Under normal credit conditions its debt

levels might have remained serviceable – but, as rating downgrades reduced its access to liquidity, the spectre of breached debt covenants arose, and the lack of short-term funding severely limited its ability to run day-to-day operations. Ultimately, we judged that any solution for Thomson – such as an extremely dilutive share offering – would likely be to the further detriment of existing shareholders. Thus, we decided to exit our position.

Hypo Real Estate

Sold with Loss

Hypo Real Estate is a German financial company, specialising in commercial real estate and public-sector financing. We originally held shares in Depfa Bank – a public-sector finance company – but in 2007, Hypo made a bid for Depfa, offering around 40% cash and 60% Hypo shares. We voted against this offer, but a majority of shareholders accepted. As a result, we became shareholders in Hypo Real Estate. We decided to hold onto this stock until the full year numbers for 2007 provided more transparency into the balance sheet.

In early 2008, it emerged that Hypo had some exposure to Credit Derivative Obligations – but, although this triggered a profit warning, we did not consider that the fundamental investment case had been compromised. Indeed, as 2008 progressed, what hurt Hypo was not these CDOs, but the unprecedented tightening of credit conditions. Along with many other financial institutions, Hypo found it increasingly difficult to secure sufficient liquidity.

In late 2008 and early 2009, it became clear that Hypo would need some form of rescue package – and, increasingly, that this would involve the government taking a major stake. Concerned that potential nationalisation would render existing shareholdings worthless, we decided to exit our position.

Jens Moestrup Rasmussen

Lead Portfolio Manager

8 April 2009

The mentioned sub-fund is part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company. For further information we refer to the full and/or simplified prospectus and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest or of appointed distributors together with the initial statutes of the funds and any subsequent changes to such statutes. Investments are only made on the basis of these documents. Past performance is no guarantee for future returns. Investors may not get back the full amount invested. Investments may be subject to foreign exchange risks. The investor bears a higher risk for investments into emerging markets. The indicated performance is calculated Net Asset Value to Net Asset Value in the fund's base currency, without consideration of subscription fees. For investors in Switzerland the funds' representative and paying agent is RBC Dexia Services Bank S.A., Zurich Branch, Badenerstrasse 567, P.O. Box 101, CH-8066 Zurich. Published by Sparinvest, 28, Boulevard Royal, L-2449 Luxembourg.