



## Ethical Global Value

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### Fund Facts

Strategy	Value Equity
Risk	N/A
ISIN	LU0362355355
Share Class Currency	EUR
Fund Inception	30-May-2008
Fund Manager	Jens Moestrup Rasmussen
Benchmark	MSCI World (EUR)
Morningstar Category	Global Large-Cap Value Equity

■ [sparinvest.eu](http://sparinvest.eu)

### Performance

In the second quarter of 2009, Sparinvest Ethical Global Value rose by 18.94%, taking the year-to-date return to 7.01%. The general equity market, as measured by the MSCI World Index, advanced by 14.30% over the quarter and 5.40% year to date. Meanwhile, MSCI World Value and MSCI World Small Cap indices increased by 16.61% and 21.25%, respectively. The MSCI World Growth index rose by 12.25%.

The market saw some significant return reversals and, although the fund did not benefit fully from the rebound in financials, it profited well from the strong showing in industrial and consumer discretionary stocks - particularly in the Euro zone. Defensive and energy stocks performed less strongly, while the Japanese yen and US dollar both weakened slightly against the Euro – although the Japanese market was among the strongest performers in the quarter, even in Euro terms.

As such, the fund performed well in both absolute and relative terms in the second quarter, outperforming the MSCI World by over 4 percentage points. Naturally, this is satisfying, but our focus – as always – remains on the generation of healthy returns over the longer term.

### Portfolio Composition

At the end of the quarter, the cash position was 7.0% of assets under management. The fund had 96 holdings and our ten largest positions accounted for 29.71% of the total. During the quarter, we made a new investment in Patterson UTI, a US company offering land drilling services to oil and natural gas companies.

Meanwhile, we have exited four small holdings as part of our ongoing process to remove holdings of insignificant weighting. In general rebalancing of the portfolio, we made additional investments in some existing holdings and reduced others.

*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

We continue to believe that the valuations and indicators of the financial strength of our holdings show great potential. After a quarter in which the fund rose by nearly 19%, the average Price-to-Book ratio remains at only 0.9x, with an EV/EBITDA (one measure of the price you pay for the earnings power) of just under 5 times. The Net-Debt-to-Equity ratio remains a healthy 16%. 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

### **Fossil**

*Target reached*

Fossil is an American company that designs and markets a range of fashion products. Its core product is watches which it markets under its own brand names as well as various in-licensed brands.

In Fossil, we saw a strong – net cash – balance sheet, coupled with a track record of healthy earnings and steady expansion of shareholders' equity. We were impressed by Fossil's large stable of licensing tie-ups – ranging from fashion names like DKNY, Emporio Armani and Burberry, to sports brands such as Columbia Sportswear, Callaway Golf and Adidas - and the company's proven ability to manage these diverse brands to generate stable earnings.

We invested in Fossil in early March 2009, paying between 12 and 13 USD per share. At Sparinvest, we do not aim to practice market timing. We invest in companies which we consider to be undervalued, and sell when they reach our estimation of intrinsic value. In Fossil, this happened quickly. The stock rose rapidly to our target price, and in early May we were able to sell for an average price of over 20 USD – giving a return close to 60% within two months.

## Ethix SRI Advisors

### **Summary of the Exclusion Filters**

#### **Norm-based Screening (UN principles)**

- Zero tolerance

#### **Sector-based Screening**

*For Porn, Alcohol, Tobacco and Gambling*

- Zero tolerance for production
- 5% tolerance for distribution

*Weapons*

- Zero tolerance for combat equipment
- 5% tolerance for other military equipment and associated services

## Ethix SRI Advisors – Ethical Reporting

### New holdings

During the quarter, no potential new investments were excluded as a result of the ethical screening criteria.

### Patterson UTI

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
Patterson UTI	US	—	—	—	—	—	—	—	—

No comment regarding involvement in controversial activity and revenue shares derived from such activities.

### Existing holdings

During the quarter, none of our existing holdings were removed from the portfolio due to ethical criteria. However, one of our holdings – Royal Dutch Shell – has been placed on an Amber alert, which is explained below. We will of course monitor this situation.

### Royal Dutch Shell Plc-A Shs – Issue of concern

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
Royal Dutch Shell Plc-A Shs	NL	—	•	—	—	—	—	—	—

Royal Dutch Shell plc (Shell) has not satisfactorily addressed serious allegations of failure to prevent negative effects of oil production on local communities and the environment in the Niger Delta. Shell’s failure to abide by the rulings of Nigerian courts and pay its share of pollution compensation awards is assessed to fall short of international standards of corporate social responsibility.

Ethix SRI Advisors dialogue: Shell has provided Ethix SRI Advisors with detailed answers regarding its position on gas flaring and oil spill compensations and has an ongoing dialogue with stakeholders.

Ethix SRI Advisors will revise its current assessment if the company:

- Discontinues routine gas flaring.
- Reaches a satisfactory settlement with local communities covering environmental degradation and negative health effects.

### Jens Moestrup Rasmussen

Lead Portfolio Manager

10 July 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.