



Global Small Cap Value

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Fund Facts

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| Strategy | Value Equity |
| Risk | N/A |
| ISIN | LU0264925131 |
| Share Class Currency | EUR |
| Fund Inception | 02-Nov-2006 |
| Fund Manager | Kasper Jacobsen |
| Benchmark | MSCI World Small Cap (net dividends) |
| Morningstar Category | Global Equity Small/Mid Cap |

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Performance

In the second quarter of 2009, Sparinvest Global Small Cap Value advanced by 18.96%, bringing the year-to-date return to 6.93%. The general small cap market, as measured by the MSCI World Small Cap Index rose 21.25% in the quarter and 13.65% year-to-date. The MSCI World and MSCI World Value indices increased by 14.30% and 16.61%, respectively, in the second quarter. Growth stocks posted a return of 12.25%.

The small cap segment was one of the best-performing segments of the global developed equity market in the past quarter, and also year-to-date. We lost around two percentage points relative to the benchmark during the quarter due to a relatively weak performance from some of our European names. In terms of sectors, we benefited from our high exposure to the consumer discretionary and industrial sectors, as well our IT exposure. But our relatively low exposure to financials meant that we did not fully participate in the rebound there. By region, Germany and Japan served us best, the latter despite a slight weakening of the Japanese yen against the Euro.

Portfolio Composition

At the end of the quarter, the cash position was 6.6% of assets under management. The fund had 73 holdings and our ten largest positions accounted for 21.50% of the total.

We are finding many opportunities for new investment in the current markets, and during the quarter we made four new investments – a relatively high number. We acquired shares in Venture Corp of Singapore, a company that provides contract manufacturing services to electronics companies and in Henry Boot, a UK construction company exposed to both house building and civil engineering. We also invested in two Italian companies: Danieli & Co,

which produces machinery for the iron and steel sector, as well as steel itself, and GranitiFiandre, which produces porcelain tiles for floors and walls.

In general rebalancing of the portfolio, we made additional investments in some existing holdings and reduced others. We exited our position in Fossil, which is 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

The valuations and indicators of the financial strength of Sparinvest Global Small Cap Value remain extremely encouraging. After three months in which the fund rose by close to 19%, the average Price-to-Book ratio remains just 0.82 times, with an EV/EBITDA (one measure of the price you pay for the earnings power) around 4.8 times. Financial gearing is low – in fact bordering on a net cash position – with a Net-Debt-to-Equity ratio of just under 4%. 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 of over 20 USD – giving a return of over 50% within two months.

Kasper Billy Jacobsen
Lead Portfolio Manager
10 July 2009

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