



High Yield Value Bonds

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Fund Facts

Strategy	Value Bonds
Risk	Medium
ISIN	LU0232765429
Share Class Currency	EUR
Fund Inception	16-Nov-2005
Fund Manager	Klaus Blaabjerg
Benchmark	Merrill Lynch Global High Yield (EUR Hedged)
Morningstar Category	Euro High Yield Bond

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Performance

The historically low bond prices were, to a great extent, driven by extremely low liquidity in the credit market. As we promised in our last quarterly review, we maintained our investments in bonds with low liquidity – despite the fact that the general credit market turned its back on illiquid bonds as the credit crisis reached its peak. Both optimism and liquidity increased slowly but steadily this spring and our value-approach – investing in low priced bonds issued by companies with strong balance-sheets – paid off. The increased liquidity in the credit market caused prices to jump among the illiquid bonds which had a very positive impact on the performance of the fund.

Sparinvest High Yield Value Bonds finished this quarter with a year-to-date return of 39.99% compared to a return on our benchmark Merrill Lynch Global High Yield (EUR Hedged) of 30.84%.

Portfolio composition

At the end of the quarter, the fund held 79 positions with an overweight towards the energy sector as well as to European companies.

The refinancing risk is far from gone in the general credit market – in spite of the large jumps in bond prices during this quarter. We therefore keep focusing on companies with strong value-parameters that have low gearing and low price-to-book ratios.

Our 10 largest holdings account for 28.50% of the portfolio.

A more detailed description of our portfolio composition and performance is available from our website or fund factsheet.

Valuation of the portfolio

In spite of the positive mood in financial markets during this quarter, we still find our portfolio attractively priced with low price-to-book ratios together with a low average net-debt-to-equity of below 100 (excluding financials). By contrast, the general market had a leverage ratio above 400%. Furthermore the average bond price is 73.18 in our portfolio compared to 82.84 in our benchmark.

Company comments

Oxford Industries

Towards the end of this quarter, we accepted an offer from the company to buy back our bonds at a price of 100, which gave the fund a gain of 10%. Oxford Industries is a global company designing and producing life-style brands. Due to the economic meltdown, and because of decreasing consumer demand, the company took steps to reduce its inventories, consumer credits and the total debt.

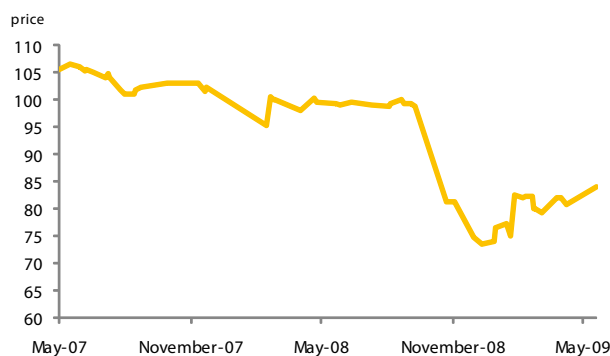
Brown Shoe

Brown shoe is a global company that designs and produces footwear. The sales are well distributed between a number of brands and sold as low-cost footwear in supermarkets as well as expensive footwear in luxury shops.

This company is a value investment for Sparinvest High Yield Value Bonds with low gearing, low price-to-book. Furthermore, the documentation of the bond provides a great degree of security for bondholders. There is a limit on how much debt the company is allowed to take.

Furthermore, the company is not allowed to sell assets and there is a cap on the amount that it is allowed to distribute to stockholders through stock buy-backs or dividends.

For a long time, Brown Shoe has been on the watch list for Sparinvest High Yield Value Bonds and we took advantage of the credit crisis to buy bonds. In January we bought bonds at the prices of 74 and 77.25.



At the end of the quarter the bond traded at a price 85 with a coupon of 8.75%. The effective yield on the bond is 15.5% until maturity in 2012.

Klaus Blaabjerg
Senior 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.