



Investment Grade Value Bonds

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Fund Facts

Strategy	Value Bonds
Risk	Medium
ISIN	LU0264925727
Share Class Currency	EUR
Fund Inception	2-Nov-2006
Fund Manager	Klaus Blaabjerg
Benchmark	Merrill Lynch Global Broad Market Corporate Index (EUR Hedged)
Morningstar Category	Euro Corporate Bond

- sparinvest.eu

Performance

During the fourth quarter the fund maintained its overweight in banks' subordinated loan capital – an exposure that has delivered high positive returns after the cash prices hit the bottom back in March. We still like our sector exposure and expect further narrowing in the credit spreads during 2010.

The 2009 return on Sparinvest Investment Grade Value Bonds was 44.66% relative to a return on our benchmark Merrill Lynch Global Broad Market Corporate Index (EUR Hedged) on 16.22%.

Portfolio valuation and composition

Sparinvest Investment Grade Value Bonds has used the latest quarter to invest in a number of new corporate bonds as part of our continuous adaptation to the changing financial reality. The fact is that the financial markets in 2009 changed constantly and quickly from extreme uncertainty to growing optimism. Today our fund appears attractive for the long-term investor and consists of 45 positions with an overweight of European bank capital.

Today our fund is attractively priced with an effective yield of 9% relative to 4.8% for our benchmark.

For more details, please visit Sparinvest.eu.

Company comments

We used the mispricing in bank capital to invest in a number of very low-priced bonds early in 2009. During the financial crisis, governments showed determination and implemented a number of stimulus packages like direct bank ownership or loans to the distressed banks. It was necessary for liquidity to be boosted and for confidence in the banks to be rebuilt before the rest of the economy could function again and work its way out of the crisis.

As ever, there is no such thing as a free lunch and together with the lifebuoy thrown to the banks came more regulation in the form of a demand for greater visibility, higher capital requirements and more regulation. All these initiatives have been introduced to prevent new financial crises arising and to ensure that banks hold sufficient capital to withstand sudden economic crises.

Lloyds Banking Group

Lloyds used the last six months to implement a number of initiatives. Today the bank appears much more capitalized than earlier last year, which from the creditor perspective is good news because most of the capital has been raised through stock issuance.

Clerical Medical

The UK firm Clerical Medical was established in 1824 and is among the UK's leading pension and investment consulting companies. Today Clerical Medical is part of the Lloyds Banking Group, giving them access to more than 30 million potential new customers. Sparinvest Investment Grade Value Bonds owns bonds issued by Clerical Medical. The bond is rated A- but is still trading at a price equivalent to an effective yield of 10%. This is still a very low price for the quality we see in the bond.

Klaus Blaabjerg

Lead Portfolio Manager

8 January 2010

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.