



## Global Small Cap Value

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### Fund Facts

Strategy	Value Equity
Risk	Medium
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

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

### Performance

Sparinvest Global Small Cap Value rose by 11.98% in the first quarter of 2010. The general small cap market, as measured by the MSCI World Small Cap Index, gained 14.05% in the quarter. The MSCI World index rose by 9.47%. Value stocks – the MSCI World Value – increased by 9.58%, while growth stocks returned 9.36%.

Sparinvest Global Small Cap Value versus Index in %	Q1 2010	2009
Sparinvest Global Small Cap Value	11.98	22.28
MSCI World Small Cap Index	14.05	39.63
MSCI World Index	9.47	25.94
MSCI World Value Index	9.58	22.73
MSCI World Growth Index	9.36	29.12

MSCI World Small Cap Index, MSCI World Index, MSCI World Value Index and MSCI World Growth are all indices that contain a broad selection of companies from all over the world. All returns on investment are in EUR.

The small cap segment was one of the best-performing segments of the global developed equity market in the quarter and, although we feel that our fund performed well in absolute terms, it lagged the index by just over 2%.

The fund benefited from high exposure to strongly-performing Japanese stocks and, despite our modest exposure to the US, the region contributed well to our performance. European stocks, on the other hand, were a bit sluggish in the past three months and, being our largest regional exposure, meant that we suffered overall from our regional allocation.

The relative quarterly return of the fund is not satisfactory, but our focus – as always – remains on the generation of healthy absolute returns over the longer term. As previously discussed in our fund updates and letter to shareholders, we believe that our portfolio holdings have considerable potential for future performance.

## Portfolio Composition

At the end of the quarter, the cash position was 6.7% of assets under management. The fund had 75 holdings and our ten largest positions accounted for 22.57% of the total.

Since we last wrote, we have made three new investments, two in the US and one in Europe. We bought shares in Apogee Enterprises, a specialist glass maker, Cascade Corp, a maker of attachments for fork-lift trucks and related products and De'Longhi, an Italian maker of electric appliances.

In general rebalancing of the portfolio, we made additional investments in some existing holdings and reduced others. We have now exited our position in Océ, 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

Despite recent share price increases, valuations of the fund remain attractive. The average price-to-book ratio is only 1.06 times, with an EV/EBITDA of around 5.2 times. In terms of balance sheet health, the average net-debt-to-equity ratio is under 10%. We are convinced that the strength and low pricing of our portfolio will allow us to generate healthy long-term returns.

## Individual Positions

### **Océ**

#### *Takeover Bid Accepted*

As communicated in our previous letter to shareholders, we received a takeover bid for Océ in November 2009.

Océ is a Dutch manufacturer of high-end copiers and printers, which has been a long-term holding in the fund. The group has developed interesting niche businesses with strong competitive edges in wide format and high

volume printing, in which it has a strong competitive position. That said, recent years have not all been smooth sailing for the company. In its standard office printer business, it increasingly found itself a relatively small player, and it became tougher for a company with a European cost base to compete in a rapidly globalising world.

This combination meant that it was not a huge surprise when Canon announced a takeover bid for the company. Strategically, it made an excellent fit, with Canon gaining the strong niche operations from Océ, and Océ clearly benefiting from Canon's global presence.

That said, we were disappointed to see that the board and management of Océ opted to make this move during a downturn. Negotiations with potential buyers started at the bottom of the economic cycle, which resulted in a takeover bid which we felt did not reflect the full long-term value of Océ. We clearly communicated this directly to the management and boards of both Canon and Océ, and in person at an extraordinary general meeting relating to the bid. Unfortunately, with a majority of shareholders supporting Canon's bid of EUR 8.60, we were not able to change the outcome of the offer.

The fund had first acquired shares at fund inception in late 2006, paying around EUR 12.20 per share. Clearly, the tender level of EUR 8.60 was some way below this level, making for a total return, after dividends, of around minus 20%. Clearly, we did not consider this to be a satisfactory return, and moreover, did not feel that the bid truly reflected the long-term value of the company.

However, the majority vote in favour of the bid meant that, if we were to refuse to tender, we would have become minority shareholders in a company with an extremely low free-float of shares, or possibly even a delisted company. We ultimately decided that this would not be in the best interest of our shareholders and therefore decided to tender our shares. We received payment in March 2010.

**Kasper Billy Jacobsen**  
Lead Portfolio Manager  
12 April 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.