

Press release
22 June 2010

"Denmark is currently one of the best markets for bond investors"

"Bond investors should look towards Denmark," says Claus Carøe, portfolio manager of the Sparinvest Long Danish Bonds (AOLFW9 WKN / ISIN LU0274988251). "The Danish bond market offers higher returns than German government bonds with a similarly high level of security," says Carøe.

Luxembourg, 22.06.2010 - "Denmark is currently one of the best markets for bond investors," says Claus Carøe, Fund Manager of Sparinvest Long Danish Bonds (AOLFW9 WKN / ISIN LU0274988251). "Danish government bonds are priced reasonably when compared to bonds issued by the governments of other European countries. They are ideal for investors looking for bonds with relatively high returns but also high safety." The economic conditions in Denmark are much better than in other European countries. In 2009, Danish public debt amounted to around 42 percent of gross domestic product (GDP), which is significantly below the EU average of 79 percent in 2009. The German public debt was around 73 percent of GDP in 2009.

The Danish bond market has a special feature in that it consists predominantly of mortgage loans. These alone represent a volume of over € 300 billion. Thus, the Danish mortgage market is the largest in Europe. "Danish mortgages are designed to prevent the errors that resulted in the U.S. housing crisis from occurring," says Carøe. Danish homeowners borrow long term at a fixed interest rate. They are allowed to use loans to finance only 80 percent of a home purchase and only 60 percent of a commercial building. These loans are bundled and sold as mortgage bonds with maturities of 10, 20 or 30 years. The duration of the bond always corresponds to the timescale of the underlying mortgage.

"An investment in Danish mortgage bonds is very safe," says Carøe. "In 200 years there has never been a single default and the three major bond issuers have ratings of AAA. The market is very transparent, highly liquid and is supported by a broad, domestic investor base."



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About 50 percent of the mortgage bonds are callable bonds. This means that if interest rates fall, the borrower is able to repay the loan early and take out a new loan at a lower interest rate. This cancellation option reduces the likelihood of defaults. If interest rates rise, however, the current loan is not affected. "Over the last five months, the key interest rate in Denmark has been steadily reduced," says Carøe. "For our portfolio, we monitor developments closely and rebalance as necessary. Callable bonds - because they offer the risk of repayment before term - offer investors a higher premium. Therefore, Danish mortgage bonds are still able to achieve a better return than, say, German government bonds, even in a situation where the Danish prime rate is equal to European rate. "

The Sparinvest Long Danish Bonds (as of 31 May 2010)

The Fund invests in Danish bonds. The maturity of the portfolio is six to seven years. The company focuses on three types of bonds: government bonds, mortgage bonds and mortgage-callable bonds.

As part of the Danish Morningstar Fund Awards 2009 received the Sparinvest group the overall "Best investment company" within the Danish fixed income universe.

	Sparinvest Long Danish Bonds
WKN / ISIN	A0LFW9 / LU0274988251
Funds size	780,580,000 DKK
Performance YTD	7,12%
Performance 1 year	12,62%
Performance 3 years p.a.	7,56%
Performance 5 years p.a.	3,93%

Fund Manager video

An interview with fund manager, Claus C Carøe can be seen at

<http://www.sparinvest.lu/get/27850.html>

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For further information, please contact:

Sparinvest Associate Director, Henrik Rolandsen Obel
Phone: +352 26274721
hro@sparinvest.lu

Photographs are available from jbr@sparinvest.lu

About Sparinvest:

Founded in 1968, Sparinvest is one of Denmark's leading independent asset management companies, managing and advising on assets valued at over €8 billion (as at end May 2010), including one of the largest equity funds in Denmark.

Owned today by broad range of institutional shareholders, Sparinvest has the freedom to pursue its own investment philosophy and style with a view to providing 'prudent investments' for its clients.

In 2001, Sparinvest S.A. was established in Luxembourg and a number of Luxembourg-domiciled funds were created for the purpose of pan-European distribution. The Sparinvest SICAV, a UCITS III-compliant umbrella fund is now authorised for distribution in 16 European nations.

Sparinvest has established an excellent reputation within the investment industry for the success of its strategic asset allocation approach when constructing portfolios for investment mandates and because of its outstanding track record in value investment.

