



European Value

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Fund Facts

Strategy	Value Equity
Risk	Medium
ISIN	LU0264920413
Share Class Currency	EUR
Fund Inception	02-Nov-2006
Fund Managers	Jens Moestrup Rasmussen & Per Kronborg Jensen
Benchmark	MSCI Europe (net dividends)
Morningstar Category	Europe Mid-Cap Equity



- sparinvest.eu

Performance

In the third quarter of 2010, Sparinvest European Value advanced by 9.48%, while the general European equity market (MSCI Europe index) rose by 7.09%. This means that year-to-date returns are 15.52% for the fund, compared with 4.47% for the index. The fund is ahead of both value and growth stock indices so far in 2010. As can be seen in the below table, European value stocks overall have in fact declined by 0.33% so far in 2010, compared with a gain of 9.21% for growth stocks.

Sparinvest European Value & Index Returns, in %	Q3 2010	YTD
Sparinvest European Value	9.48	15.52
MSCI Europe Index	7.09	4.47
MSCI Europe Value Index	7.74	-0.33
MSCI Europe Growth Index	6.48	9.21
MSCI Europe Small Cap Index	9.80	14.50

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

As we discuss in the Letter to Shareholders for the third quarter, the overall macro-economic environment is still not easy. Stock markets remain rather cautious, but compared with the blind panic of late 2008 and early 2009, where the entire market could almost rise and fall in unison; we are starting to see signs of greater selectiveness. This suits us well, and we believe the individual qualities of our holdings – such as balance-sheet strength and high operational leverage – are starting to distinguish themselves.

The trends we saw emerging earlier in the year essentially continued in the third quarter. Our individual stock selections in countries such as Germany, the United Kingdom and Switzerland have continued to serve us

very well, strongly outpacing the overall stock market. In particular, our positions in cyclical sectors such as industrials, consumer discretionary and information technology have made solid contributions.

Meanwhile, the fund has also benefitted from our fairly low exposure to Southern European markets such as Portugal, Greece and Spain, which have suffered considerably this year on concerns over economic health and sovereign debt. As we have noted previously, our low exposure here is not the result of a top-down decision to avoid them. However, when we analyse individual companies, we do of course factor in relevant macro-economic conditions – and in recent years, when we looked at companies in these countries, we simply did not find many that fitted our requirements in terms of earnings power, balance-sheet strength, and valuation. We see this as a clear example of our bottom-up process leading to risk avoidance.

Portfolio Composition

At the end of the quarter, the cash position was 6.7% of assets under management. The fund had 64 holdings and our ten largest positions accounted for 32.06% of the total.

Since we last wrote, we have sold our position in Avon Rubber, which is discussed below. In general rebalancing of the portfolio, we made additional investments in some existing holdings and reduced others.

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 enclosed fund factsheet.

Portfolio Valuation

Although the fund has gained 15.52% so far in 2010, we believe that the portfolio remains deeply undervalued, offering good potential for continuing performance. As a rough indication of the valuation of our funds, we amalgamate the holdings into one theoretical company.

This company has a price-to-book of just 1.02 times, compared with 1.25 times for the MSCI Europe index. The Price-to-Earnings multiple based on Bloomberg earnings estimates for 2010 is 14.7 times, but based on 2011 estimates, it drops to 10.7 times. This reflects the strong operating leverage of many of our holdings: as the overall economic environment gradually improves, they are well placed to see healthy increases in earnings levels. EV/EBITDA is a useful indicator of the price of a company relative to its raw earnings power, and the fund is trading at 5.8 times 2010 estimates, and 5.0 times 2011 estimates.

Meanwhile, the aggregate balance sheet is strong, with net-debt-to-equity of just 37% and intangibles-to-equity of only 19%.

We are confident that Sparinvest European Value offers a portfolio of undervalued strength, with solid asset backing, and robust earning power, which can generate healthy investment returns over the years to come.

Individual Positions

AVON RUBBER

Sold with loss

Avon Rubber had been a long-term small cap holding in the value equity funds, and the European Value fund acquired shares around fund launch in late 2006, paying around GBP 141 per share. During 2006, Avon Rubber had disposed of an automotive parts business that had caused considerable pain on the income statement, and had set about refocusing its business mix on two areas: dairy equipment, and protection and defence – this latter basically means gas masks. This process continued in the following years, with dairy equipment providing modest but stable earnings, and the company starting to secure government contracts for the supply of gas masks.

However, partially as a result of the ongoing restructuring, the balance-sheet strength had been somewhat eroded and, under the strain of the financial crisis, the situation deteriorated further. We determined that this weakening of the balance sheet had left us with little downside

protection, and in early 2010, we chose to sell our position. Including dividends, this made for an overall loss of around 3% per year, which is clearly not satisfactory. However, it is crucial to the investment process that when fundamental developments threaten the investment case and increase downside risk, we dispose of the position. Thorough monitoring – and sometimes pruning – of the portfolio is vital to maintain its strong potential for the future.

Jens Moestrup Rasmussen **Per Kronborg Jensen**
 Lead Portfolio Manager Senior Portfolio Manager
 12 October 2010

This Fund Update should be read together with the latest 'Letter to Shareholders', in which our Value Equities team offer their perspective on value investment and market developments.

Sparinvest European Value available share classes	ISIN
EUR E	LU0324848083
EUR I	LU0264924241
EUR R	LU0264920413
EUR UKI	LU0264924753
EUR UKR	LU0264920926
GBP UKR	LU0264927772



Sparinvest is a signatory of UN PRI and member of EuroSif and Dansif.

UN PRI is an international investor initiative sponsored by the UN and based on six principles for responsible investments. The aim is to help investors actively to incorporate environmental, social and governance issues into their investments.

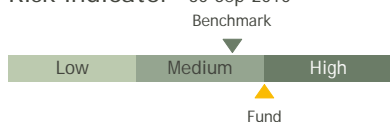
The mentioned sub-fund is part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company. For further information we refer to the full and/or simplified prospectus and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest or of appointed distributors/representatives 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 Investor Services Bank S.A., Zurich Branch, Badenerstrasse 567, P.O. Box 101, CH-8066 Zurich. Published by Sparinvest, 28, Boulevard Royal, L-2449 Luxembourg. Sparinvest makes reservations for typos, calculation mistakes and other possible mistakes in the material.

Description

Investment Concept: Value Equities

The fund invests in European equities. The fund may to a lesser extent invest in other securities. Stock selection is based on the value approach. After a thorough analysis of publicly available information, stocks having a market capitalisation considerably lower than the intrinsic value are selected. The fund typically has a wider margin of safety, and consequently a lower risk, than the general market. The fund is focused on preservation of capital.

Risk indicator - 30-Sep-2010



Basic Information

ISIN	LU0264920413
Bloomberg	SPEUVR.LX
Share Class	EUR R
Fund Inception	02-Nov-2006
Share Class Currency	EUR
Income Type	Accumulating
Company name	Sparinvest Luxembourg
Domicile	Luxembourg
Share Class Inception	02-Nov-2006
Fund size (MN) - 30-Sep-2010	92.90 EUR
Manager	Sparinvest Fondsmaeglerselskab A/S
Fund Manager	Jens Rasmussen
Fund Manager Start Date	02-Nov-2006
Benchmark ¹	MSCI Europe (net dividends)
Morningstar Category ²	Europe Mid-Cap Equity
Latest NAV - 30-Sep-2010	77.02 EUR
Subscription fee (up to)	3.00 %
Redemption fee (up to)	0.00 %
Management Fee	1.50 %
Total expense ratio - 31-Dec-2009	2.00 %

Returns - Month End, Sep-2010

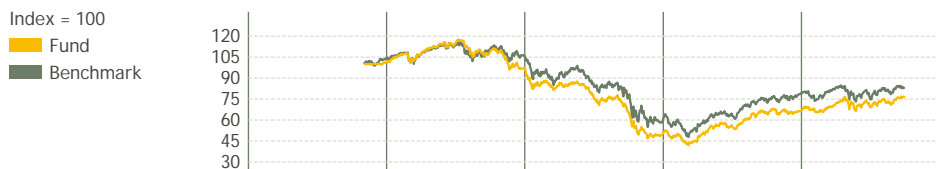
Returns	Fund	Benchmark ¹	Difference
YTD	15.52%	4.47%	11.06%
1 Month	7.27%	3.33%	3.94%
3 Months	9.48%	7.09%	2.39%
1 Year	17.89%	9.88%	8.01%
3 y ann.	-10.46%	-9.14%	-1.32%
5 y ann.	-	-	-

Risk 3 years - Month End, Sep-2010

Risk	Fund	Benchmark ¹	Morningstar ²
Volatility	25.00%	20.96%	23.92%
Sharpe R.	-0.40	-	-0.35
Info Ratio	-0.05	-	-

Morningstar Rating™ **★★★**

Performance - 30-Sep-2010

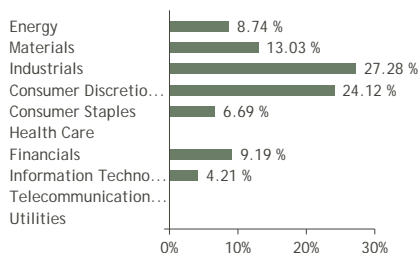


Returns	2006	2007	2008	2009	09-2010
Fund	-	-4.13%	-48.00%	32.13%	15.52%
Benchmark	19.61%	2.69%	-43.65%	31.60%	4.47%
Morningstar Category™	24.49%	-1.34%	-46.50%	38.22%	9.70%

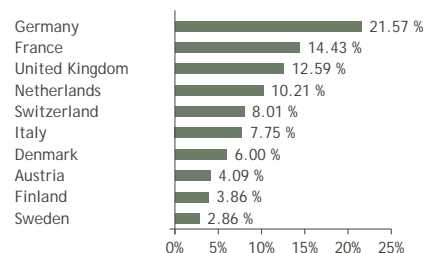
Asset Allocation

Holdings	Equities	Bonds	Other	Cash
64	93.3%	0.0%	0.0%	6.7%

Sector Breakdown



Top 10 Countries



Portfolio (Top 10) - 30-Sep-2010

Name	Sector	Type	Country	Weight
Man Se	Industrials	Equities	Germany	3.57%
Hochtief A.G.	Industrials	Equities	Germany	3.56%
A.P. Moeller - Maersk A/S B	Industrials	Equities	Denmark	3.33%
Roy.Philips Electr./Eur 0.2	Industrials	Equities	Netherlands	3.23%
Upm-Kymmene Corp	Materials	Equities	Finland	3.18%
Koninklijke Dsm Nv	Materials	Equities	Netherlands	3.09%
J.Sainsbury Plc	Consumer Staples	Equities	United Kingd...	3.08%
Frankfurt Airport Serv.Worldw.	Industrials	Equities	Germany	3.06%
Omv Ag	Energy	Equities	Austria	3.02%
Royal Dutch Shell Plc-A-	Energy	Equities	Netherlands	2.94%

Notes:

The mentioned sub-fund is a part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company.

Benchmark Comment

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