



October 2011

## SPARINVEST SICAV - GLOBAL VALUE FUND

Sub-fund of Luxembourg domiciled Sicav - Part 1

Fund owner: Sparinvest

Fund manager/adviser: Sparinvest

### Named portfolio manager/adviser(s):

Jens Moestrup Rasmussen (since launch),

Kasper Billy Jacobsen (since launch) /

Team

Peer group: Global mainstream equities

Location: Taastrup, Copenhagen

Launch date: December 2001

Fund size (August 2011): €804.77m

Contact group: +352 2627 47 1 or

www.sparinvest.eu

Further information on S&P's fund coverage can be found at [www.FundsInsights.com](http://www.FundsInsights.com)

### Investment style

	Value	Blend	Growth
Large-cap			
Mid-cap			
Small-cap			

### Performance statistics

	Three years
Fund	-10.8%
Standard & Poor's peer median	-8.6%
Index**	-3.1%
Fund rank	2840/4768
Volatility-adjusted ranking	2535/4768

\*\* S&P Global 1200

Note: returns are cumulative

### Risk characteristics

	Three years
Maximum monthly drawdown (%)	-23.7
Volatility	28.3
Correlation	0.9
Beta	1.1

### Calendar-year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine with tenth decile as rank one.

Performance Data Source - © 2011 Lipper inc. All rights reserved. All statistical data on this report has been run to 1 June 2011 on NAV to NAV basis, with gross income reinvested, in USD.

### Standard & Poor's opinion (September 2011)

Sparinvest has been managing equity portfolios using a bottom-up, deep-value approach for over 14 years. Jens Moestrup Rasmussen helped introduce the concept in 1997 and has led the team since 2001. Initial success with global mandates has led to a range of similarly managed funds covering other regions.

The investment approach is an enhanced version of the traditional Graham & Dodd style of investing with its focus on detailed balance sheet and profit & loss analysis, first to determine each company's intrinsic (fair) value and then to avoid value traps. Investments are made in companies trading at a discount of at least 40% to fair value, giving a significant margin of safety - reflecting an emphasis on capital preservation - and a bias towards mid-/small-cap companies. Positions are held until fair value is achieved, or there is a significant adverse change in the reasons for purchase. Portfolio turnover is typically under 30% a year.

Although the fund has no formal benchmark constraints outside standard Sicav rules, the portfolio is kept diversified across 90-110 high quality, low equity-to-debt companies, each on a discount to perceived fair value. The contrarian nature of the approach does, however, lead to strong sector biases which can at times result in short-term underperformance against the MSCI World benchmark and peers.

Rasmussen is supported by Kasper Billy Jacobsen and the other eight members of the value equity team; average experience is 12 years.

This strong team, with its disciplined investment approach, supports the fund achieving an S&P A rating.

### Fund manager & team

Sparinvest's value equity team in Copenhagen has been led by Jens Moestrup Rasmussen since 2001, assisted on operational issues by Kasper Billy Jacobsen since February 2008. Of the firm's total €8.7bn under management, approximately €3bn is in equity value mandates spread across 10 retail funds, with a further \$300m in discretionary accounts.

The team comprises eight portfolio managers, including Rasmussen and Jacobsen and two equity analysts. Experience ranges from seven to 21 years, giving an average of 12 years, including four years with the firm. All act as research generalists with a global remit, but with individual preferences and areas of expertise. Stocks are currently screened as one global universe, but global sector screens are being developed. Close contact with management is considered important.

Jens Moestrup Rasmussen - MSc economics (Copenhagen University), joined the Sparinvest equity team in 1997 from the Danish credit rating agency, KOB. He began managing money in 2000 and has been head of equities since 2001.

Kasper Billy Jacobsen - head of equities - MSc economics (Copenhagen Business School), started his career as a credit analyst at Danish rating agency KOB in 1993, before moving to Danish business daily "Dagbladet Børsen". He joined Sparinvest in 2000, has managed money since 2002 and has been a member of the value team since 2004.

### Management style

This fund targets long-term outperformance of the MSCI World index by applying a disciplined deep-value approach to investing.

Over 22,000 stocks are screened monthly to identify good quality companies trading at a discount of 40% or more to their intrinsic value, this being calculated in-house by assessing profit & loss accounts, cross-checked with tests for balance-sheet strength to help avoid value traps. Sub-\$250m companies are avoided on liquidity concerns

Key criteria include low P/E, P/B, P/CF and EV multiples, and a net debt-to-equity ratio under 50%. Qualitative assessments focus on management, franchise, barriers to entry etc. A database of corporate takeovers is used to help assess takeover value.

Portfolio construction is bottom-up, targeting 90-110 holdings with no constraints on country, sector or stock weights, although most active stock bets are within index +/-3%.

Risk is defined at company level, in terms of fundamentals - high quality and a low equity-to-debt ratio, and controlled by buying with a safety margin of at least 40%, ideally having found a catalyst to help release that value. Turnover is low.

Cash is generally 5-10%.

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# STANDARD & POOR'S

STANDARD  
& POOR'S

**A**  
FUND MANAGEMENT RATING

## Portfolio & performance analysis (August 2011)

Despite strong outperformance in 2011, disappointing relative returns, caused first by the fund's 27% exposure to Japan and then more recently by being underweight the more defensive areas in Europe, have ensured that the three- and five-year cumulative returns to date have slipped below the sector median and into the third quartile.

Looking back to previous years, we find that in 2007 and 2008 the fund struggled to cope in markets driven predominantly by growth and momentum factors, and the slowdown in M&A activity from which this fund typically benefits. Then in 2009, the fund's strict rules on balance-sheet quality and emphasis on debt-to-equity ratios below 50% meant the fund did not own many of the more highly leveraged value stocks that led the first half cyclical rally. A very low US weighting, coupled with a lack of direct exposure to emerging markets, reinforced peer-relative underperformance.

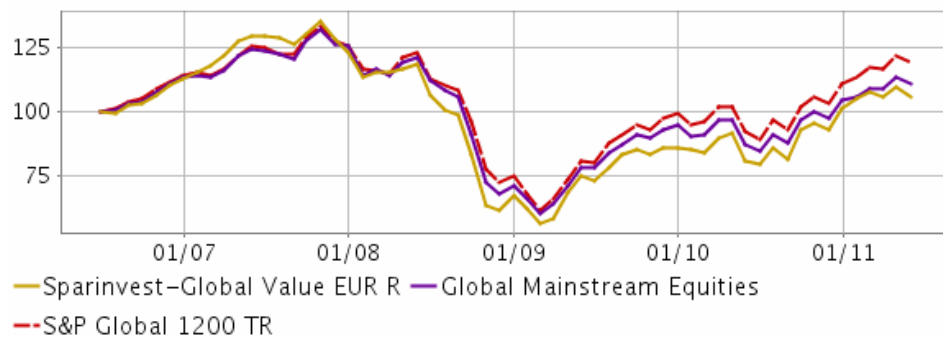
Not that these disappointments caused any real change in the team's management style. Indeed, by maintaining a high-quality, deep-value approach, the fund's stock selection in 2010 produced strong outperformance against benchmark and peers.

Attribution for the 12 months to 1 August 2011 shows stock selection as the key driver of performance, along with the small-cap bias. Mid-caps also contributed positively, but large-caps were overall negative.

In sector terms, the largest positive contributions came from financials, at 12% against an index 20% and biased to small local banks and non-life insurance, industrials and being out of utilities. The key negatives were healthcare, both consumer sectors and IT.

The fund's stock selection from overweight positions in Western Europe, notably France, Germany and the UK, proved positive until recent months, as did exposure to Hong Kong, coupled with the underweight in the US. Zero-weights in Greece, Portugal and Spain added value to relative returns. The key detractor was the heavily overweight position in Japan.

## Cumulative performance



## Calendar year performance

	2007		2008		2009		2010		YTD June 2011	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	9.3	2142/3562	-45.1	2799/4496	27.1	4017/5429	18.1	496/5982	4.4	4476/6275
Index**	10.2		-40.1		31.7		11.9		7.3	
Median	10.9		-43.7		32.7		10.0		5.9	

\*\* S&P Global 1200

Fund benchmark: MSCI World index

Share class screened: LU0138501191 (Ord)

## Portfolio characteristics (August 2011)

No. of holdings	105
% in top 10	26.3
Turnover ratio (%)	20.78

## Top 10 holdings

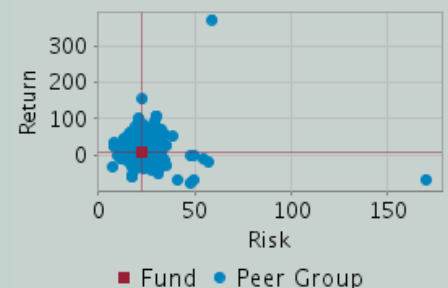
	%
Frankfurt Airport Services	3.5
Hutchison Whampoa *	3.0
DSM *	2.9
MS&AD Insurance Group Holdings	2.8
Hochtief	2.7
AP Moller - Maersk	2.7
J.Sainsbury *	2.5
Peugeot	2.5
Ericsson	2.1
Banque Cantonale Vaudoise *	1.6

\* In top 10 holdings a year ago

## Sector allocation

	%
Consumer goods	25.0
Consumer services	4.0
Financials	13.0
Healthcare	2.0
Industrials	22.0
Materials	11.0
Oil & gas	10.0
Technology	9.0
Telecom services	2.0
Cash	2.0

## Risk return (standard deviation) over five years



# STANDARD & POOR'S

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## Symbols and Definitions

### Long-only fund ratings

- AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
- AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
- A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

### Fund-of-hedge-funds ratings

#### Absolute return fund ratings

#### Specialist fund ratings

- AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
- AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
- A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

### Ucits III flexible beta fund ratings

- AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
- AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
- A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

### All fund ratings

- Not Rated (NR) Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.
- Under Review (UR) Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.
- (New) Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.
- Tenure Review (TR) The fund manager/team involved in the management of the fund does not currently have the minimum 12 months relevant investment management experience required to be eligible to be considered for a rating.
- Long-term fund management rating The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

### Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

- V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.
- V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.
- V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.
- V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.
- V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.
- V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

### Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.