



Emerging Markets Corporate Value Bonds

Headlines

- Performance
- Portfolio composition
- Valuation of the portfolio

Fund Facts

Strategy	Value Bonds
Risk	-
ISIN	LU05195053697
Share Class Currency	EUR R
Fund Inception	15-Sep-2010
Fund Manager	Toke Hjortshøj & Sune Højholt Jensen
Benchmark	Credit Suisse Emerging Markets Corporate Bond Index
Morningstar Category	Global Emerging Markets Bond

Performance

The new fund Sparinvest Emerging Markets Corporate Value Bonds started well. Since its launch on September 15th 2010, the fund has delivered a return of 2.26% relative to a return of 0.53% for the funds benchmark.

Sparinvest Emerging Markets Corporate Value Bonds & Index Return, in %	Q4 2010	Since launch
Sparinvest Emerging Markets Corporate Value Bonds	2.43	2.26
Credit Suisse Emerging Markets Corporate Bond Index	-0.53	0.53

The investment strategy is based on the already well-known process that we use for Sparinvest High Yield Value Bonds. We invest in corporate bonds issued by companies with solid balance sheets, profitable day-to-day operations and valuable assets. In other words, we examine the companies' fundamental state of health instead of taking the rating agencies' final opinion for granted.

Sparinvest Emerging Markets Corporate Value Bonds seeks to achieve a premium partly through a deliberate policy of investing in corporate bonds issued by small-cap companies in the emerging markets. To show why this is the case, we can consider the Ukraine mine company Ferrexpo Plc. The table on page 2 illustrates the reasoning behind the final rating of the company by the well know rating agency Moody's.

Mining Industry	Aaa	Aa	A	Baa	Ba	B	Caa
Factor 1: Reserves							
a) Reserves (Years)			.				
Factor 2: Cost Efficiency & Profitability							
a) EBIT Margin (3y-average)		.					
b) Return on Average Tangible Assets (3y-average)	.						
Factor 3: Financial Policies							
a) Debt/Capital			.				
b) Debt/EBITDA (3y-average)	.						
Factor 4: Financial Strength							
a) Interest Coverage (3y-average)		.					
b) Free Cash Flow/Debt (3y-average)			.				
c) (CFO - Dividends)/Debt (3-y average)	.						
Factor 5: Business Diversity & Size							
a) Business Diversity Score							.
b) Size						.	
„Other“ Liabilities/Equity	.						
Rating:							
a) Indicated Rating from Grid				.			
b) Actual Rating Assigned						.	

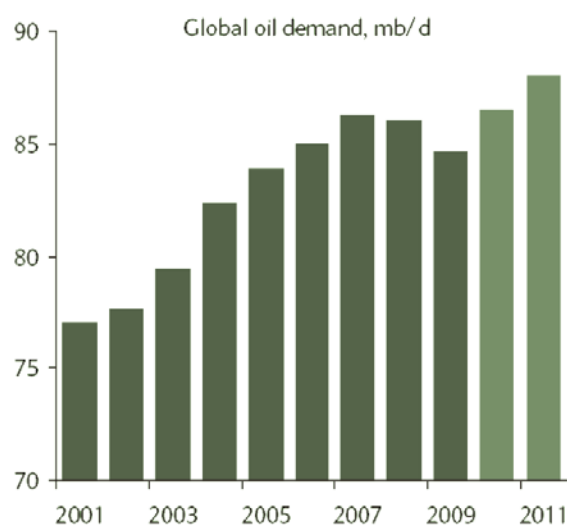
Kilde: Moody's Investor Service, Credit Opinion of Ferrexpo Plc, September 29, 2010.

The analysis of Ferrexpo's key financial ratios and operational day-to-day running results in a very high rating. However, when it comes to the company size and geographic location, the scores are very low. Interestingly, Moody's lets these factors – the company's size and emerging market location – become the decisive argument for the final low rating of B2.

It is very obvious that geographic location and company size weigh significantly in the final rating decisions by both rating agencies, Moody's and S&P. Indeed, if one was talking about a single investment in an individual emerging market, it might make sense to err on the side of caution in this way. However, in a well diversified portfolio investors are able to mitigate the risk and collect a premium for investing in corporate bonds issued by well-run smaller companies operating in a range of dynamic economies.

Portfolio composition

The fund is overweight companies within the materials and energy sector. A number of our investments within the oil sector are expected to benefit from an increasing demand for crude oil. Furthermore, we expect that the current high price per barrel of oil will add significantly to the companies' profitability.



Source: Barclays Capital, Oil Market Outlook, November 2010.

Currently the fund has no exposure to Hong Kong or China. A number of Chinese companies have shown very weak corporate governance. Furthermore, we are somewhat uncertain when considering the stability of the Chinese property sector in the near future. Finally, the fund is underweight financials because when examining financial companies' balance sheets we remain uncertain regarding the quality and transparency of the accounts.

Valuation of the portfolio

The fund is attractively priced with an effective yield of 8.13% compared to 5.75% for the benchmark. The average credit rating is BB- relative to BBB for the benchmark and the average net-debt-to-equity ratio is 74% relative to 87% for the benchmark.

Toke Hjortshøj

Portfolio Manager
12 January 2011

Sune Højholt Jensen

Senior Portfolio Manager

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

Sparinvest Investment Emerging Markets Corporate Value Bonds available share class	ISIN
EUR R	LU0519053697



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 Bonds

The fund invests in corporate bonds issued by companies located or with the bulk of their earnings in emerging markets. Emerging markets are defined as countries that are not classified as developed countries, according to MSCI - market classification. The investment universe includes investment grade bonds, high yield bonds and non-rated corporate bonds. The fund can be invested in bonds, issued in both local currency and hard currency.

Risk indicator - 31-Dec-2010



Basic Information

ISIN	LU0519053697
Bloomberg	SPEMCCR.LX
Share Class	EUR R
Fund Inception	15-Sep-2010
Share Class Currency	EUR
Income Type	Accumulating
Company name	Sparinvest S.A.
Domicile	Luxembourg
Share Class Inception	15-Sep-2010
Fund size (MN) - 31-Dec-2010	51.13 EUR
Manager	Sparinvest S.A.
Fund Manager	Toke Hjortshøj, Sune Højholt Jensen
Fund Manager Start Date	15-Sep-2010
Benchmark ¹	Credit Suisse Emerging Markets Corporate Bond Index
Morningstar Category ²	Global Emerging Markets Bond
Latest NAV - 31-Dec-2010	102.26 EUR
Subscription fee (up to)	2.00 %
Redemption fee (up to)	0.00 %
Management Fee	1.25 %
Total expense ratio	- %

Returns - Month End, Dec-2010

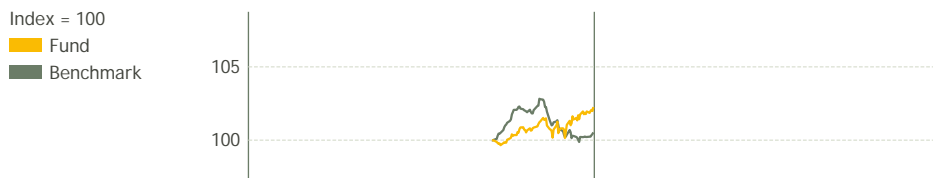
Returns	Fund	Benchmark ¹	Difference
YTD	-	11.19%	-
1 Month	1.53%	0.16%	1.37%
3 Months	2.43%	-0.53%	2.96%
From launch	2.26%	0.53%	1.73%
1 Year	-	11.19%	-
3 y ann.	-	-	-

Risk 3 years - Month End, Dec-2010

Risk	Fund	Benchmark ¹	Morningstar ²
Volatility	-	-	14.70%
Sharpe R.	-	-	0.60
Info Ratio	-	-	-

Morningstar Rating™ **—**

Performance - 31-Dec-2010

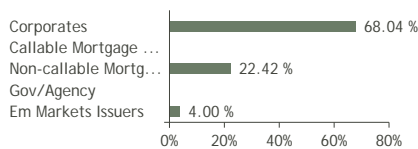


Returns	2010	
Fund	-	-
Benchmark	11.19%	-
Morningstar Category™	19.11%	-

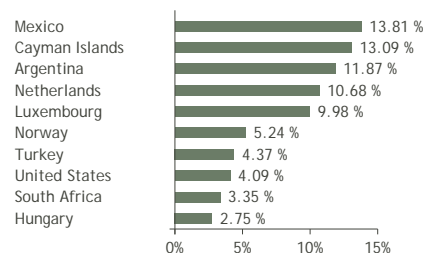
Asset Allocation

Holdings	Equities	Bonds	Other	Cash
46	0.0%	94.5%	0.0%	5.5%

Bond Type



Top 10 Countries



Portfolio (Top 10) - 31-Dec-2010

Name	Bond Type	Type	Country	Weight
Yuksek 9.5% 10-10.11.15 Regs	Non-callable Mortgage...	Bonds	Turkey	4.37%
Pemex Pro Fdg 6.625%08-15.6.38	Corporates	Bonds	United States	3.73%
Edcon Hldgs Frn07-15.6.15reg.S	Corporates	Bonds	South Africa	3.35%
Cemex Fin.4.75% 07-5.03.14	Corporates	Bonds	Netherlands	3.32%
Kmg Finance 7% 10-5.5.20 Regs	Non-callable Mortgage...	Bonds	Netherlands	3.11%
Panoro Energy 12% 15.11.18/Pool	Corporates	Bonds	Norway	3.00%
Csn Isl 7% 10-23.9.15	Corporates	Bonds	Cayman Islands	2.95%
Grupo Kuo 9.75% 10-17.10.17	Corporates	Bonds	Mexico	2.84%
Gt 2005 St-Up 09-21.07.14	Corporates	Bonds	Netherlands	2.76%
Mol Hu O&G 5.875% 10-20.4.17	Corporates	Bonds	Hungary	2.75%

Bond Credit Quality

AAA	AA	A	BBB	BB	B and below	Not Rated	Effective Duration
4.4%	0.0%	0.0%	19.0%	25.0%	34.0%	17.8%	4.5

Notes:

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

Benchmark Comment

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