



Ethical High Yield Value Bonds

Headlines

- Performance
- Portfolio composition
- Portfolio Valuation

Fund Facts

Strategy	Value Bonds
Risk	n/a
ISIN	LU0473784196
Share Class Currency	EUR
Fund Inception*	01-Feb-2010
Fund Manager	Sune Højholt Jensen
Benchmark	Merrill Lynch Global High Yield (EUR Hedged)
Morningstar Category	Euro High Yield Bond

■ sparinvest.eu

Performance

During the last quarter of 2010 Sparinvest Ethical High Yield Value Bonds had a return of 1.73%, 0.56% less than the benchmark. Since it's launch it has generated returns of 17.07%, 4.60% more than benchmark and 3.85% more than the Morningstar category. We are very satisfied with it's performance.

The fund was launched in February 2010, and so does not have a long return history. However the Sparinvest High Yield Value Bond fund, which has a similar profile, has demonstrated superior performance over the longer term. Despite the fact that the period includes the worst financial crisis of the past 100 years, the 5 year annualized return for Sparinvest High Yield Value Bonds stood at 7.51% at year end 2010. This shows that the Value Bond strategy has proved to be successful for the long term investor. Historically the Value Bond selection concept has been in accordance with the ethical portfolio guidelines. Therefore we expect Sparinvest Ethical High Yield Value Bond to achieve satisfactory results over the long term as well as staying true to the Value Bonds concept.

Sparinvest Ethical High Yield Value Bonds & Index Return, in %	Q4 2010	Since launch*
Sparinvest Ethical High Yield Value Bonds	1.73	17.07
Merrill Lynch Global High Yield	2.29	12.47

The reasons for outperformance during 2010 were:

- No defaults
- Good stock picking within financials

During the first part of 2010 we exercised equity settlement options attached to our bonds from Lloyds and RBS. We also benefitted from tenders/buy backs.

Hence when the debt crisis in Europe was peaking early summer 2010, we actually had lower exposure to banks. We then used the May/June sell-off to add to banks. These performed well during late summer and third quarter. However, during the fourth quarter, financials underperformed as a result of renewed sovereign debt worries. Nevertheless we believe financials continue to offer a lot of long-term value.

- Exposure to small caps – and small caps within the energy sector in particular

We experienced several takeovers during 2010 in the small-cap energy space. We obviously benefitted from this. Other small-cap companies such as Unify etc. performed very well as liquidity returned to the market.

Portfolio composition

We remain overweight energy and financials. We believe that – as a result of a misplaced emphasis on size – small-cap energy companies are routinely misrated by the rating agencies. We also expect to benefit from mergers & acquisitions in the energy sector during 2011. Finally, our high exposure to energy remains a solid hedge against inflation caused by rising oil prices. Even though we don't possess a crystal ball, we can easily imagine a situation where the price of oil is back above \$100 a barrel.

As regards financials, the sector is reducing leverage and is in a state of recovery. In our opinion the sector therefore offers long-term value. On the other hand, we are underweight the consumer non-cyclical and telecom sectors as valuations here are not compelling.

Portfolio Valuation

The portfolio is cheap compared to benchmark. The yield on the fund is 10%, compared to 7.5% for the benchmark. The yield differential is due to sector differences and the larger proportion of small caps in our fund. The average credit rating for Sparinvest Ethical High Yield Value Bonds is B+ which is similar to that of the benchmark. But in terms of net-debt-to-equity for non-financials, Sparinvest Ethical High Yield Value Bonds has a much lower risk. Net-debt-to-equity is 89% compared to 399% for the benchmark. In our opinion, lower net-debt-to-equity is crucial in order to minimize default risk and maximize potential recovery rates. As regards the average price-to-book ratio for the companies in Sparinvest Ethical High Yield Value Bonds this equals 1 for the fund compared to more than 4 for the benchmark. Needless to say, our fund is well positioned to benefit from a pickup in M&A.

Ethix SRI Advisors: Summary of the Exclusion Filters

Norm-based Screening (UN principles)

- Zero tolerance

Sector-based Screening

For Porn, Alcohol, Tobacco and Gambling

- Zero tolerance for production
- 5% tolerance for distribution

Weapons

- Zero tolerance for combat equipment
- 5% tolerance for other military equipment and associated services

Ethix SRI Advisors: Ethical Reporting

New holdings

During the quarter no potential new investments were excluded as a result of the ethical screening criteria.

Western Refinery

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
Western Refinery	US	—	—	—	—	!	—	—	!

The Company's retail group operates service stations, which include convenience stores or kiosks. The sale of alcohol in the form of beer, wine and liquor forms a part of these activities.

Total revenue amounted to USD 6.8b in 2009. Retail revenue amounted to less than 10% of total. The sale of alcohol and tobacco formed a negligible proportion of overall revenue.

O Charleys

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
O Charleys	US	—	—	—	—	!	—	—	—

O'Charleys is involved in the sale of alcohol through its three concept restaurant chains operating under the 'O'Charleys', 'Ninety Nine' and 'Stoney River Legendary Steaks' trade names.

Total revenue amounted to USD 880.8m in 2009. It is assessed that the sale of alcohol constituted a negligible proportion of overall revenue.

Stora Enso

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
Stora Enso	FI	—	—	—	—	—	—	—	!

Stora Enso makes papers and board used in tobacco packaging. The products are specifically designed to meet the 'stringent taint and odour requirements' of the tobacco industry. It is unclear what percentage of revenue are accounted for by these products. Production of paper for tobacco packaging takes place within the company's 'consumer board' division, which accounted for 17.2% of sales in 2007. It is likely that tobacco packaging accounts for only a marginal percentage of this. The company does not produce cigarettes or other tobacco products.

Total revenue amounted to EUR 8.95b in 2009.

UPM-Kymm

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
UPM-Kymm.	FI	—	—	—	—	—	—	—	!

UPM's 'Flex Papers' division sells wrapping products used by several industries including the food industry and the tobacco industry. Tobacco packaging accounts for only a marginal percentage of revenue. The company does not produce cigarettes or other tobacco products.

Total revenue amounted to EUR 7.77b in 2009.

Air Canada

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
Air Canada	CA	—	—	—	—	!	—	—	!

Air Canada supplies alcoholic beverages containing a maximum of 2.25 % alcohol and duty-free tobacco products during flights. The company supplies alcoholic beverages during flights. A rough assumption is that involvement in the distribution of alcoholic beverages is negligible.

Total revenue amounted to CAD 9.74b in 2009.

SAS

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
SAS	SE	—	—	—	—	!	—	—	!

SAS supplies alcoholic beverages that contain a minimum of 2.25 % alcohol per volume and tobacco products through duty-free sales. The distribution of alcohol is currently restricted to being sold on flights outside the EU.

Total revenue amounted to SEK 44.92b in 2009. It is roughly assumed that alcohol revenue accounted for less than 5% of total revenue.

Sune Højholt Jensen
Senior Portfolio Manager
12 January 2011

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 Ethical High Yield Value Bonds available share classes	ISIN
EUR I	LU0473785169
EUR R	LU0473784196



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.

Ethical High Yield Value Bonds EUR R

Monthly Fund Report - Printed: 17-Jan-2011 Currency: EUR

Description

Investment Concept: Value Bonds

The fund invests in global listed corporate bonds issued by listed and private corporations. The company analysis is based on value principles, aiming for a better credit quality and subsequently better preservation of capital, than the general market. Bond selection is also based on theoretically founded principles with emphasis put on default risk, not the potential return. An impartial Norm-Based Screening® and Sector-Based Screening® is performed by Ethix SRI Advisors to ensure that only ethically sound investments enter the portfolio.

Risk indicator - 31-Dec-2010

Benchmark



Basic Information

ISIN	LU0473784196
Bloomberg	SPSHIBR LX
Share Class	EUR R
Fund Inception	01-Feb-2010
Share Class Currency	EUR
Income Type	Accumulating
Company name	Sparinvest S.A.
Domicile	Luxembourg
Share Class Inception	01-Feb-2010
Fund size (MN) - 31-Dec-2010	37.94 EUR
Manager	Sparinvest Fondsmaeglerselskab A/S
Fund Manager	Sune Højholt Jensen
Fund Manager Start Date	01-Feb-2010
Benchmark ¹	Merrill Lynch Global High Yield (EUR Hedged)
Morningstar Category ²	EUR High Yield Bond
Latest NAV - 31-Dec-2010	117.07 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	-	14.51%	-
1 Month	1.78%	1.74%	0.04%
3 Months	1.73%	2.29%	-0.56%
From launch	17.07%	12.47%	4.60%
1 Year	-	14.51%	-
3 y ann.	-	9.55%	-

Risk 3 years - Month End, Dec-2010

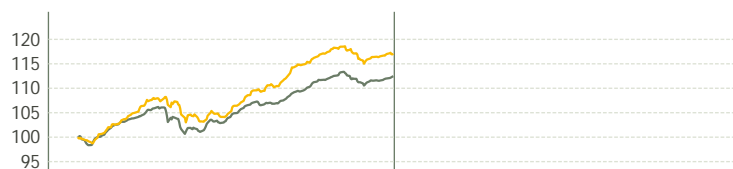
Risk	Fund	Benchmark ¹	Morningstar ²
Volatility	-	-	16.78%
Sharpe R.	-	-	0.33
Info Ratio	-	-	-

Morningstar Rating™ -

Performance - 31-Dec-2010

Index = 100

Fund
Benchmark

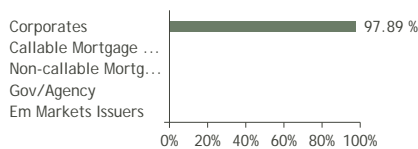


Returns	2010	
Fund	-	-
Benchmark	14.51%	-
Morningstar Category™	13.22%	-

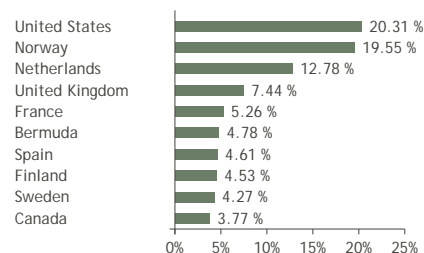
Asset Allocation

Holdings	Equities	Bonds	Other	Cash
86	0.0%	97.9%	0.0%	2.1%

Bond Type



Top 10 Countries



Portfolio (Top 10) - 31-Dec-2010

Name	Bond Type	Type	Country	Weight
Boats Inv. 11% 07-31.3.17 /Pik	Corporates	Bonds	Netherlands	5.43%
Noreco 12.9% 09-20.11.14	Corporates	Bonds	Norway	4.20%
Groupama Sa 6.298% 07-Perp	Corporates	Bonds	France	4.18%
Cemex 9.25% 10-12.5.20	Corporates	Bonds	Spain	3.43%
Sns 11.25% 09-Perp	Corporates	Bonds	Netherlands	3.34%
Sevan 12% 10-10.08.15	Corporates	Bonds	Norway	2.86%
Sevan Marine Frn 07-24.10.12	Corporates	Bonds	Norway	2.60%
Pa Resources 10% 06-20.06.11	Corporates	Bonds	Sweden	2.51%
Western Ref 11.25% 15.6.17144a	Corporates	Bonds	United States	2.40%
Pq En 10% 10-1.9.17	Corporates	Bonds	United States	2.34%

Bond Credit Quality

AAA	AA	A	BBB	BB	B and below	Not Rated	Effective Duration
0.0%	0.0%	0.4%	12.6%	22.9%	61.7%	2.4%	3.8

Notes:

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

Benchmark Comment

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