



Investment Grade Value Bonds

Headlines

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- The exposure to Banks
- Key figures

Fund Facts

Strategy	Value Bonds
Risk	Medium (5)
ISIN	LU0264925727
Share Class Currency	EUR
Fund Inception	2-Nov-2006
Fund Manager	Klaus Blaabjerg
Benchmark	Merrill Lynch Global Broad Market Corporate Index (EUR Hedged)
Morningstar Category	Euro Corporate Bond



The 3rd quarter of 2011 was very bad for Investment Grade Value Bonds. Value underperformed and so did Europe compared to US because of the European debt crisis. In terms of sector exposure – Sparinvest Investment Grade Value bonds, has since launch, had an overweight of Financials. In particular bonds of insurance companies have had a high weight in the fund.

Sparinvest Investment Grade Value Bonds & Index Return, in %	Q3 2011	YTD
Sparinvest Investment Grade Value Bonds	-16.91	-12.10
Merrill Lynch Global Broad Market Corporate Index	1.19	3.77

The exposure to Insurance

The prices of insurers' subordinated bonds, particularly those issued by Axa, Generali and SNS, have produced yield levels of 17% to 20% due to fears regarding their exposure to peripheral EU countries' sovereign bonds. We think that the market has once again over estimated risk, and that losses of capital are manageable in the majority of European insurance companies; in some instances they are still manageable even if all losses were to be recognised over a single reporting period. This mispricing of risk creates opportunities. According to our analysis even in a worst case scenario, with a 50% write-down on PIIGS government bonds, and all losses allocated to shareholders, only one insurance company in the fund would incur some loss of equity, however, in our view a scenario is highly unlikely. If core tangible equity is safe, then so are undated and dated subordinated bonds and therefore, the current yields are not justified. The insurance company we are referring to is the French Groupama. Groupama has a large investment portfolio. Some of this portfolio has been invested in Greek government bonds. What was originally a 3 billion EUR exposure to Greek government bonds was reduced to 2 billion in the second half of 2011, following the PSI agreement from EU the July 21st whereby large private investors were asked to

participate in sharing the losses on Greek debt. The EUR 1 billion hit to the investment portfolio of Groupama led Groupama to take a EUR 84 million impairment; hence net profit for Groupama, on a consolidated perimeter, was EUR 147 million. The company had a net profit of EUR 127 million in the first half of 2010. Groupama also has a large exposure to Italian government bonds. We are of the opinion that Italy is not Greece and hence we don't believe it's appropriate to assume haircuts on Italian government bonds. According to our numbers, it would require a haircut of 50% on Greek debt and 30% haircuts on government bonds from the rest of the periphery before we would more seriously question the survival of Groupama.

The exposure to Banks

We think the announcement that European authorities are contemplating repeat stress-testing, in view of recapitalisations, is positive. While this is a step in the right direction, we think that such recapitalisations should be implemented rapidly throughout Europe to restore confidence. A recapitalisation by itself will not solve all the issues. In our view, there needs to be a coordinated approach on several fronts, including some clarity on what solution is envisaged for the sovereign crisis and in particular for Italy. Given that one could argue that most large European banks are already well capitalised, the key underlying solvency issue is what scenario is in store for Italy and potentially for Spain. The market needs more visibility on this before we see any long-lasting rally.

Key figures

Unfortunately the fund has cheapened a lot lately. The yield on the fund today is 12.4% compared to 5.5% for the benchmark. The duration on the fund is 4.83 years compared to 5.51 years for the benchmark. The average credit rating on the fund is BBB compared to A for the benchmark. The fund still has a large overweight of Europe compared to the index and overweight of the Insurance sector.

Klaus Blaabjerg

Lead Portfolio Manager

11 October 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 Investment Grade Value Bonds available share classes	ISIN
EUR I	LU0264926378
EUR R	LU0264925727
EUR UKI	LU0264926535



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.

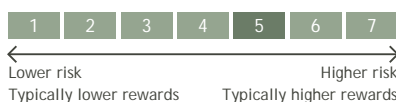
The mentioned sub-fund is part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company. For further information we refer to the full and/or simplified prospectus and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest 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 Sub-Fund aims at providing a positive return over the long term by investing in corporate fixed income transferable securities that are admitted to official listing on a stock exchange or that are traded on a Regulated Market within the OECD countries, EU-Member States, Singapore or Hong Kong. The Sub-Fund invests at least 2/3 of its total assets in investment grade fixed income transferable securities (i.e. that are rated BBB- or better by Moody's, Standard & Poor's, or another recognized credit rating agency) that are not in the risk of payment default or subject to bankruptcy proceedings or otherwise in payment default at the time of purchase.

Risk and Reward Profile



Basic Information

ISIN	LU0264925727
Bloomberg	SINGVBR LX
Share Class	EUR R
Fund Inception	02-Nov-2006
Share Class Currency	EUR
Income Type	Accumulating
Company name	Sparinvest S.A.
Domicile	Luxembourg
Share Class Inception	02-Nov-2006
Fund size (MN) - 30-Sep-2011	13.63 EUR
Manager	Sparinvest Fondsmaeglerselskab A/S
Fund Manager	Klaus Blaabjerg
Managed Since	02-Nov-2006
Benchmark ¹	Merrill Lynch Global Broad Market Corporate Index (EUR Hedged)
Morningstar Category ²	EUR Corporate Bond
Latest NAV - 30-Sep-2011	92.88 EUR
Subscription fee (up to)	2.00 %
Redemption fee (up to)	0.00 %
Management Fee	0.80 %
Total expense ratio - 31-Dec-2010	1.05 %

Returns - Month End, Sep-2011

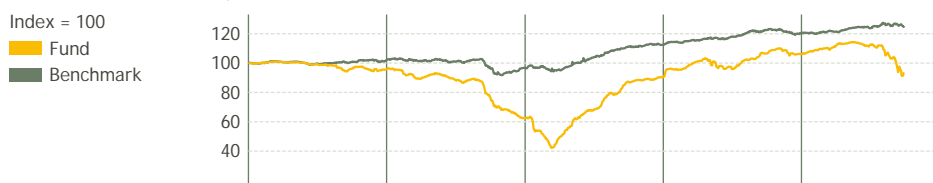
Returns	Fund	Benchmark ¹	Difference
YTD	-12.10%	3.77%	-15.88%
1 Month	-10.14%	-0.35%	-9.79%
3 Months	-16.91%	1.19%	-18.09%
1 Year	-12.47%	2.22%	-14.69%
3 y ann.	6.60%	9.09%	-2.49%
5 y ann.	-	4.74%	-
10 y ann.	-	5.12%	-

Risk 3 years - Month End, Sep-2011

Risk	Fund	Benchmark ¹	Morningstar ²
Volatility	23.09%	5.45%	6.24%
Sharpe R.	0.33	-	0.77
Info Ratio	0.01	-	-

Morningstar Rating™ **★★★☆☆**

Performance - 30-Sep-2011

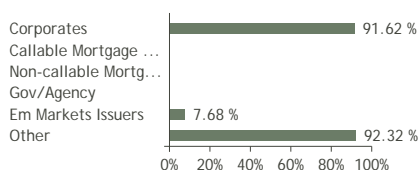


Returns	2007	2008	2009	2010	09-2011
Fund	-4.06%	-34.79%	44.66%	17.56%	-12.10%
Benchmark	1.95%	-4.99%	16.22%	7.34%	3.77%
Morningstar Category™	-1.39%	-7.68%	16.59%	4.37%	-0.79%

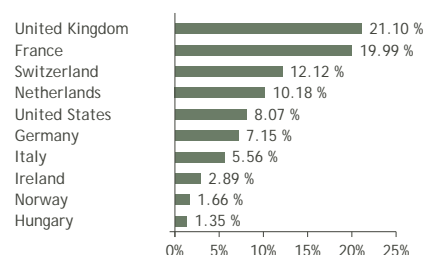
Asset Allocation

Holdings	Equities	Bonds	Other	Cash
40	0.0%	92.3%	0.0%	7.7%

Bond Type



Top 10 Countries



Portfolio (Top 10) - 30-Sep-2011

Name	Bond Type	Type	Country	Weight
Csg Gg Frn 11-24.02.41	Corporates	Bonds	Switzerland	7.12%
Ikon Off.Sol.6.75% 05-1.12.25	Corporates	Bonds	United States	6.48%
Ccbp 9.25% 09-Perp	Corporates	Bonds	France	4.94%
Bnpp 7.195% 07-Perp	Corporates	Bonds	France	4.88%
Aviva 5.9021%(Tv) 04-Perp.	Corporates	Bonds	United Kingd...	4.67%
Eureko Bv 6% 06-...Perp.	Corporates	Bonds	Netherlands	4.14%
Generali Fin 5.317% 06-Perp	Corporates	Bonds	Italy	4.13%
Axa 5.777% 06-Perp	Corporates	Bonds	France	4.01%
Elm Bv 5.252%(Frn) 06-Perp.	Corporates	Bonds	Switzerland	4.00%
Srlv Nv 9% 11-15.4.41	Corporates	Bonds	Netherlands	3.86%

Bond Credit Quality

AAA	AA	A	BBB	BB	B and below	Not Rated	Effective Duration
0.0%	0.0%	12.0%	66.3%	11.0%	2.8%	8.0%	7.4

Notes:

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

Benchmark Comment

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