



European Value

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Fund Facts

Strategy	Value Equity
Risk	N/A
ISIN	LU0264920413
Share Class Currency	EUR
Fund Inception	02-Nov-2006
Fund Manager	Jens Moestrup Rasmussen
Benchmark	MSCI Europe (net dividends)
Morningstar Category	Europe Mid-Cap Equity

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Performance

In the third quarter of 2009, the Sparinvest European Value Fund rose by 17.42%, taking the year-to-date return to 29.47%. The European equity market, as measured by the MSCI Europe Index, rose by 17.96% during the third quarter and 25.11% in the year-to-date. The MSCI Europe Value and MSCI Europe Small Cap indices increased by 22.21% and 23.24%, respectively. European growth stocks posted a return of 13.66%.

This means that while we marginally lagged the MSCI Europe index during the quarter, we remain over 4 percentage points ahead year-to-date. During the past three months, our high exposure to industrials continued to serve us well, although the consumer discretionary weighting acted as a slight drag on performance. Meanwhile, while we have a relatively low weighting in financial stocks, that was largely offset by a very strong performance from our investments in the sector.

Portfolio Composition

At the end of the quarter, the cash position was 9.7% of assets under management. The fund had 65 holdings and our ten largest positions accounted for 28.05% of the total.

Since we last wrote, we have made a new investment in Bovis Homes, a UK house builder. In general rebalancing of the portfolio, we made additional investments in some existing holdings and reduced others. We have also sold our position in IDS Scheer, which is discussed below.

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 latest fund factsheet.

Portfolio Valuation

Despite the share price gains of the past quarter, valuations of the portfolio remain attractive. If we aggregate the data from the holdings into one theoretical company, it is trading at a price-to-book of just 0.91 times. Looking at earnings, EV/EBITDA is 5.35 times 2009 estimates, and just 4.17 times 2010 estimates. The aggregate balance sheet is solid, with net-debt-to-equity of just 30% (versus 59% for the MSCI European Value index), and intangibles-to-equity of only 16% (versus 58% for the index). We remain confident in the quality of our holdings, both in terms of their balance sheets and the robustness of their business models. We are convinced that the strength and low pricing of our portfolio will allow us to generate healthy long-term returns.

Individual Positions

IDS Scheer

Sold in Takeover

IDS Scheer is a German software and IT consulting company, whose core strength lies in Business Process Management (BPM) software and in particular the ARIS platform developed by its founder. IDS also worked as a vendor of Enterprise Resource Planning applications from companies such as Oracle and SAP and we saw this as a core strength. Instead of working in competition with the industry's large players, IDS worked in conjunction with them. It enjoys a diverse client base around the world.

However, the shares had fallen during the first half of 2008, after results fell short of some expectations and the short-term earnings outlook appeared cloudy. We saw a well-managed company with a stable earnings history and a strong, net-cash balance sheet, which was trading at attractive multiples, both in terms of assets and its long-term earnings. We bought shares in IDS Scheer during the latter half of 2008, paying an average price of just over EUR 7.

In July 2009, the large German IT player, Software AG, launched a takeover bid for IDS Scheer. The offer of EUR 15 per share was in excess of our estimate of IDS Scheer's intrinsic value and so we chose to accept the offer. In late September, we received payment, giving us a return on our investment of over 100%.

Jens Moestrup Rasmussen

Lead Portfolio Manager

8 October 2009

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