



## High Yield Value Bonds

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### Fund Facts

Strategy	Value Bonds
Risk	Medium
ISIN	LU0232765429
Share Class Currency	EUR
Fund Inception	16-Nov-2005
Fund Manager	Klaus Blaabjerg
Benchmark	Merrill Lynch Global High Yield (EUR Hedged)
Morningstar Category	Euro High Yield Bond

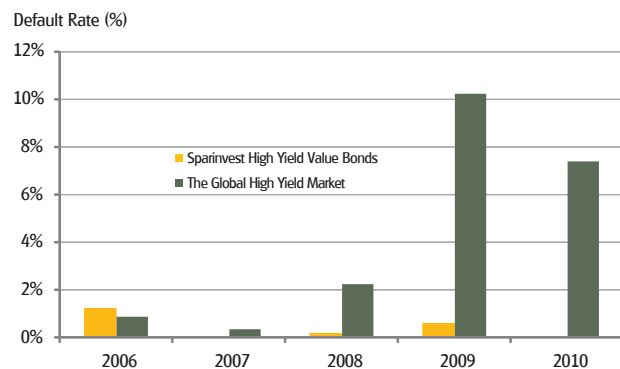
■ [sparinvest.eu](http://sparinvest.eu)

### Performance

Sparinvest High Yield Value Bonds started 2010 by maintaining the position that we had secured in 2009 amongst the top-performing bond funds in Europe.

Sparinvest High Yield Value Bonds versus selected markets in %	Q1 2010	2009
Sparinvest High Yield Value Bonds	9.04	80.21
Merrill Lynch Global High Yield	5.71	60.71

The return on our benchmark for the first quarter 2010 was 5.71% (EUR Hedged) whereas the fund delivered a return of 9.04%.



Source: JP Morgan and Sparinvest

During Q1 – as the figure shows – we are happy to report that Sparinvest High Yield Value Bonds did not have any defaults. The conservative value-approach of investing in low-g geared, smaller companies and the continuous focus on minimizing every possible loss for our investors continues to bear fruit. The global high yield market, by contrast, saw a default rate of 7.41%.

## Portfolio composition

The first quarter of 2010 was used to make some small adjustments to the portfolio. The fund is still tilted to energy, financials and European companies.

Our 10 largest positions constitute 34.90% of our total holdings.

*For more information about the portfolio composition and performance, please visit [Sparinvest.eu](http://Sparinvest.eu).*

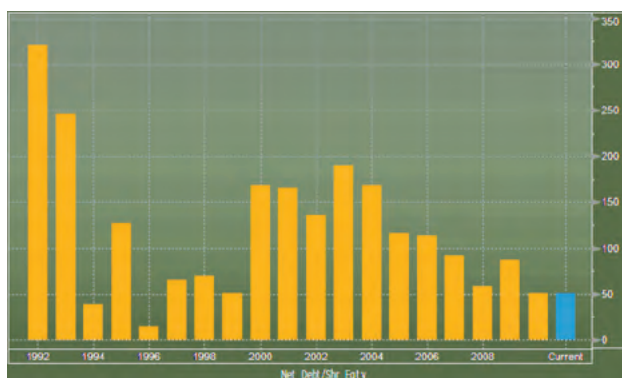
## Valuation of the portfolio

We still find the fund attractively priced – even though we have seen historically high returns from the credit market. The fund has a low average price-to-book and an average net-debt-to-equity ratio of less than 100% (excluding financials) – both figures are well below the broader market average. The portfolio's effective yield is 11% compared to the benchmark yield of 8.5%.

## Company comments

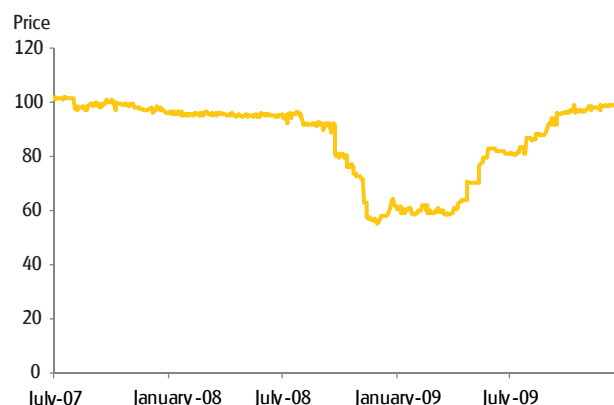
### Perry Ellis International Inc

The American sportswear producer Perry Ellis is a well-known company in Sparinvest High Yield Value Bonds since we first bought bonds from the company at the beginning of 2007. At that point in time, Perry Ellis was very cheap measured on the price-to-book level as well as being a company with a long track record of debt reductions.



Source: Bloomberg

Like the rest of the sector in which it operates, Perry Ellis experienced a drop in revenue at the beginning of 2009. However, the management's strong past record of conservative operation allowed the company to draw on its unused credit facilities without noticeably damaging the credit risk on our corporate bonds. We exploited the liquidity crises to buy more bonds during the spring of 2009.



Source: Bloomberg

The bonds are now trading above 100 again. Therefore, we decided to sell our Perry-Ellis bonds during February 2010.

### Cemex

Since August 2009 the concrete producer has completed a number of initiatives to strengthen the company balance sheet and thereby reduce current interest expenses on the outstanding debt. The improvement of Cemex's capital structure includes new debt issuance of USD 2.27 billion and more than USD 3.48 billion of asset sales and issuance of new equity. Finally, the company announced refinancing of more than USD 3 billion of their existing debt at the end of the first quarter of 2010. All in all, Cemex took steps to improve their capital structure and lowered the credit risk on the outstanding corporate bonds. Investors in Sparinvest High Yield Value Bonds gained high returns on our bonds in Cemex this quarter.

### Klaus Blaabjerg

Lead Portfolio Manager

12 April 2010

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 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 Services Bank S.A., Zurich Branch, Badenerstrasse 567, P.O. Box 101, CH-8066 Zurich. Published by Sparinvest, 28, Boulevard Royal, L-2449 Luxembourg.