



Investment Grade Value Bonds

Headlines

- Sparinvest Investment Grade Value Bonds – 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 fund achieved a return of 0.95%, compared to 1.98% for the benchmark (Merrill Lynch Global Broad Market Corporate Index EUR Hedged). On a 3-year basis, however, the average return for the fund stood at 8.2% after the second quarter of 2011, compared to 7.01% for the benchmark.

Sparinvest Investment Grade Value Bonds & Index Return, in %	Q2 2011	YTD
Sparinvest Investment Grade Value Bonds	0.95	5.78
Merrill Lynch Global Broad Market Corporate Index	1.98	2.56

The reason for the underperformance of the fund during the second quarter was the overweight toward European Financials – bonds issued by large European banks and insurance companies. Exposure to the financial sector has been in place since the fund was launched, but we have no plans to change it, even though returns have been so strong over the last 3 years. The reason why we find the best opportunities in European Financials is simple – this sector still has the strongest commitment towards deleveraging, to a large degree dictated by the Basel III capital requirements. This deleveraging process has further to go, in our opinion. Sovereign noise in this respect will only serve to push the banks into increasing their core tier 1 ratios even further than perhaps originally planned, since this is a game of confidence.

We believe that a response from the Eurozone members is more likely as the crisis intensifies. We did believe that Europe would take advantage of Greece passing new austerity measures to approve a second bailout package quickly, thereby creating a window of opportunity for the banks in the Eurozone to undertake more recapitalization. Europe's inability to achieve this goal not only delayed the onset of improvement, it also intensified the crisis stage, by undermining both investor and rating agency confidence in the Eurozone deleveraging process and

driving contagion towards the Italian government bond market.

What happens next? This 'crisis' stage is, we suspect, going to be met by a policy response. The key questions relate to the form and timing of the response. On timing, the one thing we can state with high conviction is that the length of time before such a response is inversely related to the degree of market stress experienced. The more difficult question is the form that such action will take. There are two broad types of response – fiscal and monetary – and potential measures could be either incremental or more radical.

On the fiscal side, the immediate priority is for Italy to pass its budget package, which we view as highly likely and expect to occur very soon. However, given that Italian budget fundamentals were not the cause of the contagion, there is no assurance that passing the budget will be sufficient to address contagion, in our view. An additional and plausible step would be to accelerate agreement on the second package for Greece. A third viable fiscal option would be to use an enhanced European Financial Stability Facility (EFSF) to buy back distressed Greek, Irish and Portuguese bonds, both to support secondary market valuations and, more importantly, boost the solvency of the countries concerned.

On the monetary side, the main option would be sterilized government bond purchases by the European Central Bank (ECB) of the type already conducted via the Securities Markets Programme (SMP), to head off the threat of disorderly government bond markets inhibiting the transmission of ECB monetary policy. In theory, such a step could be implemented at any time, but we believe the ECB will want to see clear signs of progress from EU governments on the fiscal side of the equation before stepping up.

Sparinvest Investment Grade Value Bonds – key figures

Our portfolio is still very 'cheap', taking the credit quality and the underlying improvements in balance sheets of the European banks into consideration. The current yield on the portfolio is 8%, with duration of 4.8 years, and the average rating is BBB. There has been some turnover in the portfolio. The fund has invested more into DONG Energy, the national utility company of Denmark (still majority owned by the Kingdom of Denmark), and OMV of Austria. Both companies are energy related and have very strong balance sheets.

We therefore have reason to expect performance of the Sparinvest Investment Grade Value Bonds to bounce back.

Klaus Blaabjerg

Lead Portfolio Manager

11 July 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.

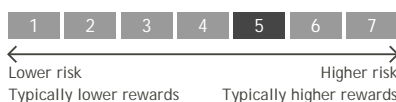
The mentioned sub-fund is part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company. For further information we refer to the full and/or simplified prospectus and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest 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-Jun-2011	21.87 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-Jun-2011	111.78 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, Jun-2011

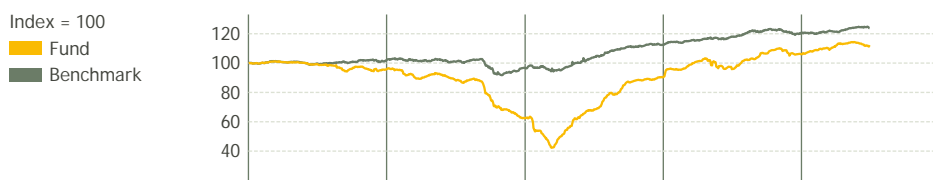
Returns	Fund	Benchmark ¹	Difference
YTD	5.78%	2.56%	3.23%
1 Month	-1.34%	-0.60%	-0.74%
3 Months	0.95%	1.98%	-1.03%
1 Year	15.89%	4.85%	11.05%
3 y ann.	8.20%	7.01%	1.19%
5 y ann.	-	5.13%	-
10 y ann.	-	5.34%	-

Risk 3 years - Month End, Jun-2011

Risk	Fund	Benchmark ¹	Morningstar ²
Volatility	23.08%	6.49%	-
Sharpe R.	0.39	-	-
Info Ratio	0.18	-	-

Morningstar Rating™ **★★★☆☆**

Performance - 30-Jun-2011

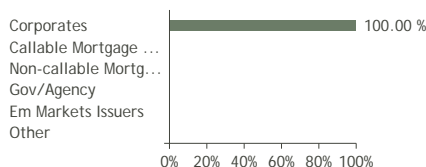


Returns	2007	2008	2009	2010	06-2011
Fund	-4.06%	-34.79%	44.66%	17.56%	5.78%
Benchmark	1.95%	-4.99%	16.22%	7.34%	2.56%
Morningstar Category™	-1.39%	-7.68%	16.59%	4.37%	1.55%

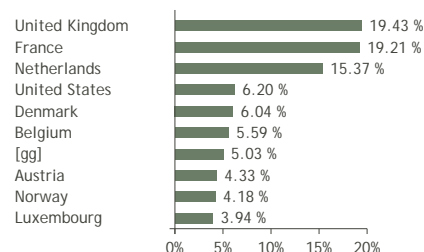
Asset Allocation

Holdings	Equities	Bonds	Other	Cash
45	0.0%	100.0%	0.0%	0.0%

Bond Type



Top 10 Countries



Portfolio (Top 10) - 30-Jun-2011

Name	Bond Type	Type	Country	Weight
Dong Energy 7.75% 1.6.3010/Sub	Corporates	Bonds	Denmark	6.04%
Fortis Bk 6.5%01-Perp.	Corporates	Bonds	Belgium	5.59%
Csg Gg Frn 11-24.02.41	Corporates	Bonds	[gg]	5.03%
Omv 6.75%(Frn) 11-29.4.49/Sub	Corporates	Bonds	Austria	4.33%
Ccbp 9.25% 09-Perp	Corporates	Bonds	France	4.33%
Ikon Off.Sol.6.75% 05-1.12.25	Corporates	Bonds	United States	3.98%
Srlev Nv 9%(Frn) 11-15.4.41	Corporates	Bonds	Netherlands	3.97%
Aviva 5.9021%(Tv) 04-Perp.	Corporates	Bonds	United Kingd...	3.82%
Bnpp 7.195% 07-Perp	Corporates	Bonds	France	3.78%
Eureko Bv 6% 06-...Perp.	Corporates	Bonds	Netherlands	3.46%

Bond Credit Quality

AAA	AA	A	BBB	BB	B and below	Not Rated	Effective Duration
0.0%	0.0%	4.4%	78.1%	7.0%	1.5%	9.0%	4.4

Notes:

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

Benchmark Comment

-