



Ethical High Yield Value Bonds

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Fund Facts

Strategy	Value Bonds
Risk	Medium (5)
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

The second quarter was a poor one for Sparinvest Ethical High Yield Value Bonds. The fund recorded a return of -0.49%, compared to 1.07% for the benchmark (Merrill Lynch Global High Yield EUR Hedged). On a 1-year basis, however, the average return for the fund stood at 5.67% after the second quarter of 2011, compared to 5.08% for the benchmark.

Sparinvest Ethical High Yield Value Bonds & Index Return, in %	Q2 2011	YTD
Sparinvest Ethical High Yield Value Bonds	-0.49	5.67
Merrill Lynch Global High Yield	1.07	5.08

The reason for the underperformance of the fund in the second quarter was an overweight toward European financials – bonds issued by large European banks and insurance companies – and very unsatisfactory performance in two companies.

European banks saw a reversal of their very strong performance up until the middle of May, on the back of strong fundamental improvements in core capital ratios linked to Basel III requirements. This fundamental improvement is, we believe, set to continue for the years ahead but sovereign noise resurfaced strongly in the latter half of the second quarter. Everything was about Greece and the Greek vote on the austerity measures imposed on the country by the EU and IMF. After Greece it was Portugal's and then Italy's turn to see their Credit Default Swaps (CDS) marked out. We believe that the recent spread of contagion to Italy has little to do with Italian fundamentals, which on appropriate metrics are at the stronger end of the scale. Instead, contagion is, in our view, driven primarily by mistakes in the Eurozone's policy response to the crisis. We believe the current phase of the crisis will elicit further policy response, allowing another phase of containment and selective improvement in what will remain a long-running process.

Given our constructive view on the broader global cycle, we would use this period of heightened stress for adding risk in the credit markets.

Regarding the energy sector, it has kept up quite well during the turbulent period of sovereign noise, downgrades to global growth and, not least, the decision to release inventories. Talking about the release of inventories, our take on the situation - watching the subsequent price action and knowing the supply/demand position - is that oil prices could reach new highs in the future, potentially posing a major threat to the global economy.

Looking at the bond prices of energy companies it is clear to us that current oil prices are not discounted by the bond prices; hence we see very good value in this sector.

Sevan Marine ASA

During the second quarter, we sold most of our holdings in Sevan Marine ASA following financial problems at the company. We had invested in bonds issued by Sevan that carry a pledge over its floating production, storage and offloading vessels (FPSOs), providing extra security. We sold our positions in Sevan close to par, accrued included.

Investment distribution

Regarding regional exposure, the fund has been holding less exposure to the US than at any point in its existence. That has been costly because of US outperformance over Europe in risky assets during the second quarter. We stay with our record low US exposure because we see so much better value elsewhere, and noting of course that the US has debt problems too. We currently have an underweight of US high yield close to 55% relative to the benchmark weight. As regards rating distribution, the fund is overweight investment grade rated financials and underweight CCC rated credit (12% vs 15% for the index). The fund has an average rating of BB-, compared to B+ for the index.

Sparinvest Ethical High Yield Value Bonds – key figures

Taking into account the credit quality and the underlying improvements in balance sheets of the European banks – as well as the fact that the high price of oil increases the asset backing for our holdings in the energy sector – our portfolio is still very ‘cheap’. The current yield on the portfolio is 10% and the duration of the fund is 4.3 years (4 years for the benchmark). Average net debt-to-equity for the fund is below 90% (this does not include the financials), which is considerably lower than the benchmark.

We therefore have reason to expect Sparinvest Ethical High Yield Value Bonds to bounce back and reward our investors’ patience in due course.

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 Q2 2011 no potential new investments were excluded as a result of the ethical screening criteria.

Air Canada

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
Air Canada 10.125% 10-1.08.15	CA	—	—	—	—	!	—	—	!

Air Canada is involved in the operation of scheduled and charter passenger flights domestically in Canada and internationally. The distribution of alcoholic beverages that contain a minimum of 2.25 % alcohol by volume and tobacco products during in-flight service and through duty-free sales forms a part of company activities.

Total revenue amounted to CAD10.79bn. It is assumed that alcohol and tobacco revenue accounts for significantly less than 5% of total revenue.

Existing holdings:

There were no developments of note during the quarter.

Sune Højholt Jensen

Senior 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 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.

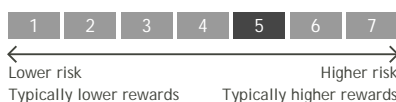
The mentioned sub-fund is part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company. For further information we refer to the full and/or simplified prospectus and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest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

Description

Investment Concept: Value Bonds

The Sub-Fund aims at providing a positive return over the long term by investing in high yield 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 mainly invests in non investment grade fixed income transferable securities that are 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	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) - 30-Jun-2011	51.64 EUR
Manager	Sparinvest Fondsmaeglerselskab A/S
Fund Manager	Sune Højholt Jensen
Managed Since	01-Feb-2010
Benchmark ¹	Merrill Lynch Global High Yield (EUR Hedged)
Morningstar Category ²	EUR High Yield Bond
Latest NAV - 30-Jun-2011	123.71 EUR
Subscription fee (up to)	2.00 %
Redemption fee (up to)	0.00 %
Management Fee	1.25 %
Total expense ratio - 31-Dec-2010	1.58 %

Returns - Month End, Jun-2011

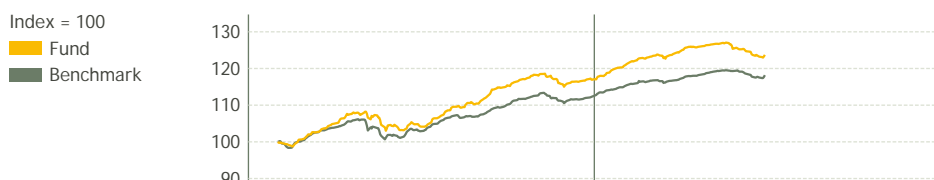
Returns	Fund	Benchmark ¹	Difference
YTD	5.67%	5.08%	0.59%
1 Month	-1.55%	-1.02%	-0.53%
3 Months	-0.49%	1.07%	-1.56%
1 Year	18.41%	14.73%	3.67%
3 y ann.	-	11.81%	-
5 y ann.	-	8.23%	-
10 y ann.	-	8.47%	-

Risk 3 years - Month End, Jun-2011

Risk	Fund	Benchmark ¹	Morningstar ²
Volatility	-	17.57%	-
Sharpe R.	-	-	-
Info Ratio	-	-	-

Morningstar Rating™ —

Performance - 30-Jun-2011

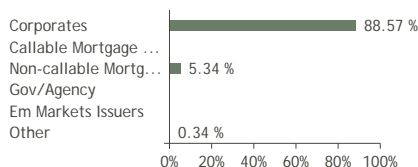


Returns	2010	06-2011
Fund	-	5.67%
Benchmark	14.51%	5.08%
Morningstar Category™	13.22%	3.61%

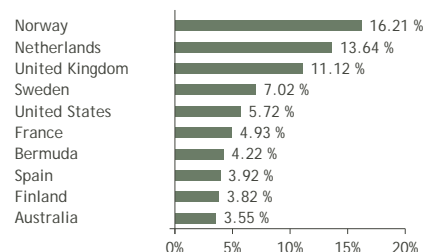
Asset Allocation

Holdings	Equities	Bonds	Other	Cash
99	0.0%	94.2%	0.0%	5.8%

Bond Type



Top 10 Countries



Portfolio (Top 10) - 30-Jun-2011

Name	Bond Type	Type	Country	Weight
Boats Inv.11% 07-31.3.17 /Pik	Corporates	Bonds	Netherlands	4.93%
Pa Res 12.25% 11-05.04.16	Corporates	Bonds	Sweden	3.64%
Santos Fin8.25%(Frn)10-22.9.70	Corporates	Bonds	Australia	3.55%
Noreco 12.9% 09-20.11.14	Corporates	Bonds	Norway	3.22%
Fuerst Cap Frn 09-Perp	Corporates	Bonds	Luxembourg	3.19%
Sns 11.25% 09-Perp	Corporates	Bonds	Netherlands	2.79%
Srlev Nv 9%(Frn) 11-15.4.41	Corporates	Bonds	Netherlands	2.74%
Intesa San 9.5%(Frn) 10-Perp	Corporates	Bonds	Italy	2.74%
Bbva Intl Frn 09-Perp	Corporates	Bonds	Spain	2.51%
Ccbp 9.25% 09-Perp	Corporates	Bonds	France	2.46%

Bond Credit Quality

AAA	AA	A	BBB	BB	B and below	Not Rated	Effective Duration
0.0%	0.0%	0.0%	23.7%	21.5%	53.3%	1.5%	4.5

Notes:

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

Benchmark Comment

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