



October 2011

SPARINVEST SICAV - GLOBAL SMALL CAP VALUE

Sub-fund of Luxembourg domiciled Sicav - Part 1

Fund owner: Sparinvest

Fund manager/adviser: Sparinvest

Named portfolio manager/adviser(s):

Kasper Billy Jacobsen (since launch), Trine

Uggerhøj (since June 2011) / Team

Peer group: smaller companies equities

Location: Copenhagen

Launch date: November 2006

Fund size (August 2011): €43m

Contact group: +352 262 7471 or

www.sparinvest.eu

Further information on S&P's fund coverage can be found at www.FundsInsights.com

Investment style

	Value	Blend	Growth
Large-cap			
Mid-cap			
Small-cap			

Performance statistics

	Three years
Fund	13.9%
Standard & Poor's peer median	8.0%
Index**	8.0%
Fund rank	130/322
Volatility-adjusted ranking	116/322

** S&P Global BMI TR USD
Note: returns are cumulative

Risk characteristics

	Three years
Maximum monthly drawdown (%)	-19.4
Volatility	24.3
Correlation	1.0
Beta	0.9

Calendar-year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine with tenth decile as rank one.

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Standard & Poor's opinion (October 2011)

Sparinvest has applied a bottom-up, deep-value approach to managed equity portfolios for over 14 years. Initial success with global mandates has led to a range of similarly managed funds covering other regions.

Sparinvest employs an enhanced version of the traditional Graham & Dodd style of investing, focusing on detailed balance-sheet and profit & loss analysis, first to determine each company's intrinsic (fair) value and then to avoid value traps. Investments are made in companies trading at a discount of at least 40% to fair value, giving a significant margin of safety - reflecting an emphasis on capital preservation - and a bias towards mid-/small-caps; or for this fund, specifically on sub-€2bn companies. Positions are held until fair value is achieved, or there is an adverse change in the reasons for purchase. Portfolio turnover is usually low.

In the absence of formal benchmark constraints outside the standard Sicav rules, the portfolio is kept diversified across 70-90 high-quality, low equity-to-debt companies, each on a discount to perceived fair value. The contrarian nature of the approach does, however, lead to strong sector biases which can at times result in short-term underperformance against the MSCI World Small-Cap benchmark and peers.

Kasper Jacobsen is the firm's chief portfolio manager and has over 17 years' investment experience. Trine Uggerhøj has just four years, but in practice both are the named managers for what is a highly collegial approach involving 10 team members with an average experience of 12 years.

The fund achieves an S&P A rating.

Fund manager & team

Sparinvest's value equity team in Copenhagen has been led by Jens Moestrup Rasmussen since 2001, assisted on operational issues by Kasper Billy Jacobsen since February 2008. Of the firm's total €8.7bn under management, approximately €3bn is in equity value mandates spread across 10 retail funds, with a further \$300m in discretionary accounts.

The team comprises eight portfolio managers, including Rasmussen and Jacobsen and two equity analysts. Experience ranges from seven to 21 years, giving an average of 12 years, including four years with the firm. All act as research generalists with a global remit, but with individual preferences and areas of expertise. Stocks are currently screened as one global universe, but global sector screens are being developed. Close contact with management teams is considered important.

Kasper Billy Jacobsen - head of equities - MSc economics (Copenhagen Business School), started his career as a credit analyst at Danish rating agency KOB in 1993, before moving to Danish business daily "Dagbladet Børsen". He joined Sparinvest in 2000, has managed money since 2002 and has been a member of the value team since 2004.

Trine Uggerhøj - economics, MSc economics & Italian (Aarhus University, Denmark), began her career in 1996 with GKN Sinter Metals (Milan) before moving to Kosan Crisplant (Aarhus) in 2005 and to Sparinvest in 2006. She has managed money since 2010.

Management style

This fund targets long-term outperformance of the MSCI World Small-Cap index by applying a disciplined deep-value approach to investing.

Over 22,000 stocks are screened monthly to identify good quality companies trading at a discount of 40% or more to their intrinsic value. This is calculated in-house by assessing profit & loss accounts, cross-checked with tests for balance-sheet strength to help avoid value traps. This fund focuses on those companies capitalised between \$50m and \$5bn.

Key criteria include low P/E, P/B, P/CF and EV multiples, and a net debt-to-equity ratio under 50%. Qualitative assessments focus on management, franchise, barriers to entry etc. A database of corporate takeovers is used to help assess takeover value.

Portfolio construction is bottom-up, targeting 70-90 holdings with no constraints on country, sector or stock weights, although individual stock weights rarely exceed 3%.

Risk is defined at company level, in terms of fundamentals - high quality and a low equity-to-debt ratio, and controlled by buying with a safety margin of at least 40%, ideally having found a catalyst to help release that value. Turnover is low.

Cash is generally 5-10%.

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STANDARD & POOR'S

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FUND MANAGEMENT RATING

Portfolio & performance analysis (September 2011)

This fund does not yet have a five-year track record, but remains comfortably second quartile over three years to date.

Relative returns have been governed by the team's strict rules on balance-sheet quality and emphasis on debt-to-equity ratios below 50%, hence the fund's sharp underperformance in 2009 when highly leveraged cyclical stocks led the first half rally. Second half performance rebounded initially, but then fell away due to the fund's low exposure to the US and emerging markets. However, by maintaining a high quality, deep-value approach and holding onto many of 2009's underperforming positions, the fund outperformed strongly in 2010.

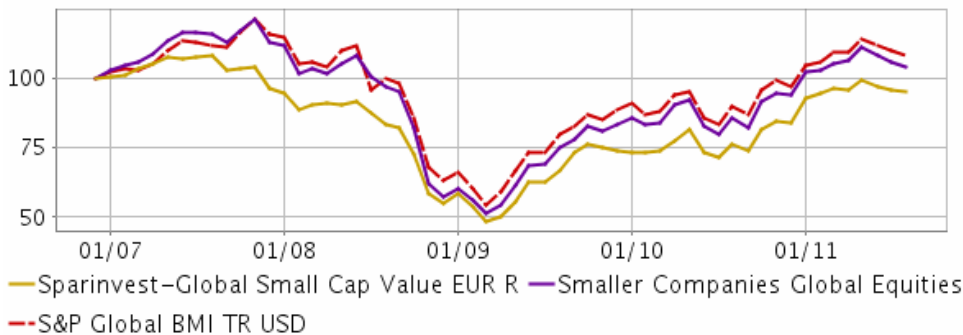
Unlike its large-cap counterpart, relative returns in 2011 have not been unduly hurt by the fund's near triple weighting in Japan. Relative returns turned down in March, but soon regained their upward momentum.

Overall attribution for the 12 months to 1 August 2011 shows stock selection as the key driver of performance, with small-caps doing well, but the fund's modest mid-cap exposure being overall negative. In sector terms, the largest positive contributions came from being heavily overweight industrials, at an average weighting of 36% against an MSCI World Small-Cap index weighting of 20%, ahead of the significant underweight in financials, at 0.8% against an index 20%. The key negatives were stocks in the basic materials, energy and IT sectors.

The fund's stock selection from overweight positions in Western Europe - specifically France, Germany, Switzerland, Italy and Austria - proved positive on a 12-month view, as did zero-weights in Greece and Portugal, although being out of Norway was a negative. Underweight positions in the UK and US proved positive through strong stock selection.

Being underweight Canada hurt relative returns largely via this year's downturn in mining stocks, while Asian exposure either hurt, as in Japan and Australia, or proved very mildly positive as with Hong Kong, China and Indonesia.

Cumulative performance



Calendar year performance

	2007		2008		2009		2010		YTD August 2011	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	-5.7	190/201	-38.3	34/267	26.2	301/348	26.3	114/385	2.4	137/400
Index**	11.9		-42.4		37.8		15.1		3.3	
Median	8.6		-46.1		41.1		18.6		1.2	

** S&P Global BMI TR USD

Fund benchmark: MSCI World Small-Cap index

Share class screened: LU0264925131 (Ord)

Portfolio characteristics (August 2011)

No. of holdings	79
% in top 10	25.3
Turnover ratio (%)	61

Top 10 holdings

	%
Arctic Cat	2.8
Werner Enterprises	2.8
International Speedway	2.6
Jungheinrich	2.6
Alpine Electronics	2.6
Bovis Homes	2.5
Nichicon	2.5
Apogee Enterprises	2.5
Grammer	2.3
Ministop Co	2.1

* In top 10 holdings a year ago

Sector allocation

	%
Basic materials	8.0
Consumer goods	44.0
Consumer services	4.0
Financials	1.0
Industrials	23.0
Oil & gas	0.0
Technology	8.0
Telecom services	0.0
Utilities	0.0
Cash	12.0

STANDARD & POOR'S

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Symbols and Definitions

Long-only fund ratings

- AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
- AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
- A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Fund-of-hedge-funds ratings

Absolute return fund ratings

Specialist fund ratings

- AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
- AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
- A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Ucits III flexible beta fund ratings

- AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
- AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
- A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

All fund ratings

- Not Rated (NR) Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.
- Under Review (UR) Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.
- (New) Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.
- Tenure Review (TR) The fund manager/team involved in the management of the fund does not currently have the minimum 12 months relevant investment management experience required to be eligible to be considered for a rating.
- Long-term fund management rating The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

- V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.
- V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.
- V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.
- V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.
- V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.
- V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.