

2010 - An Investment Perspective from Denmark

From Michael Albrechtslund, Managing Director Sparinvest Asset Management

What is the economic outlook for 2010?

With market sentiment alert for signs of new correction, Sparinvest anticipates ongoing volatility in 2010 as recovery takes shape. Being bottom-up investors, we see a general trend of earnings improvement. We expect financial markets to provide funding that banks do not provide. Low interest rates mean industrial buyers will buy earnings power through cheap acquisitions of undervalued companies in a new wave of M&A. This will ripple through the market, developing new post-recession peer group valuations. Henrik Amilon's research* shows that value investments, usually industrial and cyclical companies, excel during the expansion phases of the economic cycle.

(* Amilon: "Value Investment in Times of Recovery" at www.sparinvest.eu).

What are the biggest opportunities and threats for investors in 2010?

We believe 2010 default level forecasts to be exaggerated: parts of the market are too cheap for their risk. We focus on strong balance sheets with low leverage and we see opportunities in cyclicals, industrials, financials, energy and in US small-caps. If support packages, capital injections and stimulus plans are withdrawn, markets will react negatively at first, making strength of corporate balance sheets all-important. In bonds and equities, Sparinvest continues to focus on value companies with low debt levels. The M&A buyers and targets in our value portfolios will be the main beneficiaries of the share price revaluation that we expect in 2010. The big threat for investors is that volatility provokes short-term tactical behaviour rather than long-term strategic asset allocation.

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About Sparinvest:

Founded in 1968, Sparinvest is one of Denmark's leading independent asset management companies, managing and advising on assets valued at over €12.2 billion (as at end November 2009), including one of the largest equity funds in Denmark.

Owned today by broad range of institutional shareholders, Sparinvest has the freedom to pursue its own investment philosophy and style with a view to providing 'prudent investments' for its clients.

In 2001, Sparinvest S.A. was established in Luxembourg and a number of Luxembourg-domiciled funds were created for the purpose of pan-European distribution. The Sparinvest SICAV, a UCITS III-compliant umbrella fund is now authorised for distribution in 16 European nations.

Sparinvest has established an excellent reputation within the investment industry for the success of its strategic asset allocation approach when constructing portfolios for investment mandates and because of its outstanding track record in value investment.

