



## Ethical Global Value

### Headlines

- Performance
- Portfolio Composition
- Portfolio Valuation
- Ethix SRI Advisors: Summary of the Exclusion Filters
- Ethix SRI Advisors: Ethical Reporting

### Fund Facts

Strategy	Value Equity
Risk	N/A
ISIN	LU0362355355
Share Class Currency	EUR
Fund Inception	30-May-2008
Fund Manager	Jens Moestrup Rasmussen
Benchmark	MSCI World
Morningstar Category	Global Large-Cap Value Equity

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

### Performance

In the third quarter of 2010, Sparinvest Ethical Global Value gained 4.77%, compared to a rise of 2.08% in the general equity market, as measured by the MSCI World index. This means that year-to-date, the fund has increased by 14.06%, while the MSCI World has risen by 7.81%.

The fund is ahead of both value and growth stock indices so far in 2010. As can be seen in the table below, value stocks overall are in fact somewhat behind growth stocks.

Sparinvest Ethical Global Value & Index Returns, in %	Q3 2010	YTD
Sparinvest Ethical Global Value	4.77	14.06
MSCI World Index	2.08	7.81
MSCI World Value Index	1.15	6.31
MSCI World Growth Index	3.01	9.31
MSCI World Small Cap Index	2.86	15.98

MSCI World Index, MSCI World Value Index, MSCI World Growth and MSCI World Small Cap Index are all indices that contain a broad selection of companies from all over the world. All returns on investment are in EUR.

As we discuss in the Letter to Shareholders for the third quarter, the overall macro-economic environment is still not easy. Stock markets remain rather cautious, but compared with the blind panic of late 2008 and early 2009, where the entire market could almost rise and fall in unison, we are starting to see signs of greater selectiveness. This suits us well, and we believe the individual qualities of our holdings – such as balance sheet strength and high operational leverage – are starting to distinguish themselves. These qualities have helped generate solid performance so far this year, and we believe will drive healthy long-term returns for the fund.

Looking at the performance of our holdings, the third quarter largely saw a continuation of the trends observed earlier in the year. The fund has clearly benefitted from

European holdings with strong operational leverage: in particular industrial and consumer discretionary-related stocks in Germany, the United Kingdom, and France. Certain individual holdings in Switzerland and Hong Kong have also made strong contributions to fund performance.

In Japan, shares of exporters were punished in the market as the yen strengthened, while our insurance holdings, which had been relatively firm during the financial crisis, had a somewhat tougher time. However, we see solid fundamental developments at these holdings, and are positive on their prospects.

Our holdings in North America have generally performed well in the year to date. Our weighting in North America remains low compared to indices such as the MSCI World, but note that six of our seven new investments in the third quarter were in the United States. As we discuss in the Letter to Shareholders, this is not the result of any top-down strategy, but simply taking advantage of low valuations created by the tough markets of recent years.

So far, 2010 has been a year of fairly dramatic currency moves. But it is important to remember that there are, to an extent, 'natural hedges' in place. For example, a strong yen hurts earnings at Japanese exporters, often causing weakness in the local share price – but the strong yen also means that their Euro-denominated share price benefits. Recently, we have seen the weak Euro benefiting some of our European exporters, and the strong yen hurting some of our Japanese exporters. As we noted in our last update, considered over the short term, there will always be some quarters when such currency moves hurt performance and others where they help. However, we have found that over the course of the years, relative currency swings have had an extremely limited impact on performance. In the long run, we are confident that such factors will have a limited effect. For us, it always boils down to the actual quality of our investments and what potential they have for the years to come.

### **Portfolio Composition**

At the end of the quarter, the cash position was 2.4% of assets under management. The fund had 94 holdings and our ten largest positions accounted for 35.25% of the total.

Since we last wrote, we have made six new investments, of which five are in the United States. We acquired shares in outdoor equipment retailer, Cabelas; department-store operator, JC Penney and hard-disc drive maker, Western Digital. We also invested in two oil services companies: Tidewater, an operator of offshore service vessels, and Noble, an offshore drilling company. Note that while Noble is now a Swiss-domiciled company, it is listed in the United States. Meanwhile, in Japan, we made a new investment in food company Toyo Suisan.

In general rebalancing of the portfolio, we made additional investments in some existing holdings and reduced others. Early in the third quarter, the fund exited its position in A.P. Moller-Maersk, but this was discussed in the Fund Update for the second quarter.

*For further data on the fund, including complete portfolio holdings, performance and breakdowns by industry and geographical sector, please refer to our website and the enclosed fund factsheet.*

### **Portfolio Valuation**

Although the fund has gained ground so far in 2010, we believe that the portfolio remains deeply undervalued, offering good potential for continuing performance. As a rough indication of the valuation of our funds, we amalgamate the holdings into one theoretical company.

This company has a price-to-book of just 0.97 times, compared to 2.06 times for the MSCI World index. Looking at earnings-based multiples, many of our holdings have strong operating leverage: as the overall economic environment gradually improves, they are well placed to see healthy increases in earnings levels. This means that while the price-to-earnings ratio for 2010 is 14.8 times Bloomberg estimates, it drops to 11.8 times for 2011, compared with 11.9 for the MSCI World. Meanwhile, EV/EBITDA, which is a useful indicator of the price of companies relative to their raw earnings power, is just 5.0 times 2011 estimates, compared with 6.6 times for the MSCI World.

The aggregate balance sheet is strong, with net-debt-to-equity of just 29% (versus 52% for the MSCI World), and intangibles-to-equity of only 18% (versus 52% for the index).

We are confident that Sparinvest Ethical Global Value offers a portfolio of undervalued strength, with solid asset backing, and robust earning power, which can generate healthy investment returns over the years to come.

### **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 the quarter, one potential new investment – Corning (United States) – was excluded as a result of the ethical screening criteria, due to the production of ‘combat equipment’ and ‘other military equipment’.

### JC Penny

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
JC Penny	US	—	—	—	—	—	—	—	—

No comment regarding involvement in controversial activity and revenue shares derived from such activities.

### Toyo Suisan

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
Toyo Suisan	Japan	—	—	—	—	—	—	—	—

No comment regarding involvement in controversial activity and revenue shares derived from such activities.

### Western Digital

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
Western Digital	US	—	—	—	—	—	—	—	—

No comment regarding involvement in controversial activity and revenue shares derived from such activities.

### Noble

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
Noble	US	—	—	—	—	—	—	—	—

No comment regarding involvement in controversial activity and revenue shares derived from such activities.

### Tidewater

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
Tidewater	US	—	—	—	—	—	—	—	—

No comment regarding involvement in controversial activity and revenue shares derived from such activities.

## Cabela's

Issue	Country	Norm-Based Screening			Sector-Based Screening				
		Red	Amber	Green	Weapons	Alcohol	Gambling	Pornography	Tobacco
Cabela's	US	—	—	—	—	—	—	—	—

No comment regarding involvement in controversial activity and revenue shares derived from such activities.

### Existing holdings

Early in the quarter, A.P. Moller-Maersk was removed from the portfolio due to ethical considerations. This was discussed in depth in the Fund Update for the Second Quarter of 2010. During the quarter, no other existing holdings were removed from the portfolio due to ethical criteria.

### Jens Moestrup Rasmussen

Lead Portfolio Manager  
12 October 2010

This Fund Update should be read together with the latest 'Letter to Shareholders', in which our Value Equities team offer their perspective on value investment and market developments.

Sparinvest Ethical Global Value available share classes	ISIN
EUR E	LU0362355512
EUR I	LU0362355439
EUR R	LU0362355355
EUR UKI	LU0362355785
EUR UKR	LU0362355603



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 Equities

The fund invests in American, European, Australian, Japanese and other Asian equities. The fund may to a lesser extent invest in other securities. Stock selection is based on the value approach. After a thorough analysis of publicly available information, stocks having a market capitalisation considerably lower than the intrinsic value are selected. The fund typically has a wider margin of safety, and consequently a lower risk, than the general market. The fund is focused on preservation of capital. An impartial Norm-Based Screening<sup>®</sup> and Sector-Based Screening<sup>®</sup> is performed by Ethix SRI Advisors to ensure that only ethically sound investments enter the portfolio.

### Risk indicator - 30-Sep-2010



## Basic Information

ISIN	LU0362355355
Bloomberg	SPAEGVR.LX
Share Class	EUR R
Fund Inception	30-May-2008
Share Class Currency	EUR
Income Type	Accumulating
Company name	Sparinvest Luxembourg
Domicile	Luxembourg
Share Class Inception	30-May-2008
Fund size (MN) - 30-Sep-2010	82.26 EUR
Manager	Sparinvest Fondsmaeglerselskab A/S
Fund Manager	Jens Rasmussen
Fund Manager Start Date	30-May-2008
Benchmark <sup>1</sup>	MSCI World
Morningstar Category <sup>™ 2</sup>	Global Large-Cap Value Equity
Latest NAV - 30-Sep-2010	91.69 EUR
Subscription fee (up to)	3.00 %
Redemption fee (up to)	0.00 %
Management Fee	1.50 %
Total expense ratio - 31-Dec-2009	1.99 %

## Returns - Month End, Sep-2010

Returns	Fund	Benchmark <sup>1</sup>	Difference
YTD	14.06%	7.81%	6.25%
1 Month	5.55%	1.78%	3.77%
3 Months	4.77%	2.08%	2.68%
1 Year	16.43%	14.30%	2.13%
3 y ann.	-	-7.03%	-
5 y ann.	-	-1.19%	-

## Risk 3 years - Month End, Sep-2010

Risk	Fund	Benchmark <sup>1</sup>	Morningstar <sup>2</sup>
Volatility	-	18.34%	19.24%
Sharpe R.	-	-	-0.47
Info Ratio	-	-	-

Morningstar Rating<sup>™</sup> -

## Performance - 30-Sep-2010

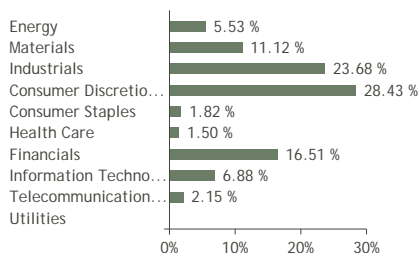


Returns	2008	2009	09-2010
Fund	-	22.75%	14.06%
Benchmark	-37.64%	25.94%	7.81%
Morningstar Category <sup>™</sup>	-37.78%	27.06%	6.10%

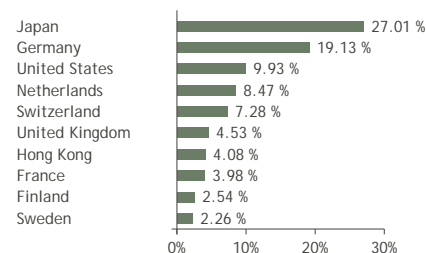
## Asset Allocation

Holdings	Equities	Bonds	Other	Cash
94	97.6%	0.0%	0.0%	2.4%

## Sector Breakdown



## Top 10 Countries



## Portfolio (Top 10) - 30-Sep-2010

Name	Sector	Type	Country	Weight
Ms&Ad Insurance Group Holdings	Financials	Equities	Japan	4.42%
Hutchison Whamp/Hk0.25	Industrials	Equities	Hong Kong	4.08%
Man Se	Industrials	Equities	Germany	3.80%
Hochtief A.G.	Industrials	Equities	Germany	3.74%
Koninklijke Dsm Nv	Materials	Equities	Netherlands	3.55%
Frankfurt Airport Serv.Worldw.	Industrials	Equities	Germany	3.44%
Bqe.Cantonale Vaudoise /Nom.	Financials	Equities	Switzerland	3.29%
Douglas Holding Ag	Consumer Discretionary	Equities	Germany	3.13%
Roy.Philips Electr./Eur 0.2	Industrials	Equities	Netherlands	3.12%
Deutsche Postbank Ag/Namen-Akt	Financials	Equities	Germany	2.68%

## Notes:

Ethical Global Value is based on the Global Value fund, inception in 2001. Norm-based Screening<sup>®</sup> by Ethix SRI Advisors. The mentioned sub-fund is a part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company.

## Benchmark Comment

-