



Investment Grade Value Bonds

Headlines

- European Banks Work on Capital ratios
- European Banks' Liquidity and Funding
- Sparinvest Investment Grade value Bonds – key figures

Fund Facts

Strategy	Value Bonds
Risk	Medium
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

- sparinvest.eu

Dear investor

The first quarter was a good one for Sparinvest Investment Grade Value Bonds. The fund had a return of 4.79% compared to 0.57% for the benchmark (Merrill Lynch Global Broad Market Corporate Index EUR Hedged). On a 3-year basis the average return for the fund stood at 7.55% after first quarter of 2011, compared to 6.11% for the benchmark.

Sparinvest Investment Grade Value Bonds & Index Return, in %	Q1 2011	2010
Sparinvest Investment Grade Value Bonds	4.79	17.56
Merrill Lynch Global Broad Market Corporate Index	0.57	7.34

The reason for the strong performance of the fund is a heavy weighting towards European financials – bonds issued by large European banks and insurance companies. The exposure to the financial sector has been in place for a long time now, but we don't plan to change it – even though returns have been so strong for the past three years. The reason why we continue to find the best opportunities in this sector is simple – it's a sector which still has a strong commitment towards deleveraging. This is – to a large degree – dictated by Basel III rules. This deleveraging process becomes very evident when large banks like Banca Intesa from Italy announce plans to issue new shares – in doing so, the bank reduces the risk for creditors. In the following we will focus on this topic of deleveraging among European Financials.

European Banks Work on Capital ratios

With the new round of European bank stress tests to be carried out this month, and final results expected to be released in June, discussion is once again centered on what constitutes an adequate capital cushion for potential bank losses and how much improvement in capital levels

European banks in aggregate have actually seen. We don't have much history for core Tier 1 capital ratios on a European-wide basis, and what we have suffers from inconsistent definitions (these problems will be a running theme). Nonetheless, the data we do have show a slow but consistent improvement (see footnote*). European banks, in aggregate, have improved their capital ratios markedly since 2007, with core Tier 1 ratios rising from 5.9% in 4Q07 to 9.0% at the end of 2010.

The broad improvement in capital adequacy has been driven by a combination of banks raising core capital – by issuing shares for example – and reducing total assets. The median European bank witnessed a core Tier 1 capital increase of 8.4% in 2010, while risk-weighted assets grew at only 2.5% over the same period, after declining for four consecutive quarters. Growth in total assets at the median bank has rebounded to 2.0% as of 4Q10, but this remains below the headline rate of inflation in the UK and euro-zone.

European Banks' Liquidity and Funding

Along with gaping shortages of capital, the events of 2007-09 highlighted how vital a stable funding base can be. In this respect, European banks have made notable progress. The median loan-to-deposit ratio of our sample of European banks (see footnote*) now sits at 123%, down significantly from a peak of 142% reached in 2H08. This is due in large part to banks growing their deposit base at several times the rate at which they have been writing loans – in 2010, the median year-on-year change in customer deposits was 5.3%, compared to the 0.5% increase in loans over the same period. Based on still tepid loan demand, and cautious consumer sentiment supporting savings, we would expect this ratio to continue to fall.

The European banks we have looked at are: ACAFP, BACR, BBVASM, BESPL, BNP, BPIM, CMZB, CS, DB, HBOS, ISPIM, LLOYDS, MONTE, RBS, SANTAN, SOCGEN, UBS, UCGIM

Sparinvest Investment Grade value Bonds – key figures

Taking the credit quality and the underlying improvements in balance sheets of the European Banks into account, our portfolio is still very cheap. The current yield on the portfolio is 8% with duration of 4.8 years. The average rating of the portfolio is BBB. Turnover in the portfolio has been low as there have been no takeovers to cause us to take profits. Nor have there been any adverse developments to cause us to sell. The portfolio has no exposure to Japan.

We expect continued outperformance Sparinvest Investment Grade Value Bonds relative to its benchmark for the rest of 2011.

Klaus Blaabjerg

Lead Portfolio Manager

11 April 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 Eursif and Dansif.

UNPRI 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.

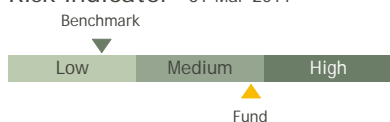
The mentioned sub-fund is part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company. For further information we refer to the full and/or simplified prospectus and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest 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 fund invests in global listed corporate bonds issued by listed and private corporations. The company analysis is based on value principles, securing a high credit quality and subsequently better preservation of capital. Bond selection is also based on theoretically founded principles with emphasis put on default risk, not the potential return. The Sub-Fund invests in investment grade fixed income transferable securities that are rated from AA to BBB-. The currency exposure is partly hedge into EUR.

Risk indicator - 31-Mar-2011



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) - 31-Mar-2011	12.22 EUR
Manager	Sparinvest S.A.
Fund Manager	Klaus Blaabjerg
Fund Manager Start Date	02-Nov-2006
Benchmark ¹	Merrill Lynch Global Broad Market Corporate Index (EUR Hedged)
Morningstar Category ²	EUR Corporate Bond
Latest NAV - 31-Mar-2011	110.73 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, Mar-2011

Returns	Fund	Benchmark ¹	Difference
YTD	4.79%	0.57%	4.22%
1 Month	1.10%	-0.08%	1.17%
3 Months	4.79%	0.57%	4.22%
1 Year	10.09%	4.92%	5.18%
3 y ann.	7.55%	6.11%	1.44%
5 y ann.	-	4.55%	-

Risk 3 years - Month End, Mar-2011

Risk	Fund	Benchmark ¹	Morningstar ²
Volatility	23.23%	6.49%	6.57%
Sharpe R.	0.35	-	0.50
Info Ratio	0.19	-	-

Morningstar Rating™ **★★**

Performance - 31-Mar-2011

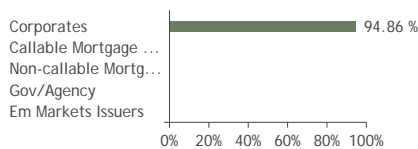


Returns	2007	2008	2009	2010	03-2011
Fund	-4.06%	-34.79%	44.66%	17.56%	4.79%
Benchmark	1.95%	-4.99%	16.22%	7.34%	0.57%
Morningstar Category™	-1.39%	-7.68%	16.59%	4.37%	0.49%

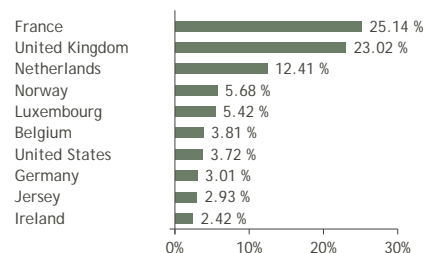
Asset Allocation

Holdings	Equities	Bonds	Other	Cash
41	0.0%	94.9%	0.0%	5.1%

Bond Type



Top 10 Countries



Portfolio (Top 10) - 31-Mar-2011

Name	Bond Type	Type	Country	Weight
Aviva 5.9021%(Tv) 04-Perp.	Corporates	Bonds	United Kingd...	5.33%
Bnpp 7.195% 07-Perp	Corporates	Bonds	France	5.25%
Eureko Bv 6% 06-..Perp.	Corporates	Bonds	Netherlands	4.86%
Axa 5.777% 06-Perp	Corporates	Bonds	France	4.36%
Elm Bv 5.252%(Frn) 06-Perp.	Corporates	Bonds	Netherlands	4.16%
Storebrd Liv.9.404%(Tv)08-Perp	Corporates	Bonds	Norway	4.05%
Ccbp 9.25% 09-Perp	Corporates	Bonds	France	3.97%
Fuerst Cap Frn 09-Perp	Corporates	Bonds	Luxembourg	3.94%
St.Generale 6.999% 07-..Perp	Corporates	Bonds	France	3.84%
Fortis Bk 6.5%01-Perp.	Corporates	Bonds	Belgium	3.81%

Bond Credit Quality

AAA	AA	A	BBB	BB	B and below	Not Rated	Effective Duration
0.0%	0.0%	3.5%	83.0%	9.9%	2.0%	1.5%	4.8

Notes:

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

Benchmark Comment

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