



## Emerging Markets Corporate Value Bonds

### Headlines

- Emerging markets maintain focus
- Emerging markets corporate bonds continue to perform
- Performance
- Portfolio composition
- Valuation of the portfolio

### Fund Facts

Strategy	Value Bonds
Risk	-
ISIN	LU05195053697
Share Class Currency	EUR R
Fund Inception	15-Sep-2010
Fund Manager	Toke Hjortshøj & Sune Højholt Jensen
Benchmark	Credit Suisse Emerging Markets Corporate Bond Index
Morningstar Category	Global Emerging Markets Bond

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

### Emerging markets maintain focus

Not all countries share the fear of negative economic impact from the increase in the prices of basic materials. Indeed, whilst Europe and USA examine the negative economic consequences for them of this development, the commodity-rich emerging market nations are experiencing it as a further boost to the momentum of their economic growth.

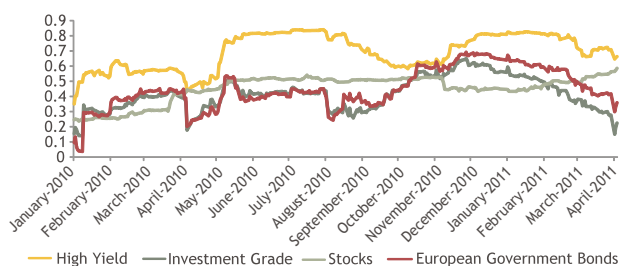
Besides the positive impact that commodity price inflation is having on these countries' balances, there are also a number of initiatives currently unfolding which are designed to improve the local capital markets as well as implementing international accounting standards. In the long term we expect these initiatives will have a positive impact on the credit rating of sovereigns and corporate bonds, resulting in emerging markets corporate bonds looking even more attractive for investors going forward.

### Emerging markets corporate bonds continue to perform

As an asset class, emerging markets corporate bonds has extended its good performance of 2010 into Q1 2011 and has got through the various macroeconomic crises without any noticeable scratches. During the Greek and Irish debt crises of 2010, emerging markets' bond prices remained relatively stable whereas other asset classes like stocks went through highly volatile periods.

And despite earthquakes in Japan and the Middle East crisis, emerging markets corporate bond investors have been calmly collecting coupons and benefiting from positive price adjustments.

**Figure 1: Correlations to Emerging Markets corporate bonds**



Source: Bank of America Merrill Lynch, MSCI World, 3 month rolling correlations.

Figure 1 shows the correlation pattern between emerging markets corporate bonds and four well-known asset classes between January 2010 and March 2011. The figure illustrates that prices of emerging markets corporate bonds have fluctuated less than those of the four asset classes during the sovereign debt crises in Europe (March and November 2010) and during the current period of unrest in the Middle East.

## Performance

Sparinvest Emerging Markets Corporate Value Bonds continues to make attractive returns for the investors. Hence, the fund ended the first quarter of 2011 with a return of 3.28% relative to a return of 2.10% for the benchmark.

Sparinvest Emerging Markets Corporate Value Bonds & Index Return, in %	Q1 2011	Since launch
Sparinvest Emerging Markets Corporate Value Bonds	3.28	5.61
Credit Suisse Emerging Markets Corporate Bond Index	2.10	2.64

The fund did not have any defaults and maintained its focus on bonds issued by companies with solid balance sheets and valuable assets.

## Portfolio composition

The fund benefits from the exposure to raw materials and energy. The high price of commodities increases their profitability and thus the balance sheets continue to look strong despite very large investments currently unfolding. Furthermore, the fund has maintained its underweight in financials and China/Hong Kong.

## Valuation of the portfolio

The fund is attractively priced with an effective yield of 7.99% compared to a 5.45% benchmark yield. The average credit rating is BB relative to BBB for the benchmark and the average net-debt-to-equity is 71% relative to 79% for the benchmark.

**Toke Hjortshøj** Portfolio Manager  
**Sune Højholt Jensen** Senior 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 Emerging Markets Corporate Value Bonds available share class	ISIN
EUR I	LU0611996918
EUR R	LU0519053697
EUR RD	LU0611997213



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 fund invests in corporate bonds issued by companies located or with the bulk of their earnings in emerging markets. Emerging markets are defined as countries that are not classified as developed countries, according to MSCI - market classification. The investment universe includes investment grade bonds, high yield bonds and non-rated corporate bonds. The fund can be invested in bonds, issued in both local currency and hard currency.

## Risk indicator - 31-Mar-2011



## Basic Information

ISIN	LU0519053697
Bloomberg	SPEMCCR.LX
Share Class	EUR R
Fund Inception	15-Sep-2010
Share Class Currency	EUR
Income Type	Accumulating
Company name	Sparinvest S.A.
Domicile	Luxembourg
Share Class Inception	15-Sep-2010
Fund size (MN) - 31-Mar-2011	71.41 EUR
Manager	Sparinvest S.A.
Fund Manager	Toke Hjortshøj, Sune Højholt Jensen
Fund Manager Start Date	15-Sep-2010
Benchmark <sup>1</sup>	Credit Suisse Emerging Markets Corporate Bond Index
Morningstar Category <sup>2</sup>	Global Emerging Markets Bond
Latest NAV - 31-Mar-2011	105.61 EUR
Subscription fee (up to)	2.00 %
Redemption fee (up to)	0.00 %
Management Fee	1.25 %
Total expense ratio - 31-Dec-2010	1.61 %

## Returns - Month End, Mar-2011

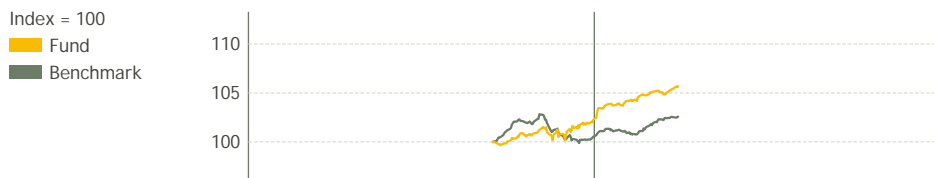
Returns	Fund	Benchmark <sup>1</sup>	Difference
YTD	3.28%	2.10%	1.18%
1 Month	0.70%	0.96%	-0.27%
3 Months	3.28%	2.10%	1.18%
From launch	5.61%	2.64%	2.97%
1 Year	-	8.20%	-
3 y ann.	-	8.07%	-

## Risk 3 years - Month End, Mar-2011

Risk	Fund	Benchmark <sup>1</sup>	Morningstar <sup>2</sup>
Volatility	-	-	14.30%
Sharpe R.	-	-	0.71
Info Ratio	-	-	-

Morningstar Rating™ -

## Performance - 31-Mar-2011

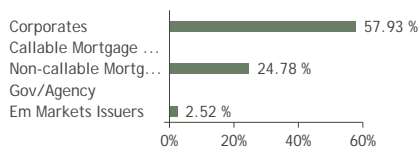


Returns	2010	03-2011
Fund	-	3.28%
Benchmark	11.19%	2.10%
Morningstar Category™	19.11%	-3.93%

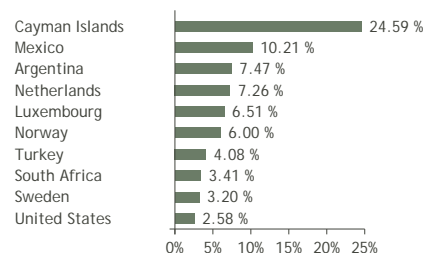
## Asset Allocation

Holdings	Equities	Bonds	Other	Cash
56	0.0%	89.5%	0.0%	10.5%

## Bond Type



## Top 10 Countries



## Portfolio (Top 10) - 31-Mar-2011

Name	Bond Type	Type	Country	Weight
Ipic Gmtn 5.875% 11-14.03.21	Corporates	Bonds	Cayman Islands	5.25%
Yuksel 9.5% 10-10.11.15 Regs	Non-callable Mortgage...	Bonds	Turkey	4.08%
Psos Finance 12% 10-06.10.15	Corporates	Bonds	Cayman Islands	3.73%
Cogard 11.125% 11-23.02.18	-	Bonds	Cayman Islands	3.35%
Panoro Energy 12% 15.11.18/Pool	Corporates	Bonds	Norway	2.96%
Co Durango St-Up09-27.8.16/Pik	Non-callable Mortgage...	Bonds	Mexico	2.78%
Edcon Holdings 9.5% 1.3.2018	Non-callable Mortgage...	Bonds	South Africa	2.56%
Cemex Fin.4.75% 07-5.03.14	Corporates	Bonds	Netherlands	2.51%
Virgolino 10.5% 11-28.01.18	Non-callable Mortgage...	Bonds	Cayman Islands	2.46%
Gol Finance 7.5% 07-3.4.17	Corporates	Bonds	Cayman Islands	2.41%

## Bond Credit Quality

AAA	AA	A	BBB	BB	B and below	Not Rated	Effective Duration
2.8%	5.9%	2.5%	13.9%	19.1%	35.7%	20.2%	4.3

## Notes:

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

## Benchmark Comment

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