



High Yield Value Bonds

Headlines

- Sevan Marine ASA
- Investment distribution
- Sparinvest High Yield Value Bonds – key figures

Fund Facts

Strategy	Value Bonds
Risk	Medium (5)
ISIN	LU0232765429
Share Class Currency	EUR
Fund Inception	16-Nov-2005
Fund Manager	Klaus Blaabjerg
Benchmark	Merrill Lynch Global High Yield (EUR Hedged)
Morningstar Category	Euro High Yield Bond



The second quarter was a poor one for Sparinvest High Yield Value Bonds. The fund recorded a return of -0.49%, compared to 1.07% for the benchmark (Merrill Lynch Global High Yield EUR Hedged). On a 3-year basis, however, the average return for the fund stood at 14.71% after the second quarter of 2011, compared to 11.81% for the benchmark. The average return for the past five years is now 8.82%, as against 8.23% for the index.

Sparinvest High Yield Value Bonds & Index Return, in %	Q2 2011	YTD
Sparinvest High Yield Value Bonds	-0.49	5.68
Merrill Lynch Global High Yield	1.07	5.08

The reason for the underperformance of the fund in the second quarter was an overweight toward European financials – bonds issued by large European banks and insurance companies – and very unsatisfactory performance in two companies.

European banks saw a reversal of their very strong performance up until the middle of May, on the back of strong fundamental improvements in core capital ratios linked to Basel III requirements. This fundamental improvement is, we believe, set to continue for the years ahead but sovereign noise resurfaced strongly in the latter half of the second quarter. Everything was about Greece and the Greek vote on the austerity measures imposed on the country by the EU and IMF. After Greece it was Portugal's and then Italy's turn to see their Credit Default Swaps (CDS) marked out. We believe that the recent spread of contagion to Italy has little to do with Italian fundamentals, which on appropriate metrics are at the stronger end of the scale. Instead, contagion is, in our view, driven primarily by mistakes in the Eurozone's policy response to the crisis. We believe the current phase of the crisis will elicit further policy response, allowing another phase of containment and selective improvement in what will remain a long-running process.

Given our constructive view on the broader global cycle, we would use this period of heightened stress for adding risk in the credit markets.

Regarding the energy sector, it has kept up quite well during the turbulent period of sovereign noise, downgrades to global growth and, not least, the decision to release inventories. Talking about the release of inventories, our take on the situation – watching the subsequent price action and knowing the supply/demand position – is that oil prices could reach new highs in the future, potentially posing a major threat to the global economy.

Looking at the bond prices of energy companies it is clear to us that current oil prices are not discounted by the bond prices; hence we see very good value in this sector.

Sevan Marine ASA

During the second quarter, we sold most of our holdings in Sevan Marine ASA following financial problems at the company. We had invested in bonds issued by Sevan that carry a pledge over its floating production, storage and offloading vessels (FPSOs), providing extra security. We sold our positions in Sevan close to par, accrued included.

Investment distribution

Regarding regional exposure, the fund has been holding less exposure to the US than at any point in its existence. That has been costly because of US outperformance over Europe in risky assets during the second quarter. We stay with our record low US exposure because we see so much better value elsewhere, and noting of course that the US has debt problems too. We currently have an underweight of US high yield close to 55% relative to the benchmark weight. As regards rating distribution, the fund is overweight investment grade rated financials and underweight CCC rated credit (12% vs 15% for the index). The fund has an average rating of BB-, compared to B+ for the index.

Sparinvest High Yield Value Bonds – key figures

Taking into account the credit quality and the underlying improvements in balance sheets of the European banks – as well as the fact that the high price of oil increases the asset backing for our holdings in the energy sector – our portfolio is still very ‘cheap’. The current yield on the portfolio is 10% and the duration of the fund is 4.3 years (4 years for the benchmark). Average net debt-to-equity for the fund is below 90% (this does not include the financials), which is considerably lower than the benchmark.

We therefore have reason to expect Sparinvest High Yield Value Bonds to bounce back and reward our investors’ patience in due course.

Klaus Blaabjerg

Lead Portfolio Manager
11 July 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 High Yield Value Bonds available share classes	ISIN
EUR I	LU0258535045
EUR R	LU0232765429
EUR RD	LU0259215183
EUR UKI	LU0258535631
DKK R	LU0239738551
SEK R	LU0611997304



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.

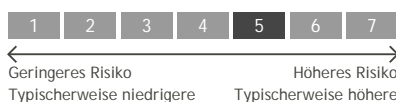
The mentioned sub-fund is part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company. For further information we refer to the full and/or simplified prospectus and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest 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.

Beschreibung

Investmentkonzept: Value Anlagen

Der Fonds investiert in weltweit borsennotierte Industrieanleihen, die von borsennotierten und anderen Unternehmen begeben werden. Die Unternehmensanalyse richtet sich nach wertorientierten Grundsatzen, wodurch eine hohe Kreditqualitat und in der Folge eine bessere Kapitalerhaltung im Vergleich zum allgemeinen Markt angestrebt werden. Die Auswahl der Anleihen richtet sich ferner nach theoretisch begrundeten Grundsatzen unter besonderer Berucksichtigung des Ausfallrisikos, nicht jedoch der potenziellen Rendite.

Risiken und Ertrage



Fonds-Informationen

ISIN	LU0232765429
Bloomberg	SPAHYVB LX
Aktienklasse	EUR R
Auflegungsdatum Fonds	16.11.2005
Wahrung	EUR
Fondstyp	(t)
Name der Gesellschaft	Sparinvest S.A.
Domizil	Luxemburg
Auflegung Aktienklasse	16.11.2005
Fondsvolumen (Mio.) - 30.06.2011	667,67 EUR
Manager	Sparinvest Fondsmaeglerselskab A/S
Fondsmanager	Klaus Blaabjerg
Verantwortlich seit	16.11.2005
Ref. Index ¹	Merrill Lynch Global High Yield (EUR Hedged)
Morningstar Kategorie™ ²	Anleihen EUR hochverzinslich
NIW - 30.06.2011	152,85 EUR
Kauf	2,00 %
Rucknahme	0,00 %
Verwaltungsgebuhr	1,25 %
TER - 31.12.2010	1,57 %

Wertentwicklung - Monatsende, Jun-2011

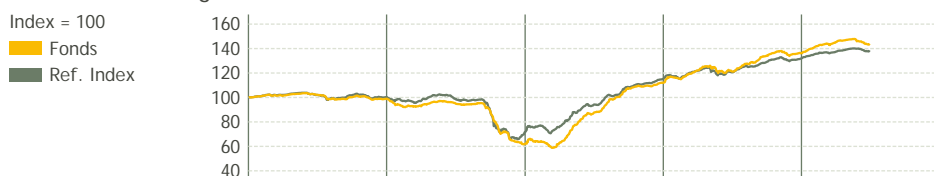
Wertentw...	Fonds	Ref. Index ¹	Unterschied
Ifd. Jahr	5,68%	5,08%	0,59%
1 Monat	-1,55%	-1,02%	-0,52%
3 Monate	-0,49%	1,07%	-1,56%
1 Jahr	18,44%	14,73%	3,71%
3 Jahre p.a.	14,71%	11,81%	2,90%
5 Jahre p.a.	8,82%	8,23%	0,58%
10 Jahre ...	-	8,47%	-

Risiko 3 Jahre - Monatsende, Jun-2011

Risiko	Fonds	Ref. Index ¹	Morningstar ²
Volatilitat	21,16%	17,57%	-
Sharpe R.	0,68	-	-
Info Ratio	0,35	-	-

Morningstar Rating™ **★★★★★**

Preisentwicklung - 30.06.2011

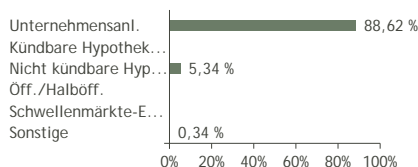


Wertentwicklung	2007	2008	2009	2010	06-2011
Fonds	-1,09%	-37,12%	80,21%	21,79%	5,68%
Ref. Index	0,39%	-28,55%	60,71%	14,51%	5,08%
Morningstar Kategorie™	-1,78%	-29,88%	53,80%	13,22%	3,61%

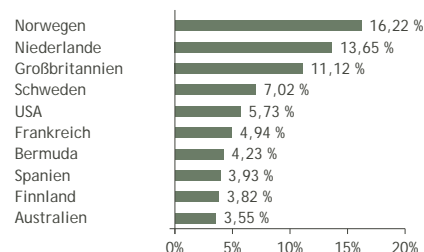
Vermögensaufteilung (%)

Positionen	Aktien	Anleihen	Sonstige	Liquiditat
99	0,0%	94,3%	0,0%	5,7%

Anleiheart



Top 10 Lander



Portfolio (Top 10) - 30.06.2011

Name	Anleiheart	Typ	Land	Gewicht...
Boats Inv. 11% 07-31.3.17 /Pik	Unternehmensanleihen	Anleihen	Niederlande	4,93%
Pa Res 12.25% 11-05.04.16	Unternehmensanleihen	Anleihen	Schweden	3,65%
Santos Fin8.25%(Frn)10-22.9.70	Unternehmensanleihen	Anleihen	Australien	3,55%
Noreco 12.9% 09-20.11.14	Unternehmensanleihen	Anleihen	Norwegen	3,22%
Fuerst Cap Frn 09-Perp	Unternehmensanleihen	Anleihen	Luxemburg	3,19%
Sns 11.25% 09-Perp	Unternehmensanleihen	Anleihen	Niederlande	2,79%
Srlev Nv 9%(Frn) 11-15.4.41	Unternehmensanleihen	Anleihen	Niederlande	2,74%
Intesa San 9.5%(Frn) 10-Perp	Unternehmensanleihen	Anleihen	Italien	2,74%
Bbva Intl Frn 09-Perp	Unternehmensanleihen	Anleihen	Spanien	2,51%
Ccbp 9.25% 09-Perp	Unternehmensanleihen	Anleihen	Frankreich	2,46%

Bonitat

AAA	AA	A	BBB	BB	B und niedri...	Nicht gerated	effektive Duration
0,0%	0,0%	0,0%	23,7%	21,5%	53,3%	1,5%	4,5

Anmerkungen:

Der angegebene Fonds ist Teilfonds von Sparinvest SICAV, einer offenen Investmentgesellschaft luxemburgischen Rechts.

Ref. Index Kommentar

-