



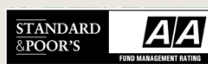
European Value

Headlines

- Performance
- Portfolio Composition
- Portfolio Valuation

Fund Facts

Strategy	Value Equity
Risk	High (6)
ISIN	LU0264920413
Share Class Currency	EUR
Fund Inception	02-Nov-2006
Fund Managers	Jens Moestrup Rasmussen & Per Kronborg Jensen
Benchmark	MSCI Europe (net dividends)
Morningstar Category	Europe Mid-Cap Equity



- sparinvest.eu

Performance

In the third quarter of 2011, Sparinvest European Value lost 23.58%. The general European market, as measured by the MSCI Europe index, lost by 16.37% in the quarter, while the European value stock universe (as measured by the MSCI Europe Value index) has lost 17.60%. The fund holds a fair proportion of small cap holdings, and during the quarter, the European small cap market declined by 19.43%.

Sparinvest European Value & Index Returns, in %	Q3 2011	YTD
Sparinvest European Value	-23.58	-23.46
MSCI Europe Index	-16.37	-15.62
MSCI Europe Value Index	-17.60	-16.16
MSCI Europe Growth Index	-15.16	-15.06
MSCI Europe Small Cap Index	-19.43	-20.46

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

This means that in 2011 year-to-date, Sparinvest European Value has declined by 23.46% compared with a decline of 15.62% for the MSCI Europe. Clearly the major drag on performance has been the Eurozone crisis and concerns of slower global growth, or indeed, recession. Stock markets have been driven primarily by fear, which typically has a larger impact on more cyclical stocks. Hence the majority of our deviation from benchmark is explained by looking at a sectoral breakdown.

For a European portfolio with a relatively high weight in cyclical sectors, we have had a challenging environment. The biggest detractors in the quarter on an absolute level were our exposure to Consumer Discretionary,

Industrials and Materials. They were among the worst performers of the quarter, and at the same time we have had significantly higher weightings within these sectors than the MSCI Europe. Consequently we have had only 5% exposure to the three best-performing sectors in the index, Telecommunication, Health Care and Consumer Staples, which constitute around 30% of the index. It's important to remember that our exposure to more economically sensitive stocks has not been chosen from a top-down decision – it is, as always, the outcome of our continuous search for the cheapest companies based on business models, balance sheets and long-term earnings power.

Naturally, it is not satisfactory to see such a steep decline in quarterly performance. However, we must stress that the recent extreme share-price movements bear little relation to what we have seen in fundamental developments at our holdings. Moreover, these markets have been providing excellent new investment opportunities, with four new companies bought during the quarter.

There are major problems to be solved in the Eurozone. Decisive political action is vital. As we have long said, the recovery from a credit crisis was never going to be quick and easy. We will not predict here precisely what macro scenario the world is facing, but the situation is very different from late 2008 in one crucial way. In 2008, the sheer speed of the downturn took many companies by surprise. Today, in late 2011, business conditions themselves have not yet shown a significant downturn; generally, our holdings report that orders and earnings remain roughly on track. But if a down swing does come, companies are prepared. Balance sheets have been shored up, with, for example, reduced leverage and lower inventories. Disciplined cost cutting has led to dramatically lower breakeven points. This is a theme we expand on in our current letter to shareholders.

So, while we share concern about the current situation in Europe, and can certainly see risks of relatively low growth both in Europe as well as globally in the near term, current stock markets strike us as deeply irrational. Portfolio valuations are discussed below – but we have no doubt that, whatever macro developments may come, the current share prices of our holdings offer deep discounts to intrinsic value, which will drive solid performance over the years to come.

Portfolio Composition

At the end of the quarter, the cash position was 0.7% of assets under management. The fund had 67 holdings and our ten largest positions accounted for 32.08% of the total.

During the quarter, we made four new investments. We bought shares in Nokia (Finland, mobile telecommunications), Nyrstar (Belgium, Mining & Smelting), Clariant (Switzerland, chemicals) and the Swedish appliance maker Electrolux.

We should note that from time to time, some stocks enter the portfolio as a result of corporate actions by existing holdings, such as spin-offs, where an existing holding spins off a business division into a new, separately-listed entity. In recent quarters, this has resulted in two additions to the portfolio: ANF Immobilier, a real estate investment trust spun off from existing French holding, Eurazeo; and Autoneum, an automotive component maker spun off from existing Swiss holding, Rieter. In all such cases, we analyse the newly-formed entity in its own right, and, where we see that the market price offers a healthy discount to intrinsic value, we typically remain invested.

No positions were entirely exited during the quarter. However, in general rebalancing of the portfolio, we made additional investments in some existing holdings and reduced others.

For further data on the fund, including complete portfolio holdings, performance and breakdowns by industry and geographical sector, please refer to the fund factsheet at the end of this document, or to our website.

Portfolio Valuation

European stock markets in general are now trading at compellingly low valuations, but the valuations of our holdings look extreme. As a rough indication, we amalgamate the holdings into one theoretical company.

This company has a price-to-book of just 0.78 times, compared to 1.3 times for the MSCI Europe index. The balance sheet remains solid, with low financial leverage (median net-debt-to-equity of just 15% versus 41% for the MSCI Europe). If we strip out intangible assets, and look at price-to-tangible-book, the fund trades at 1.36 times, compared to 2.20 times for the index.

Earnings-based multiples suggest that an extremely negative scenario is now priced in. The price-to-earnings ratio, based on consensus estimates, is 9.14 times for the current fiscal year, and 7.96 times for the following fiscal year (compared with 9.35 and 8.46 times, respectively, for the MSCI Europe). EV/EBITDA, which is a useful indicator of the price of companies relative to their raw earnings power, is just 3.69 times current year estimates, and 3.16 times next year estimates – compared with 5.43 and 4.96 times respectively for the MSCI Europe. If one compares these multiples to what is actually paid for companies in M&A transactions, the implicit upside in the entire market, and the fund in particular, looks significant.

Sparinvest European Value offers a wide range of companies, with solid asset backing and robust cross-cycle earnings power. Despite the current volatile stock markets, the intrinsic value of the portfolio remains very much intact, and we are confident that this portfolio will generate healthy investment returns over the years to come.

Jens Moestrup Rasmussen Chief Portfolio Manager
Per Kronborg Jensen Senior Portfolio Manager
 11 October 2011

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 European Value available share classes	ISIN
EUR I	LU0264924241
EUR R	LU0264920413
EUR UKI	LU0264924753
EUR UKR	LU0264920926
GBP UKR	LU0264927772



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.

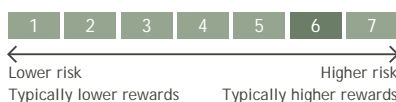
The mentioned sub-fund is part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company. For further information we refer to the full and/or simplified prospectus and the current annual / semi-annual report of Sparinvest SICAV which can be obtained free of charge at the offices of Sparinvest 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 Sub-Fund aims at providing a positive return over the long term by investing in equity securities and, to a limited extent, convertible securities and warrants on transferable securities of companies having their registered office or undertaking a preponderant part of their business activities in Europe and that are admitted to official listing on a stock exchange or that are traded on a Regulated Market within the EU- and EFTA-Member States. The Sub-Fund invests at least 3/4 of its total assets in the aforementioned securities.

Risk and Reward Profile



Basic Information

ISIN	LU0264920413
Bloomberg	SPEUVLR 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) - 30-Sep-2011	83.06 EUR
Manager	Sparinvest Fondsmaeglerselskab A/S
Fund Manager	Per Jensen, Jens Rasmussen
Managed Since	15-Feb-2010
Benchmark ¹	MSCI Europe (net dividends)
Morningstar Category ²	Europe Mid-Cap Equity
Latest NAV - 30-Sep-2011	64.09 EUR
Subscription fee (up to)	3.00 %
Redemption fee (up to)	0.00 %
Management Fee	1.50 %
Total expense ratio - 31-Dec-2010	2.00 %

Returns - Month End, Sep-2011

Returns	Fund	Benchmark ¹	Difference
YTD	-23.46%	-15.62%	-7.84%
1 Month	-8.23%	-4.47%	-3.77%
3 Months	-23.58%	-16.37%	-7.21%
1 Year	-16.79%	-10.26%	-6.53%
3 y ann.	-0.97%	-1.27%	0.30%
5 y ann.	-	-5.23%	-
10 y ann.	-	-	-

Risk 3 years - Month End, Sep-2011

Risk	Fund	Benchmark ¹	Morningstar ²
Volatility	23.41%	18.99%	21.13%
Sharpe R.	0.02	-	0.11
Info Ratio	0.13	-	-

Morningstar Rating™ **★★★☆☆**

Performance - 30-Sep-2011

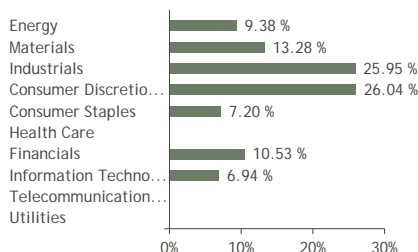


Returns	2007	2008	2009	2010	09-2011
Fund	-4.13%	-48.00%	32.13%	25.59%	-23.46%
Benchmark	2.69%	-43.65%	31.60%	11.10%	-15.62%
Morningstar Category™	-1.34%	-46.50%	38.22%	21.80%	-18.69%

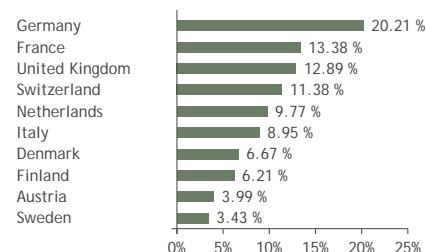
Asset Allocation

Holdings	Equities	Bonds	Other	Cash
67	99.3%	0.0%	0.0%	0.7%

Sector Breakdown



Top 10 Countries



Portfolio (Top 10) - 30-Sep-2011

Name	Sector	Type	Country	Weight
Zurich Financial Services/Nam	Financials	Equities	Switzerland	3.40%
A.P. Moeller - Maersk A/S B	Industrials	Equities	Denmark	3.39%
Hochtief A.G.	Industrials	Equities	Germany	3.33%
Danske Bank As	Financials	Equities	Denmark	3.29%
Eni Spa Roma	Energy	Equities	Italy	3.26%
Roy.Philips Electr./Eur 0.2	Industrials	Equities	Netherlands	3.19%
Royal Dutch Shell Plc-A-	Energy	Equities	Netherlands	3.15%
J.Sainsbury Plc	Consumer Staples	Equities	United Kingd...	3.11%
Ericsson Tel. B	Information Technology	Equities	Sweden	2.99%
Omv Ag	Energy	Equities	Austria	2.97%

Notes:

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

Benchmark Comment

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