Product Profile	
Fund Name	Sparinvest European Value
ISIN	LU0264920413
Investment universe	European Equities (Small / Mid / Large Caps)
Benchmark	MSCI Europe
Base Currency	EUR
Earnings	Accumulation
Inception date	02/06/2011
Fund Volume	EUR 100.48 m as of 31/08/2011
Management Fee	1.5% p.a.
TER	2.0% p.a.
Fund Manager	Jens Moestrup Rasmussen
Company	Sparinvest S.A.
Internet	www.sparinvest.lu
Investor's Profile	
Investment horizon	long-term
Risk classification	medium (less than benchmark-oriented equity product)
Return expectations	long-term stable returns
Loss Tolerance	short-term losses are possible

TELOS Comment

The *Sparinvest European Value* is an actively managed equity fund that invests in European companies and is driven by its proprietary blend of value investment. The approach is based on a corporate philosophy which is easy to understand and which is present in all phases of the investment process. The process and approach for portfolio construction have been in use over 10 years for a related global fund, which is managed by the same team. The team distinguishes itself by homogeneity rather than diversity as regards qualifications and age. All the team members have experience in fundamental equity and company analysis. In 2010 and 2011, four new members joined the team following the acquisition of the Danish asset managers *Atrium Asset Management* and *EgnsInvest*.

In line with the paramount objective to preserve capital, risk assessment is carried out on an absolute level and thus – just as the investment decisions – irrespective of a benchmark. The fund is invested in ~ 60 to 80 securities.

The first part of the investment process is a purely quantitative filter process. Using classical value criteria the fund manager seeks to identify companies of the investment universe with an estimated undervaluation of at least 40%. The actual selection of eligible securities is, however, carried out in the subsequent qualitative part of the investment process. The qualitative evaluation focuses on the short list which is the result of the prior screening process. In this step the lesser known remaining companies undergo a thorough and in-depth individual analysis. In fact, the critical questioning and analysis of the annual financial statements and the business models have priority over the direct contact to a company's management. An important aspect is that a company's earnings capacity has already been high and stable for several years. Investment is carried out taking a longer investment horizon into account. The investment process is analysed periodically with regard to possible potential for optimisation and improvement. Also, style analyses are performed at regular intervals, with the aim of identifying and preventing unintentional style drift.

Currently, the fund has 63 titles in the portfolio. At present the average price/book ratio of the fund is at 0.75, which is considerably cheaper than the overall market at 1.2.. Currently, the fund still has a clear focus on cyclical sectors such as industrials and consumer discretionary which are overweighted. Although the financial sector is considered as undervalued this sector is underweighted owing to the present regulations in Europe and the uncertainty concerning their final design and impact. However, the fund management has taken notice that the recent non-fundamental market movements had a negative impact on the fundamental and long term oriented fund. The active management of the fund is reflected by a high tracking error of 0.1 (36 months).

Sparinvest European Value is rated **AA.**

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Investment Process

The *Sparinvest European Value* fund is managed by *Sparinvest S.A. (Sparinvest)* in Luxembourg. Investment advice is provided by *Sparinvest Asset Management A/S* in Denmark. Both companies are 100% subsidiaries of the Danish portfolio management company *Sparinvest Holding A/S* founded in 1999. In total eight portfolio manager and three analysts of the Value Equity Team are involved in the investment process. The fund manager, *Jens Moestrup Rasmussen*, has the overall responsibility for the investment activities.

The fund invests in shares of companies in European countries with a minimum market capitalisation of US$ 25 m. The main investment objective is to preserve the capital. A further objective is capital growth achieved with lower volatility than the overall market. The investment process and the composition of the fund are not benchmark-oriented. The fund is invested in ~ 60 to 80 securities with a weighting between 0.2 and 3%. Currency risks towards the Euro are not hedged. The weight of a single country should not exceed 35%.

The investment approach is based on the assumption that the price of a company can significantly deviate from its fundamentally justified value on a short-term basis, but that it becomes closer to it over a longer time horizon. As a first step of the investment process, a monthly quantitative screening of the investment universe comprising approximately 5000 securities is carried out by means of complementary data providers. During this, those securities are selected by classical value criteria (e.g. price/book-ratio, low debt ratio, examination of earnings/cash-flow-ratio) which are estimated to be undervalued by at least 40% compared to their intrinsic value. The remaining securities are subjected to an individual qualitative analysis, with particular focus on the companies' annual financial statements of the last 5 to 10 years, the business models and the growth prospects. If required, companies in question are contacted for further information. The investment team has used contacts with external sector specialists/experts to confirm potential investments. Furthermore, a database of over 800.000 M&A transactions is used to receive practical information about discount factors used to calculate the intrinsic value. Only those securities are deemed eligible whose significant undervaluation does not seem justified in the fund management's opinion specifically taking into account the qualitative assessment. The weighting of the securities in the fund is carried out on the basis of the size of the companies and the respective market capitalisation. A case study is drawn up for each company, and a homogenous valuation is undertaken against a checklist, which has included ESG factors since 2010 which are checked with the use of external service providers. An active allocation according to sectors or countries is not used, even though the fund management pays attention to relevant macro economical developments in a reasonable manner. Acceptable liquidity of the portfolio stocks is an important requirement. The portfolio securities are monitored continuously.

Risk management within the investment process is predominantly carried out on the level of individual securities and is mainly implemented by the necessary safety margin of at least 40%. If a share has reached its value that is justified on the basis of fundamental data, it will be sold even if further price increases seem likely in the short term.

Quality Management

At regular intervals the entire fund profile is examined using style analysis by a committee that is independent of the fund management. In doing so, a risk management system is used to calculate various relevant ratios with which the fund's positioning and characteristics are analysed in comparison with the overall market. The performance is checked by in-house attribution analysis. Pre- and post-trade verification whether the investment restrictions are observed are carried out by Sparinvest and RBC Dexia (custodian and central administration).

Team

Since its launch in 2006 the fund has been managed by the Head of whole Fund Management, *Jens Moestrup Rasmussen*. *Jens Moestrup Rasmussen* has built up a solid reputation in value investing, especially during his work for Sparinvest for more than fifteen years. In close contact with all the team members, his knowledge is passed on continuously. Since February 2010 *Per Kronborg Jensen* has acted as the second responsible portfolio manager for the fund and replaced *Kasper Billy Jacobsen* who has previously held this position since 2008. The whole value-equity-team consists of eight portfolio managers and three analysts.

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Investment Characteristics

Important external factors	*Important control factors*
Economic environment	Asset selection
Equity market (level)	-
Liquidity	-
-	-
-	-

Product History

Monthly Returns

	2006	2007	2008	2009	2010	2011
Jan	-	3.8	-12.7	-3.6	1.5	2.6
Feb	-	-1.8	2.2	-8.5	-3.1	1.2
Mar	-	3.5	-2.3	0.2	8.0	-2.6
Apr	-	4.5	0.9	19.5	4.9	2.0
May	-	3.1	0.6	6.0	-5.2	-0.6
Jun	-	-0.6	-9.4	-1.5	-0.1	-2.4
Jul	-	-1.0	-4.9	6.0	4.0	-5.2
Aug	-	-2.8	3.0	8.3	-1.9	-12.2
Sep	-	-2.4	-13.4	2.3	7.3	-
Oct	-	2.4	-20.3	-0.8	1.7	-
Nov	-	-8.6	-4.5	-0.3	-1.3	-
Dec	1.1	-3.4	0.6	3.2	8.3	-
Product	1.1	-4.1	-48.0	32.1	25.6	-16.6
Benchmark	3.8	2.7	-43.6	31.6	11.1	-11.7

Statistics per end of Aug 11	*6 M*	*1 year*	*2 years*	*3 years*
Performance (annualised)	-35.47%	-2.73%	4.57%	-2.87%
Volatility (annualised)	16.97%	18.87%	15.88%	24.24%
Sharpe-Ratio	-2.27	-0.30	0.10	-0.24
Best monthly result	2.04%	8.29%	8.29%	19.53%
Worst monthly result	-12.21%	-12.21%	-12.21%	-20.34%
Median of monthly results	-2.50%	0.32%	0.56%	0.07%
Best 12-month result		-2.73%	32.57%	58.78%
Worst 12 month result		-2.73%	-2.73%	-16.20%
Median of 12-month results		-2.73%	19.63%	23.26%
Maximum loss period	6	6	6	24
Maximum loss	-19.67%	-19.67%	-19.67%	-41.63%

	Fund vs. Benchmark (trailing 36 Months)
Jensen Alpha	0.00
Annualized Jensen Alpha	0.02
Beta	1.13
R-squared	0.86
Correlation	0.93
Tracking Error	0.10
Active Premium	0.01
Information Ratio	0.07
Treynor Ratio	-0.05

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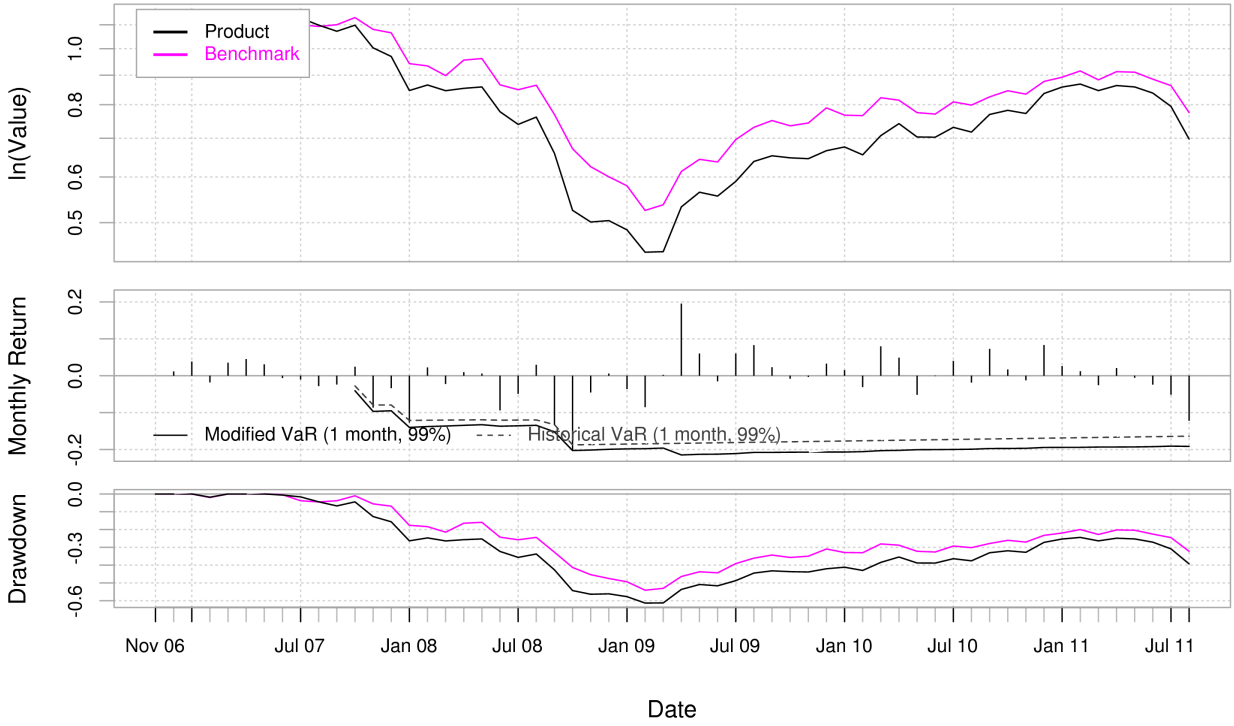
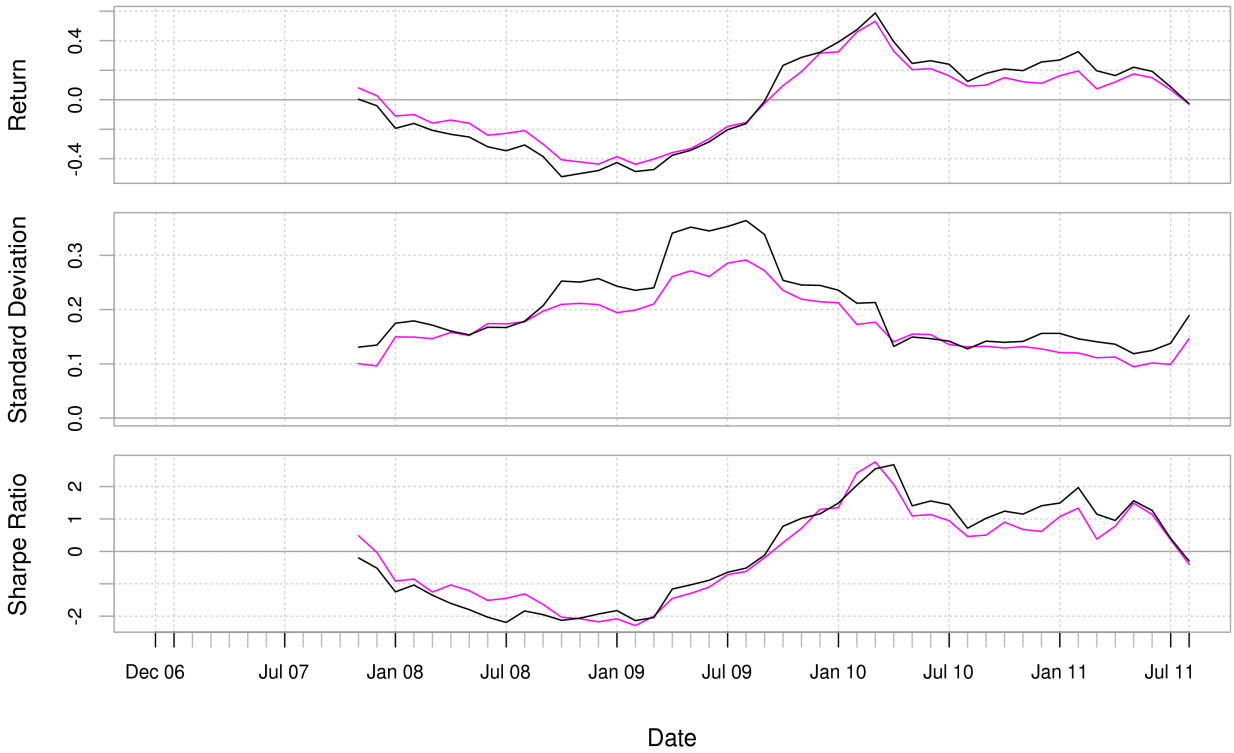
Performance



Rolling 12 -month- Performance



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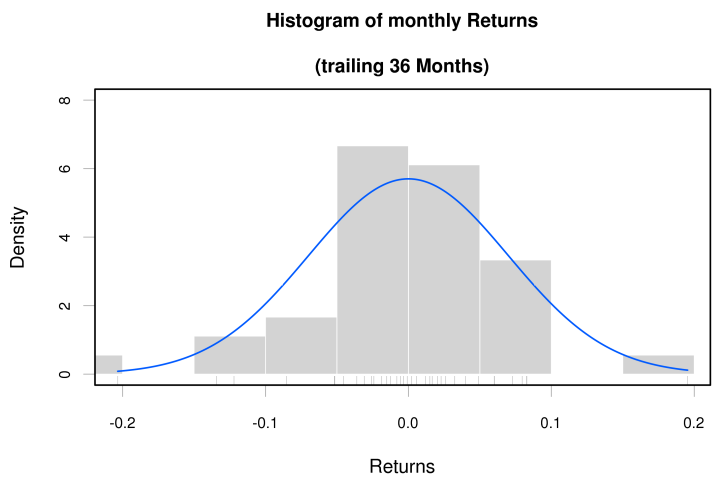

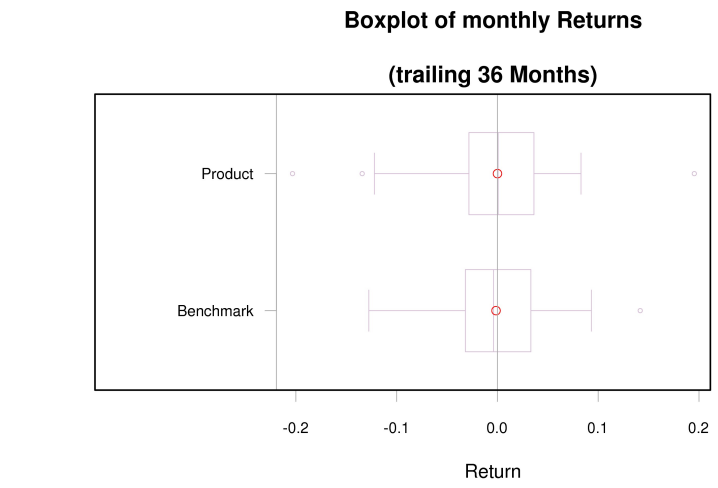

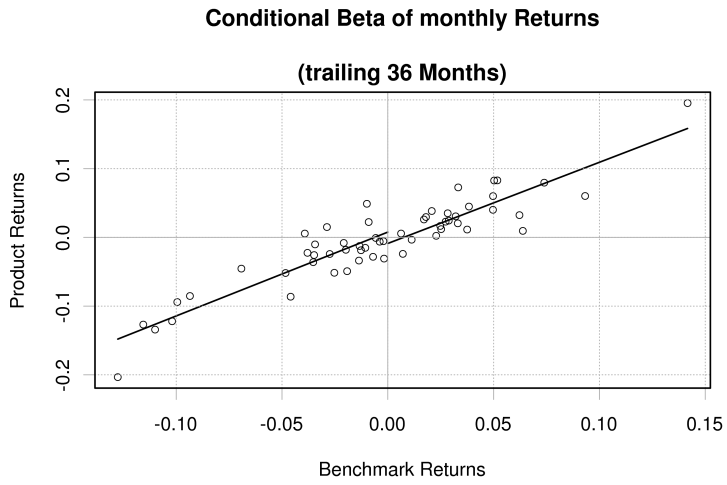

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Explanations

TELOS Rating Scale	
AAA	The fund complies with highest quality standards
AA	The fund complies with very high quality standards
A	The fund complies with high quality standards
N	The fund does currently not comply with the TELOS quality standards
+ / -	further differentiate within a rating level

The **Product Profile** contains general information on the fund, the investment firm, and the responsible fund manager.

The **Investor's Profile** enables the investor to quickly match his or her expectations with the "official" classification of the product by the investment firm.

The **TELOS Comment** section summarises the main insights of the rating and constitutes an important supplement to the rating grade. The subsequent sections contain descriptive information on the investment process, the quality management, and the responsible team.

The **Investment Characteristics** lists – from the point of view of the fund management – the most important external determinants influencing the performance of the fund, as well as the essential factors employed for its control.

The **Product History** presents – by means of graphs and tables – the development of the fund in comparison with the money market and a benchmark (where appropriate) in respect of performance and risk criteria. All calculations are based on month-end data. Fund data and benchmark data are provided by the investment firm.

The *performance* of the fund is calculated based on reinvested prices: profit distributions are being invested in new shares of the fund immediately. Thereby, the performance of distributing and nondistributing funds is mutually comparable. This approach corresponds to the "BVI method" of performance calculation, advocated by the association of the German investment fund industry. If the fund management is guided by a *benchmark*, the performance of the latter is shown as well. Otherwise, a suitable comparative index is chosen for illustration purposes – in agreement with the investment firm.

The *Sharpe Ratio* provides information about the "excess return" of the fund with regard to a risk free financial investment – here represented by the money market – as a proportion of the total risk taken. The risk free rate used in this report is 3%, and the *volatility* is the annualised standard deviation of the monthly returns.

The *median of monthly results* is characterised by the fact that half of all monthly returns occurring in the observed period are either at least or at most as large as this value. As a result, this measure is less sensitive to "outlier results" than, for instance, the mean (average) value of monthly returns. In an analogous way, the *median of 12-month results* should be interpreted. The *longest loss* period is the number of months needed by the fund in order to recover losses by reaching or exceeding a level that had been achieved previously in the period under consideration. If this level could not be reached again, the end of the period is used. Accordingly, the *maximum loss amount* is the largest loss which the fund suffered in the period under consideration – starting from the highest value reached earlier during this period.

Jensen Alpha measures the beta-risk-adjusted (cf. beta) outperformance of the fund versus the benchmark and is calculated using monthly returns. A positive value indicates the generation of added-value by the fund's management.

Beta is a measure of the fund's market risk exposure. A Beta larger (smaller) than one indicates that the fund will be more (less) volatile than the benchmark.

R^2 is the square of the correlation coefficient (cf. correlation). It is the measure of the quality of a linear fit on the fund's vs. the market's returns. It ranges between 0 (bad fit) and 1 (good fit).

Correlation is a measure of how the fund and the market move in relation to each other. Correlation ranges between -1 and +1. The extreme values i.e. -1/+1 indicate that the fund and the market always move in lockstep, for -1 in opposite directions, for +1 in the same direction. 0 indicates there is no clear relationship.

The *tracking error* is the standard deviation of differences between fund and benchmark returns. The lower the tracking error, the more closely the portfolio follows the index.

Active Premium or excess return measures the Out/Underperformance of a fund vs. its benchmark.

The *Information Ratio* is the active Premium divided by the tracking error. The higher the information ratio, the higher the active premium of the fund, given the same level of risk.

The *Treynor Ratio* is the return in excess of the riskfree rate, divided by beta. The Treynor ratio is a beta-risk-adjusted measure of outperformance vs the riskfree rate.

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