

Product Profile

<i>Fund Name</i>	Sparinvest European Value
<i>ISIN</i>	LU0264920413
<i>Investment universe</i>	European Equities (Small / Mid / Large Caps)
<i>Benchmark</i>	MSCI Europe
<i>Base Currency</i>	EUR
<i>Earnings</i>	Accumulation
<i>Inception date</i>	2/ 11/ 2006
<i>Fund Volume</i>	EUR 78.57 m as of 31/08/2009
<i>Management Fee</i>	1.5 % p.a.
<i>TER</i>	2.0 % p.a.
<i>Fund Manager</i>	Jens Moestrup Rasmussen
<i>Company</i>	Sparinvest S.A.
<i>Internet</i>	www.sparinvest.lu

Investor's Profile

<i>Investment horizon</i>	long-term
<i>Risk classification</i>	medium (less than benchmark-oriented equity product)
<i>Return expectations</i>	long-term stable returns
<i>Loss Tolerance</i>	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 throughout 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.

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. Operating on a very large investment universe this filter process is aimed at identifying companies that are significantly undervalued by at least 40% to 50%, using classic value criteria. The actual selection of eligible securities is, however, carried out in the subsequent qualitative part of the investment 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.

The team distinguishes itself by homogeneity rather than diversity as regards qualifications and age, also on account of its small size. In 2007 the investment team gained three new analysts, who have language skills in Italian and French. Thus the information about companies in these countries is now more readily available, which benefits the investment process and fund. In mid 2010 one new team member is due to join the investment team.

Currently, the *Sparinvest European Value* fund has 65 titles in the portfolio. At present the average price/book ratio of the fund is at 1.1, which is considerably cheaper than the overall market. Currently, the fund has a clear focus on cyclical sectors such as industrials and materials. In the recent past, the fund has outperformed its benchmark due to its relatively high exposure to cyclical sectors. The Sharpe Ratio over 3 years is negative.

Sparinvest European Value is rated **AA**.

Investment Process

The *Sparinvest European Value* fund is managed by *Sparinvest S.A. (Sparinvest)* in Luxembourg. Investment advice is provided by *Sparinvest Fondsmæglerelskab 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 employees 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 an external model. During this, those securities are selected which have a low debt ratio and which are at least 40% undervalued judged by various value ratios, such as price-earnings ratio or price-book 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. 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. Liquidity considerations are taken into account when establishing initial positions. An active allocation according to sectors or countries is not used. The portfolio securities are monitored continuously. Risk management within the investment process is predominantly carried out on the level of individual securities. 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. Starting end of 2007 the orders have been traded over the own trading desk. About 75% of the total volume is implemented by discount brokers. Orders are executed in line with the Best Execution Policy. If possible, program trades are carried out with selected brokers. The investment decisions are implemented by RBC Dexia Investor Service Bank S.A. in Luxembourg which acts as the central administration, custodian and transfer agency.

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 ana-

lysed in comparison with the overall market. A pre-trade verification whether the investment restrictions are observed is carried out by the portfolio management. In addition, the remaining internal and external investment risks are automatically monitored by Dexia.

Team

Since its launch in 2006 the fund has been managed by the Head of whole Fund Management, *Jens Moestrup Rasmussen*. Since February 2008 *Kasper Billy Jacobson*

acts as the second responsible portfolio manager for the fund. Another three portfolio managers as well as three analysts belong to the Value Equity Team.

Investment Characteristics

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

Product History

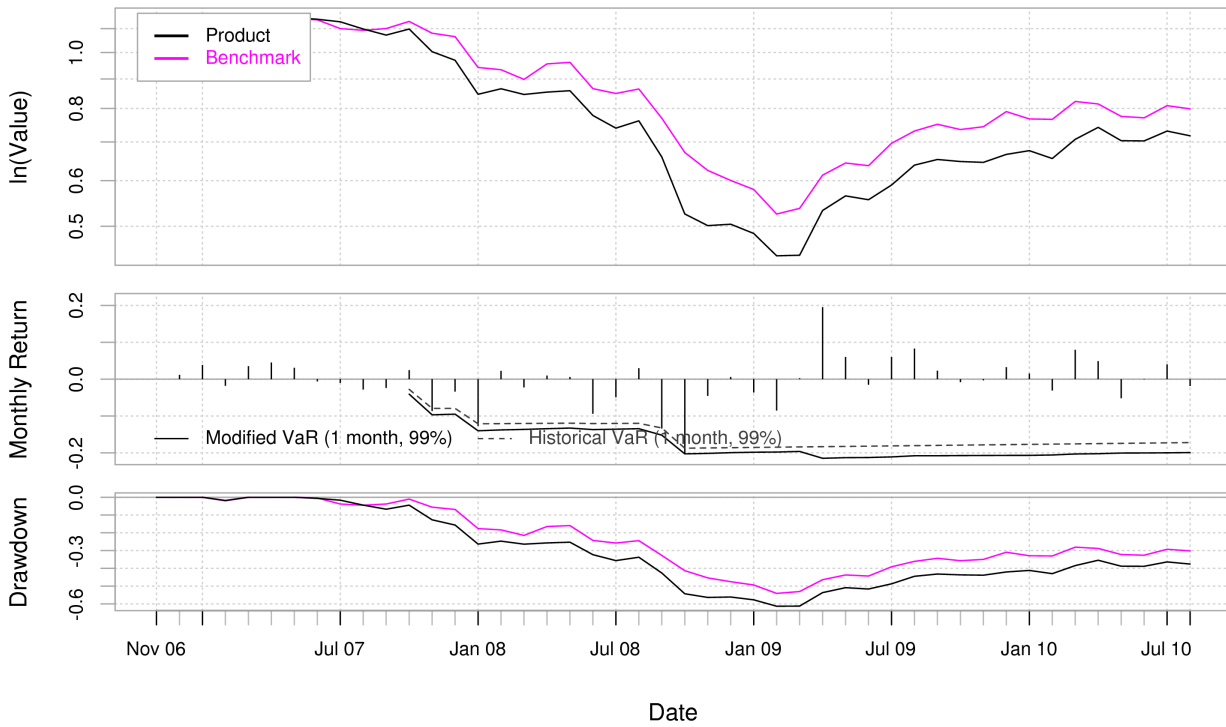
Monthly Returns

	2006	2007	2008	2009	2010
Jan	-	3.8	-12.7	-3.6	1.5
Feb	-	-1.8	2.2	-8.5	-3.1
Mar	-	3.5	-2.3	0.2	8.0
Apr	-	4.5	0.9	19.5	4.9
May	-	3.1	0.6	6.0	-5.2
Jun	-	-0.6	-9.4	-1.5	-0.1
Jul	-	-1.0	-4.9	6.0	4.0
Aug	-	-2.8	3.0	8.3	-1.9
Sep	-	-2.4	-13.4	2.3	-
Oct	-	2.4	-20.3	-0.8	-
Nov	-	-8.6	-4.5	-0.3	-
Dec	1.1	-3.4	0.6	3.2	-
Product	1.1	-4.1	-48.0	32.1	7.7
Benchmark	3.8	2.7	-43.6	31.6	1.1

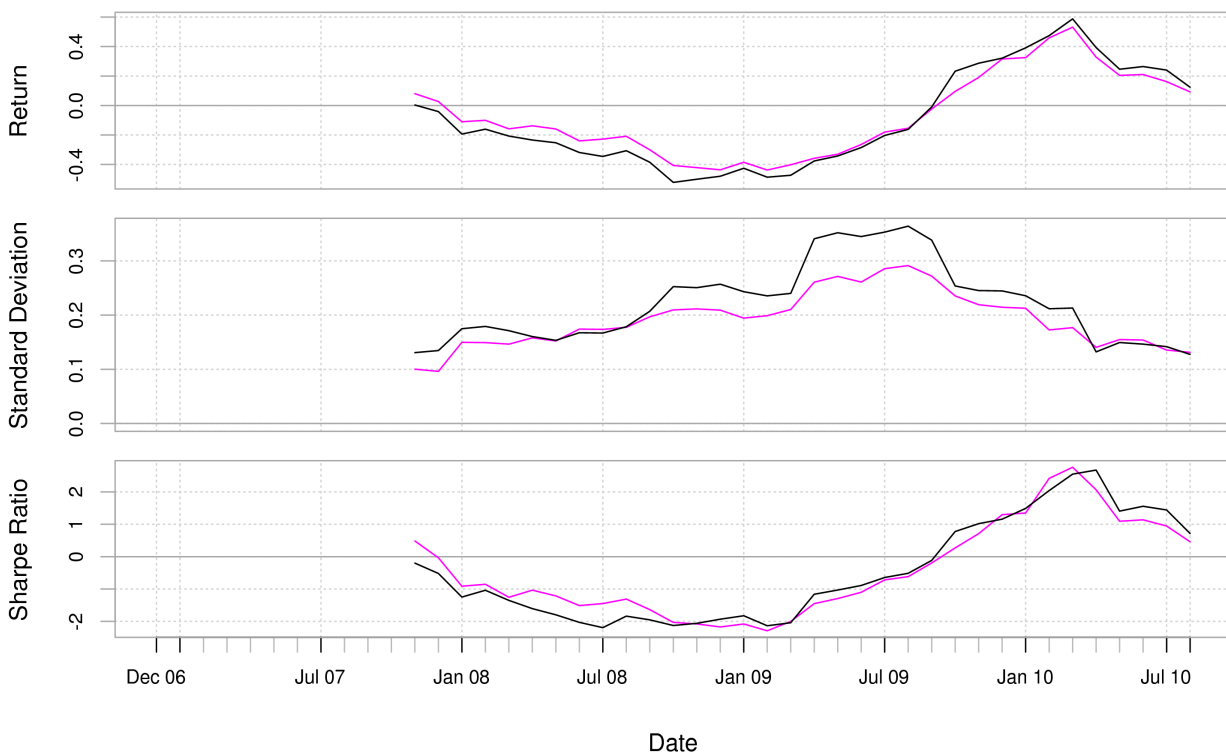
Statistics per end of Aug 10	6 M	1 year	2 years	3 years	-	-
Performance (annualised)	19.87%	12.42%	-2.94%	-13.24%	-	-
Volatility (annualised)	16.83%	12.75%	26.90%	24.48%	-	-
Sharpe-Ratio	1.00	0.74	-0.22	-0.66	-	-
Best monthly result	7.96%	7.96%	19.53%	19.53%	-	-
Worst monthly result	-5.18%	-5.18%	-20.34%	-20.34%	-	-
Median of monthly results	1.96%	0.71%	0.07%	-0.21%	-	-
Best 12-month result		12.42%	58.78%	58.78%	-	-
Worst 12 month result		12.42%	-16.20%	-52.17%	-	-
Median of 12-month results		12.42%	26.44%	-16.20%	-	-
Maximum loss period	4	4	24	36	-	-
Maximum loss	-5.27%	-5.27%	-41.63%	-59.53%	-	-

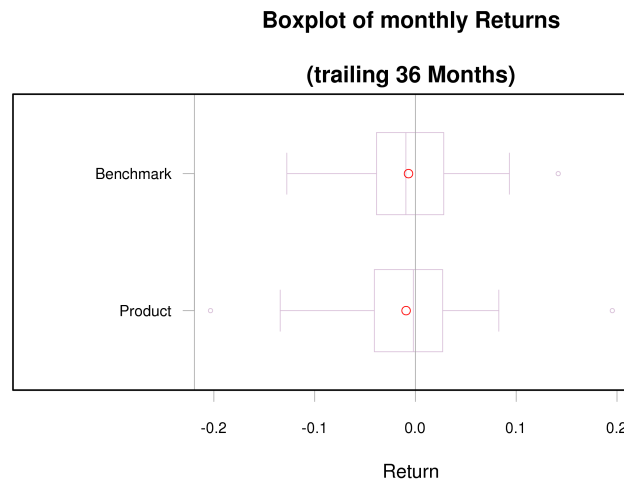
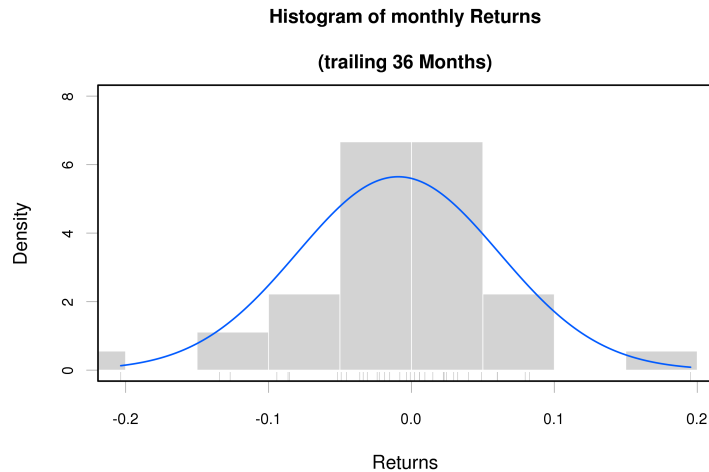
Fund vs. Benchmark (trailing 36 Months)	
Jensen Alpha	-0.00
Annualized Jensen Alpha	-0.02
Beta	1.07
R-squared	0.83
Correlation	0.91
Tracking Error	0.05
Active Premium	-0.03
Information Ratio	-0.64
Treynor Ratio	-0.15

Performance



Rolling 12-month- Performance





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 ex-

ternal 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 risk-free rate, divided by beta. The Treynor ratio is a beta-risk-adjusted measure of outperformance vs the riskfree rate.

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AA
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European Value

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