

Press Release  
8<sup>th</sup> January 2007

## Sparinvest Increases Specialist Value Investment Opportunities with a Trio of New Funds.

Danish Fund Manager Sparinvest, whose top-performing Global Value Fund has won admiration from investors throughout Europe, has today announced that it will be adding three new subfunds to its Luxembourg SICAV - each of which will offer investors alternative routes in pursuit of the 'value premium'.

The trio of subfunds comprises two new value equity funds (to be managed by Sparinvest's AAA-rated Jens Moestrup Rasmussen) and an investment grade bond fund which will apply Sparinvest's successful value selection criteria to the fixed income market.

### Two new value equity funds...

- **Sparinvest European Value Fund** will seek to capitalize on the value premium available in Europe's equity markets - including the high growth economies of the 10 accession countries.
- **Sparinvest Global Small Cap Value Fund** will seek to capitalize on both the value premium and the small-cap premium involved with investment in smaller companies worldwide.

### One new value bond fund

- **Sparinvest Investment Grade Value Bonds Fund** will seek to capitalize on the value premium, the small-cap premium and the default risk premium involved with investment in investment grade corporate bonds.

Commenting on this unusual triple fund launch, Sparinvest's Volker Grüneke, General Manager, Sparinvest Germany said:

*"We are level-headed people at Sparinvest. As a Fund House we don't tend to get too excited about frothy new trends because we are unashamedly analytical. We like offer our clients prudent investments that will perform well over the longer term. So we take our time examining the substance of each opportunity and its downside risk.*

*"For this reason, we have never indulged in product proliferation for the sake of it. But when we do launch a new product, that's the time to get excited - because it means we believe we've found something of genuine value to bring to investors, and identifying value is what Sparinvest does best."*

### More value stocks in Europe than elsewhere?

Value investment opportunities occur whenever there is a significant disparity between a company's real value and the price at which its shares trade. Sparinvest looks for share prices representing a 40% discount to the stock's intrinsic value. The Group has proven competence when it comes to identifying value stocks from Europe's equity markets.



A recent analysis of Sparinvest's historic investment process revealed that it had consistently resulted in a portfolio bias towards European stocks. Volker Grüneke explains how this led the company to launch its **Sparinvest European Value Fund**:

*"The unintentional European bias in the portfolio was simply a by-product of the investment process. But it forced us to examine the idea that there were more undervalued stocks available in Europe than elsewhere.*

*When we looked at the performance of the European element of our global value portfolio in isolation, we found that in the last X years, it had generated an average annual net return of 21% per annum. To us, this seemed like pretty good investment rationale for launching a new fund that will share the strategic attributes of our Global Value Fund but which will concentrate solely on a universe of European equities."*

Sparinvest's new European Value Fund will invest throughout Europe, including in the fledgling stock markets of the 10 accession countries. The fund will not be restricted by any benchmark considerations and is expected to appeal to all investors who wish to target European investment by means of the value approach.

## Small cap value stocks - the top performing asset class

Historically, small-cap value stocks have consistently been the top performing of all the asset classes.

In their analysis of stock market data going back to 1929, the influential investment analysts, Fama and French demonstrated the existence of both a significant small cap premium and a significant value premium.

It is this dual premium opportunity that forms the rationale for the **Sparinvest Global Small Cap Value Fund**, Volker Grüneke comments:

*"Market sentiment can often be irrationally negative, driving a company's share price down and increasing the perception of its relative risk. In the small-cap sector, the results of any 'panic and punish' reaction from investors can be exaggerated, meaning that there are ample opportunities for the skilled fund analyst to discover companies where the business fundamentals remain sound but the shares are available for purchase at heavily discounted prices."*

the **Sparinvest Global Small Cap Value Fund** will operate in a different investment universe to the existing Global Value Fund which concentrates on mid to large-cap undervalued stocks. By contrast, the Small cap value fund portfolio will consist of 100-150 companies whose market capitalizations place them firmly in the small cap sector.

## Applying the Value Principle to the Bond Market

The final fund in the newly-launched value trio is the **Sparinvest Investment Grade Value Bonds Fund**. In managing this fund, Sparinvest will target the investment grade sector of the corporate bond market, using a unique investment process whereby the credit market is



subjected to the same fundamental value analysis that has proved so successful for Sparinvest within the equity markets. Volker Grüneke provides further explanation:

*“Our investment process for this fund will be very different from that applied to the market by other corporate debt managers. Essentially, we will be viewing the debt market from a value investment perspective - looking for those companies where we believe that the risk of default has been over-estimated when compared with the company’s financial strength and ability to repay its debts.*

*“In formulating our new investment process, we have drawn on our many years’ experience in the fixed income sector and combined this with our proven process for screening out excellent value stocks from the world’s equity markets. The new approach aims to seek out those investment grade bonds that will earn an excess yield premium over time.”*

In addition to Luxembourg, Sparinvest’s three new value funds are approved for sale in Germany, France, the UK, Denmark, Holland, Sweden, Norway and Iceland. Further information is available from [www.sparinvest.eu](http://www.sparinvest.eu) or the attached fund information sheets.

## **About Sparinvest:**

**Founded in 1968, Sparinvest is one of Denmark’s leading independent asset management companies, managing and advising on assets valued at over €15 billion, including the largest equity fund in Denmark.**

**Sparinvest is particularly noted within the investment industry for the success of its value investment concept – and currently manages €3.4billion within its value funds.**

**The Sparinvest Global Value fund is an Morningstar 5-star, S&P 5-star rated fund and its manager is AAA rated with Citywire.**

**Since the launch of its Luxembourg SICAV, Sparinvest’s reputation has begun to spread throughout Europe and the company has recently opened offices in Frankfurt and Paris in addition to its Copenhagen and Luxembourg offices.**

**Sparinvest’s products are aimed at both institutional and private investors, and are offered through a number of first-class financial institutions.**

-Ends-

## Contact details

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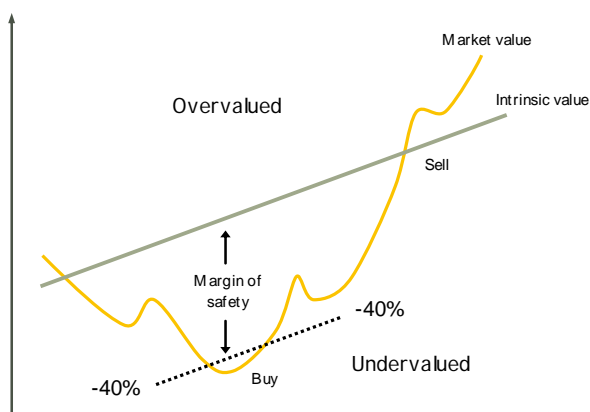
Editors notes:

## What's different about Sparinvest Value approach?

What differentiates Sparinvest from other value investing groups is:

- A longer track record and deeper expertise than most – because they have adhered to the value approach through good times and bad.
- A talented team that adheres to a very strict set of procedures, applying the toughest of criteria before determining that a company qualifies as value stock.
- Zero 'style drift' from Sparinvest's fund managers – because the whole company believes in the value investing approach and in the stocks chosen as a result of the process.
- An average stockholding period of 3-5 years (compared with an industry average of only six months) with a view to the delivery of medium to long term growth
- A successful track record – which confirms the robustness of Sparinvest's process and which has given the Group some of the top ranked value international funds when measuring both long term return and risk.

## The lifespan of an equity value investment.



## What is value investing?

Successful value investing requires:

- The identification of companies whose shares are trading at a market price which represents a significant discount to their '**intrinsic value**'
- Investment in stocks that offer a wide margin of safety and low downside risk compared to the universe of equity investments
- A focus on absolute return and the preservation of capital
- Patience and the ability to remain calm in the face of short-term market fluctuations.