

## Sparinvest - High Yield Value Bonds Short Duration 2017

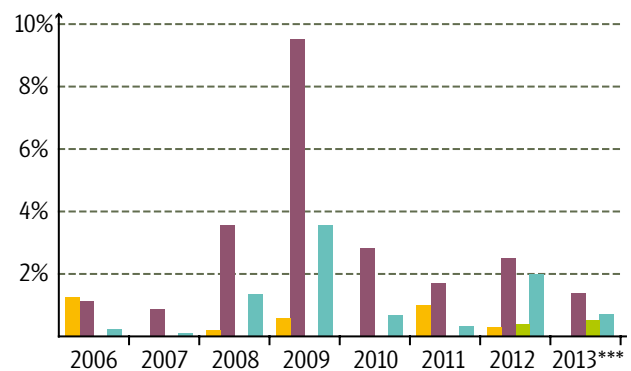
**Target: 6.5% - 7.5%\* p.a. for the next four years. High returns expected from an outperformance strategy - an appealing prospect for investors.**

**For investors who want decent returns without taking extreme risks, this fund offers the ideal solution. It aims to pay an attractive rate of interest for the next four years by investing in high return corporate bonds issued by companies with low debts. These bonds are selected using Sparinvest's pioneering value bonds investment strategy which has outperformed the market in the past five years\*\*.**

### Sparinvest - Short Duration Value Bonds 2017 – key features

- A fixed maturity bond fund designed to generate an annual average return of 6.5%-7.5%\* until December 2017.
- Higher returns than government bonds, lower risk than equities – a potentially perfect buy and hold product.
- A 2-year portfolio duration means less price volatility, more likelihood that returns will be delivered.
- A diverse portfolio reduces the impact if individual investments go wrong.
- Returns from the underlying bonds are locked in at the outset, and provided that there are no defaults, companies should continue to pay their coupons.
- Sparinvest has an excellent track record of avoiding investment in companies that have defaulted on their debts.
- The fund will not invest in bonds with a credit rating of less than B-.
- An increase in M&A activity could benefit the fund.
- Benefit from low bond prices in attractive regions and sectors.

### Lower default levels in Sparinvest funds



- Sparinvest High Yield Value Bonds
- The Global High Yield Market
- Sparinvest Emerging Markets Corporate Value Bonds
- The Emerging Corporate Bond Market  
*(JP Morgan CEMBI Broad Diversified)*

Sparinvest's value bonds team currently has AUM of EUR 1.6 billion under its value bonds strategy.

\* Projected returns are based on current yield levels taking the historic default and recovery rates experienced by running the strategy. Past performance is no guarantee for future performance.

\*\* Sparinvest High Yield Value Bonds. Average annual returns of 11.47%, compared with benchmark 10.84% (5 years to end August 2013).

\*\*\* Estimated YTD default rates (October 2013).

## The pioneering value bonds approach

First introduced in 2005, Sparinvest's pioneering value bonds strategy has been very successful in achieving higher returns than the market. It identifies financially strong companies whose bonds are mispriced, paying higher rates of return than they should for the risk involved with investment. The strategy has also historically delivered a low default rate\*\*\*\*.

## Keeping risk to a minimum

- Diversification - the fund invests in around 70 different bonds from diverse businesses.
- A limit of 2% per High Yield bond and 3% per Investment Grade bond limits any impact on overall return from individual defaults.
- Short duration - with interest rates expected to remain low – means less price volatility.
- Expertise - the Fund Managers select companies with low debts and/or valuable assets.

## An ideal environmental lock in high returns

- While economic uncertainty continues, companies with lower or no credit ratings from official agencies must continue to pay high levels of interest on the bonds they issue.
- In a low interest rate environment, the chance to lock in high coupon payments for the next four years is an attractive investment proposition.
- Through careful research, we find our opportunities where others aren't looking – off benchmark. Benchmark companies (by definition) are the ones with the highest debt levels, and their yields have become less attractive in recent months.

## Three effects that generate higher returns

1. Smaller companies: often penalised by rating agencies purely on account of their size, are forced to pay higher coupons.
2. Value companies: companies whose shares are undervalued often also have undervalued bonds. With the right bondholder protection, takeover activity can benefit bondholders.

3. Unpopular regions and sectors: a stock market downturn does not usually affect a company's ability to repay its bondholders but it can leave bonds attractively priced for buyers. Current examples would be Emerging Markets or energy companies.

## Operational Information

ISIN EUR R (Retail share class)	LU0975253583
ISIN EUR I (Institutional share class)	LU0975253823
Income Type	Accumulating
Legal Structure	SICAV
Domicile	Luxembourg
Base Currency of Sub-fund	Euro
Fund Management Group	Sparinvest S.A.
Maturity Date	31 <sup>st</sup> December 2017 (4 years)
Expected return after costs	6.5% - 7.5%* p.a.
Subscription fee	Up to 3.00%
Annual fee Class R (Retail investors)	1.00%
Annual fee Class I (Institutional investors)	0.50%
Pre-term redemption fee	2% (with 1 month's notice) otherwise 3%
Subscription period	1 <sup>st</sup> Oct. to 14 <sup>th</sup> Nov. 2013
First NAV calculation	15 <sup>th</sup> Nov. 2013, published 18 <sup>th</sup> Nov. 2013

\*Projected returns are based on current yield levels taking the historic default and recovery rates experienced by running the strategy. Past performance is no guarantee for future performance.

*The mentioned sub-fund is part of Sparinvest SICAV, a Luxembourg-based, open-ended investment company. For further information we refer to the prospectus, the key investor information document 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 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 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.*

\*\*\*\* A historically low default rate is no guarantee for a future low default rate.