

Why invest in Bestinver Internacional?

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When we founded Bestinver Internacional, our first fund to invest outside Spain, we had some experience in tracking the performance of global equities. After all, in order to analyze Spanish stocks we need to be aware of the business environment in which they compete. For instance, my first piece of equity research published in December 1989 was on Acerinox, a company which is impossible to analyze without referring directly to its peers - Thyssen, Arcelor, Outokumpu, new competitors in China, etc.

However, just following companies and markets outside of Spain from 1989 to 1997 was not sufficient to determine (beyond its global focus) the investment policy that our Bestinver Internacional mixed equity fund would pursue. Therefore, we started with a combination of strategies, all of which were based on the concept of value investment. Our three main investment strategies were:

- Regional/emerging market funds (e.g. Southeast Asia).
- Sector funds (e.g. Oils, at that moment trading at USD 15/bbl).
- Selection of undervalued stocks

We recognize that some of the fund's first customers were extremely courageous as the good results being seen in Spain did not necessarily mean good results in a global context. In fact, after a somewhat shaky start, we observed that, as in Spain, our selection of international stocks was offering one of the best returns on the market. This meant that after posting negative results in 1998, in 1999 we started to use our equity research as the basis for our investment strategy. This strategy has not changed since that date and we hold true to our belief that it allows us to meet our objective of conserving the purchasing power of the fund's assets over the long run.

After explaining how, through trial and error, we discovered the appropriate investment strategy for our international fund, we are now able to provide an answer to our original question: why do we believe that 65% of customers' funds should be invested in international stocks via our Bestinver Internacional or Bestinver funds?

Fundamentally, because we consider that they offer opportunities every bit as attractive as those seen in Spain six or seven years ago. This does not mean there are no attractive domestic equity investment opportunities; there are. Our Bestinver Bolsa fund and the domestic part of the Bestinver fund offer clear examples. However, in a market such as Spain, with 130 listed stocks (and whose efficiency we at Bestinver have helped to improve), investment opportunities are now less attractive than they were (although more secure thanks to our first-hand knowledge of domestic stocks).

The first two reasons to invest in Bestinver Internacional or Bestinver are: **The number of potential stocks in which to invest** (600 in France, 700 in Germany, 2,000 in the U.K., etc.) **and the lack of a fund manager in each of these countries which has so clearly contributed to improving the efficiency of their respective markets**, particularly for SMEs. The second reason is more difficult to justify with hard figures but I believe the assumption is largely correct. **Our broader experience is a third reason.** Time passes, and with it the number of mistakes we have made. In Spain, we have made only a few misjudgments but in our investments abroad the story is different. The advantage is that we have been able to learn from our mistakes and over the next five years we may make fewer than during the last five.