BESTINVER
Asset Management

05

Quarterly Newsletter

Nº 5, MAY 2009.

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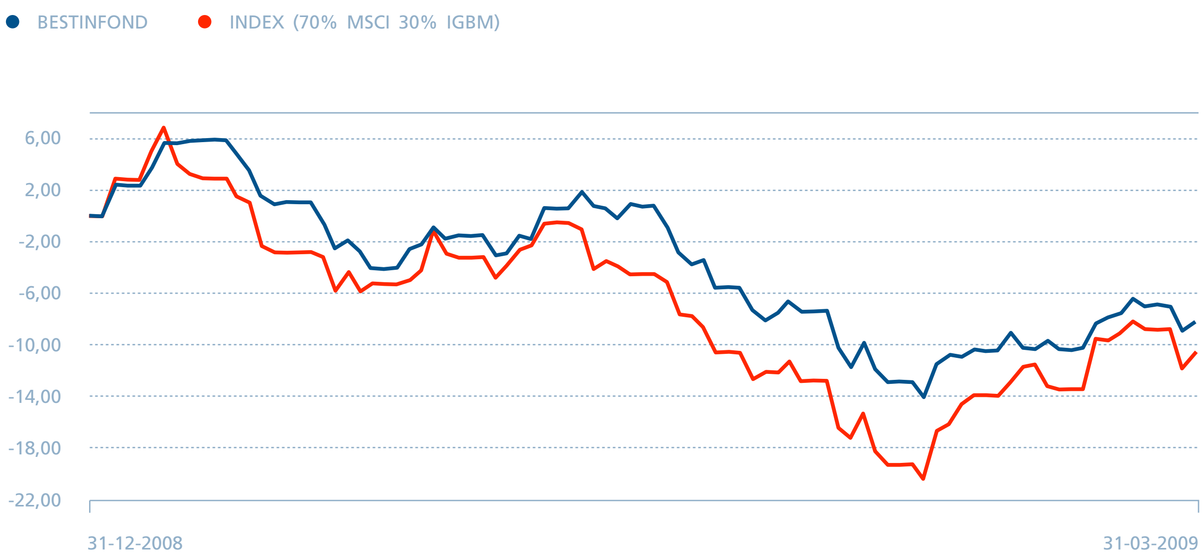
Asset Management

- World markets hit new lows throughout the first quarter of 2009. In spite of a quick recovery at the end of the quarter, markets continue to be negative, except for a few emerging markets such as Russia and China.

- Our investment strategy, as reflected in Bestinfond and in the Bestinver Global pension fund, has registered a negative cumulative yield of 8.28% during the course of this year, compared to a drop of 10.67% in its benchmark (70% MSCI World Index and 30% IGBM).

BESTINFOND

Evolution in 2009



▸ Bestinfond invests 70% of its portfolio in international equities and 30% in Iberian equities.

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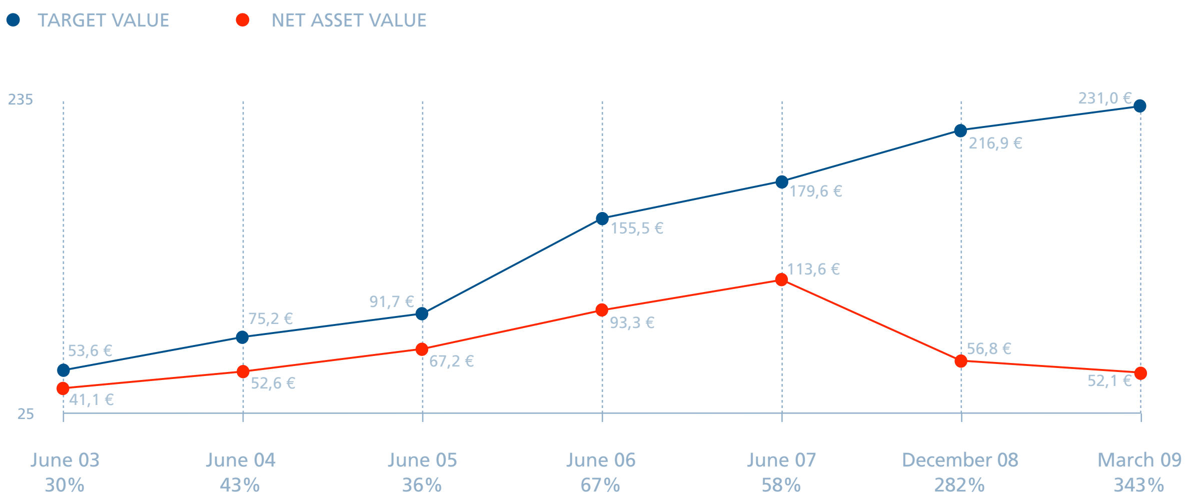
- We have continued to create value throughout 2009, affording an upside potential of 342%.

BESTINFOND Evolution of the difference between target value and net asset value



▸ Information published MONTHLY in the Client Zone on our website : www.bestinver.com

BESTINFOND	31-dec-08	31-mar-09	Var %
Target Value (€ /share)	216,9	231,0	7%
Net Asset Value (€ /share)	56,8	52,1	-8%
Upside Potential	282%	343%	
PER (estimated free cash-flow 2009)	3,9 x	3,4 x	

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$ 750
$ 500
$ 250
1,500
300

THE CURRENT ENVIRONMENT

In order to understand the behavior of the world markets in 2009, it is important to keep a watch on the excessive indebtedness of economic agents. As we have stated previously, the consequences of this situation are extremely negative and the adjustment process is slow. Nevertheless, while the declines in 2008 did not differentiate between viable businesses and bankrupt banks, this situation is beginning to show signs of change that will undoubtedly be reflected in the net asset value of the funds and in their performance relative to the market.

However, this occurrence is far from being a coincidence. As we have stated on numerous occasions, the investment strategy followed by Bestinver is based on the continuous creation of value:

· Investing in well-managed companies with coherent business activities, whose value is substantially higher than their market price. In general these are companies with little or no debt and with a strong international vocation. The recent volatility in the market has caused the disparity between price and value to increase, affording investment opportunities at uncommon prices.

· Avoiding permanent losses in value. In an environment as complicated as today's, we have hardly suffered any such losses, as a result of having reduced exposure to the banking and real-estate sectors to zero.

· Rotating the portfolio towards the most highly punished securities, while simultaneously reducing the weight of those which have had a more positive performance, seeking at all times to increase the target price of the funds.

The only way to capitalize on the potential of the funds is to be patient. Trying to predict when the recovery will occur is a futile exercise, bearing in mind that when our funds are subscribed, investments are being made in profitable businesses at a price far below their true value. The correction of these incoherencies requires a certain amount of time and patience which, in the long-term, has been shown to reward investors with excellent returns. For this reason, we advise our investors **to take advantage of the uncertainty**. Private investors tend to make mistakes when deciding when to enter and exit, a self-destructive behavior that can only lead to meager long-term returns. In this respect, legendary investor Peter Lynch affirms "Far more money has been lost by investors preparing for corrections or trying to anticipate corrections than has been lost

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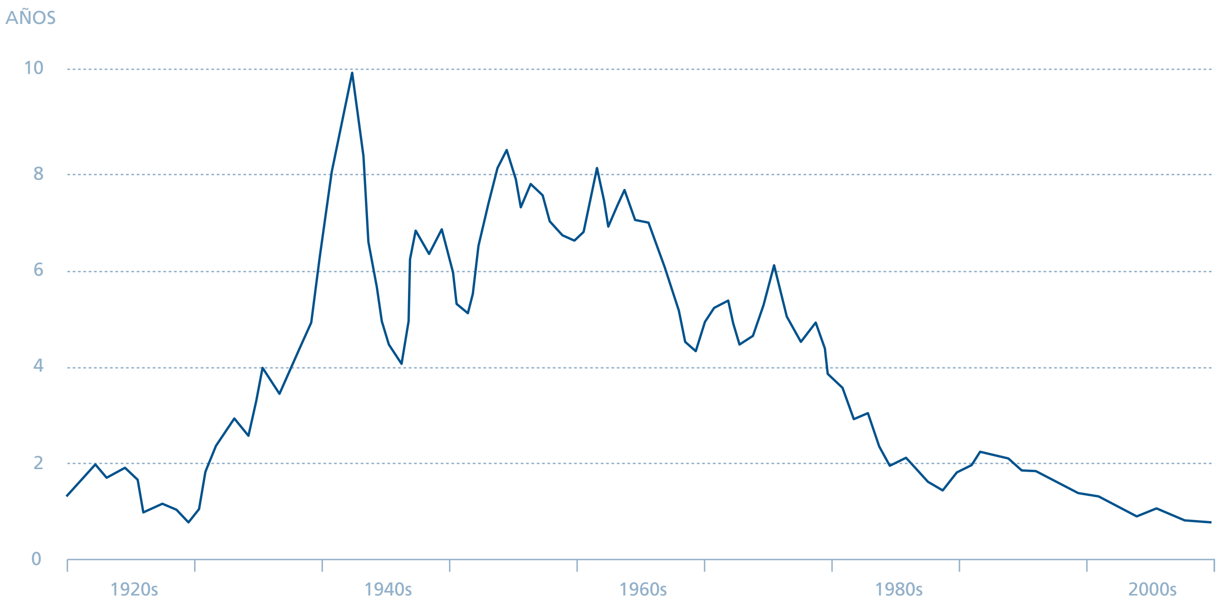
in the corrections themselves". In spite of the sharp declines experienced in the past year, Bestinfond has a cumulative annual yield of over 14% since 1993. This would have been nearly impossible to attain by attempting to predict and avoid market drops and by waiting for new lows to get back into the market.

AVERAGE PORTFOLIO HOLDING PERIOD FOR STOCKS ON THE NYSE (1920-2008)



▸ Source: Elliott Wave International

As shown in the graph, with an average portfolio holding period of nine months, it is extremely difficult to obtain returns above those afforded through passive, indexed management. During bear markets, it is not easy to avoid emotional decisions. However, the patience required to allow time for the value of the funds to materialize will be compensated in the long run with yields that outperform the market and it is therefore essential to maintain the investment and make an effort to avoid unnecessary buying and selling.

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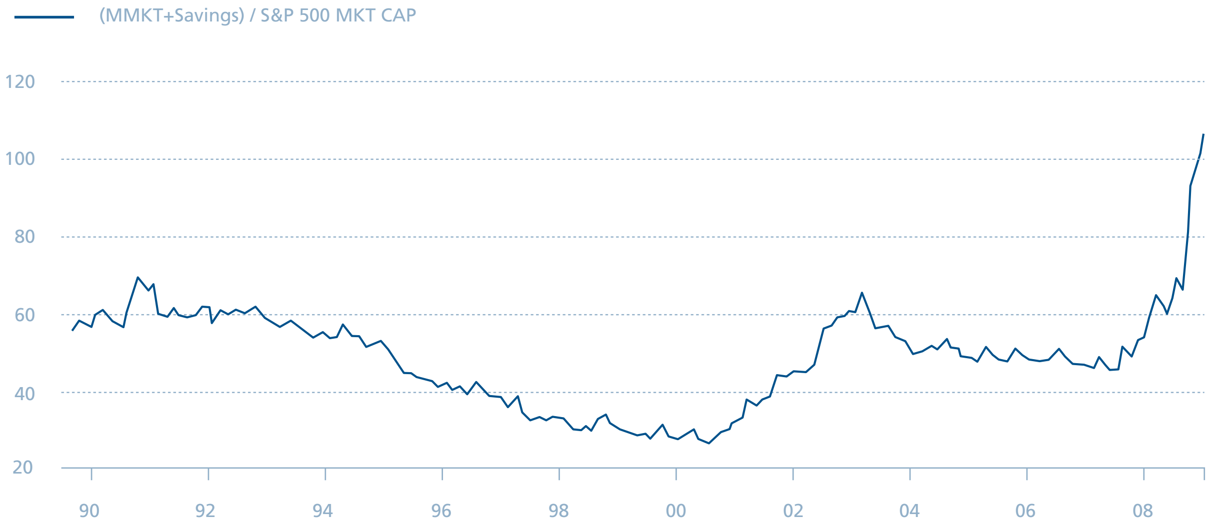
Macroeconomic figures indicate that the economy has continued to worsen in the first quarter. The measures adopted by governments to recapitalize financial institutions and unblock credit are restoring confidence and visibility in the marketplace and have had a positive impact on the stock markets. Like the last bull market, led by the emerging markets, a similar pattern has been observed at the start of 2009, as evidenced by the performance of the Chinese Index, the Shanghai Composite, with a rise of 30% and the Brazilian Bovespa, with +9%. Therefore, a growing tolerance to risk is becoming apparent and this will lead investors to return to equities in search of attractive yields that other products, such as sovereign debt, can no longer offer, while paying less attention to long term credit ratings, in view of the massive deficits being incurred in many cases.

MONEY ON THE SIDELINES AS PERCENT OF S&P 500 MARKET CAP

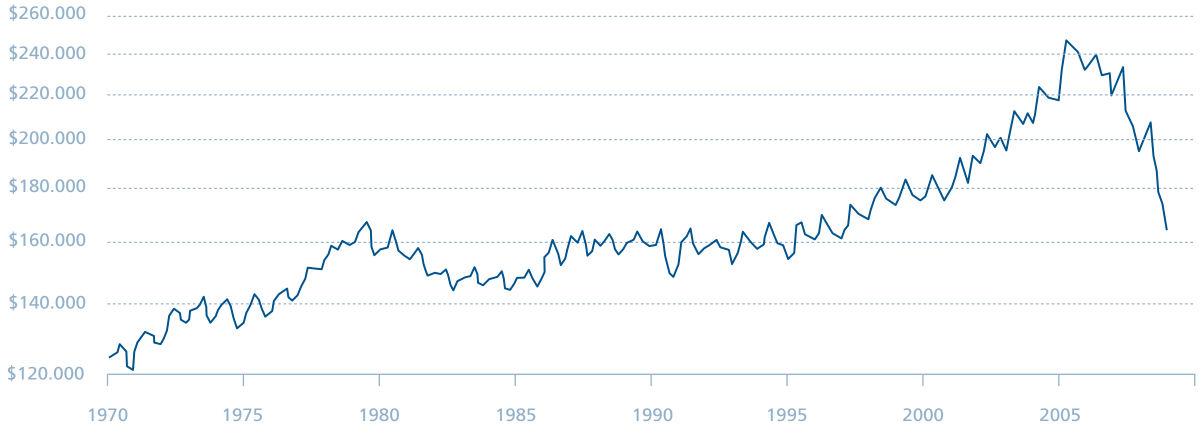


▶ Source: Thomson Reuters Datastream

As can be observed in the graph, in the year 2000, when the influx of money in investment funds was at a record high, the ratio between liquidity (financial savings and investments in money markets) as a percentage of S&P 500 market capitalization touched bottom in response to the euphoria generated by the technology companies and the overall rise in market prices. Emotional excesses gave way to investments and in 2003 the indicator rose to a level from which a new bullish trend would be established. The current reading shows that these excesses are now much more pronounced, which leads us to believe that as investors begin to return liquidity to the market we will be establishing the foundations for a bull market.

Moreover, another source of the crisis, **the U.S. real-estate market**, continues a process of rapid adjustment, a first step in the return to growth of this economy, at least as far as this aspect is concerned.

SINGLE-FAMILY HOME PRICES (Inflation-adjusted)



▸ Source: National Association of Realtors

After a sharp drop, the price of single-family homes in the U.S. is entering into a trading range that existed from the 1970's until close to the year 2000. According to the Federal Housing Finance Agency, figures for January show a rise for the first time in a year, although these should be interpreted with caution. We need to wait for other indexes, such as the Case-Shiller Home Price Index, to confirm that property values can sustain positive growth over several consecutive periods.

We trust in **China** to support global growth. First quarter figures reveal that the financial crisis continues to affect this country although it still managed to achieve a growth 6.1% for this period. The expansion of the Chinese economy is sustainable because it is based on savings and productivity which, in addition to the other measures being adopted, allows us to be confident that the growth target of 8% for 2009 is attainable. While the principal markets for its products (USA, Japan and Europe) show no signs of recovery, the government is concentrating efforts on stimulating internal demand. Current figures indicate that this is being achieved, as evidenced by the increase in industrial production (+5.1%), retail sales (15%) and automobile sales, which reached 2.68 million units, the highest in the world.

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Our International Portfolio

During the first quarter of the year our international portfolio has posted a negative return of 8%, compared to -8.4% obtained by its benchmark, the MSCI World Index. Long term yield continues to outperform the index by 3.1% and 10.3% in the last 5 and 10 years.

As we have stated before, from the time the crisis began in mid 2007, the fund's performance has mirrored the market trend, even though it was not invested in the most problematic areas, such as banking, the real-estate market and indebted companies. This continues to be true during first quarter 2009 (its comparison with the European DJ Stoxx 600 Index, which has fallen -10.4% during the quarter, is more favorable).

However, in spite of this apparent "continuity", we would like to draw attention to a phenomenon that indicates that the market is beginning to differentiate. In a quarter in which the markets have set new lows, taking a large part of our portfolio along with them, we have nonetheless observed that several of our stocks have shown a strong performance, with spectacular increases of 80% to 170% in only a few weeks. This has been the case, for example, of Debenhams, OCE, Esprinet and Clinton Cards. More important than the impact that this has had on the fund's performance, which up to now has only been limited, is the cause. All of these companies posted earnings results for fourth quarter 2008 and/or for the evolution of the beginning of 2009 that were better than those expected by the market. In view of the strong declines they had experienced, the reaction was "brutal". For this reason, during the course of this year, a total of 10 companies in the international fund have risen by at least 70% from their latest lows.

As those of us at Bestinver have stated repeatedly, the most important stimulus for the market to begin to gradually acknowledge the value of our funds will be to verify that the drops in market prices have been exaggerated in relation to the perspective for business profits. We believe that these examples are just a start and that much more is yet to come.

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During this quarter, and for the first time since mid 2007, we have raised valuations for more companies than for those we have lowered. All in all we have increased valuations for 34 companies and lowered them for 20. This improvement is due, in part, to what we discussed earlier regarding companies experiencing a better business evolution than expected. It is also due to the fact that our valuations have begun to focus on 2010 profits, when the economic situation is expected to improve in comparison to 2009. In fact, as we have already pointed out in previous newsletters, the majority of the reductions in valuations during 2008 were of a temporary nature, due to the perspective of weak profits for 2009 and therefore the improvement predicted for 2010 is now producing the opposite effect. However, it is important to stress that the impact has only been moderate, because we continue to be cautious in our estimates.

This net improvement in the valuation of the fund's companies is accompanied by our continuous efforts to create value, selling companies with less potential to invest in companies with greater potential. A typical example of this during the quarter, which we already commented on in our client conference, has been the sale of a large part of our investment in Fleury Michon, the French meat products company that offered a potential of 165% and the increase in the position of OCE, a Dutch company in the printing equipment and systems sector, offering a potential of 1000%. Since the execution of the transaction, Fleury Michon has fallen 14% while OCE has risen by 46%, with a relative performance of 60%. As we have mentioned, this is just one example of what we do on a regular basis, a strategy that is particularly productive in times like the ones experienced in the first quarter, during which markets have once again plummeted and several of our companies have set new lows. It is important to keep in mind that it is at these moments when it is easier for us to create value and to "sow the seeds" for achieving strong returns in the future.

The combination of net increases in the valuation of the fund's companies and our efforts to create value have resulted in a 6.8% increase in the valuation of the fund for this quarter. Our target price at the end of the quarter is 49.6.

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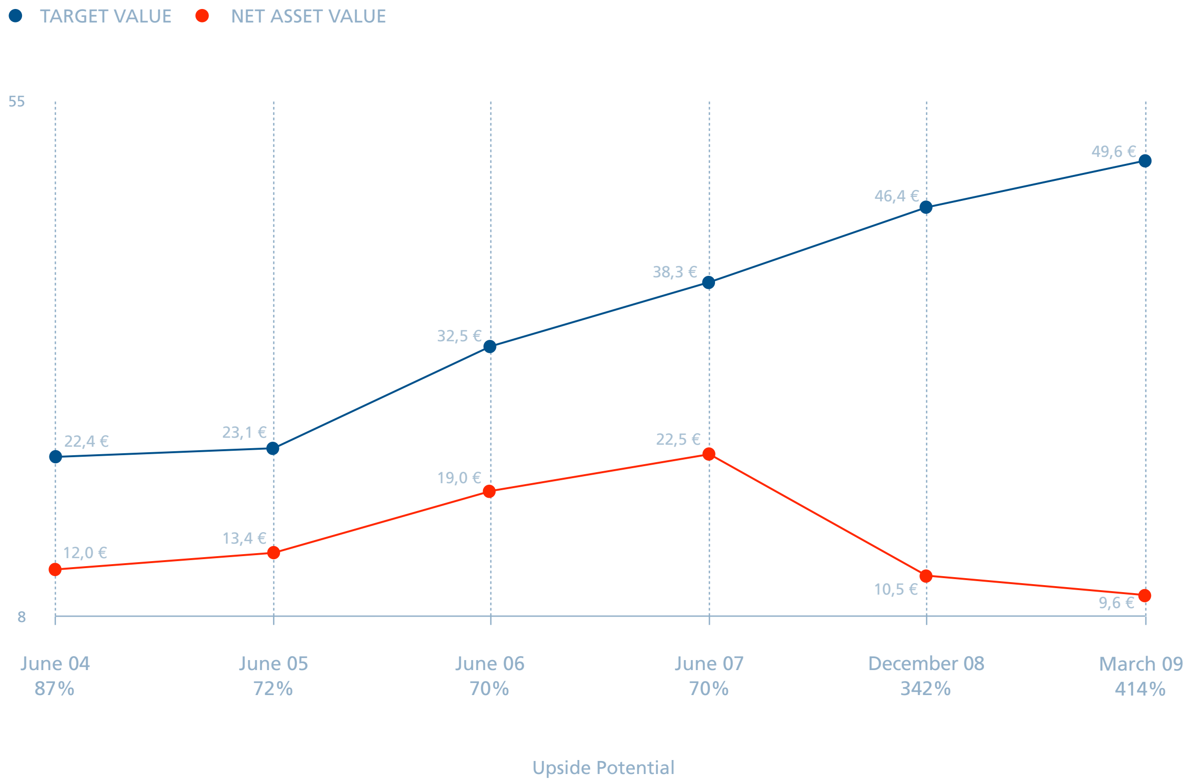
BESTINVER INTERNACIONAL

Evolution of the difference between target value and net asset value



BESTINVER INTERNACIONAL	31-dec-08	31-mar-09	Var %
Target Value (€ /share)	46,4	49,6	7%
Net Asset Value (€ /share)	10,5	9,6	-8%
Upside Potential	342%	414%	
PER (estimated free cash flow 2009)	3,4 x	2,9 x	

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Our Iberian Portfolio

During the first quarter, our Spanish portfolio has registered a negative yield of 8.9%, compared to the -15.9% obtained by the IGBM reference index. The long term yield has outperformed the index by 5.9% and 10.5% annually in the last 5 and 10 years.

In a quarter in which the markets have once again set new historic lows, our portfolio has also been affected. Nevertheless, our strategy of avoiding exposure to cyclical business in Spain has made it possible to protect the portfolio, which fell much less sharply than the Spanish market. Although last year our domestic portfolio experienced lower losses than the reference index (-35.2% for Bestinver Bolsa vs. -40.6% for the IGBM), the difference in yield was insignificant compared to the magnitude of the losses, and the market did not appear to make any real distinction between stocks. However, in first quarter 2009, this difference in yield has become much more apparent.

In fact, we see signs that the market is beginning to differentiate between companies with solid profits and those that are more directly affected by the negative outlook for the Spanish economy. This is reflected in the strong recovery from the lows experienced by several of our investments, such as in the case of Miquel i Costas, Corporación Financiera Alba, Sonae and Ibersol, companies that are trading between 40% and 60% above their 2008 year-end lows. These companies, which suffered losses similar to those of the indexes, have recently published fourth quarter 2008 earnings results that reflect the solid nature of their business activities and their scarce or nonexistent exposure to the problems faced by the Spanish economy.

IBERIAN PORTFOLIO	OPERATING PROFIT				GROWTH		QUOTATION PRICE	
	2007	2008	2009	2010	Avg.annual	31/12/07	31/03/09	%Var
Ibersol	32	35	37	39	6,3%	11,5	6,4	-43,9%
Miquel y Costas	26	28	29	30	5,2%	14,8	12,7	-14,3%
Vidrala	81	95	102	106	9,2%	25,3	15,0	-40,6%

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For the first time since mid 2007, just as in our international portfolio, in this quarter we have raised valuations for more companies than for those we have lowered. All in all we have increased valuations for 17 companies and lowered them for 14. An important part of this improvement is due to the fact that in making our valuations we have begun to focus on 2010 profits, a year in which the economic situation, outside of Spain, is expected to improve in comparison to 2009. In fact, as we have already pointed out in previous newsletters, the majority of the reductions in valuations during 2008 were of a temporary nature, due to the perspective of weak profits for 2009, for which reason the improvement predicted for 2010 is now producing the opposite effect. Thanks to the fact that nearly 75% of the national portfolio is invested in companies outside of Spain or in Spanish businesses that are not particularly cyclical, our domestic portfolio benefits from the expectations of improvement in the global economy. Nevertheless, we continue to be cautious, in general, in our estimates, lowering valuations for a considerable number of companies in the portfolio.

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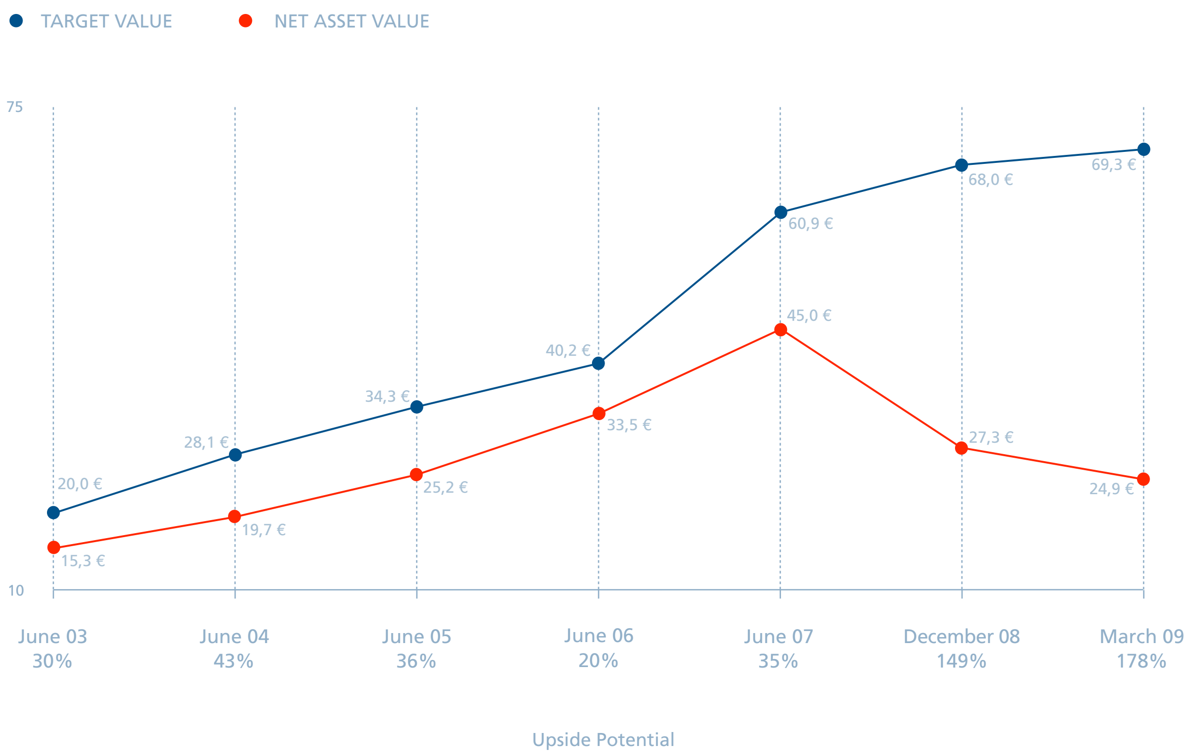
Overall, our valuation for the fund has improved slightly this quarter (+1.9 %) from €68 to €69.3.

BESTINVER BOLSA Evolution of the difference between target value and net asset value



BESTINVER BOLSA	31-dec-08	31-mar-09	Var %
Target Value (€ /share)	68,0	69,3	-2%
Net Asset Value (€ /share)	27,3	24,9	-9%
Upside Potential	149%	178%	
PER (estimated free cash-flow 2009)	6,0 x	5,4 x	

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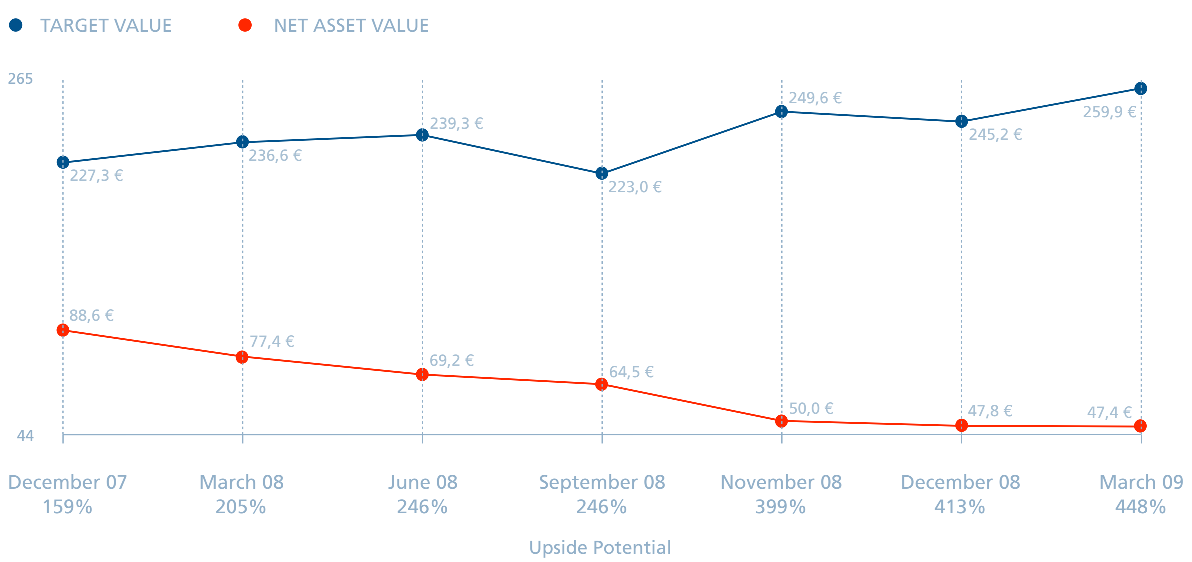
Bestinver Hedge Value Fund

The Bestinver Hedge Value Fund posted a negative yield of -0.9% for first quarter 2009, compared to the -8.4% obtained by its benchmark, the MSCI World Index. Since this fund is a concentrated compendium of all our best ideas, its strong relative performance is another indicator which makes us believe that our stock selection is beginning to "pay off" and that the market has begun to differentiate, as we pointed out earlier in our comments on the international and national portfolios.

During the quarter, the target price for the fund has increased +6.2% (from 244.8 to 259.9), in line with the increase in the valuation of the international portfolio, from which the majority of the investments of the Hedge Fund come from.

B. HEDGE VALUE FUND



B. HEDGE VALUE FUND	31-dec-08	31-mar-09	Var %
Target Value (€ /share)	244,8	259,9	6%
Net Asset Value (€ /share)	47,8	47,4	-1%
Upside Potential	412%	448%	
PER (estimated free cash-flow 2009)	2,9 x	2,7 x	

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Conclusion

In spite of the persistence of the difficult international macroeconomic environment, we believe that the market has begun to make a distinction between companies that have suffered permanent losses in value (banks, real-estate firms and highly indebted companies that will not be able to meet their financial commitments) and companies with solid and sustainable business activities that are simply going through a period of weak earnings. We are confident that this is only the beginning and that, little by little, corporate profits will be the catalyst that makes the market recognize the value of our portfolio companies.

Since the crisis was unleashed in mid 2007, we have spent over a year and a half continuously creating value, at a pace that is only possible in stock market declines as severe as the one we are experiencing and in markets that completely lack the capacity to differentiate. This explains why our funds have fallen somewhat less than the indexes. This is also a situation which offers us the opportunity to purchase companies at unheard of price levels and which allows the funds to enjoy today the greatest potential ever seen in our 16 years of management experience.

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- All Bestinver returns are expressed in local currency, as net after expenses and commissions.

- Text written by Fernando Bernad Marrase (Bestinver fund manager).

- All of the Bestinver mutual funds are co-managed by the three fund managers: Francisco García Paramés, Álvaro Guzmán de Lázaro, and Fernando Bernad Marrase.

- The current quarterly newsletter as well as the old ones can be found on our website. (www.bestinver.com)

- **Upside:** The fund's scope for revaluation in the opinion of Bestinver fund managers, calculated as the difference between current P/E and target P/E. It is not about the earnings of the fund in a particular period, as, although the fund may be achieving a particular level of return, the goal of the fund managers is to increase this potential, or, at least, to keep it constant.

- **P/E:** Price of free cash-flow at which the fund is trading, based on the P/E estimated by Bestinver's fund managers for each company (includes adjustments such as debt, changes in the cycle, exchange rates, etc.)

- **Price:** The net asset value of the shares in the fund. For the international stock market, the net asset value of the B. Internacional fund is used; whilst for the Iberian stock market, the net asset value of the B. Bolsa fund is used.

- **Target Price:** The net asset value that shares in a fund could reach based on the intrinsic value, in the opinion of Bestinver's fund managers, of all the stocks in the portfolio.

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