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Quarterly Newsletter

N° 12, JANUARY 2011



BESTINVER

Asset Management



At the close of 2010, all of the funds managed by Bestinver reported positive returns. We remain committed to our goal of beating inflation in the long term and outperforming the comparable indexes to the greatest extent possible.

As can be seen in the following table, the historical cumulative returns of each fund, as well as those corresponding to 2010, have achieved these objectives with a comfortable margin. However, our peace of mind does not rest solely on past returns, but also on the enormous cumulative value that still exists in our portfolios, which we will elaborate on further below.

CUMULATIVE RETURNS*

	Inception	15 years	10 years	5 years	3 years	1 year	YTD	4T
Bestifond** Index (70% MSCI World / 20% IGBM / 10% PSI)	1691.08% 394.10%	971.36% 239.71%	311.59% 23.46%	36.88% -7.51%	10.50% -19.27%	19.22% 7.16%	19.22% 7.16%	8.30% 6.21%
Bestinver Internacional MSCI World Index (Eur)	273.00% 13.52%		148.12% -26.65%	41.39% -10.52%	19.48% -12.19%	25.75% 17.16%	25.75% 17.16%	10.10% 10.47%
Bestinver Bolsa Index (70% IGBM / 30% PSI)	425.61% 79.46%		290.52% 18.95%	30.28% -9.40%	-9.53% -36.20%	3.68% -15.24%	3.68% -15.24%	3.97% -4.53%
Bestinver Mixto Index (45% IGBM / 17,5% PSI / 37,5% EONIA)	248.02% 64.38%		170.59% 22.14%	23.49% -3.01%	-4.08% -26.53%	2.94% -10.72%	2.94% -10.72%	3.10% -3.15%
Bestinver Mixto Internac. Index (70% MSCI World / 30% EONIA)	23.65% -2.06%				17.16% -6.91%	19.78% 10.78%	19.78% 10.78%	7.90% 6.66%
Bestinver Renta Ind. (90% EONIA / 7% MSCI W. / 2% IGBM / 1% PSI)	86.70% 67.90%		46.29% 31.43%	15.10% 14.73%	6.29% 6.64%	1.60% 1.05%	1.60% 1.05%	0.70% 0.69%
Bestinver Hedge Value Fund MSCI World Index (Eur)	11.82% -16.93%				26.20% -12.19%	18.16% 17.16%	18.16% 17.16%	6.50% 10.47%

→ Figures at the close of: 31/12/2010.

Source: Bestinver

	Inception	10 years	5 years	3 years	1 year	YTD	4T
Bestinver Ahorro Index (35% EONIA / 65% INDEX B. GLOBAL)	428.59% 169.36%	212.14% 41.13%	37.94% 10.80%	12.04% -15.03%	15.25% 5.61%	15.25% 5.61%	6.59% 4.83%
Bestinver Global Index (70% MSCI WORLD / 20% IGBM / 10% PSI)	67.33% 3.86%		32.00% -16.21%	10.01% -19.27%	19.39% 7.16%	19.39% 7.16%	8.25% 6.21%
Bestinver Previsión Index (90% EONIA / 7% MSCI W. / 2% IGBM / 1% PSI)	18.79% 15.71%		14.46% 13.16%	6.43% 5.18%	1.53% 0.33%	1.53% 0.33%	0.68% 0.08%

→ Figures at the close of: 31/12/2010.

Source: Bestinver

ANNUALIZED RETURNS*

	Inception	15 years	10 years	5 years	3 years	1 year
Bestifond** Index (70% MSCI World / 20% IGBM / 10% PSI)	17.42% 9.30%	17.13% 8.49%	15.20% 2.13%	6.48% -1.55%	3.38% -6.89%	19.22% 7.16%
Bestinver Internacional MSCI World Index (Eur)	10.66% 0.98%		9.51% -3.05%	7.17% -2.20%	6.11% -4.24%	25.75% 17.16%
Bestinver Bolsa Index (70% IGBM / 30% PSI)	13.52% 4.57%		14.59% 1.75%	5.43% -1.95%	-3.28% -13.91%	3.68% -15.24%
Bestinver Mixto Index (45% IGBM / 17.5% PSI / 37.5% EONIA)	9.61% 3.72%		10.47% 2.02%	4.31% -0.61%	-1.38% -9.76%	2.94% -10.72%
Bestinver Mixto Internacional Index (70% MSCI World / 30% EONIA)	4.91% -0.47%				5.42% -2.36%	19.78% 10.78%
Bestinver Renta Ind. (90% EONIA / 7% MSCI W. / 2% IGBM / 1% PSI)	4.20% 3.48%		3.88% 2.38%	2.85% 2.79%	2.06% 2.16%	1.60% 1.05%
Bestinver Hedge Value Fund MSCI World Index (Eur)	3.50% -5.55%				8.07% -4.24%	18.16% 17.16%

→ Figures at the close of: 31/12/2010.

Source: Bestinver

	Inception	10 years	5 years	3 years	1 year
Bestinver Ahorro Index (35% EONIA / 65% INDEX B. GLOBAL)	12.47% 7.24%	12.06% 3.50%	6.64% 2.07%	3.86% -5.28%	15.25% 5.61%
Bestinver Global Index (70% MSCI WORLD / 20% IGBM / 10% PSI)	8.83% 0.63%		5.71% -3.47%	3.23% -6.89%	19.39% 7.16%
Bestinver Previsión Index (90% EONIA / 7% MSCI W. / 2% IGBM / 1% PSI)	2.91% 2.46%		2.74% 2.50%	2.10% 1.70%	1.53% 0.33%

→ Figures at the close of: 31/12/2010.

Source: Bestinver

* The benchmark indexes of Bestinver Ahorro, Bestinver Bolsa, Bestinver Mixto and Bestinver Renta are weighted indexes that take into account investment levels in each market, as well as the percentage of investment in equities and fixed income, in the case of balanced funds.

All yields for Bestinver funds are shown net, after commissions and fees, and include dividend reinvestments.

This information is for information purposes only. Past yields are no guarantee of future returns.

** Bestinver Ahorro invested exclusively in Spanish Equities until 12 May 2005.

It is important to point out that in our professional history we have seldom had a portfolio with a level of quality as high as the present one and with such a marked value/price differential (both the International and Iberian Portfolios are trading at around half the price we believe they are worth).

It should also be noted that, with respect to the historic highs reached in 2007, at year-end 2010, we are already above these levels in Bestinver Hedge Value Fund (+7.45%), Bestinver Renta (+5.05%) and Bestinver Mixto Internacional (+0.1%); on the other hand, we are below, although relatively close to these highs, in Bestinver Ahorro (-9.47%) and Bestinver Internacional (-4.21%). Only Bestinver Bolsa and Bestinver Mixto are still far from their highs (-21% and -11% respectively).

In each fund, the same comparative dates (2007 vs 2010) evidence a sharp increase in the disparity between price and value in the portfolios.

For instance, in June 2007 the upside potential of Bestinver Internacional was 70% and today it is over 105%; Bestinver Bolsa was under 35% and today, like the international fund, it is 105%.

Furthermore, if we analyze all the possible 10-year periods in which a Bestinver investor could have held investments in any of our portfolios, no negative returns would ever have been obtained; in fact, just the opposite, the minimum yield obtained for Bestinver Internacional was 54% (4.46% annualized) and 148.88% (9.55% annualized) for Bestinver Bolsa.

The maximum, minimum and average returns are shown below for any 10-year period for both portfolios, as well as in comparison to the benchmark indexes.

Bestinver Internacional	10 years	
	Total	Annualized
Maximum yield	212.17%	12.06%
Minimum yield	54.64%	4.46%
Average yield	129.43%	8.66%

Bestinver Bolsa	10 years	
	Total	Annualized
Maximum yield	521.84%	20.05%
Minimum yield	148.88%	9.55%
Average yield	280.51%	14.30%

Benchmark	10 years	
	Total	Annualized
Maximum yield	29.29%	2.60%
Minimum yield	-44.87%	-5.78%
Average yield	-26.78%	-3.07%

Benchmark	10 years	
	Total	Annualized
Maximum yield	192.46%	11.33%
Minimum yield	-9.71%	-1.02%
Average yield	-34.41%	-4.13%

Once again, these figures demonstrate that investments should not be judged on the basis of short-term returns (either positive or negative) as these can be caused by market conditions that do not have a direct bearing on business activities. On the other hand, it does make sense to invest with a long-term horizon (for us it is a must). This makes it possible to eliminate the short-term inefficiencies exhibited by the markets, which tend to create confusion among investors influenced by the returns generated during these periods. As shown in the table above, in the long term (in this case any 10-year period), all Bestinvestor investors obtain positive returns well above the indexes.

We remain committed to our view of waiting as long as necessary, until the price and value of our investments coincide, without worrying about when this will occur (which is impossible to predict). We combine this patience with the investment philosophy we have subscribed to for the last twenty years; investing in high quality businesses with an international presence that are managed by competent business teams, about which we have enough information to verify their intrinsic value according to our criteria.

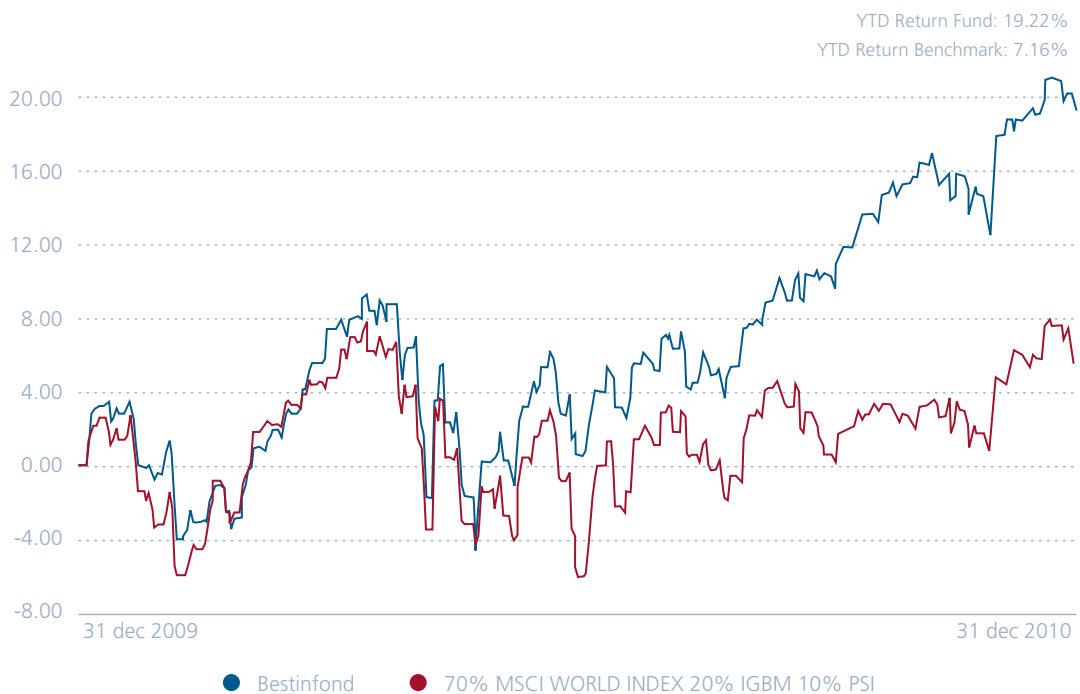
We are aware that this long term vision is not easy for most investors, but in light of the historic results achieved, we feel that the effort is worth the trouble.

OUR MODEL PORTFOLIO (BESTINFOND)

Our model portfolio, reflected in Bestinfond (70% international holdings / 30% Iberian holdings) and the pension fund, Bestinver Global, achieved a yield of 8.3% in the fourth quarter of 2010, compared to 4.45% for the benchmark index (70% MSCI World Index, 20% IGBM and 10% PSI).

BESTINFOND

Evolution in 2010

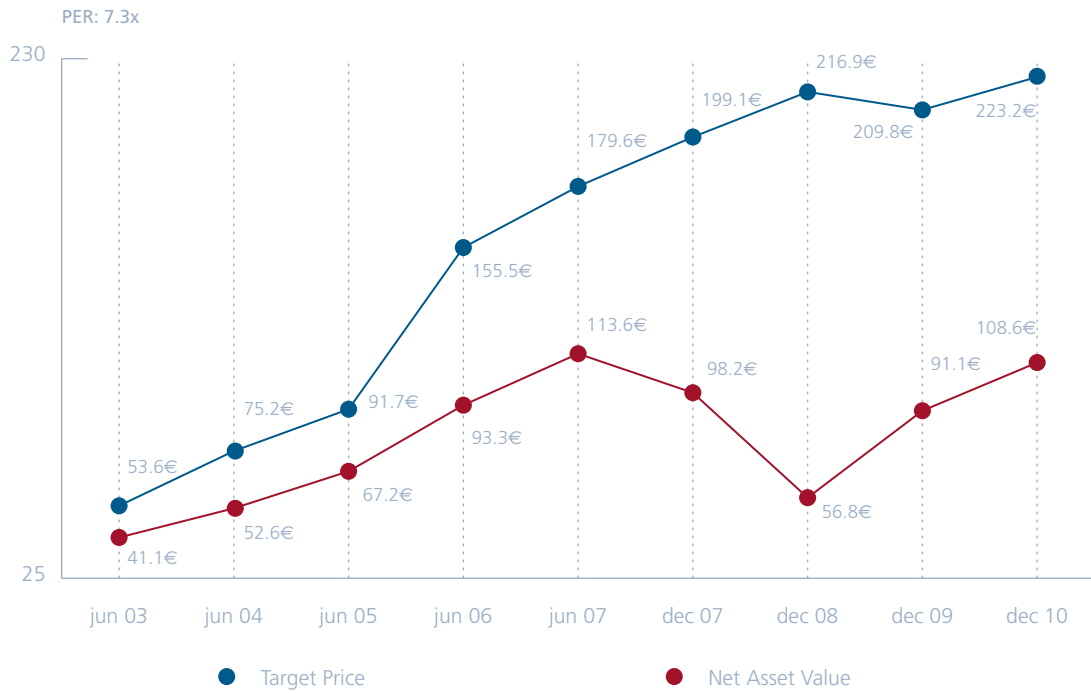


→ Bestinfond invests 70% of its portfolio in international equities and 30% in Iberian equities.

The target price for Bestinfond has decreased by 1.59% in the fourth quarter, which gives it an upside potential of 106%. The difference between the price of the fund and the Bestinver estimated value means that one euro of value can be purchased for 49 cents and this continues to be an attractive investment opportunity.

BESTINFOND

Evolution of the difference between target price and net asset value



→ Information published MONTHLY in the Client Zone on our website www.bestinver.es

BESTINFOND	30-Sep-10	31-Dec-10	Var % 31-Dec-10
Target Price (€/share)	226.76	223.15	-1.59%
Net Asset Value (€/share)	100.24	108.55	8.30%
Upside Potential	126%	106%	
PER (estimated free cash flow 2011)	6.6 x	7.3 x	

→ Information published MONTHLY in the Client Zone on our website www.bestinver.es



Our International Portfolio

Our international portfolio appreciated 10.1% in the final quarter, compared to an increase of 10.5% in the MSCI benchmark index. In 2010, our international portfolio recorded a cumulative appreciation of 25.8%, compared to 17.2% for the MSCI. Over an even longer term, the difference in yield in favor of our portfolio is 9.5% and 12.5% annually, respectively, in the last 5 and 10 year periods. Therefore, in 2010, the 8.6% difference in yield, with respect to the benchmark index, falls within the historical average.

This positive difference is largely due to the outstanding performance of some of our main investments. We would draw special attention to the increase in 2010 of the market price of BMW (67%), Virgin Media (62%), Fuchs Petrolub (70%), Rexel (59%), Zehnder (63%), Clariant (55%), Schindler (40%) and Metall (43%). All of these examples involve companies with businesses experiencing positive growth, along with attractive valuations.

It is interesting to note how companies with solid competitive advantages and global business, such as Schindler, Fuchs and BMW, are now trading at prices well above their highs of 2007, while the MSCI Index is still 21% below. It is also important to underline that the portfolio has performed well in spite of the weak performance of some of our other principal investments, such as -15% for CIR/Cofide, -39% for Esprinet, -9% for Debenhams and -27% for Thales. We are fully confident that the value of these investments is much higher than the market price, making them an example of the potential the portfolio continues to offer.

It is worth taking a moment to comment on the evolution of CIR/Cofide, one of our largest investments. The stock has been penalized by the market in the course of the year, primarily due to two factors. The first is the weak evolution of the European electricity sector (we remind you that Sorgenia, the Italian electricity company, is the main underlying asset of CIR/Cofide), which has been under the grip of regulatory uncertainties due to the difficult state of European public finances. The second is that the company's business depends fundamentally on the Italian economy which, while far from prompting the panic surrounding the economies of Greece, Ireland, Portugal and Spain, continues to belong to the problematic Southern European group. It is worth considering that if we calculate the rest of the assets of CIR/Cofide at market price (Sogefi and L'Espresso trade in the Milan Stock Exchange and last October KOS was the subject of a transaction involving a capital increase to allow the entry of a new partner which, in fact, was carried out at a value 25% higher than ours) and we value the holding in Sorgenia at zero, the value of CIR would be €1.47 per share, 7% higher than market price. That is, by investing in CIR, we could sell its holdings in all the other businesses, recover the entire investment and still have some excess cash and 52% of Sorgenia. Two years

ago, CIR/Cofide's partner in Sorgenia, the Austrian electricity company, Verbund, was valued at 3.9 billion euros, that is, an additional €2.7 per share of CIR.

During the fourth quarter we have **increased valuations for twenty eight companies and lowered them for twenty**. The impact on the aggregate valuation of the fund has been -2.2%, from €47.54 to €46.50. This drop in the valuation of the fund is mainly due to our desire to be more conservative in the valuation of our most significant investments. Specifically, however paradoxical it may seem after its strong performance, we have lowered the valuation of BMW by 9%. Likewise, we have lowered the valuation of CIR/Cofide by 8% and Thales by 15%. On the other hand, we have increased the valuation of Exor by 19% and Rexel and Fuchs by approximately 10%.

All things considered, during 2010 we managed to create 6.5% of value, given that we raised the valuation of the fund at the end of 2009 from €43.7 to the current €46.5. As explained on previous occasions, this is quite an exceptional accomplishment considering that it has been achieved in a context in which we give clear priority to the quality of the companies, rather than to their upside potential. We have given priority to companies with solid competitive advantages and solid financial statements over others that may be more inexpensive, but are less solid in this respect. We are firmly convinced that this approach offers the major advantage of enhancing the certainty of our valuations, while further protecting the portfolio from any possible widespread drops in the markets.

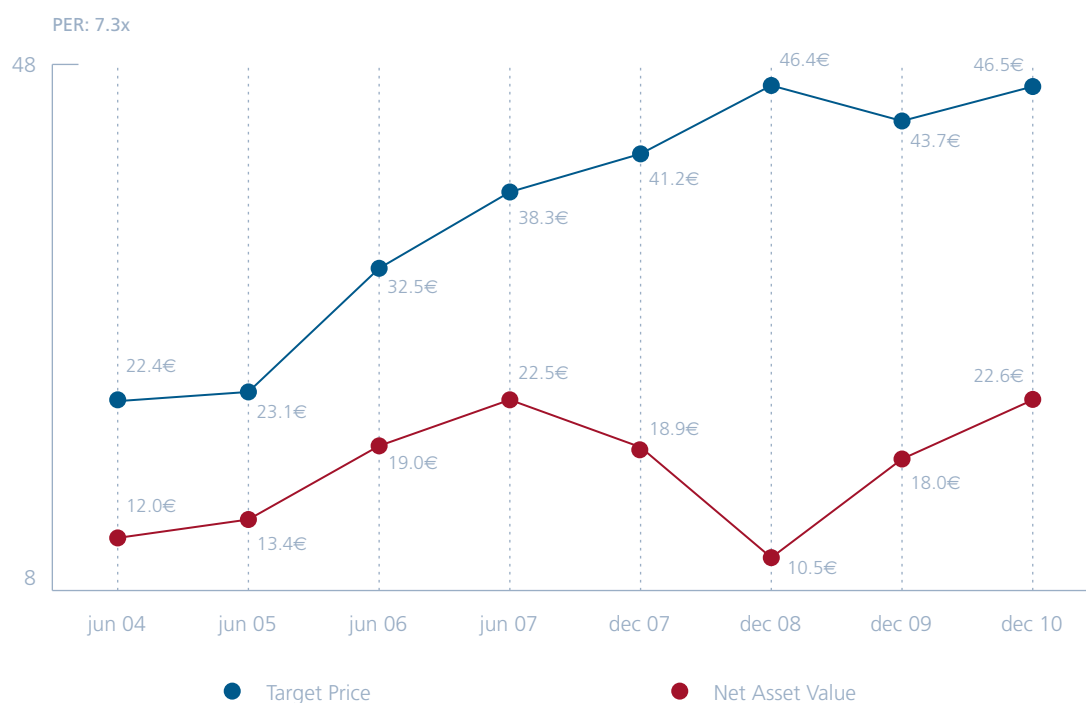
Our primary duty as fund managers is to create value by increasing the upside potential of the fund and we expect to continue to do so in the future, just as we have done in the past. That does not mean we can achieve this every quarter and it goes without saying that we will not tamper with our valuations, which would be like cheating at solitaire. Our valuations will always be our most objective estimate of the intrinsic value of the companies and assets in which we are invested. Therefore, the events of the third quarter, with a drop in the valuation of the fund (once again inconsistent with the strong market performance) may occur again, but this would be the exception and not the rule.

The good "news" is that, after the strong revaluations of some of our main investments, such as BMW, Clariant, Virgin, Fuchs and Rexel, etc., as well as other less significant investments, which have generated sales to adjust their weight in the funds, we have the ability to discover "new" ideas that allow us to create value for the fund. In this respect, in the last quarter we added 5 new companies.

The international portfolio trades at a PER of 7.3x and therefore has an upside potential of 105%. In other words, we continue to find ourselves in a remarkable situation, in which the price/value ratio of Bestinver Internacional is 49 cents (euro), which means paying €0.49 for each euro of the fund.

BESTINVER INTERNACIONAL

Evolution of the difference between target value and net asset value



→ Information published MONTHLY in the Client Zone on our website www.bestinver.es

BESTINVER INTERNACIONAL	30-Sep-10	31-Dec-10	Var % 31-Dec-10
Target Price (€/share)	47.54	46.5	-2.19%
Net Asset Value (€/share)	20.56	22.64	10.12%
Upside Potential	131%	105%	
PER (estimated free cash flow 2011)	6.5 x	7.3 x	

→ Information published MONTHLY in the Client Zone on our website www.bestinver.es



In US
Merrill Lynch

Standard & Poor's
market as the
transaction
millions (\$)

2002/03/04
2003/04/05
2004/05/06

Our Iberian Portfolio

During the fourth quarter, the net asset value of the domestic portfolio rose 4.0%, compared to a drop of 5.0% for the benchmark index (70% IGBM and 30% PSI). In 2010, the domestic portfolio rose 3.7%, compared to a drop of 15.2% for the index. The long term yield has outperformed the index by 7.4% and 12.8% annually in the last 5 and 10 years, respectively. As a result, in 2010, the difference in yield of 20.3% with respect to the benchmark index is higher than the historical average.

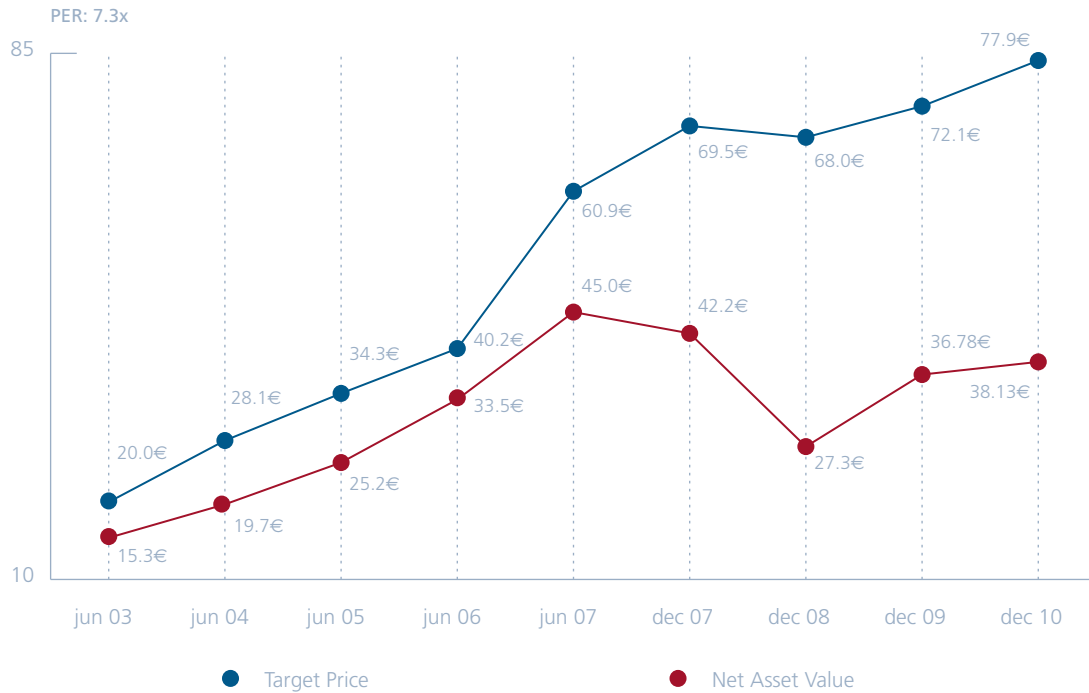
The strong relative performance of the portfolio in 2010, compared to the benchmark index, is primarily due to the fact that it has no exposure to problematic sectors in Spain, namely banks and companies with cyclical businesses concentrated in the domestic market. On the positive side, in 2010 we would emphasize the strong performance of some of our major investments, such as +15% for Portucel, +21% for Criteria, +12% for Repsol, +50% for Miquel i Costas, +50% for Viscofán, +7% for Semapa, +17% for Portugal Telecom, +19% for Técnicas Reunidas and +5% for Corporación Financiera Alba. In contrast, other major portfolio investments, such as Sonae (-10%), Gas Natural (-24%) and Laboratorios Almirall (-25%) have performed poorly and we believe they offer attractive investment opportunities with a high upside potential.

In the fourth quarter we raised valuations for twenty three companies and lowered them for twelve. The impact on the aggregate valuation of the fund was +2.7%, from €75.9 per share to €77.9. The featured events in the portfolio, from a valuation point of view, have been: the improvement of 10.5% for GasNaural, since we ruled out the worst case scenario for the Sonatrech lawsuit, partially correcting the 16% decrease in valuation in the previous quarter; the increase of 38% for Laboratorios Almirall, because we dismissed the idea that its important pharmaceutical drug, Aclydinium, currently under investigation, might be worthless and we now give it a valuation based on a conservative scenario; and the increase of 8.6% for Sonae, due to the strong growth of its food distribution business in Portugal. From a negative point of view, we have lowered the valuation of Ferrovial by 5.7%, after the sale of a 10% minority holding in the Canadian ETR-407 highway that was slightly below our valuation. Although the valuation of a majority holding (Ferrovial continues to be the main shareholder in ETR-407 with 43%) would be higher, we wish to be conservative and adjust it in light of this transaction. In regard to Ferrovial, we should also mention that during the quarter the company announced the sale of 100% of its airport services subsidiary, Swissport, at a price that is almost exactly in line with our valuation.

The domestic portfolio is trading at a PER of 7.3x and therefore has an upside potential of 104%. As a result, the price/value ratio is 49 cents for each Euro of the target value, the same as the international portfolio.

BESTINVER BOLSA

Evolution of the difference between target value and net asset value



→ Information published MONTHLY in the Client Zone on our website www.bestinver.es

BESTINVER BOLSA	30-Sep-10	31-Dec-10	Var % 31-Dec-10
Target Price (€/share)	75.91	77.92	2.65%
Net Asset Value (€/share)	36.68	38.13	3.96%
Upside Potential	107%	104%	
PER (estimated free cash flow 2011)	7.2 x	7.3 x	

→ Information published MONTHLY in the Client Zone on our website www.bestinver.es



EnergySelSect	XLE	74.61	2.21	27.3
IndSelSect	XLF	30.63	1.49	-16.6
SE/Macq Glb Infst	GII	63.49	1.08	24.8
hCrSelSect	XLV	36.57	1.48	15.4
SelSect	XLI	38.57	1.48	15.4
Sml Cap	EWB	32.17	1.48	15.4
/Bank	KBW	47.20	1.48	15.4
Capital	QV	41.07	1.48	15.4
Insurance	QID	41.07	1.48	15.4
Health	QVH	41.07	1.48	15.4
Real Estate	REIT	41.07	1.48	15.4
Technology	TECH	41.07	1.48	15.4
Utilities	UTIL	41.07	1.48	15.4
World	WLD	41.07	1.48	15.4

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Bestinver Hedge Value Fund

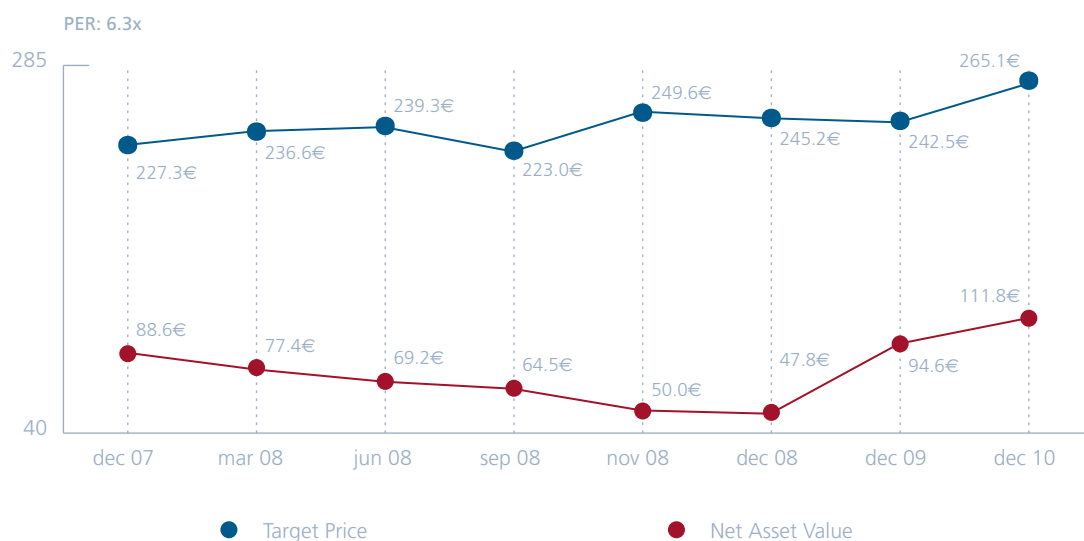
The Bestinver Hedge Value Fund posted a positive return of 6.5% in fourth quarter 2010, compared to 10.5% for the MSCI World Index. In 2010, the Bestinver Hedge Value Fund generated a positive return of 18.4%, compared to 17.2% for the MSCI.

One of the main reasons the B. Hedge Value fund obtained a somewhat lower yield than Bestifond can be explained by the weak evolution of its main investment, CIR/Cofide, referred to above in the comments on the international portfolio, where mention is also made of the potential offered by the conspicuous undervaluation of the investment.

In this quarter, the target value of the fund has been reduced by 1.8%, from €270.4 per share to €265.5, again due to reasons similar to those discussed with regard to the international portfolio, as well as due to the 5.7% reduction in the value of Ferrovial. The fund traded at a PER of 6.3x, offering an upside potential of 137% and a price/quality ratio of 42 cents for each Euro of the target price.

HEDGE FUND

Evolution of the difference between target value and net asset value



→ Information published MONTHLY in the Client Zone on our website www.bestinver.es

BESTINVER HEDGE VALUE FUND	30-Sep-10	31-Dec-10	Var % 31-Dec-10
Target Price (€/share)	269.96	265.13	-1.79%
Net Asset Value (€/share)	104.99	111.82	6.50%
Upside Potential	157%	137%	
PER (estimated free cash flow 2011)	5.8 x	6.3 x	

→ Information published MONTHLY in the Client Zone on our website www.bestinver.es



Financial Report

Annual Review

Conclusion

The year 2010 has been a positive one for our international portfolio, with a much greater increase than the benchmark index, as well as for the domestic portfolio, which has managed to produce positive returns in a context of sharp declines in the Spanish Stock Exchange. This has occurred as a result of the strong performance of some of our main holdings, despite the fact that others have not yet produced the expected results. However, there is no question that they will do so in the future. At year-end 2010, the international portfolio was only 4% below the all-time high recorded in July 2007, while the domestic portfolio, affected to a certain extent by the problems of the Spanish economy, was still 21% below. Even so, the target prices of the two portfolios are almost at their peak, which allows us to have full confidence that not only will we return to the net asset values of three years ago, but we will easily surpass them.

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All Bestinver returns are expressed in € and are net, after expenses and commissions.

Text by Fernando Bernad Marrase (Bestinver fund manager).

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

This quarterly newsletter and prior newsletters can be found on our website.

Upside: A fund's scope for revaluation at any given time, in the opinion of Bestinver's fund managers, calculated as the difference between current P/E and target P/E. It does not refer to a fund's earnings over a specified period because even if a fund obtains a specific return, the aim of the fund managers is to increase or at least maintain its upside.

P/E: Price to free cash-flow of the fund, based on P/E of each company estimated by Bestinver's fund managers (adjusted for debt, timing within the cycle, share price, exchange rates, etc.).

Price: The net asset value of the shares in the fund at any particular time. For international stocks, the net asset value used is that of the B.Internacional fund. For Iberian stocks, the net asset value used is that of the B.Bolsa fund.

Target Price: The net asset value that shares in a fund might be expected to reach based on the intrinsic value, as estimated by Bestinver's fund managers, of all the stocks in the portfolio.



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BESTINVER
Asset Management

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