

# 14

## Quarterly Newsletter

N° 14, JULY 2011



**BESTINVER**

Asset Management



All the funds managed by Bestinver made positive returns in the first half of 2011. We thus continue to be committed to our goal of beating inflation in the long term and, as far as possible, the indices which are comparable to our funds.

As can be observed in the table below, as regards the cumulative history for each of the funds, as well as 2011 so far, this objective has been comfortably achieved. And it is not just the return we have already managed that makes us at ease but also the enormous accumulated value that our portfolios still retain and which we shall describe further on.

#### CUMULATIVE RETURNS\*

	Inception	15 years	10 years	5 years	3 years	1 year	YTD	Q2
<b>Bestinver</b>								
<b>Bestinver Renta</b>	1795.90%	893.13%	253.81%	32.66%	40.55%	24.17%	5.85%	1.69%
Indice (80% MSCI World / 14% IGBM / 6% PSI)	386.91%	187.05%	24.40%	-9.82%	-1.54%	9.07%	-1.49%	-2.25%
<b>Bestinver Mixto</b>	292.96%		106.24%	36.88%	53.20%	24.28%	5.35%	3.44%
MSCI World Index (Eur)	9.23%		-28.35%	-11.06%	3.17%	8.00%	-3.78%	-2.40%
<b>Bestinver Bolsa</b>	454.11%		232.99%	23.85%	9.09%	22.01%	5.42%	-3.71%
Indice (70% IGBM / 30% PSI)	86.92%		26.68%	-12.89%	-15.00%	9.73%	3.87%	-2.02%
<b>Bestinver Mixto Internac.</b>	263.50%		140.64%	20.78%	8.91%	16.99%	4.45%	-2.69%
Indice (45% IGBM / 17,5% PSI / 37,5% EONIA)	69.29%		26.83%	-6.07%	-9.71%	6.43%	2.62%	-1.34%
<b>Bestinver Hedge Value Fund</b>	28.97%				41.60%	18.84%	4.30%	2.80%
Indice (70% MSCI World / 30% EONIA)	-4.56%				3.22%	5.21%	-2.44%	-1.56%
<b>Bestinver Internacional</b>	87.98%		38.06%	13.35%	7.34%	2.20%	0.68%	0.41%
Ind. (90% EONIA / 8% MSCI W. / 1,4% IGBM / 0,6% PSI)	67.92%		28.70%	13.86%	4.59%	1.20%	0.01%	-0.17%
<b>Bestinver Hedge Value Fund</b>	17.78%				70.15%	22.92%	5.33%	2.19%
MSCI World Index (Eur)	-20.07%				3.17%	8.00%	-3.78%	-2.40%

→ Figures at the close of: 30/06/2011.

Source: Bestinver

	Inception	10 years	5 years	3 years	1 year	YTD	Q1
<b>Bestinver Ahorro</b> Índice (35% EONIA / 65% ÍNDICE B. GLOBAL)	452.73%	179.54%	34.36%	32.77%	18.72%	4.57%	1.36%
	166.37%	41.23%	2.49%	-0.53%	7.04%	-1.13%	-1.75%
<b>Bestinver Global</b> Índice (80% MSCI World / 14% IGBM / 6% PSI)	77.12%		28.53%	39.82%	24.16%	5.86%	1.68%
	2.34%		-14.71%	-1.54%	9.07%	-1.49%	-2.25%
<b>Bestinver Previsión</b> Índice (90% EONIA / 8% MSCI W. / 1,4% IGBM / 0,6% PSI)	19.54%		13.14%	7.28%	2.11%	0.63%	0.41%
	15.90%		11.64%	3.32%	0.32%	0.17%	0.06%

→ Figures at the close of: 30/06/2011.

Source: Bestinver

## ANNUALIZED RETURNS\*

	Inception	15 years	10 years	5 years	3 years	1 year
<b>Bestifond**</b> Índice (80% MSCI World / 14% IGBM / 6% PSI)	17.28%	16.54%	13.47%	5.82%	12.01%	24.17%
	8.95%	7.28%	2.21%	-2.05%	-0.52%	9.07%
<b>Bestinver Internacional</b> MSCI World Index (Eur)	10.67%		7.51%	6.48%	15.28%	24.28%
	0.66%		-3.28%	-2.32%	1.05%	8.00%
<b>Bestinver Bolsa</b> Índice (70% IGBM / 30% PSI)	13.43%		12.78%	4.37%	2.94%	22.01%
	4.71%		2.39%	-2.72%	-5.27%	9.73%
<b>Bestinver Mixto</b> Índice (45% IGBM / 17,5% PSI / 37,5% EONIA)	9.59%		9.18%	3.85%	2.89%	16.99%
	3.81%		2.40%	-1.25%	-3.35%	6.43%
<b>Bestinver Mixto Internacional</b> Índice (70% MSCI World / 30% EONIA)	5.29%				12.29%	18.84%
	-0.94%				1.06%	5.21%
<b>Bestinver Renta</b> Índice (90% EONIA / 8% MSCI W. / 1,4% IGBM / 0,6% PSI)	4.11%		3.28%	2.54%	2.39%	2.20%
	3.36%		2.20%	2.48%	1.51%	1.20%
<b>Bestinver Hedge Value Fund</b> MSCI World Index (Eur)	4.03%				19.38%	22.92%
	-1.70%				1.05%	8.00%

→ Figures at the close of: 30/06/2011.

Source: Bestinver

	Inception	10 years	5 years	3 years	1 year
<b>Bestinver Ahorro</b> Índice (35% EONIA / 65% ÍNDICE B. GLOBAL)	12.36%	10.83%	6.08%	9.91%	18.72%
	6.91%	3.51%	0.49%	-0.18%	7.04%
<b>Bestinver Global</b> Índice (80% MSCI World / 14% IGBM / 6% PSI)	9.07%		5.15%	11.82%	24.16%
	0.36%		-3.13%	-0.52%	9.07%
<b>Bestinver Previsión</b> Índice (90% EONIA / 8% MSCI W. / 1,4% IGBM / 0,6% PSI)	2.78%		2.50%	2.37%	2.11%
	2.30%		2.23%	1.09%	0.32%

→ Figures at the close of: 30/06/2011.

Source: Bestinver

\* The benchmark indexes of Bestifond, 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.

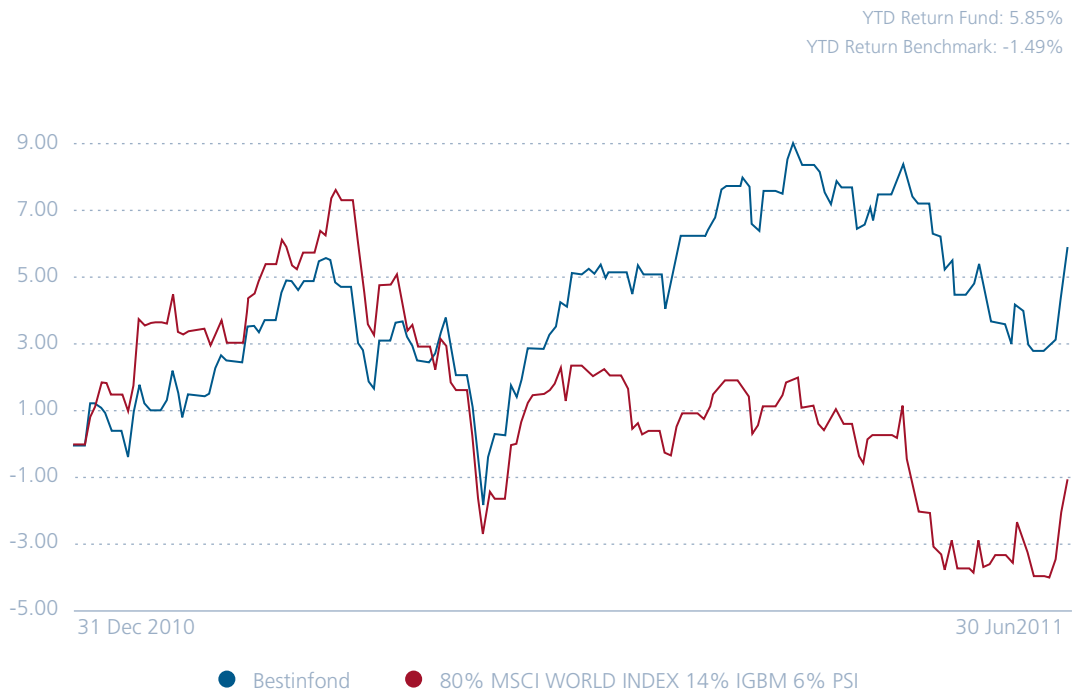
\*\* Bestifond invested exclusively in Spanish Equities until 12 May 2005.

## OUR MODEL PORTFOLIO (BESTINFOND)

Our model portfolio, which is reflected in Bestinfond (80% International portfolio / 20% Iberian portfolio) and in the pension fund Bestinver Global, has built up a return in the second quarter of 2011 of 1.69% compared to -2.25% for its benchmark index (80% MSCI World Index, 14% IGBM and 6% PSI). In the first half of the year the fund managed 5.85%, against a figure of -1.49% for its benchmark.

### BESTINFOND

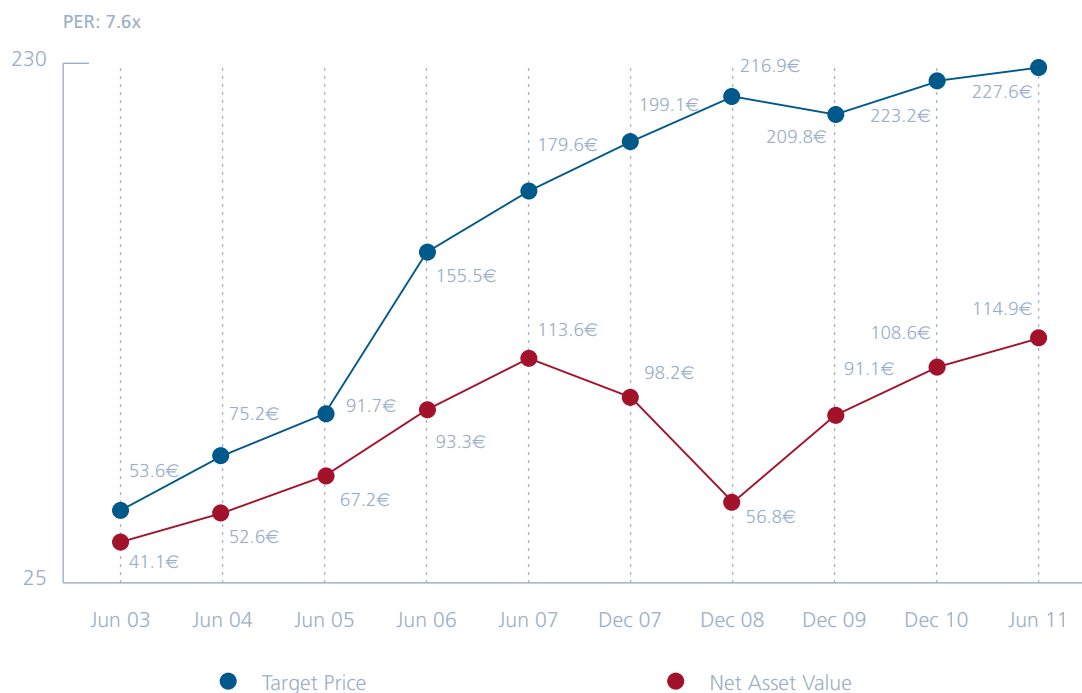
Evolution in 2011



→ Bestinfond invests 80% of its portfolio in international equities and 20% in Iberian equities.

## 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](http://www.bestinver.es)

BESTINFOND	31-Mar-11	30-Jun-11	Var % 30-Jun-11
Target Price (€/share)	220.29	227.62	3.33%
Net Asset Value (€/share)	113.00	114.91	1.69%
Upside Potential	95%	98%	
PER (estimated free cash flow 2011)	7.7 x	7.6 x	

→ Information published MONTHLY in the Client Zone on our website [www.bestinver.es](http://www.bestinver.es)

The target price for Bestinver has risen by 3.33% in the second quarter, which gives an upside potential of 98%. The price to value ratio equates to buying each euro of value for 51 cents.



# Our International Portfolio

Our international portfolio has experienced a +3.4% value increase in the second quarter of 2011, which compares with a fall of -2.4% for the MSCI benchmark index. In the year to date the international portfolio has accumulated a rise in value of 5.4%, against a like figure of -3.8% for the MSCI. Over the long term, the difference in returns in favour of our portfolio is 8.8% and 10.8% annually for the last five and ten year periods respectively.

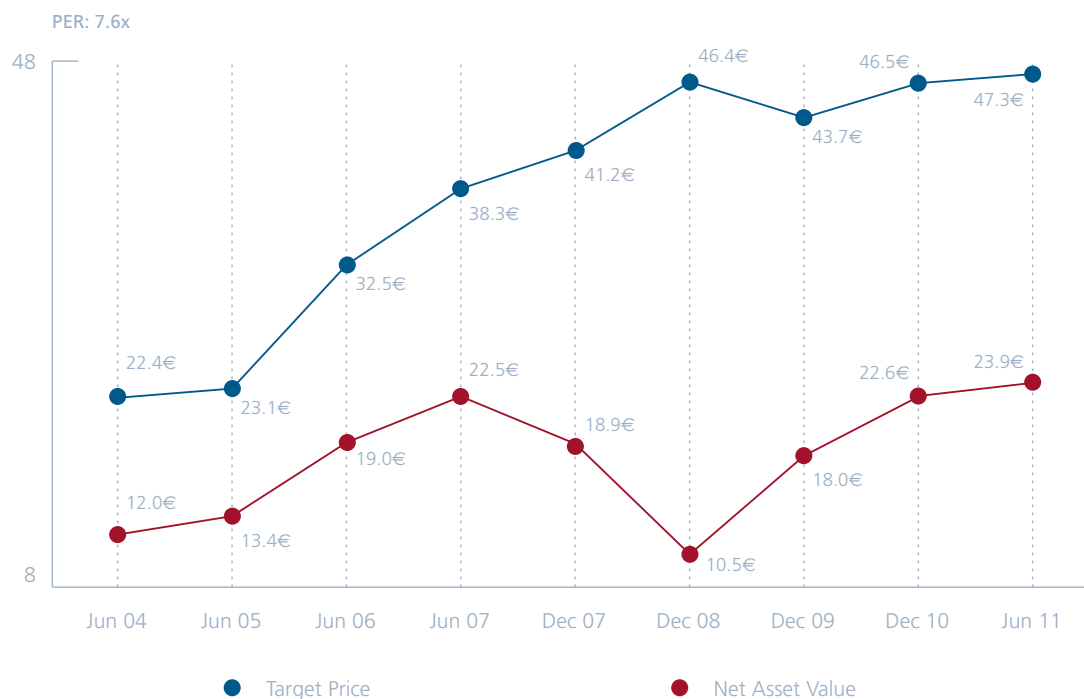
Over the quarter we have upgraded our **valuation** for 24 companies and downgraded it for 19. The impact on the overall aggregate valuation of the fund was a rise of +3%, from €46 to €47.3. The most substantial changes from a valuation standpoint were the upgrades for Exor (+7%), Thales (+9%) and Ahold (+10%). The first of these is as a result of the fine progress made by Ferrari and Chrysler, essentially. The second is because we are steadily becoming more confident that the company will manage to achieve the earnings targets it set itself in the medium term and which, through being conservative, we had assumed they would only partly succeed in doing. Lastly the third is due to the businesses going well, better in fact than we we had forecast, and due to the value added from the share buyback it is carrying out at the current attractively low market prices.

We would like to draw the reader's attention to a significant fact concerning the degree of concentration in the international portfolio, which has progressively changed to a substantial degree in recent years. The top 12 investments have a weight of almost 64% in the portfolio and the top 15 one of 70%. These stocks are companies which we have had an investment in or been familiar with for some years, are good or excellent businesses, extremely well run, have very little debt or net cash, and are attractively priced in the market. We have researched these companies thoroughly and the passing of time has steadily confirmed our investment view. This is why we are more certain and confident than ever of the portfolio's prospects.

The international portfolio is trading at a PER of 7.6x and has upside of 98%. This means that the price to value ratio for Bestinver Internacional is 0.5, which implies paying 50 cents for each euro (of value estimated by Bestinver) in 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](http://www.bestinver.es)

BESTINVER INTERNACIONAL	31-Mar-11	30-Jun-11	Var % 30-Jun-11
Target Price (€/share)	45.96	47.33	2.98%
Net Asset Value (€/share)	23.05	23.85	3.44%
Upside Potential	99%	98%	
PER (estimated free cash flow 2011)	7.5 x	7.6 x	

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In US  
Merrill Lynch

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

2002/03/04  
2005/06/07  
2008/09/10

# Our Iberian Portfolio

During the second quarter of 2011 the NAV of the domestic portfolio dropped by -3.7%, compared to -2% for the benchmark index (70% IGBM and 30% PSI). So far in 2011, however, the return amassed for our Iberian portfolio is +5.4%, against a like figure of +3.9% for the index. The long term return is 7.09% and 10.39% annually higher than that for the index for the last five and ten year periods respectively.

During the second quarter we have upgraded our **valuations** for 23 companies and downgraded 14. The impact on the overall valuation for the fund amounted to +2% becoming €79. The most notable facts from the valuation perspective are the upgrade for **GasNatural** (+12.8%) as a result of the agreements reached with Sonatrach which conclude the arbitration proceedings begun last year and the downgrade of -7% for **EDP** from the impact we calculate that might arise from any unfavourable measures taken by the government following the "bail-out" of Portugal.

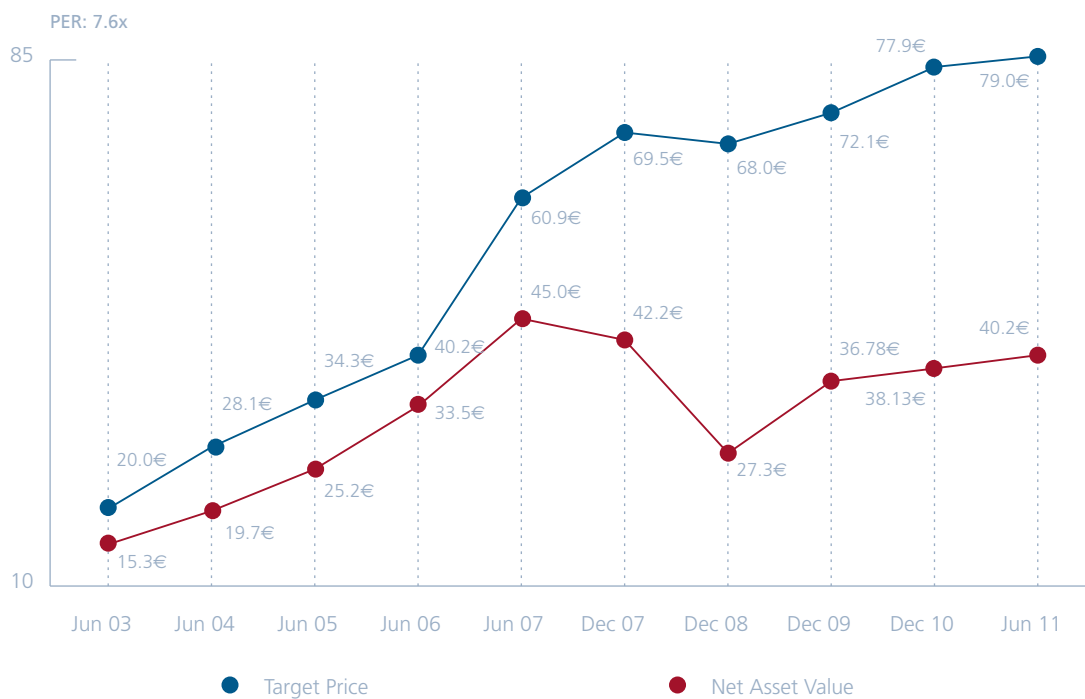
We are standing by our pessimistic outlook for the **Spanish economy** and which we think is worse than the market is assuming. Although the measures that have begun to be taken recently are along the right lines, they appear to us to be patently inadequate. For this reason we continue to prefer to limit our exposure to cyclical domestic business in Spain, even though it is right to say we are on the lookout for any good bargains that might arise in those cases where the share prices of companies might discount our worst forecasts.

In the case of **Portugal** our investments focus on either companies with fundamentally global businesses which are hardly affected at all by the country's fortunes (Portucel/Semapa and Altri), or else sound, not very cyclical businesses (Sonae, Ibersol, EDP and Portugal Telecom). In all cases these are companies that are very attractively priced and thus offer a decent safety cushion.

The domestic portfolio is priced in the market at a PER of 7.6x with an upside potential of 97% and a price to value ratio of 51 cents for each euro of target price.

## 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](http://www.bestinver.es)

BESTINVER BOLSA	31-Mar-11	30-Jun-11	Var % 30-Jun-11
Target Price (€/share)	77.49	79.01	1.96%
Net Asset Value (€/share)	41.75	40.20	-3.71%
Upside Potential	86%	97%	
PER (estimated free cash flow 2011)	8.1 x	7.6 x	

→ Information published MONTHLY in the Client Zone on our website [www.bestinver.es](http://www.bestinver.es)



# Bestinver Hedge Value Fund

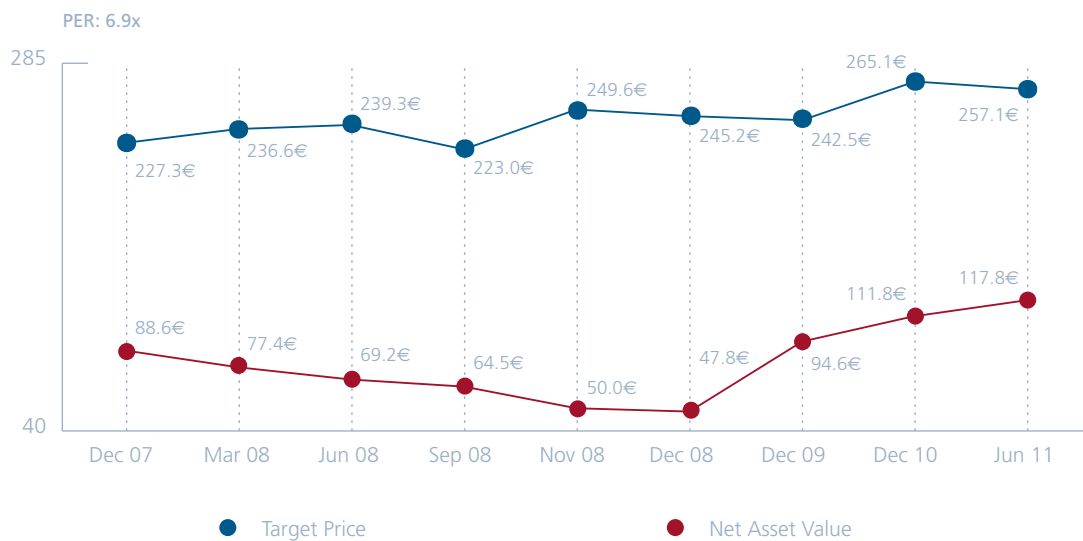
Bestinver Hedge Value Fund shows a positive yield in the second quarter of 2011 of 2.2%, which compares with -2.4% for the MSCI. Over the year the Hedge Value has built up a rise in value of 5.33%, which is slightly lower than the figure of 5.85% for Bestinfond, although higher than that of -3.8% for the MSCI. Since it was launched in September 2007 the Hedge Value has an increased in value by an accumulated +17.77%, which is very much more than the percentages of +5.3% for Bestinfond and the fall of -20% for the MSCI.

The slight advantage in favour of Bestinfond so far this year is basically due to the poor performance in the share price of one of our stocks which has a much greater weighting in the Hedge Value because of its size. This company did, however, experience a sharp rise in 2010, which has largely been reversed this year.

During the quarter the target price of the fund has improved by 0.2% from €256.5 per unit to €257.1. The fund is trading at a PER of 6.9x, offering an upside potential of 118% and a price to value ratio of 46 cents for each euro of 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](http://www.bestinver.es)

BESTINVER HEDGE VALUE FUND	31-Mar-11	30-Jun-11	Var % 30-Jun-11
Target Price (€/share)	256.5	257.1	0.2%
Net Asset Value (€/share)	115.2	117.8	2%
Upside Potential	123%	118%	
PER (estimated free cash flow 2011)	6.7 x	6.9 x	

→ Information published MONTHLY in the Client Zone on our website [www.bestinver.es](http://www.bestinver.es)



Financial Report

Annual Review

# Conclusion

After the 2009 and 2010 years, in which our portfolios (Iberian and International) showed fine results, in 2011 so far we have continued to achieve positive returns. We would like to remind readers that this fact comes as absolutely no surprise at Bestinver. Firstly because, in our opinion, this means "correcting" an inefficiency that arose when our portfolios fell back in value in 2008 in the same proportion as the market, which we think happened for reasons concerning liquidity that we have referred to on several occasions previously. And secondly, because the crisis that we have suffered has not been completely in vain. And the fact is that it has allowed us to add value by building up an exceptional portfolio from the point of view of the quality of the companies involved and the attractiveness of their valuation. This makes us very optimistic and we are confident that in the long term the portfolio will continue to yield highly positive returns.

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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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