

Bestifond FI Acc

Morningstar Category Benchmark
MSCI Europe Small Cap NR USD

Morningstar Analyst Rating™

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Morningstar Analyst

Executive Summary

People: The team is very experienced and is concentrated in a geographical area and only one investment style. The team's interests are very well aligned with investors'.

Parent: The fund's parent is a solid boutique-type management company focused on generating long-term profitability, with zero turnover of the management team.

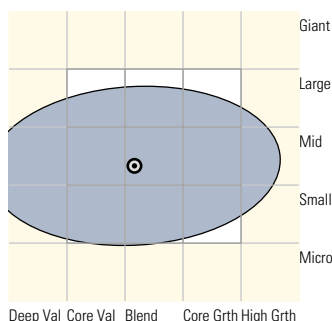
Process: This is a solid and well-structured process with a long-term mind-set. The portfolio focuses on managers' best ideas and doesn't pay much attention to indexes.

Performance: Excellent long-term returns, although the comparison with the category is influenced by the high exposure to Spanish and Portuguese equities.

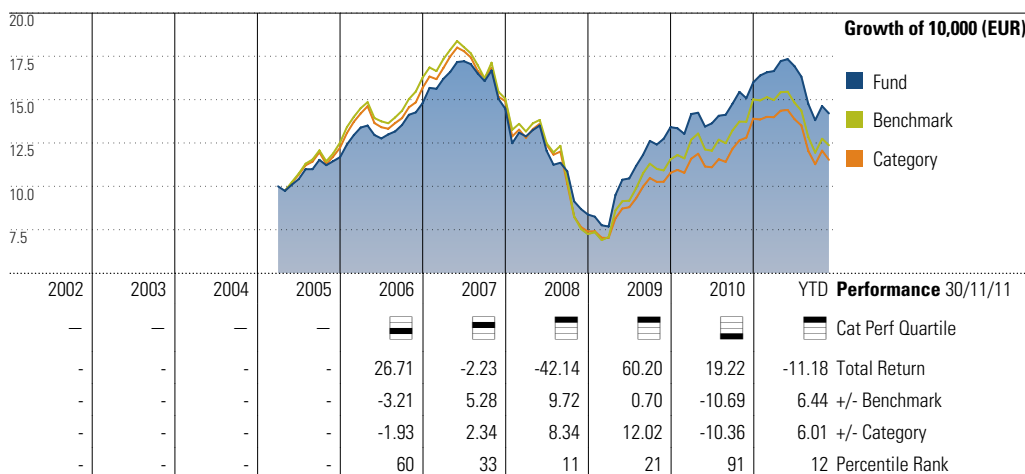
Price: The fund's total expense ratio is similar to the category median.

Role in Portfolio: This fund offers exposure to European stocks with a strong bias to Spain. It is not suitable for investors who are seeking index-like returns.

Morningstar Style Box™: Ownership Zone



● Centroid = weighted average of stock holdings
● Zone = 75% of fund's stock holdings
(As of 30/09/11)



Morningstar Opinion

28 Jul 2011 | For those looking for exposure to small-cap European stocks with a heavy bias toward Spanish and Portuguese names (20%-40%), this is definitely an attractive option.

There are no changes on the team front. It has remained extremely stable; it is a close-knit and experienced team that shares the same philosophy and investment mind-set. Besides the three main portfolio managers (Francisco García Paramés, Álvaro Guzmán, and Fernando Bernad), there are two analysts in Madrid, whose roles are gradually growing, and an analyst in China who provides the team with local insight and investment ideas.

We continue to believe the house's boutique structure provides good support to the team and helps align managers' interests with those of investors. The portfolio managers still hold their personal investments in the funds. There have not been any new products launched in recent months. We continue to think it's somewhat unfair that back-end fees end up in the company's income statement instead of in the fund's net asset value; the fee has been removed from one of the firm's balanced funds, and we would welcome a similar move for other products in its lineup. Assets under management keep increasing and are at around EUR 6 billion.

Since our last review, the portfolio hasn't changed much. Turnover has been very low and only a few names have come in and out since the start of 2011. The most notable

change was the addition of two large-cap health-care names, Pfizer and GlaxoSmithKline. The weights in portfolio are going to be reduced, but this is an area where the team had not invested before. It has done research on the area and sees these two stocks as defensive positions, as proxys for cash. The team is completely out of banks and real estate, a stance it has maintained for several years.

The investment process is robust. We think it is capable of adding value over the long term. After the recent financial crisis, the team decided to slightly modify the approach by placing even more emphasis on companies' quality, in terms of ROCE. The portfolio has become more concentrated (around 90 stocks currently).

Performance in 2009 was impressive, outperforming the category average by around 10%, despite a heavy weight in Spain, where small caps delivered lower results than European counterparts. In 2010 the underperformance relative to category was significant--mostly due to its bias toward Iberian stocks. In 2011 this has reversed and (as of the end of June) it is significantly beating its category and customised index. Its long-term relative returns continue to be excellent, and it lands in the category's first decile over three- and five-year periods. As we would expect from such a concentrated, stock-picker's fund, the main drivers of returns were stock-specific.

We believe it will continue to be an attractive option, and we therefore maintain our Elite rating.

Morningstar® Category	Europe Small-Cap Equity
Manager's Benchmark	60% MSCI World NR EUR, 40% Indice General Bolsa de Madrid
Inception Date	13/01/1993
Total Net Assets	EUR 940.53 Mil

ISIN	ES0114673033
Domicile	Spain
Legal Status	Open Ended Investment Company
UCITS	Yes
Currency	EUR
Total Net Assets	EUR 940.53 Mil

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Morningstar Category Benchmark

MSCI Europe Small Cap NR USD

Manager	Álvaro Guzmán de Lázaro, Fernando Bernad Marrase, Francisco García Paramés
Manager Start Date	13/01/93
Average Tenure	10.89
Avg Yrs Experience	15 years
Longest Tenure	18.92

Other Funds Managed

Bestinver Internacional; B. Bolsa; B. Renta; B. Mixto; B. Mixto Internacional; B. Hedge Value.

Number of Analysts	3 managers and 3 analysts.
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Management Company

Bestinver Asset Management

Total Assets Under Mgt	EUR 6.0 Bil
Total Assets in Strategy	EUR 1.233 Mil

No Holdings (Range)	90-110
Max Position Size	10%
Min Position Size	0%
Expd Track Error	No limit
Expd Turnover	100%-200%
Sector Constraints	No
Regional Constraints	No, focused on Europe
Yield Requirement	No
Tactical Use of Cash	No
Hedging Policy	Unhedged
Manager's Benchmark	60% MSCI World NR EUR, 40% Indice General Bolsa de Madrid

People

The management team is very experienced. It is led by Francisco García Paramés, who started with Bestinver in 1991 and has managed the funds since their launch. Paramés is a very experienced manager who has lived through several market cycles and who has remained faithful to his investment philosophy during complicated periods, such as the late 1990s, usually taking positions contrary to the market consensus. The two other portfolio managers on the team, Álvaro Guzmán and Fernando Bernad, had previously worked together at Value Management and Banesto. Guzmán joined the team in 2003 and Bernad in 2007. The three managers share the same investment philosophy, process, and passion for investments. There are three further analysts on the team

Parent

This is a very solid management firm that gives total support to the management team; it has truly demonstrated this over difficult periods for the funds, such as during 1998-99. The firm is strongly directed toward generating long-term profitability because it does not actively carry out marketing activities and does not use external distributors; therefore good returns are key to the success and sustainability of the business. The firm uses the same investment process for all the products, which reduces the complexity of the structure. It does not continually launch products in hot areas of the market; it manages only seven funds and since 2000 it has launched only one new fund. As a general rule, both investment and business decisions are made with a long-term view. At

Process: Investment Approach

The fund has a solid process due to its long-term outlook, its consistently applied value strategy, and its desire to carry out a comprehensive analysis of companies. Fundamentally, the managers apply the philosophy postulated by Warren Buffett and Benjamin Graham, seeking very high-quality companies with solid management selling at strong discounts to their fair value, and exploiting market inefficiencies by having a very long-term approach. The managers' experience, their knowledge of the market, and their network of contacts are the principal sources for generating ideas. Before investing in a company, a comprehensive analysis process

who give support to the managers on the research front and whose roles are gradually becoming more relevant. The team is very focused on the European and Spanish universe of companies and has amassed significant knowledge of the market after many years in this field. García Paramés and Guzmán have all of their financial wealth invested in the company's funds and their salaries depend on the company's profitability. We would prefer that their salaries depended more on the returns of the funds; however, returns, asset under management, and profits are very aligned at this firm. For the time being, Bernad's remuneration package does not depend on these results, yet he invests a large part (90%) of his wealth in the funds.

first glance there seems to be high management risk, but personal investment in the funds, high remunerations, and total independence and flexibility in the decision-making are factors that significantly mitigate this risk. No one from the management team has ever left the team since the foundation of the company in 1987. Performance of the firm's product lineup has been good across the board; all the funds have, over the long term, delivered returns above the average for their respective categories. The funds' total expense ratios (TER) are about average or slightly below average.

is carried out that includes contact with the management team, competitors, providers, customers, personnel, etc. Portfolio weights are guided by conviction in the company in question, without regard to the indexes, and according to the estimated discount that the investment may offer. As this estimated discount changes with price fluctuations, stock weights in the portfolio will vary. These weight adjustments generate quite a high portfolio turnover (100%-200%), although the turnover by individual name is much lower--around 25%. With regard to exposure by region, sector, and capitalisation, the fund is flexible, with few limitations on exposure to risk, which is controlled through a comprehensive analysis of the stocks, minimizing the risk of committing errors.

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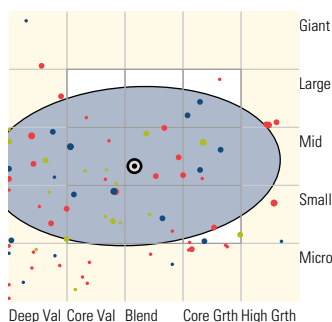
MSCI Europe Small Cap NR USD

Value Measures	Fund	Rel Cat
Price/Prospective	10.04	0.86
Earnings		
Price/Sales	0.29	0.53
Price/Book	0.81	0.65
Price/Cash Flow	5.06	0.95
Dividend Yield	3.30	1.30

Growth Measures	Fund	Rel Cat
Long-Term Earnings	2.00	1.29
Historical Earnings	3041.60	1.78
Sales	-23.39	0.86
Cash Flow	-11.27	0.52
Book Value	-11.37	2.88

Average Market Cap EUR 1825.37 Mil

Morningstar Holdings Based Style Map



● Centroid = weighted average of stock holdings
 ● Zone = 75% of fund's stock holdings
 (As of 30/09/11)

Top 5 Regions	% Equity
Eurozone	71.44
Europe - ex Euro	16.23
United States	6.80
United Kingdom	4.82
Asia - Developed	0.71

Top 5 Countries	% Equity
Switzerland	16.23
France	15.14
Spain	13.99
Germany	10.47
Netherlands	10.28

Market Maturity	% Equity
Developed Country	100.00
Emerging Markets	0.00
Not Classified	0.00

Portfolio Positioning

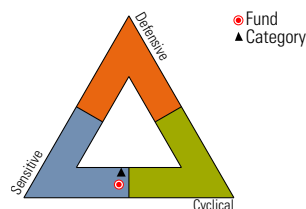
The fund has historically had a high exposure to small and medium-sized companies, although lately it has increased its exposure to large companies, which, according to the managers, are offering more interesting opportunities. In this regard, it's interesting to see that they recently added two large-cap health-care names, Pfizer and GlaxoSmithKline. The weights in portfolio are--and will be--reduced, but this is an area where the team had not invested before. They have done research on the segment over the past 1.5-2 years and see these two stocks as attractive opportunities to take a defensive positioning, as proxys for cash. These are not the usual names with which the team generates performance, so we will monitor how the exposure evolves going forward. One

Asset Allocation	% Assets	long %	short %	net %
Stocks	89.07	89.07	0.00	89.07
Bonds	4.71	0.00	0.00	4.71
Cash	0.00	0.00	0.00	0.00
Other	6.22	0.00	0.00	6.22

Top Holdings	% Assets
Bayerische Motoren Werke AG BMW	7.17
Exor Pfd	6.16
Wolters Kluwer NV	6.05
Thales	4.91
Schindler Holding AG	4.79
Spain(Kingdom Of) 4.3% 2019-10-31	4.71
Cir-Compagnie Industriali Riunite	3.71
METALL ZUG Ltd.	3.26
Debenhams PLC	2.88
Rexel SA	2.46
Koninklijke Ahold NV	2.15
Willis Group Holdings PLC	2.10
Panalpina Welttransport (Holding) AG	2.10
Ferrovial SA	1.97
Semapa	1.94
Dassault Aviation SA	1.91
Sonae, SGPS, SA	1.73
Aon Corp.	1.62
Stef-TFE	1.60
Corporacion Financiera Alba, S.A.	1.57
Total Equity/Bond Holdings	81/1
Assets in Top 10 Holdings %	46.09

problem we see in the process is the high asset volume. The managers in some cases will not be able to increase their exposure to small/mid-cap stocks in which they already have a significant stake. Furthermore, making a mistake on illiquid companies could have a significant negative impact on the fund. Although these risks are mitigated to some extent, we would prefer if the fund had a smaller asset base. The fund's exposure to the banking and real estate sectors has been virtually nil for several years now; the small financial position it currently holds in the sector is an insurance exposure. On the Iberian side, the team still thinks that Ferrovial has huge upside potential, notwithstanding its recent strong appreciation.

Sector Delta



Sector Weightings	% Equity	Rel Cat
Cyclical	41.62	1.06
Basic Materials	10.70	1.12
Consumer Cyclical	24.62	1.16
Financial Services	4.35	0.64
Real Estate	1.96	1.16
Sensitive	51.15	1.10
Communication Services	2.91	1.42
Energy	1.20	0.26
Industrials	41.82	1.41
Technology	5.23	0.51
Defensive	7.23	0.51
Consumer Defensive	3.98	0.63
Healthcare	1.08	0.16
Utilities	2.17	1.96

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Trailing (EUR)	Total Rtn	+/- % Bmark	+/- % Cat	%Rnk in Cat
3 Mo	-3.72	-0.01	0.54	51
6 Mo	-18.06	1.91	2.00	29
1 Yr	-5.81	4.06	4.51	15
3 Yr Annualised	17.82	-0.13	2.69	30
5 Yr Annualised	-0.08	4.28	4.65	11
10 Yr Annualised	-	-	-	-

MPT Stats	3 Yr	Rel Cat	5 Yr	Rel Cat
R-Squared	90.39	1.05	87.57	0.98
Beta	0.93	1.09	0.85	0.92
Alpha	1.02	-6.00	3.26	-3.79

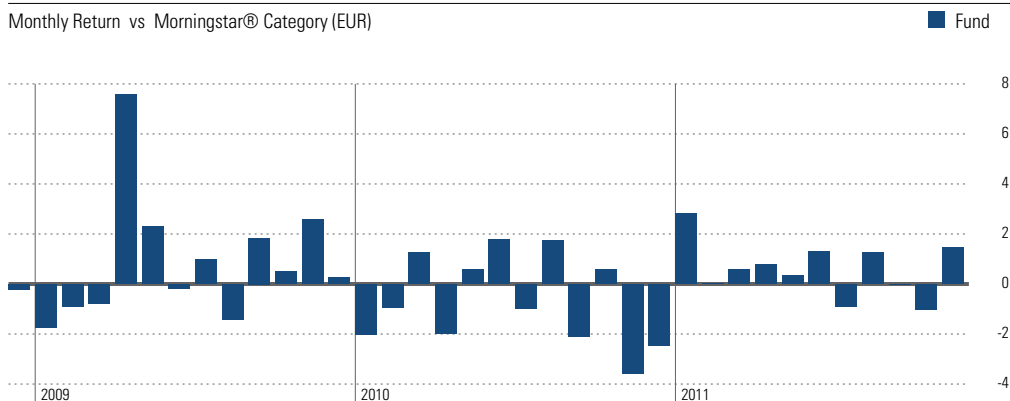
Volatility & Risk Adj Returns	3 Yr	Rel Cat	5 Yr	Rel Cat
Std Deviation	20.34	1.07	21.14	0.94
Mean	1.53	1.16	0.18	-0.92
Sharpe Ratio	0.85	1.09	-0.01	0.05
Information Ratio	-0.02	0.05	0.52	-6.50
Treynor Ratio	18.06	1.08	-2.83	0.37

Performance Analysis

Since its strategy change in May 2005, the fund has beaten the category average and the customized index that we have created, which consists of 70% MSCI Europe Small Cap NR and 30% MSCI Spain Small NR, and has displayed lower risk than its category and customized benchmark. Compared with other European small-cap equity funds, the relative performance of this fund will be strongly influenced by its structural overweight in Spanish and Portuguese companies. Spain and Portugal comprise around 10% of the European equity indexes compared with around 30% of this fund currently. In both 2008 and 2009, the fund significantly beat the aforementioned

customized index and the category average. In 2010, the structural overweight in Spain and Portugal hurt, and the fund significantly lagged its category average and was flat relative to the customized index. In 2011 (as of the end of June) this factor has reversed and the fund is significantly beating its category and customized index. Anyway, the fund's long-term relative returns continue to be excellent, with below-average risk. Because of the concentrated nature of the portfolio, this good result has been generated by specific companies.

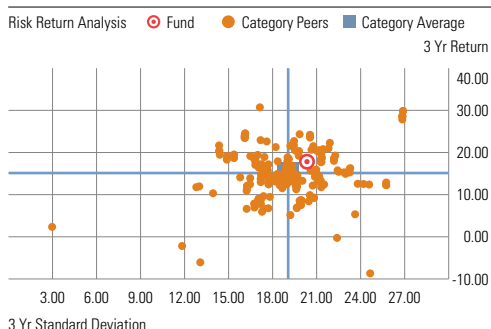
Monthly Return vs Morningstar® Category (EUR)



Risk & Return

Since 2005, this fund has been less volatile than its category and customized benchmark. The historical maximum drawdown, the downside capture ratio, and the percentage of negative months have also been lower than average, which reflects its good performance in down markets or very volatile periods, in accordance with its

philosophy of generating absolute, long-term returns. Relative to the index and its category, the fund will always be biased by a strong structural overweight in Spain and Portugal.



Morningstar Rating™ (Rel Cat)	Morningstar Return	Morningstar Risk	Morningstar Rating™
3 Year	Avg	Avg	★★★
5 Year	Abv avg	Bel avg	★★★★
Overall	Abv avg	Bel avg	★★★★

Price

The TER of the fund is in line with category median, although the category is expensive in absolute terms. Furthermore, it charges 3% back-end fees for terms of less than one year.

Max. Initial Sales Charge %	-
Annual Management Fee %	1.75
Total Expense Ratio %	1.81