

Bestinver Internacional FI Acc

Morningstar Category Benchmark
MSCI Europe Small Cap NR USD

Morningstar Analyst Rating™

Javier Sáenz de Cenzano, CFA

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.

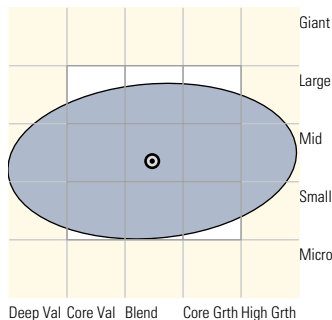
Process: This is a solid and well-structured process with a long-term mind-set. The portfolio focuses on managers' best ideas and doesn't pay much attention to indexes.

Performance: It has excellent long-term returns.

Price: The price of this fund is in line with the category median.

Role in Portfolio: This fund is suitable for those looking to diversify their exposure to European equities. It is not suitable for investors who are seeking indexlike returns or have a short-term horizon.

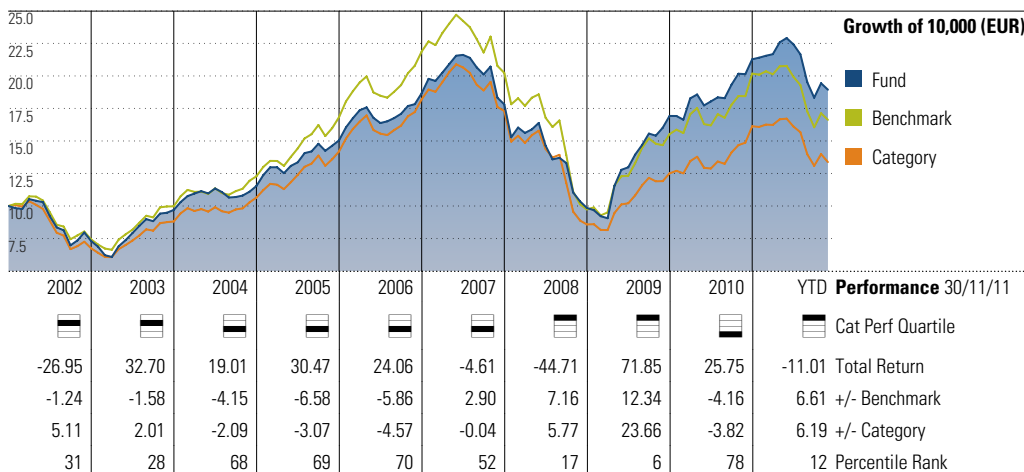
Morningstar Style Box™: Ownership Zone



● Centroid = weighted average of stock holdings

● Zone = 75% of fund's stock holdings

(As of 30/09/11)



Morningstar Opinion

28 Jul 2011 | We are maintaining our strong conviction on this product, and we think it's one of the best in its category.

As usual, there are no changes to report on the team front. It has remained extremely stable over the years; 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 that the boutique structure of the house provides good support to the management team and helps align the interests of the managers with those of investors. The portfolio managers still hold their personal investments in the funds, and 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, but this fee has been removed from one of the firm's balanced funds, and we would welcome a similar move for the other products in its lineup. Assets under management keep increasing and are now at around EUR 6 billion.

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

year. The most notable change has been 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. They have done research on the area and see these two stocks as defensive positions, as proxies for cash. The managers are still completely out of banks and real estate, a stance they have maintained for several years now.

In general, the investment process is robust and 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. In addition, the portfolio has become more concentrated (around 50 stocks currently).

The fund's performance in 2009 was impressive, outperforming the category average by around 24%, and in 2010 the fund lagged category by around 4%, on the back of 2009's excellent return. In 2011 until the end of June the fund is significantly outperforming the category again (5.38%). The fund's long-term relative returns continue to be excellent. The fund ranks in the category's first decile on a three-, five-, and 10-year basis. As we would expect from such a concentrated, stock-picker's fund, the main drivers of returns were stock-specific.

In short, we like this product and are keeping our Elite rating.

Morningstar® Category	Europe Small-Cap Equity
Manager's Benchmark	100% MSCI World NR EUR
Inception Date	19/11/1997
Total Net Assets	EUR 1123.42 Mil

ISIN	ES0114638036
Domicile	Spain
Legal Status	Open Ended Investment Company
UCITS	Yes
Currency	EUR
Total Net Assets	EUR 1123.42 Mil

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MSCI Europe Small Cap NR USD

Manager	Álvaro Guzmán de Lázaro, Fernando Bernad Marrase, Francisco García Paramés
Manager Start Date	19/11/97
Average Tenure	9.27
Avg Yrs Experience	15
Longest Tenure	14.07

Other Funds Managed

Bestinfond; Bestinver 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 1.54 Bil

No Holdings (Range)	50-80
Max Position Size	10%
Min Position Size	0%
Expd Track Error	No limit
Expd Turnover	100-200% p/a
Sector Constraints	No
Regional Constraints	No, but focused on Euro ex-Spain
Yield Requirement	No
Tactical Use of Cash	No
Hedging Policy	Unhedged
Manager's Benchmark	100% MSCI World NR EUR

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 European and Spanish 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 rate (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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Morningstar Category Benchmark

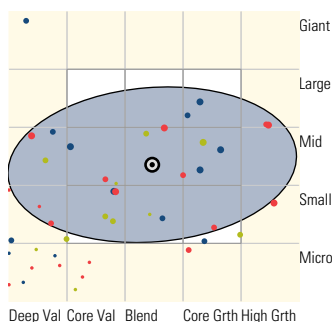
MSCI Europe Small Cap NR USD

Value Measures	Fund	Rel Cat
Price/Prospective	10.92	0.94
Earnings		
Price/Sales	0.27	0.50
Price/Book	0.84	0.67
Price/Cash Flow	5.38	1.01
Dividend Yield	2.04	0.80

Growth Measures	Fund	Rel Cat
Long-Term Earnings	7.19	4.63
Historical Earnings	1.53	0.00
Sales	-23.34	0.86
Cash Flow	-12.48	0.57
Book Value	9.04	-2.29

Average Market Cap EUR 1902.94 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	62.90
Europe - ex Euro	21.00
United States	8.85
United Kingdom	6.27
Asia - Developed	0.99

Top 5 Countries	% Equity
Switzerland	21.00
France	19.71
Germany	13.61
Netherlands	13.34
Italy	11.19

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

Portfolio Positioning

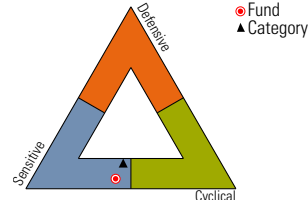
The fund has historically had a high exposure to small and medium-sized companies, although lately it has increased its exposure to large companies, which, according to the managers, are offering more interesting opportunities. In this regard, it's interesting to see that they recently added two large-cap 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	87.20	87.20	0.00	87.20
Bonds	4.98	0.00	0.00	4.98
Cash	0.00	0.00	0.00	0.00
Other	7.82	0.00	0.00	7.82

Top Holdings	% Assets
Bayerische Motoren Werke AG BMW	9.13
Exor Pfd	7.82
Wolters Kluwer NV	7.69
Thales	6.27
Schindler Holding AG	6.04
Spain(Kingdom Of) 4.3% 2019-10-31	4.98
Cir-Compagnie Industriali Riunite	4.52
METALL ZUG Ltd.	4.17
Debenhams PLC	3.66
Rexel SA	3.12
Koninklijke Ahold NV	2.73
Willis Group Holdings PLC	2.67
Panalpina Welttransport (Holding) AG	2.66
Dassault Aviation SA	2.46
Aon Corp.	2.07
Stef-TFE	2.01
Fuchs Petrolub AG	1.93
Lagardere	1.92
Cofide	1.88
Virgin Media Inc	1.70
Total Equity/Bond Holdings	45/1
Assets in Top 10 Holdings %	57.41

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 they currently hold in the sector is an insurance exposure. Over the past few quarters they have continued to emphasise quality (in terms of ROCE), although that move is completed now.

Sector Delta



Sector Weightings	% Equity	Rel Cat
Cyclical	39.98	1.02
Basic Materials	4.30	0.45
Consumer Cyclical	30.26	1.43
Financial Services	5.43	0.79
Real Estate	0	0
Sensitive	54.55	1.17
Communication Services	1.95	0.95
Energy	0	0
Industrials	46.35	1.56
Technology	6.25	0.61
Defensive	5.47	0.39
Consumer Defensive	4.57	0.72
Healthcare	0.89	0.13
Utilities	0	0

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Trailing (EUR)	Total Rtn %	+/- Bmark	+/- Cat	%Rnk in Cat
3 Mo	-2.94	0.77	1.31	35
6 Mo	-17.34	2.63	2.72	21
1 Yr	-5.95	3.92	4.37	16
3 Yr Annualised	22.29	4.34	7.16	9
5 Yr Annualised	1.22	5.58	5.95	5
10 Yr Annualised	7.15	1.70	4.17	5

MPT Stats	3 Yr	Rel Cat	5 Yr	Rel Cat
R-Squared	87.40	1.02	84.80	0.95
Beta	0.98	1.15	0.90	0.98
Alpha	4.09	-24.06	5.05	-5.87

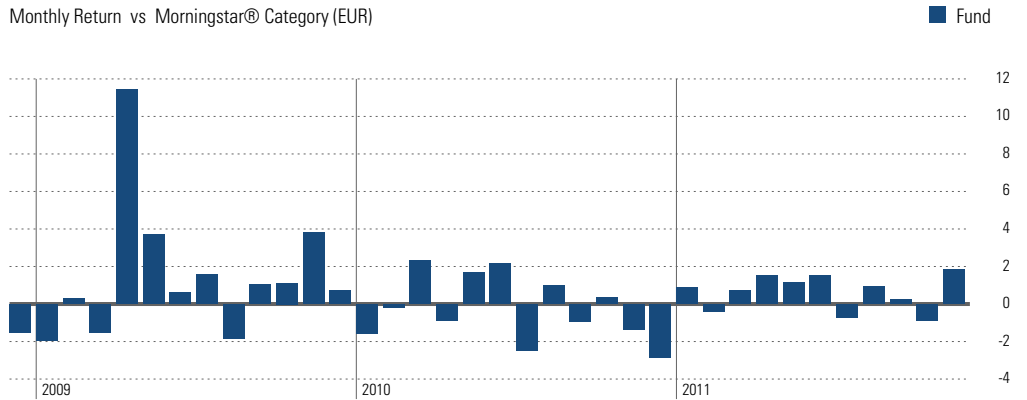
Volatility & Risk Adj Returns	3 Yr	Rel Cat	5 Yr	Rel Cat
Std Deviation	21.90	1.15	22.67	1.01
Mean	1.87	1.42	0.31	-1.62
Sharpe Ratio	0.97	1.24	0.06	-0.30
Information Ratio	0.56	-1.33	0.61	-7.63
Treynor Ratio	21.60	1.29	-1.24	0.16

Performance Analysis

The fund's long-term returns have been excellent both in relative and absolute terms. Compared with general indexes (such as MSCI World or MSCI Europe) this fund has benefitted from high exposure to small and medium-sized companies, which have outperformed their larger peers over the past few years. Notwithstanding, this fund has also had good results compared with its category and with mid- and small-cap indexes, which speaks positively about the strong value added by the team. The fund is in the category's first decile on a three-, five-, and 10-year basis. As we would expect from such a concentrated, stock-picker's fund, the main drivers of returns were stock-

specific. Although the absolute return was negative in 2008, the fund managed to beat its category average and the MSCI Europe Small Cap NR Index by a considerable margin. In 2009 the fund's performance was impressive, outperforming the category average by around 24%. In 2010 the fund lagged the category and benchmark by around 4%, after a tough fourth quarter in relative terms, but in 2011 (as of the end of June) the fund is significantly outperforming again on the back of good stock selection.

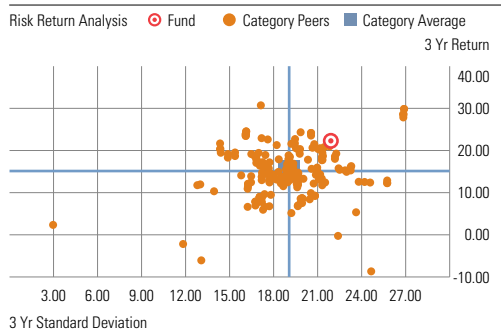
Monthly Return vs Morningstar® Category (EUR)



Risk & Return

In terms of risk, this fund has shown a maximum historical drawdown, a percentage of negative months, and a downside capture ratio that are well below average, although volatility has been slightly higher. This good performance in down markets or very volatile periods fits with the managers' philosophy of generating absolute

returns over the long term. That said, this is a risky product in absolute terms because it invests in small-cap equities.



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

Price

The annual cost of the fund (TER) is in line with the category average, although the category is dear in absolute terms. 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 %	1.82