

BESTINVER HEDGE VALUE FUND

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Following the enactment of Economics Ministry Order EHA/1199/2006 dated 25 April regulating collective investment schemes, and Circular 1/2006 dated 3 May from the Comisión Nacional del Mercado de Valores (CNMV, or the Spanish National Securities Commission) regulating hedge funds, Bestinver Gestión, S.A. SGIIC (“Bestinver”) has launched a new hedge fund called **Bestinver Hedge Value Fund** (“BHVF” or the “Fund”).

Below we set out a description of BHVF with special emphasis on the new features which set it aside from the other mutual funds managed by Bestinver.

INTRODUCTION

Our investment philosophy has remained constant since we began investing in Spanish equities through our mutual funds in 1993, achieving an average annual rate of return on Spanish equities of 22% over the past 13 years and 14% on international equities since 1998.

These results have been made possible by our strong belief in always investing long-term in solvent businesses, led by a competent management team and which trade at prices we believe are attractive. Through our BHVF we seek **management continuity** with two additional characteristics: **restrained financial leverage** and **prudent portfolio concentration**.

OBJECTIVE

By investing in equities (listed on organised markets) and fixed income stocks (exclusively Repos and Treasury Bills), BHVF will seek **absolute returns** which are not linked to a stock index.

INVESTMENT POLICY

BHVF shall invest in **global-oriented equities listed on regulated markets** and especially those focused on **Europe** (due to its proximity and similar characteristics to the Spanish market) in a percentage the Fund deems appropriate at all times and depending on the different “value” opportunities the managers believe are offered by the market. To take advantage of short-term market fluctuations in order to invest long term, regardless of the size of the company, where it operates or in which sectors, stocks shall be chosen based exclusively on fundamental analysis criteria and we shall only invest in companies which have undergone a rigorous valuation by our managers.

Once the financial leverage has been discounted, the percentage not invested in equities shall be set aside to purchase short-term fixed income securities (exclusively Repos and Treasury Bills).

With regards to liquidity, any company with a market capitalisation of less than EUR100 million shall be avoided.

Under no circumstances shall the Fund invest in derivatives (such as options, futures, traded or non-traded structured instruments). Neither shall it enter into short sales but shall limit its scope to always being long vs. the market. **This is what sets this Fund apart from other hedge funds**, notably reducing its risk and simplifying control.

FINANCIAL GEARING

The Fund shall use financial gearing sparingly as a reasonable way of increasing its yield. Contrary to concentration, the level of gearing will be variable and defined by the number of opportunities identified by the managers in the market. In fact, there may be not gearing at all. **Under no circumstances shall the gearing exceed 100% of the Fund's assets** (1x the fund's assets). In other words, the Fund's exposure shall be no greater than 200% of its assets.

In any case, this is a maximum limit. In principle, **during the first 18 months at least**, the Fund's maximum level of gearing shall be 40% of assets.

To guarantee the funds raised, BHVF will arrange financial guarantees with its **Prime Broker** (Banco de Santander) which could imply transferring ownership or ceding rights of use of the assets deposited as collateral, and therefore bearing counterparty risk.

RISK DIVERSIFICATION

Investment in the financial assets and instruments of one issuer may not exceed 20% of the fund's assets. Also, the fund must **never have fewer than 5 different stocks** on portfolio.

This would once again be an extreme case as our philosophy is to always have **15 to 30 different stocks** on portfolio and assign between 4% and 12% of our investment to each one.

NET ASSET VALUE

Taking into account the fund's investment policy and bearing in mind that it does not invest in derivatives or effect short sales, nor in unlisted companies, the calculation of its NAV is not carried out any differently to the rest of the mutual funds managed by Bestinver, i.e. it could be published on a daily basis. However, given the product's characteristics, NAV will be calculated **monthly**. This shall be calculated on the last working day of each month and made available on our web site (www.bestinver.com). Fund subscriptions and redemptions shall be carried out with the same frequency as the NAV calculation.

FUND MANAGERS

- Francisco García Paramés (Chief Investment Officer of Bestinver)
- Álvaro Guzmán de Lázaro (Fund Manager of Bestinver)
- Fernando Bernad (Fund Manager of Bestinver)

All three managers boast extensive experience in the value management criteria applied to the hedge fund. Specifically, they have been following a value management approach to equities for 16, 11 and nine years, respectively. To date, the funds they have managed have garnered 50 awards (given by, *inter alia*, Standard & Poors, Lipper and Morningstar).

The three fund managers have all personally invested in BHVF.

PERFORMANCE FEE

BHVF gives clients a vehicle for investing in companies that meet two main criteria:

- ✓ offer high **upside**.
- ✓ offer a secure **valuation**.

This investment vehicle allows our customers to focus on our fund management team's **top picks** which should offer a higher average return in the long term. For example, if the average annual rate over 10 years for Bestifond is **12%**, BHVF could obtain a net return during this period of **14-18%**. If we were to capitalise this difference we would obtain a cumulative return of **20-80%** over **10 years**. The idea is that BHVF's upside is always greater than Bestifond's.

The long-term risk of the portfolio's concentration could be partly offset by the greater security offered by the companies' intrinsic valuations, thus making it interesting to increase our weighting on a company which we have correctly valued to over 10%. Also, our fund managers may use gearing where a stock(s) look seriously undervalued, as can happen during periods of stock market crashes.

This product is based on and uses the knowledge afforded by our traditional funds (such as Bestifond), but also includes two painstaking features: **selection** and **leverage**. This is why Bestinver has established a performance fee.

The variable fee has been set at **15% of the net gains obtained above the 1Y Euribor rate**. Also, under the **High Water Mark** investors will be charged a fee only when the fund reaches a value it had previously not reached. The fund's net asset value will only commit the Management Company for three years.

MAIN FEATURES OF BESTINVER HEDGE VALUE FUND

- Long Only / Deep-value approach
- Minimum investment and balance of €60,000
- Additional investment = €6,000
- Lock-up during the first year
- 5% redemption fee during the second year
- 2% annual management fee
- Performance fee of 15% of the net gains obtained above the 1Y Euribor rate.
- High Water Mark
- 0.1% deposit fee
- Maximum leverage: 100%
- Maximum investment in one company: 20%
- Minimum number of securities in the portfolio: 5
- Absolute return target
- No volatility targets
- Recommended investment period: 5 years
- Bestinver's three fund managers invested their own capital in the fund
- Use of derivatives: NO
- Short positions: NO
- Investment in non-listed companies: NO
- Prime Broker: Banco de Santander

- Custodian bank: Santander Investment
- Auditor: KPMG
- NAV published monthly at www.bestinver.com
- Bestinver has the appropriate internal processes in place to assess, control and monitor the risks to which BHVF is exposed.

PROCEDURE

- ✓ **Subscription and redemption** applications will only be accepted if accompanied by all the pertinent documentation and if the amount of the Fund in question has been received **prior to 2pm on the last working day of the month.**
- ✓ Unit holders may only request the transfer or units to the Fund and make deposits in the unitholder account **during working days.** Unit holders will not receive a financial return on their investment between the date the cash deposit has been made and the date the net asset value applicable to the subscription or transfer is calculated. The remuneration obtained by the Fund's holder shall belong exclusively to that holder.
- ✓ Even when the calculation of the net asset value and subscriptions are made on the last working day of each month, **the fund management company shall begin processing unit transfers the day after requests have been received.** Unitholders must bear this in mind when requesting unit subscriptions or transfers. Redemptions shall be settled within five working days of the applicable NAV calculation date.

CONCLUSIONS

At Bestinver, we believe the new regulations provide an excellent opportunity for us to offer certain customers a more sophisticated vehicle than our traditional funds without straying from a prudent investment policy by only acquiring shares in undervalued companies and solid fundamentals, always on a long-term horizon.

In essence, the defining features of BHVF relative to the other CIS managed by Bestinver are greater portfolio concentration and the possibility of limited gearing when in the opinion of the Fund's managers market circumstances warrant.

HISTORICAL RETURNS

As BHVF is a new fund (set up 28/9/2007) it does not have any historical returns. We therefore attach the historical returns of our oldest fund, Bestinfond, which demonstrates the experience and vision of Bestinver's managers. The majority of the securities included in BHVF's portfolio will also be in Bestinfond's.

YEAR	BESTINFOND	BENCHMARK
1993	43,91%	46,67%
1994	5,28%	-11,70%
1995	10,33%	12,30%
1996	41,01%	38,96%
1997	41,02%	42,22%
1998	29,03%	37,19%
1999	-10,90%	16,22%
2000	13,03%	-12,68%
2001	20,47%	-6,39%
2002	8,17%	-23,10%
2003	38,20%	27,44%
2004	29,89%	18,70%
2005	28,53%	22,58%
2006	26,70%	16,76%
25/10/2007	11,58%	4,19%
Return since 1993	1749,72%	547,74%
Annual average return	21,82%	13,47%

** The index is a weighted average of the Madrid SE General and MSCI (until 12/05/05 the benchmark index was the Madrid SE General, as the fund only invests in Spanish equities).*

OTHER FEES IN THE INDUSTRY

In order to provide our clients with as much information as possible, below is a ranking of the major Spanish fund managers by returns vs. fees:

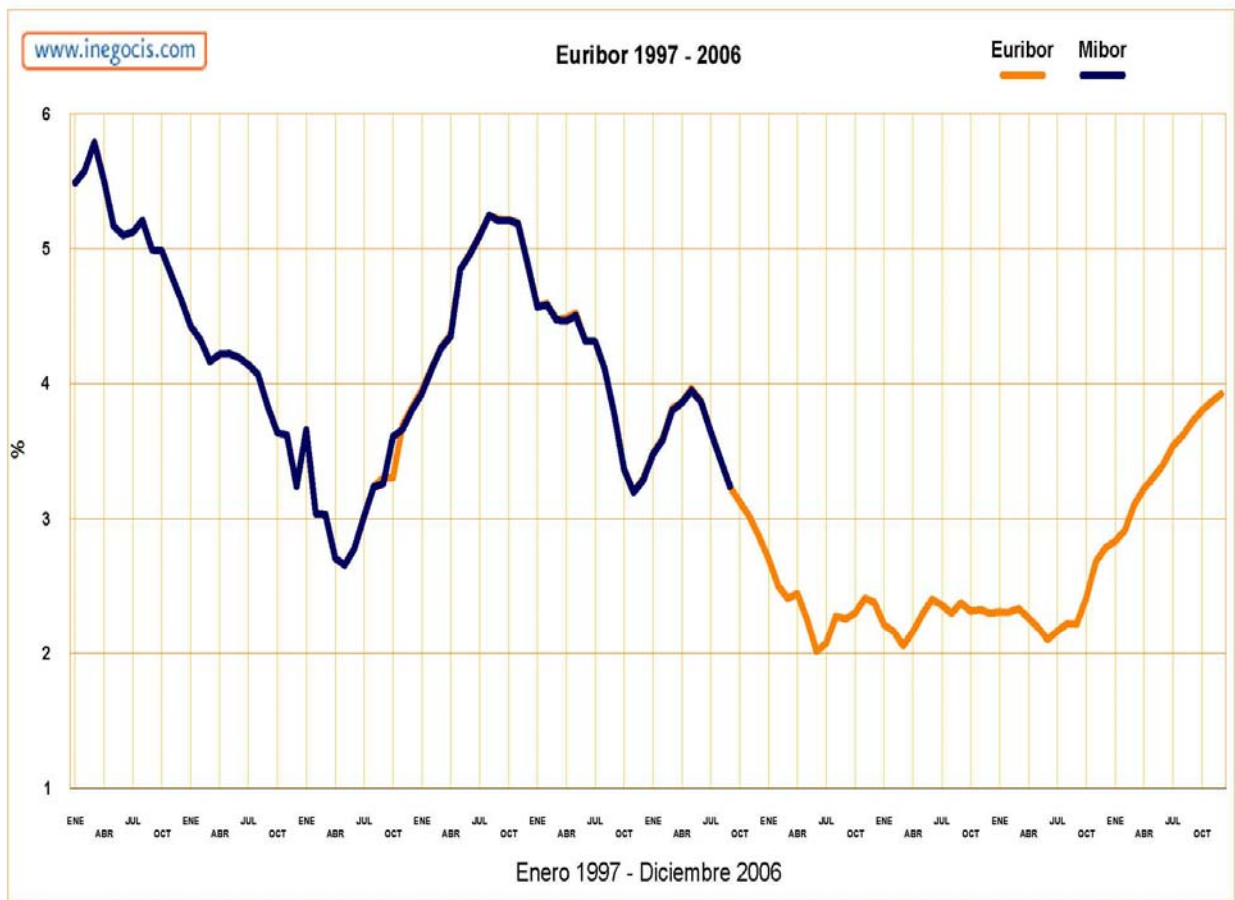
FUND MANAGER	TOTAL WEIGHTED EXPENSES	WEIGHTED RETURNS	EXPENSES/RETURN
Caja España	0,567	1,79	31,63
Mapfre	0,9073	3,04	29,8
BBVA	0,61	2,25	27,08
Kutxa	0,6411	2,4	26,65
Caja Madrid	0,5107	1,92	26,52
Santander	0,636	2,52	25,21
Barclays	0,74	2,93	25,15
BBK	0,6775	2,75	24,62
Popular	0,66	2,71	24,45
CAM	0,4921	2,03	24,15
Ibercaja	0,6687	2,77	24,12
Ahorro	0,52	2,17	23,88
La Caixa	0,8324	3,99	20,82
Sabadell	0,5037	2,55	19,72
Caixa Cataluña	0,3999	2,13	18,77
UBS	0,5499	3,3	16,62
Bancaja	0,44	2,72	16,12
Morgan Stanley	0,5484	4,26	12,86
Bankinter	0,41	3,38	12,06
Bestinver	0,8694	15,53	5,59
Total Funds	0,5902	2,88	20,47

Expressed in %

Total funds

Source: Cinco Días 21/10/2007

HISTORIAL PERFORMANCE OF EURIBOR



DISCLAIMER

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- *BHVF is a hedge fund exposed to high market risk and, consequently, higher volatility than the more traditional funds. It is also subject to other risks and differs from the aforementioned funds in both scope and nature.*
- *BHVF unitholders may transfer their units, tax-free, under the same terms as the traditional funds.*
- *BHVF has an illiquidity period for holdings of less than one year and applies a 5% redemption fee on holdings of less than two years and greater than one.*
- *For more information on the product, please refer to the Brochure and Fund Management Regulations on our website: www.bestinver.es*
- *Bestinver Gestión, S.A. SGIIC has decided to amend the initially established results-based management fee and has sent all the necessary documentation to the Comisión Nacional del Mercado de Valores so that the Fund's Brochure may be amended accordingly. The future fee shall be that which appears in this document.*