

BESTINVER HEDGE VALUE FUND,
FONDO DE INVERSIÓN LIBRE

Annual Accounts and Directors' Report

31 December 2010

(With Auditors' Report Thereon)

(Free translation from the original in Spanish. In the event of
discrepancy, the original Spanish-language version prevails)

Auditors' Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy,
the original Spanish-language version prevails)

To the Unit Holders of Bestinver Hedge Value Fund, Fondo de Inversión Libre
and Bestinver Gestión, S.A., Sociedad Gestora de Instituciones
de Inversión Colectiva (the "Fund Management Company")

We have audited the annual accounts of Bestinver Hedge Value Fund, Fondo de Inversión Libre (the "Fund"), which comprise the balance sheet at 31 December 2010, the income statement and the statement of changes in Fund assets for the year then ended and the notes thereto. The Fund Management Company's directors are responsible for the preparation of the annual accounts in accordance with the financial information reporting framework applicable to the Fund (specified in note 2(a) to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein. Our responsibility is to express an opinion on the annual accounts taken as a whole, based on our audit, which was conducted in accordance with prevailing legislation regulating the audit of accounts in Spain, which requires examining, on a test basis, evidence supporting the amounts and disclosures in the annual accounts and evaluating whether their overall presentation, the accounting principles and criteria used and the accounting estimates made comply with the applicable legislation governing financial information.

In our opinion, the accompanying annual accounts for 2010 present fairly, in all material respects, the assets and financial position of Bestinver Hedge Value Fund, Fondo de Inversión Libre at 31 December 2010, and the results of its operations for the year then ended, in accordance with the applicable financial information reporting framework and, in particular, with the accounting principles and criteria set forth therein.

The accompanying directors' report for 2010 contains such explanations as the directors of the Fund Management Company consider relevant to the situation of Bestinver Hedge Value Fund, Fondo de Inversión Libre, the evolution of its business and other matters, and is not an integral part of the annual accounts. We have verified that the accounting information contained therein is consistent with that disclosed in the annual accounts for 2010. Our work as auditors is limited to the verification of the directors' report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of the Fund.

KPMG Auditores, S.L.

Pedro González Millán

8 March 2011

BESTINVER HEDGE VALUE FUND,
FONDO DE INVERSIÓN LIBRE

Balance Sheets

31 December 2010 and 2009

(Expressed in Euros with two decimal places)

(Free translation from the original in Spanish. In the event of discrepancy,
the original Spanish-language version prevails)

	2010	2009
Current assets		
Receivables (note 5)	597,913.36	1,028,458.52
Investments (note 6)		
Internal portfolio		
Debt securities	500,000.00	2,500,000.00
Equity instruments	13,130,096.32	3,699,554.75
External portfolio		
Equity instruments	153,522,988.84	97,644,140.92
Interest on the investment portfolio	12.78	15.97
	167,153,097.94	103,843,711.64
Cash in hand and at banks (note 7)	2,038,522.07	5,655,280.96
Total assets	169,789,533.37	110,527,451.12
Fund assets attributed to unit holders (note 8)		
Repayable funds attributed to unit holders		
Unit holders	143,818,397.27	69,014,995.57
Reserves	319,257.90	319,257.90
Profit for the year	24,330,625.40	39,202,840.18
	168,468,280.57	108,537,093.65
Current liabilities		
Payables (note 9)	1,321,252.80	1,990,357.47
Total fund assets and liabilities	169,789,533.37	110,527,451.12
Other memorandum accounts		
Tax loss carryforwards	-	29,002,093.54
Other	79,630,099.41	40,690,581.23
Total memorandum accounts	79,630,099.41	69,692,674.77

The accompanying notes form an integral part of the annual accounts for 2010.

BESTINVER HEDGE VALUE FUND,
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Income Statements for the years ended
31 December 2010 and 2009

(Expressed in Euros with two decimal places)

(Free translation from the original in Spanish. In the event of discrepancy,
the original Spanish-language version prevails)

	2010	2009
Other operating expenses		
Management fee (note 9)	(2,806,764.73)	(1,260,197.36)
Custody fee (note 9)	(140,338.24)	(63,009.84)
Other	(40,159.93)	(8,720.83)
Results from operating activities	(2,987,262.90)	(1,331,928.03)
Finance income	3,004,266.05	811,387.37
Finance expenses	(312,946.37)	(123,427.09)
Changes in the fair value of financial instruments		
Internal portfolio transactions	1,832,302.18	1,171,117.04
External portfolio transactions	14,914,240.91	40,739,851.75
Exchange losses	(102,085.77)	(29,751.71)
Impairment and gains/(losses) on disposal of financial instruments		
Gains on internal portfolio transactions	851,359.58	157,559.66
Gains/(losses) on external portfolio transactions	7,376,515.61	(288,930.97)
Net finance income	27,563,652.19	40,637,806.05
Profit before income tax	24,576,389.29	39,305,878.02
Income tax (note 11)	(245,763.89)	(103,037.84)
Profit for the year	24,330,625.40	39,202,840.18

The accompanying notes form an integral part of the annual accounts for 2010.

BESTINVER HEDGE VALUE FUND,
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Statement of Changes in Fund Assets for the year ended 31 December 2010

(Expressed in Euros with two decimal places)

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails)

A) Statement of Recognised Income and Expense for the year ended 31 December 2010

Profit for the year	24,330,625.40
Total recognised income and expense	24,330,625.40

B) Statement of Total Changes in Fund Assets for the year ended 31 December 2010

	Unit holders	Reserves	Profit/(loss) for the period/year	Total
Balance at 31 December 2009	69,014,995.57	319,257.90	39,202,840.18	108,537,093.65
Total recognised income and expense	-	-	24,330,625.40	24,330,625.40
Transactions with unit holders				
Subscriptions	40,961,666.35	-	-	40,961,666.35
Redemptions	(5,361,104.83)	-	-	(5,361,104.83)
Distribution of profit for the year	39,202,840.18	-	(39,202,840.18)	-
Balance at 31 December 2010	143,818,397.27	319,257.90	24,330,625.40	168,468,280.57

The accompanying notes form an integral part of the annual accounts for 2010.

BESTINVER HEDGE VALUE FUND,
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Statement of Changes in Fund Assets for the year ended 31 December 2009

(Expressed in Euros with two decimal places)

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails)

A) Statement of Recognised Income and Expense for the year ended 31 December 2009

Profit for the year	39,202,840.18
Total recognised income and expense	39,202,840.18

B) Statement of Total Changes in Fund Assets for the year ended 31 December 2009

	Unit holders	Reserves	Prior years' profit/(loss)	Profit/(loss) for the period/year	Total
Balance at 31 December 2008	60,326,170.37	316,065.32	(5,334,143.34)	(23,987,208.10)	31,320,884.25
Total recognised income and expense	-	-	-	39,202,840.18	39,202,840.18
Transactions with unit holders					
Subscriptions	42,383,608.08	-	-	-	42,383,608.08
Redemptions	(4,373,431.44)	-	-	-	(4,373,431.44)
Application of loss for the year	(23,987,208.10)	-		23,987,208.10	-
Other movements	(5,334,143.34)	3,192.58	5,334,143.34	-	3,192.58
Balance at 31 December 2009	69,014,995.57	319,257.90	-	39,202,840.18	108,537,093.65

The accompanying notes form an integral part of the annual accounts for 2010.

BESTINVER HEDGE VALUE FUND,
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Notes to the Annual Accounts

31 December 2010

(Free translation from the original in Spanish. In the event of discrepancy,
the original Spanish-language version prevails)

(1) Nature and Principal Activities

Bestinver Hedge Value Fund, Fondo de Inversión Libre (hereinafter the Fund) was incorporated in Spain on 21 September 2007.

The Fund is regulated by Law 35/2003 of 4 November 2003, Royal Decree 1309/2005 of 4 November 2005, governing collective investment undertakings (CIUs), Circular 1/2006 of 3 May 2006, Law 44/2002 of 22 November 2002, Royal Decree Law 1/2010 of 2 July 2010, which approves the Revised Spanish Companies Act, and other circulars issued by the Spanish National Securities Market Commission (CNMV) which, together with additional standards, regulate collective investment undertakings. These regulations govern the following, inter alia:

- Maintenance of minimum fund assets of Euros 3,000,000.00
- A minimum of 25 unit holders.
- The Fund can invest in assets, financial instruments and derivative financial instruments, irrespective of the nature of the underlying, in line with the liquidity, risk diversification and transparency principles set forth in article 23 of Law 35/2003 of 4 November 2003. The rules on investment concentration limits set out in the Regulation of Law 35/2003 of 4 November 2003 are not applicable.
- Maximum debt not exceeding five times the value of the Fund's assets.
- Regulation of relations between fund management companies and financial intermediaries that provide financing and other services to hedge funds (prime brokers). Supervision and control of the custodian is therefore reinforced, requiring the latter to be informed of the financial guarantee agreements. The Fund has had a financial guarantee agreement with Santander Investment, S.A. since 2007. This entity can render services ranging from settlement of shares, futures and derivatives, custody of securities, and corporate share and dividend processes, to wide-ranging and flexible financing and security loans. At 31 December 2010 and 2009 no expenses have been accrued in respect of these services.
- The securities portfolio must be entrusted to the custodian.
- Requirement to file the financial statements reflecting the prior month's performance with the CNMV during the first 25 days of each month.

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The Fund was entered into the pertinent CNMV administrative register under number 15.

The sole statutory activity of the Fund consists of raising funds, assets or rights from the public, to manage and invest these in assets, rights, securities and other financial instruments, provided that the return for the investor is based on the overall performance of the Fund.

The Fund's investment policy focuses mainly on European variable income.

The Fund is managed by Bestinver Gestión, S.A., Sociedad Gestora de Instituciones de Inversión Colectiva. The securities are deposited with Santander Investment, S.A., the Fund's custodian.

(2) Basis of Presentation

(a) Fair presentation

These annual accounts have been prepared by the directors of Bestinver Gestión, S.A., Sociedad Gestora de Instituciones de Inversión Colectiva to present fairly the Fund assets and the financial position of the Fund at 31 December 2010 and the results of its operations and changes in Fund assets during the year then ended.

In accordance with prevailing Spanish legislation, these annual accounts for 2010 also include, for each individual caption in the balance sheet, the income statement, the statement of changes in Fund assets and the notes thereto, comparative figures for the previous year, which formed part of the 2009 annual accounts approved by the board of directors of the Fund Management Company on 28 April 2010.

These annual accounts have been prepared on the basis of the auxiliary accounting records of the Fund, in accordance with the classification and presentation standards set forth in Circular 3/2008 of 11 September 2008 and other CNMV circulars.

(b) Functional and presentation currency

The figures disclosed in the annual accounts are expressed in Euros with two decimal places, the Fund's functional and presentation currency.

(c) Judgements and estimates used

In 2010 there has been no change in the judgements and accounting estimates used by the Fund, except those arising due to application of accounting principles (see section (a) of this note).

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(3) Distribution of Profit

The directors of the Fund Management Company will propose to the board of directors that the profit for the year ended 31 December 2010 be passed on to the unit holders.

On 28 April 2010 the board of directors of the Fund Management Company agreed to pass the profit for the year ended 31 December 2009 on to unit holders.

(4) Significant Accounting Principles

The accompanying annual accounts have been prepared in accordance with the accounting principles set forth in Circular 3/2008 of 11 September 2008 and other CNMV circulars.

The main accounting principles applied in the preparation of the annual accounts are as follows:

(a) Income and expenses

Income and expenses are recognised on an accruals basis.

In accordance with these criteria, and for the purpose of calculating the net asset value, income and expenses are accrued on a daily basis, as follows:

- Financial assets and financial liabilities accrue interest at the effective interest rate.
- The above-mentioned principle does not apply to interest on investments that are doubtful, past-due or in litigation, which is recognised in the income statement upon collection.
- Dividend income is recognised in the income statement when entitlement to the dividend becomes effective.
- The remaining income and expenses relating to a specific period are accrued on a straight-line basis over the period.

(b) Recognition, measurement and classification of financial instruments

Financial assets and financial liabilities are recognised when the Fund becomes party to a contract or legal transaction, under the terms thereof.

Investments in foreign currency are translated at the spot exchange rate at the transaction date.

Collective investment undertakings generally derecognise the whole or part of a financial asset when that asset expires or the contractual rights over the cash flows have been transferred, and when the risks and rewards of ownership have been substantially transferred. A financial liability is derecognised when the obligation is extinguished.

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Financial instruments are measured and classified as follows:

- Receivables

- Financial assets included in this category are initially measured at fair value, which, in the absence of evidence to the contrary, is the transaction price, i.e. the fair value of the consideration given plus costs directly attributable to the transaction.
- Financial assets considered as receivables are subsequently measured at amortised cost. Accrued interest is accounted for in the income statement using the effective interest method. However, items that are expected to be collected within one year can be measured at their nominal amount, provided that the effect of not discounting the cash flows is not significant.
- Impairment losses on receivables are determined based on estimated future cash flows, discounted at the effective interest rate calculated on recognition. Impairment and reversals of impairment are recognised as an expense or income in the income statement.

- Financial assets at fair value through profit or loss

- Financial assets in the collective investment undertakings portfolio are initially measured at fair value. In the absence of evidence to the contrary, fair value is the transaction price, i.e. the fair value of the consideration given, including explicit costs directly attributable to the transaction. Initial measurement does not include interest on deferred payments, which is considered to accrue even when not expressly stated in the contract, at a market rate of interest.
- On initial measurement of assets, explicit interest receivable accrued since the last settlement is recognised in interest on the investment portfolio under assets in the balance sheet, and cancelled when the interest falls due.
- Any pre-emptive or similar rights acquired are included in the initial valuation and deducted from the value of the assets upon their sale.
- These assets are subsequently measured at fair value, without deducting any transaction costs incurred on their disposal. Any changes in the fair value are recognised in the income statement.

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- The fair value of financial assets is calculated as follows:
 - (1) Listed equity instruments: fair value is the market value, which is considered to be the amount resulting from applying the official closing exchange rate at the reference date, where this is available, or the immediately preceding business day. Where no official closing price is available, the weighted average exchange rate is used. The portfolio assets are measured in the most representative market in terms of trading volume. If the instrument ceases to be listed, the last established exchange rate or another irrefutable price is used.
 - (2) Listed debt securities: fair value is a listed price in a market, provided that the market in question is active and the prices are obtained consistently. Where listed prices are not available, the fair value is the most recent transaction price, provided that there have been no significant changes in economic circumstances since that transaction took place. Where significant variations have occurred, the fair value should reflect the change in conditions using current prices or interest rates and risk premiums for similar instruments as a reference. If the most recent transaction price relates to a forced transaction or involuntary liquidation, the price should be adjusted.

Where there is no active market for the debt instrument, valuation techniques are applied, including prices supplied by intermediaries, issuers or information sources; use of recent market transactions carried out on an arm's length basis between knowledgeable, willing parties, where available; present fair value of another substantially similar instrument; and discounted cash flow and option pricing models, as applicable.

- (3) Securities as yet unlisted: fair value is estimated based on changes associated with similar listed securities from previous issues of the same entity, taking into consideration any differences in profit-sharing rights.
- (4) Unlisted securities: fair value is calculated using the measurement criteria included in rules 6, 7 and 8 of CNMV Circular 4/1997 of 26 November 1997.
- (5) Deposits with credit institutions in accordance with sections e) and j).6 of article 36.1 of the CIU regulation and repurchase agreements: fair value is calculated in line with the price equivalent to the internal rate of return on the investment based on prevailing market rates at any given time, without prejudice to other considerations, such as early termination conditions or credit risk of the entity.

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- (6) Shares of other collective investment undertakings: where a net asset value at the reference date is calculated, the shares are measured at this amount. Where no net asset value is calculated at the reference date, either because the publication date of the net asset value of the CIU is not a business day or because the net asset value calculation frequency differs, the last available net asset value is used. However, in the case of CIUs traded in a market or multilateral trading facility, the shares are measured at their listed price at the reference date, provided that this price is representative.

In the particular case of investments in hedge funds, funds of hedge funds and similar foreign CIUs as per section j) of article 36.1 of the CIU regulation, estimated net asset values may be used for both preliminary calculations of the final net asset value and for mid-range values within the range of final net asset values or values not subject to recalculation or confirmation.

- Financial liabilities at fair value through profit or loss:

Financial liabilities in this category are initially and subsequently measured applying the criteria described for financial assets at fair value through profit or loss.

- Debts and payables:

Financial liabilities in this category are initially measured at fair value, which, in the absence of evidence to the contrary, is the transaction price, i.e. the fair value of the consideration received, adjusted to take into account any costs directly attributable to the transaction. These liabilities are subsequently measured at amortised cost. Accrued interest is accounted for in the income statement using the effective interest method. However, items that are expected to be settled within one year can be measured at their nominal amount, provided that the effect of not discounting the cash flows is not significant.

Investments in foreign currency are translated at the spot exchange rate at the measurement date or, where this is not available, at the rate prevailing on the last business day preceding the measurement date.

All investments are recognised under current assets, although certain investments may be held for more than one year.

- (c) Cash sale and purchase of securities

Cash sale and purchase transactions are recognised on the transaction date, which is generally the day on which equity instruments are contracted and debt securities and currency market transactions are settled. In the latter two cases, the period of time between contracting and settlement is accounted for using the criteria described in section d) below.

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However, for the sale and purchase of units or shares of collective investment undertakings, the completion date is considered to be the date the transaction is confirmed, even when the number of units or shares to be allocated is not known. The transaction is not measured until the units or shares are allocated. Amounts delivered prior to the completion date are recognised in subscription requests pending allocation of units under receivables in the balance sheet. Acquisitions are debited from the relevant asset account at fair value, in accordance with the criteria described in section b) above. Gains or losses on sales transactions are recognised in the income statement at the order completion date.

(d) Acquisition and sale of assets with a resale or repurchase agreement

Assets purchased with a resale agreement are recognised under assets in the balance sheet at the amount disbursed, irrespective of the nature of the underlying instruments. The difference between this amount and the resale price is deferred using the effective interest rate.

In accordance with section (b) point (5) above, differences in fair value arising on assets acquired with a resale agreement are recognised in changes in the fair value of financial instruments in the income statement. In the event the asset acquired with a resale agreement is transferred outright, the criteria described in section (b) above for the recognition and measurement of financial liabilities are applicable.

(e) Foreign currency

Balances receivable and payable in foreign currency are measured at the spot exchange rate at the measurement date or, where this is not available, at the rate prevailing on the last business day preceding the measurement date. Exchange differences are recognised as follows:

- Exchange gains and losses arising on the financial instruments portfolio are recognised together with valuation gains and losses (see note 4 (b)).
- Exchange gains and losses arising on debits, credits or cash balances are recognised under exchange differences in the income statement.

(f) Underlying value of units

The net asset value of Fund units is calculated monthly by dividing the Fund assets by the number of units at the calculation date, which is the last day of each month, in accordance with CNMV Circular 6/2008 of 26 November 2008.

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Notes to the Annual Accounts

(g) Income tax

Income taxes are calculated based on profit reported for accounting purposes, adjusted for permanent differences with fiscal criteria and taking into consideration any applicable credits and deductions. The effects of timing differences, where applicable, are included in deferred tax assets or liabilities.

Provision for income tax is made on a daily basis for the purposes of calculating the net asset value of each unit.

(5) Receivables

Details at 31 December 2010 and 2009 are as follows:

	Euros	
	2010	2009
Taxation authorities		
Withholdings and payments on account (note 10)	551,747.77	149,176.15
Other	46,165.59	-
Other receivables	-	879,282.37
	597,913.36	1,028,458.52

At 31 December 2010 and 2009 receivables fall due within one year.

All receivables are expressed in Euros at 31 December 2010 and 2009.

(6) Investments

Details of the investment portfolio at 31 December 2010 and 2009 are attached as Appendix I, which forms an integral part of this note.

The fair value of financial assets is calculated based on listed market prices.

Securities positions with the custodian amount to Euros 500,012.78 (Euros 2,500,015.97 in 2009).

In 2010 the Fund carried out securities purchase and sale transactions with the custodian amounting to Euros 239,765,000.00 and Euros 241,765,000.00, respectively (Euros 360,530,000.00 and Euros 358,230,000.00, respectively, in 2009).

(a) Maturity of financial assets

All debt securities held by the Fund at 31 December 2010 and 2009 mature within one year.

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(b) Amounts denominated in foreign currencies

Details of financial assets denominated in foreign currencies are as follows:

	Euros				
	2010		2009		
	Pounds Sterling	Swiss Francs	US Dollars	Pounds Sterling	Swiss Francs
Equity instruments	19,214,125.21	21,793,239.13	3,733,503.63	12,755,129.68	20,140,581.49

(7) Cash

Details at 31 December 2010 and 2009 are as follows:

	Euros	
	2010	2009
Custody accounts	2,038,522.07	5,655,280.96

Custody accounts include interest accrued at 31 December 2010 and 2009 and yield interest at market rates.

All cash in hand and at banks is available for use.

In 2010 finance income of Euros 4,560.39 has been accrued with the custodian in respect of interest on the acquisition of assets with resale agreements (see note 6) and other interest on accounts with the custodian (Euros 6,811.69 in 2009).

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Notes to the Annual Accounts

(8) Fund Assets

Details of fund assets for 2010 and 2009 and movement are disclosed in the statement of changes in fund assets.

Details of movement in unit holders during the years ended 31 December 2010 and 2009 are as follows:

	Number of units	Euros
At 1 January 2009	656,145.48	60,326,170.37
Transfer of profit/(loss) for the year	-	(23,987,208.10)
Transfer of prior years' profit/(loss)	-	(5,334,143.34)
Subscriptions	544,046.09	42,383,608.08
Redemptions	(53,252.99)	(4,373,431.44)
At 31 December 2009	1,146,938.58	69,014,995.57
Transfer of profit/(loss) for the year	-	39,202,840.18
Subscriptions	412,929.51	40,961,666.35
Redemptions	(53,261.79)	(5,361,104.83)
At 31 December 2010	<u>1,506,606.30</u>	<u>143,818,397.27</u>

All units are represented by certificates with no nominal value, which confer upon the unit holders the right to ownership of the Fund.

The number of units is unlimited and their subscription or redemption depends on supply and demand. The subscription or redemption price is established daily in line with the net asset value of the unit, calculated on the basis of the Fund's assets in accordance with CNMV Circular 6/2008 of 26 November 2008.

At 31 December 2010 and 2009, the net asset value of Fund units is calculated as follows:

	Euros	
	2010	2009
Fund assets	168,468,280.57	108,537,093.65
Number of units	1,506,606.30	1,146,938.58
Net asset value	<u>111.82</u>	<u>94.63</u>

At 31 December 2010 and 2009 none of the Fund's unit holders have a significant number of units.

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(9) Payables

Details at 31 December 2010 and 2009 are as follows:

	Euros	
	2010	2009
Taxation authorities, income tax payable (note 10)	245,763.89	103,037.84
Other payables		
Payables for acquisition of securities	-	1,291,021.45
Fees and commissions	1,065,945.03	589,064.11
Other	6,936.09	4,746.15
Other	2,607.79	2,487.92
	1,321,252.80	1,990,357.47

Payables for acquisition of securities were settled in the opening months of 2011.

Details of fees and commissions payable at 31 December 2010 and 2009 and accrued during the years then ended are as follows:

	Euros			
	2010		2009	
	Payable	Total accrued	Payable	Total accrued
Management	817,766.12	2,806,764.73	481,223.44	1,260,197.36
Custody	248,178.91	140,338.24	107,840.67	63,009.84
	1,065,945.03	2,947,102.97	589,064.11	1,323,207.20

As mentioned in note 1, the Fund is managed by Bestinver Gestión, S.A., Sociedad Gestora de Instituciones de Inversión Colectiva. The Fund pays an annual management fee for this service of 2% of the Fund's assets, calculated on a daily basis. The fund management company also receives a commission of 15% of the difference between the actual profit of Bestinver Hedge Value Fund, F.I.L. and the profit the Fund would have generated with a yield of one-year Euribor applied to the annual increase in the net asset value of the Fund assets. This commission is annual and is calculated on a monthly basis.

The Fund also accrues an annual fee of 0.10% for assets held on deposit in Spain and 0.13% for assets held on deposit outside Spain, payable to Santander Investment, S.A. and calculated daily on the basis of the Fund assets.

At 31 December 2010 and 2009 payables fall due within one year.

All payables are expressed in Euros at 31 December 2010 and 2009.

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(10) Taxation

The Fund is taxed at a rate of 1%, in accordance with the fiscal regime provided for in Royal Decree 4/2004 of 5 March 2004 governing corporate income tax, as well as other applicable tax regulations.

A reconciliation of accounting profit for 2010 and 2009 with the taxable income the Fund expects to declare after the annual accounts have been duly approved is as follows:

	Euros	
	2010	2009
Accounting profit for the year before tax	24,576,389.29	39,305,878.02
Offset of tax loss carryforwards	-	(29,002,093.54)
	24,576,389.29	10,303,784.48
Taxable income	24,576,389.29	10,303,784.48
Tax at 1% and income tax expense (note 9)	245,763.89	103,037.84
Withholdings and payments on account (note 5)	(551,747.77)	(149,176.15)
Recoverable income tax	(305,983.88)	(46,138.31)

In accordance with current legislation, taxes cannot be considered definitive until they have been inspected by the taxation authorities or before the inspection period of four years has elapsed. At 31 December 2010 the Fund has open to inspection by the taxation authorities all applicable taxes since its incorporation. The directors of the Fund Management Company do not expect that significant additional liabilities would arise in the event of an inspection.

In accordance with Spanish tax legislation, losses declared may be carried forward to be offset against profits of the fifteen subsequent accounting periods, the amount being distributed as considered appropriate. Losses are offset when the tax declarations are filed, without prejudice to the taxation authorities' power of inspection.

(11) Risk Management Policy

Financial risk factors

The Fund's activities are exposed to various financial risks: market risk (including currency risk, interest rate risk in fair value and price risk), credit risk, liquidity risk and interest rate risk in cash flows. The Fund Management Company's global risk management programme with regard to the Fund focuses on uncertainty in the financial markets and aims to minimise potential adverse effects on the Fund's profits.

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The measurement and analysis of financial risks allows the Management Company to identify, assess and mitigate them in close collaboration with its operational units.

The Fund Management Company's risk management is based on the nature of the risk assumed by the Fund, which is in turn determined by its strategic investment policy. The most significant characteristics during the year have been as follows:

- Interest rate risk: Interest rate risks arise from variation in interest rates and the resulting impact on the Fund's assets. The Management Company manages interest rate risk by varying the duration of investments.
- Currency risk: Exposure to currency risk is moderate. In 2010 exposure to foreign currencies was consistent with the Fund's risk profile. This risk is reduced by the fact that this exposure is to top-tier currencies (CHF, GBP and USD).
- Sector concentration risk: the Fund is particularly diversified in terms of sectors and there is therefore no sector concentration. Issuer concentration risk: concentration of individual issuers is reasonable. The Fund complies with diversification, dispersal and congruence restrictions on investments.
- Credit risk: Spot transactions are only contracted with financial institutions with a high credit rating on the investment grade scale. The Management Company has policies to limit the amount of risk with any one financial institution. The most objective information used to measure risk fluctuations is obtained by monitoring the credit rating of the country, issuer, issue, etc. on the basis of data provided by external agencies.
- Market risk The Fund's year-end VaR reasonably represents the estimated expected loss and is consistent with the different market risks assumed by the Fund and historical volatility and correlation rates. Volatility levels fell in 2010 overall, despite considerable fluctuations. The most significant drop was in February as the greater stability of markets was increasingly reflected in the sample. However, this was corrected in the second quarter of 2010 and an upward trend was observed in volatility until approximately half-way through the year, with a marked difference between the European (bear) and Spanish (erratic) markets.

At the 2010 year end volatility levels are lower (better) than at the 2009 year end.

(12) Environmental Issues

The directors of the Fund Management Company consider that the environmental risks deriving from the Fund's activity are minimal, adequately covered and that no additional liabilities will arise therefrom. The Fund has not incurred any expenses or received any environment-related grants during the years ended 31 December 2010 and 2009.

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(13) Auditors' Fees

The auditors of the annual accounts of the Fund are KPMG Auditores, S.L. Audit fees amounted to Euros 2,899.60 for the year ended 31 December 2010 (Euros in 2009), irrespective of the invoice date.

(14) Information on Deferred Payments to Suppliers Third Additional Provision of Law 15/2010 of 5 July 2010: "Reporting Obligation"

At 31 December 2010, the legal maximum payment period has not been exceeded for any of the Fund's payables to suppliers.

BESTINVER HEDGE VALUE FUND, FONDO DE INVERSIÓN LIBRE

Details of Investment Portfolio

31 December 2010

(Expressed in Euros with two decimal places)

(Free translation from the original in Spanish. In the event of discrepancy, the original Spanish-language version prevails)

	<u>Initial measurement</u>	<u>Fair value</u>	<u>Interest</u>	<u>Accumulated losses/gains</u>
Internal portfolio				
Debt securities	500,000.00	500,000.00	12.78	-
Equity instruments	10,633,885.56	13,130,096.32	-	2,496,210.76
External portfolio				
Equity instruments	<u>127,834,980.34</u>	<u>153,522,988.84</u>	<u>-</u>	<u>25,688,008.50</u>
Total	<u><u>138,968,865.90</u></u>	<u><u>167,153,085.16</u></u>	<u><u>12.78</u></u>	<u><u>28,184,219.26</u></u>

BESTINVER HEDGE VALUE FUND, FONDO DE INVERSIÓN LIBRE

Details of Investment Portfolio

31 December 2009

(Expressed in Euros with two decimal places)

	<u>Initial measurement</u>	<u>Fair value</u>	<u>Interest</u>	<u>Accumulated losses/gains</u>
Internal portfolio				
Debt securities	2,500,000.00	2,500,000.00	15.97	-
Equity instruments	2,860,756.73	3,699,554.75	-	838,798.02
External portfolio				
Equity instruments	<u>83,736,606.16</u>	<u>97,644,140.92</u>	<u>-</u>	<u>13,907,534.76</u>
Total	<u><u>89,097,362.89</u></u>	<u><u>103,843,695.67</u></u>	<u><u>15.97</u></u>	<u><u>14,746,332.78</u></u>

BESTINVER HEDGE VALUE FUND,
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Directors' Report

2010

(Free translation from the original in Spanish. In the event of discrepancy,
the original Spanish-language version prevails)

In 2010 Bestinver Hedge Value Fund, F.I.L. increased by 18.2%, achieving a net asset value of Euros 111.819. In the same period, the Madrid Stock Exchange General Index fell 19.17%, while the MSCI World Index rose 17.16%.

The Fund's assets rose by 55% to Euros 168.5 million, and the number of unit holders grew by 33.4% to 583.

Most of this increase occurred in the second half of the year. The net asset value of Bestinver Hedge Value Fund, FIL rose 16.70%, whereas the Madrid Stock Exchange General Index grew by 4.47% and the MSCI World Index by 12.24%.

Bestinver Hedge Value, FIL has the best ratios of all the Bestinver funds. It currently has a very attractive listed PER of 6.4x, with potential of 135%. This year we continued to create value for unit holders, increasing the target price to Euros 263.7, up around 10.5% on the 2009 target of Euros 238.51.

One of the main reasons why the returns yielded by Bestinver Hedge Value in 2010 are slightly below those of Bestinfond (19.22%) is the poor performance of the Fund's main investment, CIR/Cofide, which fell 15% during the year.

CIR's stock market quotation was affected by two main factors. Firstly, the poor performance of the entire European electricity sector (the Italian electricity company Sorgenia is the main underlying asset of CIR/Cofide), hampered by regulatory uncertainties due to the difficult circumstances in European public finances. Secondly, this company's business mainly depends on the Italian economy, and while this economy has not generated fears of the type plaguing Greece, Ireland, Portugal and Spain, it is still part of the problematic group of southern European states.

In general, our companies have yielded positive results, which in some cases have surpassed our expectations, leading us to improve the valuation of these investments. We have also created value as a result of our traditional rotation policy, focusing on companies with the best combination of revaluation potential and quality. Finally, we have introduced attractive new investment ideas with huge growth capacity.

Other significant events

The Fund does not invest in either derivatives or unlisted securities.

Related party transactions have been duly authorised by the supervisory body, in compliance with the established control procedures.

During 2010, Bestinver Gestión, S.A., S.G.I.I.C. exercised its right to attend and vote at the general shareholders' meetings of the Spanish companies in which its managed funds have held an interest exceeding 1% of share capital for over one year. At all of these meetings, the vote has been to adopt the proposals of each company's board of directors.