

This is value investors' paradise, says Bestinver's Guzman de Lazaro



Bestinver star manager [Alvaro Guzmán de Lazaro](#) blames forced sellers for his short term underperformance but thinks value investors like him should only look at the long term.

The highly rated boutique's €1.1 billion flagship [Bestinfond](#) fund, which Guzmán de Lazaro runs together with Spain's best known fund manager [Francisco García Paramés](#), has suffered a rare year of underperformance losing 20.2% while the FTSE Europe ex UK index fell 11.9%.

The pair's global fund [Bestinver Internacional](#) fund has also suffered more than the index in the past year, though the figures are not bad enough to detract from the fund's excellent longer term performance.

Guzmán de Lazaro also thinks investors with a longer view should be patient as he has real long term conviction in his holdings. Indeed, he thinks that sharp falls in stock prices have created a value investors' paradise.

'We currently have a portfolio of diversified companies operating globally which are trading at a fraction of what they are worth. We think earnings are reliable, although for some parts of the portfolio it may take some time for these earnings to be realised.'

'This is a paradise for us, all it takes is patience,' he says. 'We are excited and taking shelter in our long term investment philosophy.'

He thinks the underperformance of his funds in recent months was caused by the fact he was invested in the same companies as a large number of forced sellers.

'The most important reason (for the underperformance) was the weakness of core investors in our companies,' he says. 'Other shareholders in these firms were hedge funds and other investors under credit pressure. In more liquid companies forced sellers do not have as much influence, but we had a lot in mid caps.'

'Look at Richelieu Finance in France, who were forced to liquidate a lot of holdings,' Guzmán de Lazaro says. 'If you were caught in the same holdings as them they went down 40%.'

He has also suffered from some outflows in the last year, but has been taking that in his stride.

'The people who left us probably do not understand the Bestinvest culture and left us at the worst possible moment,' he says. 'We try to build a fund for long term inhabitants. But you always get a share of short term investors and you have to live with that.'

On a stock level UK retailer Debenhams is one of his largest and highest conviction holdings in his global fund. He tipped the firm last year and since that time the stock price has fallen yet further.

'Debenhams has only improved since we last talked,' he says. 'It has solved its problems in menswear. But the slowdown in the UK is making it cheaper by the day. It is one of our biggest positions and we have added to it. Its management is definitely doing the right things, it is a tremendous business run by able and honest guys.'

Guzmán de Lazaro has been concentrating his portfolios admit market volatility and focusing on his best ideas. He is particularly confident about companies with an international presence.

'A big chunk of our portfolio is with companies exposed to global growth and the significant contribution emerging markets are bringing to the table.' He thinks such an exposure will compensate for any western economic slowdown.

On his native Spain, Guzmán de Lazaro is still negative. He thinks the real estate fallout will continue to hit consumers in the country, with unemployment going up and consumption going down, and so he is avoiding companies predominantly exposed to the Spanish domestic market.

'We are not owning banks or companies exposed to Spain,' he says. 'I cannot see how Spanish banks will not suffer. We are positioned towards net exporters.'

In the last five years, the €834 million [Bestinver Internacional](#) global equity fund has returned 130% compared to a rise in the FTSE World index of 56%. This is despite a recent plunge in performance which saw the fund lose 24% in the last 12 months, twice as much as the fall in the benchmark.

The five year performance of the duo's €704 million Spanish equity fund, [Bestinver Bolsa](#), is also strong, having returned 196% they are the sector's top managers by some distance.