

FRANCISCO GARCÍA PARAMÉS – HEAD OF INVESTMENT AT BESTINVER

He does not attach any importance to being a survivor of the plane crash in Labiano on 7 March in which two people lost their lives. He was in Pamplona last week, for the first time since the accident, to speak at a seminar about the company's investment approach, based on research and patience.

“We like companies that don't pay attention to the stock market”

G. ASENJO
PAMPLONA

With no scars left from the burns he suffered before walking nearly two kilometres barefoot in the Tajonar mountain range in search of help after managing to get out of the wrecked aeroplane, 42-year-old Francisco García Paramés (married and a father of three), head of investment at Bestinver Gestión (member of the Acciona Group) said that his investment approach: buy low, sell high, dates back to the Phoenicians.

Touted as one of Europe's best fund managers, he prefers not to talk about the accident, but rather the future as he has always done. His company manages assets of over 4.23 billion euros through six mutual funds. His greatest teachers have been the major US investors. “They all follow a similar pattern: be patient, choose, don't let your vision get clouded by sharp price rises or ridiculous fears about whether China will invade Japan or vice-versa”.

-What is your key to winning, even when others are losing?

-When we did well in a bear market, people said: “when the market goes up, they'll lose money”. Certainly, it is easier to win when the market is rising, but you have to work very hard. We spend 95% of our time figuring out how much things are worth. We try to have a clear opinion of a stock, which often goes against what people think, even if we feel isolated because we're doing what others aren't.

-For instance?

-In 1999, we hadn't invested in any tech or internet stock. Terra came to market. We thought it was worth 5 euros, but it debuted at 11. It began rising and we held our ground. One of our advantages is that we don't have to invest in anything. Nobody's putting a gun to our heads. The newspaper tells us the share price, so we just try to assess what the stock is really worth.

Problems with copycats

-Information, a good nose, a solid team, statistics...what determines whether you bet on a company?

-We research its business, whether its management is trustworthy, if it has a solid, long-term project, any competitive edges and if the business is difficult to imitate, because one of the main problems facing companies is that others copy them and do the same thing. Does your castle have a moat to protect it from invaders? We look at how deep the moat is.

-Do you bet on innovative projects?

-Frankly, the easier the business is to understand, the better. If we don't have a clear vision of the business, we don't buy into it.

Beware of the Ibex at highs

-With the Ibex at all-time highs, what criteria should investors follow?

-The market doesn't exist. What does exist are companies whose shares trade on a public or private market. You have to find them at good prices. Which way will the market go? I haven't a clue, but I think the stocks I have in my portfolio will rise over the next 3-4 years. I think the blue chips, in which we do not invest, will underperform Treasury bills, which are their benchmark. What happened in 2001-02? We did well while the market was falling, but some stocks were rising. And we were invested in them. You have to look at them individually.

-Nowadays, if someone plays the stock market on their own, are they naïve?

-Well, considering how far the market has risen over the last three years, one must be very careful, because normally, all the good news has been priced in. I would be extremely cautious, but you have to go stock by stock. Just look and see who does reasonably well following these criteria.

-Some companies are reticent to go public because they believe external factors determine whether they are over or undervalued. Are they right?

-Absolutely. We like companies that don't pay attention to the stock market or whether their share price goes up or down, but rather that the business is going well and that they can enhance their competitive advantage.

-Is speculation ruling the market?

-No, but we earn our living from people with a very short-term investment horizon. If a company comes to the market, it is asked to produce gains every quarter and cannot design a long-term business project. The environment does not allow you to make a mistake in the short term, when the entrepreneur naturally needs to generate confidence over the medium and long term. But since we take a long-term view, we can also play and benefit from these short-term movements.

The bricks-and-mortar economy

-Where do you think the war will be waged? What mergers or takeovers do you see coming?

-I really don't know. We hold shares in Repsol, which is approaching our target price and therefore, we are selling.

-Are there buying opportunities outside Spain?

-Right now, I think so. The Spanish bourse has risen 32% this year compared to a gain, I believe, of 8% or 9% by the Morgan Stanley Index, and over the last three years it is up 150%. On the average, the world's stock markets have risen 50%. In other words, Spain has clearly outperformed. What's more, for some time we have been saying that there is a credit bubble in Spain. Lending has gone up 25% a year for the last five or six years and not only is this unsustainable, but it can lead to serious problems in the mid term.

-From the outside looking in, it would appear the stars are the large construction companies.

-That's the case. The problem is that interest rates are extremely low, having risen to 3.5% when they should stand at around 7% or 8%. This has led to excessive investment in real estate which, sooner or later, we will pay for. Others have paid before.

Francisco Garíca Paramés, speaker in Pamplona./J. SESMA.

Survivor of the Tajonar plane crash, he began working as soon as he could wear his glasses.

After the accident he is flying as before, but still remembers that in the 17 years he has been working at Bestinver that was the first private flight “due to a lack of connections, we wanted to go and come back in the same day and there were four of us”.

He doesn't like to talk about the accident and while he may not admit it, the statistics and probabilities would suggest he is lucky, because as a child he also survived a tragic train accident. The story is well known - one foggy day, a two-engine Cesna 421 aeroplane with a pilot, co-pilot and four passengers aboard, crashed in Labiano after a failed attempt to land at Noáin. The co-pilot and an executive from Bestinver died in the accident. Despite spending three days in the ICU suffering from burns and a collapsed lung, he insists “I was lucky in several ways”.

-Have you changed the way you live since surviving the accident? Do you notice any new feelings?

-No, not at all. I like my job. I'm not the type to constantly assess whether I need to change my life and bask in the sun. When I go on holiday, my wife complains about me reading the *Financial Times*, etc., but, honestly, I am happy the way things are.

On the lookout for bargains

-Some say that just a few days after the accident, you were working from bed. How can one come to terms with surviving such an event?

-I started working again 10 days later, when they stopped applying all the creams for the burns in Madrid. In fact, it was when I could put my glasses back on. I had burns, but they didn't hurt. I was in bed, but my head was fine. I can easily be replaced and I rest assured knowing that my colleagues do a good job. Comparatively, my situation was not all that bad. I also didn't know how bad the accident was. What I remember most were the pats on the back by people urging me on.

-What excites and captivates you about your job?

-Several things, I guess. The most interesting time for me and my colleague Álvaro Guzmán is when we find a company that is clearly cheap. When we conclude that it is worth 40% or 50% more. That's the best time. I love bargain shopping. I know what costs 70 will go up to 100, because it's inevitable. And to get to this point, you have to be up all day reading and analysing.