

Álvaro Guzmán: Performance of B.Bolsa

Source: Expansion 31/12/2005

In line with our relatively pessimistic view of the Spanish economy, early on in 2005, we approached the year thinking we would steer away from securities with large exposure to the local economy, while observing our steadfast rule of investing in only those that offered an attractive discount to our target price. Such investments fared reasonably well over the year.

It is important to mention that as prices have closed in on our figure (through takeover bids, e.g. Amadeus, Aldeasa, or price increases, e.g. Endesa) we have been building up significant liquidity (20% of the fund at year-end) that we have been unable to reinvest because of a lack of alternatives that dovetail with our investment style. This further underscores the return obtained (28%), since it was achieved with "only" 80% of investment for a good part of the year.

Given that the end of bullish cycles constitutes the most difficult period for our investment strategy (because the market in general tends to be "expensive"), we are satisfied with the return obtained and are now waiting for price adjustments to reinvest our surplus liquidity in 2006.

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