

ÁLVARO GUZMÁN: KEYS TO BESTINVER'S INVESTMENT

"We invest in sound companies where sales growth should outstrip inflation."

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Álvaro Guzmán, Bestinver Internacional fund manager, gives his forecast as to the content of the equity portfolios for 2005 and indicates that the "key to success in the stock market is not guessing where the market is headed but rather investing in sound companies at low prices."

Álvaro Guzmán

Bestinver Internacional fund manager

Which markets have the best business outlook? Japan, Europe, the United States...

At the moment, our portfolio primarily focuses on Europe; we also see opportunities in the US but it is more difficult for us to analyse US companies from here, much less Japanese companies.

3 currencies: Dollar, Euro and Yen, which would you bet on?

Again, we do not make forex forecasts. Just like everyone else we observe that the US current account deficit may further burden the USD. But Japan's public debt (the highest of all developed countries following the bailout of numerous banks in the past few years) is equally important for the Yen as the European economy's structural inflexibility is for the euro.

If OPEC resumes control of oil prices, do you think it will be a determining factor for stabilising the stock markets in general?

It will help, but in our opinion it will not be a determining factor. We never attempt to predict the market's overall performance, but our experience tells us that when it's not oil, it's a terrorist attack or soaring public deficit or lower than expected growth, etc... in the end, in our opinion, the key to success is not about "guessing" where the market is headed (no one in history has been able to do so on a sustained basis) but rather investing in sound companies at low prices (this has in fact led to consistently high returns for those who have done so, i.e. Warren Buffet, Peter Lynch, etc...).

What is your fund investment style and selection process?

We invest in sound companies that show, at the very least, sales growth that exceeds inflation and that are financially sound. We try to be disciplined in not paying for our investments, as a general rule of thumb, more than 10x the expected return.

What will your 2005 portfolio look like in the end?

We do not believe in any other configuration than that which results from the sum of investments that were well selected on an individual basis. The portfolio today can be broken down as follows: 75% invested in Europe and the rest in the United States and Japan. By sector, the weighting varies widely and we reiterate that our rationale is not based on calculating how much we want to invest in a sector and then buying to that amount but rather the opposite: we purchase each investment on an individual basis and the weighting of each sector develops from there. No particular sector stands out more than any other in our current portfolio.

Do you believe that the return obtained on the Bestinver Internacional fund will continue to increase in the mid term as it has to date?

The fund has risen by 100% in the past 20 months. Such returns are not sustainable in the future. Nevertheless, we are optimistic about our international fund because the ratio between the price that we have paid for the investments and the calculated intrinsic value remains attractive today.