

Spanish fund mulls higher stake in Portuguese firms

LISBON, April 8 by Ruben Bicho

Bestinver, Spain's top fund manager, wants to raise its exposure to Portuguese equities and expects the country's economy to avoid an economic downturn that is hitting neighbouring Spain, one of its fund managers said.

Fund manager Fernando Bernad, who helps manage 4.4 billion euros (\$6.92 billion) of investments, said on Tuesday Bestinver's Iberian equity fund could increase its holdings in Portuguese companies to 20 percent from about 12 percent.

"We'll be fine with 20 percent. It will all depend on our comparison of Portuguese ideas versus Spanish ideas", Bernad said in an interview with Reuters.

Bernad said he expected Spain to face a deep economic crisis and that Bestinver would steer clear of banks, real estate and companies that are too exposed to the economic cycle there. Instead, Bestinver will invest in Spanish exporting companies.

While economists are concerned that Portugal will suffer in the credit crisis, the country has had no real-estate bubble as Spain has had, protecting it to some extent from the crisis.

"We think Spain is going to go through a deep crisis, a lasting crisis, because it's coming from a bubble. Portugal will also be affected by the global situation but it's not coming from a bubble so it would behave better than Spain", he said.

"We are value investors, we buy when shares drop and sell when they rise. But truth is we are relatively new to Portugal and the tendency could be to (increase our exposure)."

Spain's central bank last week cut its forecast for this year's growth to 2.4 percent from 3.1 percent as the housing boom runs out of steam. Last year, Spain's economy grew by 3.8 percent. While analysts are concerned Portugal could suffer from the global slowdown, they don't expect the country's economy to be hit as hard as neighbouring Spain.

However, the Bank of Portugal lowered its 2008 growth forecast to 2 percent from 2.2 percent in January. Portugal's economy posted growth of 1,9 percent in 2007.

It's main stock index, the PSI20, is down 16.67 percent this year while Spain's Ibex has fallen 8.80 percent. Bestinver stocks in Portugal include pulp maker Altri, media company Impresa and bank Banif.

"We are shareholders in these companies because we see good ideas in them but we are looking at all the other Portuguese stocks", said Bernad.

Bestinver began investing in Portugal last year in some of the country's largest listed companies like oil firm Galp, Portugal Telecom and utility company EDP.