

## **HOW TO MANAGE SPAIN'S MOST PROFITABLE FUND?**

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**Bestinver Bolsa FIM repeats its performance as the best Spanish stock market fund for the fourth consecutive year, as reflected by the annual prizes awarded by Standard & Poor's and the newspaper *Expansión*, and the Lipper award obtained in cooperation with the newspaper *5 Días*.**

The downturn of the past four years has opened up big differences between the funds operating on the Spanish market. From December 1999 to December 2003, the best-performing fund, Bestinver Bolsa FIM, had accumulated gains of 106.74% and Bestinver FIM 103.57%. In the same period the General Index lost 19.89%.

**To what do you attribute this difference in performance between the market indices and your funds?**

To the fact that in the current climate there is not much overlap between the Bestinver portfolio and equities making up stock market indices such as the Spanish Ibex 35, the Dow Jones, and the EuroStoxx 50, which are those usually referred to by "the stock markets".

**Does this mean that Bestinver funds only pick companies outside the Ibex?**

Absolutely not. When the big companies are priced attractively, of course we take positions in them: right now we have 30% of our assets invested in Ibex 35 equities. Plenty of blue chip stocks are still overvalued, but if their prices were to adjust to our valuations, we would not hesitate to include them in our portfolio.

**However, a good part of your success is owed to medium-sized or small companies.**

Outside of the Ibex, we have found medium-sized or small cap companies with healthy finances, high-value intangible assets and good management, and trading at lower prices because they have little following. Moreover, experience has taught us that family-owned companies are better managed when it comes to spending money.

**What investment strategy have you followed in these recent years?**

We look for good companies trading at prices that we believe are lower than what they are worth, without worrying about size or whether or not they form part of the Ibex 35. The secret lies in making prudent valuations and being very selective in our investments.

**So, what is your valuation method?**

We try to make realistic valuations, just like any businessman in the same industry would do. Before investing in a company, we try to determine how much a competitor would pay for it. And if the stock market price is lower, we buy.

**What is the time horizon for your stock market investments?**

Our pattern is to buy companies at a good price and sell them at their real value. For this value to be recognised by the market, normally we have to wait a reasonable period of time. For this reason alone, we recommend allocating assets on a two-year horizon.

**It is true that your funds have not been totally invested in the stock market.**

It depends. If we do not find clearly cheap stocks, we prefer to buy Treasury Notes, however, while always meeting the fund's investment criteria. Nonetheless, at times of sharp reversals, we have been almost fully invested in equities.

**What return can be achieved in the long term?**

Since its creation in 1993 until March 2004, Bestinfond, which is the Spanish equity fund with the lowest risk and the highest return, has gained 746.08%, i.e. 8,460,800 pesetas for every million invested, while the General Index showed an accumulated gain of 282.38% in the same period.

**And in the short run?**

We do not try to guess short-term market movements - we believe it is simply unpredictable. For assets allocated to short-term investment, we only recommend investing in short-term fixed-income funds.

**What strategy do you follow in the so-called emerging markets?**

We do not allocate by market. While we find investment opportunities in developed economies, we are not going to look for companies in developing countries, taking on risks of depreciation or political or social conflicts. We seek returns on the basis of reducing risk.