

FUNDS

INTERVIEW WITH FRANCISCO GARCÍA PARAMÉS Director at Bestinver

"We like Mapfre, Aldeasa and Catalana Occidente"

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Despite the slump in the Spanish stock market, Francisco García Paramés' funds have achieved returns of 20% YTD. His secret? Betting on small caps.

What is the secret to making 20% on equities?

The success lies in our coherent management style. We look for undervalued stocks and have been strict when it comes to selling them. Once they reach their target price, we don't think twice. We do bearing in mind the macroeconomic factors, but fundamental research is key to our management style. That's why we haven't had Telefónica, BSCH, BBVA or Repsol-YPF in our portfolio for the past three years. And we aren't planning on including them in the shortterm, as they still don't look attractive. We've only just begun to buy some of the top 10 blue chips a little bit at a time. This policy has helped us post the highest return in the market since 1993 -434.32%- whilst a fund linked to the Madrid SE General Index would have only obtained returns of 262.90%.

So what stocks have been key to this success?

We have invested in Mapfre, which has sustained healthy growth in net profit over the past eight years. Earnings jumped from 18 million euros -3 billion pesetas- in 1993 to 102 million euros -17 billion pesetas- in 2001. We also like Aldeasa and Catalana Occidente. These investment decisions hampered the returns of our Spanish equities funds in 1999, as at the time investors were snatching up tech stocks.

Have you been able to react to market changes thanks to your size?

As our mutual funds are small, we have had a certain degree of manoeuvrability. However, some stocks can remain in our portfolio for up to three years, so the returns obtained cannot be explained by short-term movements. In fact, we rotate 25% of our portfolio every year.

And what about your strategy in international equities?

We have begun buying techs, media and telecos and would highlight Alcatel, Motorola and Nortel. At the moment, 20% of our assets are in TMTs and if these continue to fall we'll increase our exposure. We also like Zurich and Adidas. This year our positions in EU pharmaceuticals and insurance companies have yielded returns, as they have acted as safe havens amid declines in other sectors.

Cuadro: SUS FONDOS FRENTE AL MERCADO