

Fund Manager's recommend solid companies

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"It's important to look at companies one-by-one."

Francisco García Paramés, Fund Manager at Bestinver

Outlook for the Spanish stock market in 2002

We don't think 2002 is going to be a good year for the Spanish market. The Spanish blue chips, which really set the market trend, are still overvalued despite the huge corrections from all-time highs since the tech bubble burst in March 2000. Plus, we are unlikely to see corporate earnings improve enough to have a noticeable effect on share prices given the current global economic environment. We therefore wouldn't be surprised to see the stock market end the year down by between 5% and 10%.

Proposal of sector distribution

When it comes down to building up a stock portfolio, we believe a bottom-up approach (i.e. studying companies one-by-one) is much more interesting than a top-down approach (i.e. predetermining a geographical or sector distribution). This way, you can choose those companies which are trading at the highest possible discount vs. their real economic value.

Investor advice

Despite the poor economic situation and the overvaluation of the stock with the target index weightings, we remain upbeat on equities. We recommend investing in stocks as long as there are companies whose economic or enterprise value (measured by their assets, debt, profits, etc.) are clearly higher than market value. This way you avoid the risk associated with a long-term investment and can achieve a far higher return than on fixed income.