

Duo buys cheap and seeks growth

Angus Foote talks to García Paramés at Bestinver about profiting from short-term inefficiencies by thinking long-term

Madrid is not yet renowned as a major centre for equity fund management but Francisco García Paramés, managing director and leading portfolio manager at Bestinver, is working hard to change that.

Mr Paramés is fourth out of 500-plus managers in the Equity Global sector, ranked for his average monthly performance over the past three years with the Bestinver Internacional fund. He also has a Citywire A rating in Spain for his risk-adjusted performance across four Bestinver funds, in both the domestic and global equity sectors.

Following what they describe as the "classical Ben Graham, Warren Buffett

school", Mr Paramés and his co-manager, Álvaro Guzmán de Lázaro, aim to profit from short-term market inefficiencies by taking a long-term view.

Over the past three years their strategy has produced a return of 134 per cent while the average fund in the sector has delivered 56 per cent and the MSCI index has risen 62 per cent. "We invest for the long term, which we best define as the average duration of cycles – around five years," says Mr Paramés. "Price and value are the only two criteria for buying or selling.

"We aim to buy good, growing businesses managed by honest and able people when they are trading at a

fraction of our appraisal."

Mr Paramés and his colleagues are pure bottom-up investors who do not believe in making market predictions and focus their efforts on stock selection.

"We do not take any sector or country view," he says. "We try to find good and cheap individual opportunities and the distribution by sector is the result of adding up these opportunities."

Their process starts with a screening of information from sources such as broker research and specialist publications.

This is followed by a study of company accounts going back 10 years and if a prospect still looks good after that, the Bestinver team will arrange a meeting with the management.

Mr Paramés will also look at industry-specific research from brokers and talk to former employees, suppliers, clients and competitors of the company he is considering. Finally, he looks at current valuation levels and sets a price target for the stock.

Bestinver, which was established in 1987, is wholly owned by the Spanish property and logistics group Acciona. Mr Paramés has spent his entire investment

The Citywire league table: Bond Global

Manager name	3-year average monthly performance (%)	Funds managed
Robin Geffen	2.63	Neptune Global Equity, Neptune Managed, Neptune Multimanager Growth
Andrew Dalrymple	2.63	First State Global Opportunities
Laurie Petar	2.51	Jupiter Fund of Investment Trusts
Francisco Garcia Paramés	2.47	Bestinver Internacional
Colin McLean	2.45	Premier Enterprise
Donald Robertson	2.45	Premier Enterprise
Kun Deng	2.37	World Trust
Alexander E Zagoreos	2.37	World Trust
Rodolphe Taquet	2.28	CPR Renaissance Monde
Aled Smith	2.27	M&G Global Leaders
Charles Firmin Didot	2.26	AXA WF Talents
Thomas Braun	2.25	Classic Global Eqty Fund, Classic Val Eqty Fund
Georg von Wyss	2.25	Classic Global Eqty Fund, Classic Val Eqty Fund
Hendrik Lebar	2.21	Acatis 5 Sterne-Universal-Fonds, Acatis Aktien Global Fonds, Acatis Champions Select- Acatis Champions Global
John Chatfield-Roberts	2.21	Jupiter Global Managed, Jupiter Merlin
Average Manager	1.30	Growth Portfolio, Jupiter Merlin Worldwide Portfolio

Source: Citywire

1989 after completing his MBA. Although he also has a degree in economics he describes himself as a self-taught investor and lists former Fidelity fund manager Peter Lynch alongside Graham and Buffet as investors he seeks to emulate.

Álvaro Guzmán de Lázaro is professor of fundamental analysis at the Spanish Insti-

but had been exchanging investment ideas with Mr Paramés regularly since they met in 1998. Although the pair run Spanish and global equity portfolios, Dutch and German companies figure most prominently in the Internacional fund.

Angus Foote is editor of Citywire's Fund Manager Inter-



NEW FUND LAUNCHES

■ Credit Suisse is launching a US dollar sub fund to the CS Premier Liquidity Fund, a Luxembourg based Sicav. The fund, which has an AAA rating, is designed for corporate treasurers and other investors that want immediate access to capital.

■ Nomura International is launching an open-ended Global Emerging Markets 80 per cent Protected Portfolio Fund. Aimed at private and institutional investors, the fund guarantees 80 per cent of the highest net asset value achieved during the fund's life.

■ Shore Capital has launched Puma VCTs III and IV. The funds, which will qualify for a 40 per cent tax rebate to investors, will invest 45 per cent of their portfolios in absolute return hedge funds, with the remainder in qualifying investments such as Aim, Ofex and private equity shares. They will have a five-year life.

■ The Mayibentsha Opportunities Fund launched in 2003 by Fortune Group and Novare, a South African investment company, will be available to overseas investors from March. It offers a diversified exposure to Southern Africa and its international businesses. It is available in S, £ and GBP series.

