

THE EUROPEAN VALUE INVESTOR

INVESTMENT STRATEGIES



BEYOND THE MAINSTREAM

»It is extraordinary to me that the idea of buying dollar bills for 40 cents takes immediately with people or it doesn't take at all.« Warren Buffett

BESTINVER – At the very top of European Value Investing

They set standards for European Value Investing: Francisco García Paramés, Álvaro Guzmán de Lázaro and Fernando Bernad at Bestinver Asset Management.

Simplicity, consistency and a strict limitation of downside risk have brought Bestinver's Francisco García Paramés, Álvaro Guzmán de Lázaro and Fernando Bernad to the very top



of value investing in Europe. Since 1993, Bestinver Spanish Equity has returned an average of 22.52% per year. Compared to the Madrid Stock market, this is an outperformance of 8.08%. Bestinver's Global Equity, launched in 1998, has returned 13.79% on average, beating the MSCI World Index by 10.57%. Francisco García Paramés spoke with The European Value Investor about the secret of Bestinver's success. ... p. 2 - 8

*Francisco García Paramés
Chief Investment Officer
Bestinver Asset Management*

Investment legend Peter E. Huber

One of the best international funds managers, Peter E. Huber, about contrarian investing, interesting industries, the mega trend: infrastructure, and his favourite stock.

StarCapital's Starplus Starpoint, managed by Peter E. Huber, is (with an average return of 20.91 percent per year) one of the best funds of the world. Huber also initiated the value fund StarCap Priamos, that picks out stocks by a quantitative value screening. Managed by Norbert Keimling, the StarCap Priamos realises an averaged return of 26.49 percent per year, that made this fund the most successful in the world for the last five years. Although Peter Huber doesn't like a star cult around his person, he is one of the best in his industry. With The Euro-



*Peter E. Huber,
CEO and Fund Manager
StarCapital AG*

pean Value Investor he talked about his investment strategy... ...p.9-13

CONTENTS

THE CHEST

Francisco García Paramés
Bestinver's Chief Investment Officer talks about BMW and Debenhams
p. 2-8

Peter E. Huber
StarCapital's founder about Siemens as his favorite stock
p. 9-13

VALUE KNOWLEDGE

Capital
The Quant Quake: Anomalies during the Subprime Crisis
p. 14-15

Research
The Quality of Sell-Side-Analyst Research
p. 16-18

Research
Why Managers hold Shares in their own Companies
p. 18-20

Value Added
Interest Cover – Important Financials for takeover targets
p. 20-21

¡On the Contrary!
Investment Principles
p. 22-23

VALUE INSIDER

News of the Scene p. 24-26

Editorial p. 27

Impressum p. 28

Shares in this Issue:
ABB, Adolfo Dominguez, AGFA, Alcatel, Audi, Bank of Scotland, BMW, Cortefiel, Countrywide Financial, Daimler, Debenhams, Ford, General Electric, General Motors, Karstadt Quelle, Nortel Networks, Northern Rock, Puma, Siemens, Telefonica, VW

Francisco García Paramés – Bestinver Asset Management

At the very top of European Value Investing – In their investment decisions, Francisco García Paramés, Álvaro Guzmán de Lázaro and Fernando Bernad set high value on simplicity and consistency. Francisco García Paramés spoke with The European Value Investor about the secret of Bestinver's success and current investment ideas.



Álvaro Guzmán de Lázaro and Francisco García Paramés

22.52% return per year on average by the Bestinver Spanish Equity funds since 1993

Simplicity, consistency and a strict limitation of downside risk have brought Bestinver's Francisco García Paramés, Álvaro Guzmán de Lázaro and Fernando Bernad to the very top of value investing in Europe.

Since 1993, Bestinver Spanish Equity has returned an average of 22.52% per year. Compared to the Madrid Stock market, this is an outperformance of 8.08%. Bestinver's Global Equity, launched in 1998, has returned 13.79% on average, beating the MSCI World Index by 10.57%.

In 1990, just six months out of his MBA program, Paramés in effect took over the budding fund management operations at Bestinver and managed the funds by himself for the next 13 years, generating the impressive returns mentioned above. Bestinver's investment philosophy is strictly value: Paramés and his partners invest only in businesses they understand thoroughly. Banks, for example, are normally too complicated and too leveraged for them. Paramés rarely applies complex DCF valuations, because "they are not worth the effort" but looks for low cash flow multiples and companies that are temporarily underpriced. The team rarely uses complex screening tools but relies on reading the newspapers, analysts

reports, talking to "anyone who can give us an idea" and strict discipline in valuation. What Paramés likes best are free options in an investment situation, where the downside is very limited by temporarily low valuations and Bestinver can have the upside for free.

This approach apparently delivers a plethora of ideas. According to Paramés, it is not a problem to find enough investment ideas with a 50 per cent upside potential. Rather, they currently have too many 100-percent ideas so that an investment has to have an upside of 50 or 60 percent just to get into the funds.

Just half into his professional life – he was born in 1963 – Paramés is looking towards many more years in which he can and wants to apply his unique skills. In fact, he considers his 20-year horizon in investing "one of his major competitive advantages" that allows Bestinver to do things other players cannot do. ■

EVI: How many fund managers work at Bestinver?

García Paramés: Bestinver is an investment team and there I have two partners.

EVI: So let me start with a different question. How many people are ideal for an investment team?

García Paramés: Warren Buffett and Charlie Munger are two. Some companies have twenty-five people in the team and do a good job. I can only say that we are increasing the number of people in our team very slowly.

EVI: Just the three of you? No analysts?

García Paramés: No, we have some trainees, but no analysts.

EVI: How did you get interested in Value Investing?

García Paramés: First of all, a little bit of common sense. Second, I had a boss who was also kind of value-oriented. And third, I read Peter Lynch's book "One up on Wall Street" just a few months into my career at Bestinver. After Lynch, I read all the books of the people he named. And then it all fit together.

EVI: Did you start the investment operations at Bestinver?

García Paramés: My boss was the fund manager. I was the analyst. After six months, I took over the management of the fund. My boss left the company after one year.

EVI: ...and the first years you did everything by yourself?

García Paramés: From the end of 1990 to the end of 2003 to be exact.

We had some analysts in the brokerage side of the business, but in fund management, I was by myself.

EVI: Any particular situations you are particularly interested in or comfortable with?

García Paramés: We look for excellent businesses that are very well-managed and that for some reasons – low free float or neglect of the market – are not properly valued. We prefer that kind of situation to turnaround or complicated things.

EVI: So really, Buffett or Lynch, who once said that you should not invest in companies where a kid could not draw the business model with a crayon and a sheet of paper...

García Paramés: Exactly such companies that for any reason (psychological or other malfunctioning of the market) are not doing well in the market.

EVI: Just on a side note: I attended a conference where a value investor I respect very much recommended Agfa. The stock has tanked since then. Would that be a situation that is too complicated for you?

García Paramés: Exactly. Actually, we met the CFO two years ago. We did analyze it and we do hold a small position. But it is exactly what you say – too complicated! The whole company is changing. I understand that somebody with deep knowledge can make money out of Agfa, but we tend to stick to things that we can understand more easily.

EVI: Apparently, even with simple situations you find enough to invest in at this point...

García Paramés: That is usually the case, especially for our global fund. Right now, we only invest in companies with at least 60% upside potential. There are 300 ideas, so the selection is the most difficult problem. It is a little easier in Spain, because there

are only one hundred stocks to begin with.

EVI: How, then, do you narrow it down? Do you do a risk-weighted average of upside potential?

García Paramés: Yes. You invest more in the companies that you think you know better. But we don't allocate probabilities.

EVI: Bestinver Global Equity holds a very high percentage of European stocks. Does that also follow from "Invest in what you know best?"

García Paramés: Yes. Yesterday we were in Amsterdam and the day before in London. In two days we met with the management of a number of companies that together represent 18 percent of our holdings.

EVI: Have you invested so heavily in Europe because you know Europe better or is Europe just the better place to be right now?

García Paramés: I once heard that for every number x of kilometers you are away you have to divide the quality of your assessment in half. So the closer we are to the company the better.

EVI: So you look where you know best – the industries and countries you know. Do you use any complex screening tools? Do you, for example, screen first or do you say "this is interesting, we should screen"?

García Paramés: When we invest in companies, we look at competitors, clients, suppliers and so on. Of the three of us, I am usually the one who uses screens. But what we normally do is read the press and analysts' reports.

EVI: You already answered this question partially: do you talk to management or do you rely on desk research?

García Paramés: We will talk to anyone who can give us a hint – management, suppliers, former employees and so on.

EVI: Do you start your research with talks or does that come later?

García Paramés: It all depends on the situation. Somebody might have a hint about a company that is interesting and then you talk to

management. If they don't talk, you have to gather your information by other means.

EVI: So if investors were either artists/craftsmen or scientists, you would probably put yourself in the first camp.

García Paramés: Definitely. We spend most of our time trying to assess competitive advantages. That is something that you cannot model. It's something you have to understand.

EVI: Are you sometimes an activist?

García Paramés: We don't have the time and resources to be activists. If you are an activist, sitting on boards you are not free to buy and sell as you would like. Our current strength is to assess competitive advantages, understand businesses and put valuations on them.

EVI: In as far as you can tell us: where are you looking currently?

García Paramés: We try to find undervalued companies and put money in them.

EVI: Do you look at cyclicals? Does the distinction between cyclical and non-cyclical make sense to you?

García Paramés: You have to understand the cyclicity of some businesses. We invest in global companies, so we look at how different countries and product lines are doing. If the company is good, it will grow. But there are

»What we normally do is read the press and analyst's reports«

»We look for excellent businesses that are very well-managed«

always exceptions: we are not investing in financial and real estate companies in Spain at all because we think that we are at the top of the cycle.

EVI: Do you have any financials in Europe?

García Paramés: We have a share in a small private bank in Central Europe, but that's not really a banking company. It's more of a fund management operation. We also have shares of a small Portuguese Bank. But banks are black boxes and they are too leveraged. Nowadays, with the proliferation of structured products, even more so. And insurance companies are now very hard to understand also.

EVI: So, you do not find companies with low PEs, for example in the case of the Royal Bank (ISIN: GB0007547838) of Scotland, attractive?

García Paramés: We don't need to look at companies that are difficult to understand such as banks given that we find very easily understandable companies, for example in the service industry, that trade at low multiples. And we think fractionally – reserve banking is very unstable by nature as Austrian economics explains.

EVI: What kind of valuation tools do you use?

García Paramés: We usually don't do DCF, because it's not worth the effort except for very stable businesses such as toll roads or utilities. In the rest of the companies we apply multiples to free cash flow.

EVI: How many titles are usually in your portfolio?

García Paramés: In Bestinver Spanish Equity usually 30-40 and in Bestinver Global Equity around 100.

EVI: I have seen you have some positions that go up to eight or nine percent.

García Paramés: Yes, especially in Spain, where we have a relatively small market. We also started to concentrate a bit more in the global fund.

EVI: Analysis is one part of the game, the other part is disciplined buying and selling. At some place in your presentation I read: never sell! How do you go about this process?

García Paramés: First never sell OUR fund! We do the stock selling (laughs). It's value over price. If the value doesn't change and the price moves

up or down we move. For example, if there is a 50 percent upside situation and the price goes up 20 percent and the upside narrows to 30 percent then we will probably take money out of it. With the 30 percent upside you have a lower probability of making money. You take money out of the 30 percent situation and put it in 70, 80, 100 percent situations in companies that you know equally well and you are equally confident of the upside. We are constantly doing that. As a remark, this is actually a competitive advantage for European versus U.S. funds because of different tax laws. We only pay 1 percent capital gains tax.

EVI: Do you still find enough 50% upside situations to continue doing this?

García Paramés: We find too many 100 percent situations! That's our problem! Nowadays you need 50 or 60 percent upside just to get into the portfolio.

EVI: That's very comforting! If you can answer this: Do you have a private portfolio different from your funds?

García Paramés: No, 100% of my money is in the fund.

EVI: Anything you can say about average turnover?

García Paramés: It's actually higher than you might think for a long-term investor because we are constantly adjusting positions. If a company goes up 30 or 40 percent, we sell part of it and that's it. We don't care about average turnover.

EVI: Let's talk about specific stocks. Are you still as positive about BMW (ISIN: DE0005190003) as when you presented it in the summer? It did move up a bit.

García Paramés: Yes.

EVI: Why did the market miss it? I the market is normally right, what did the market get wrong about it? What is your investment thesis, so to say?

García Paramés: Well, I'm not sure that the market is normally right – we've been making more than 20 percent per year.... People still look at BMW as a cyclical car manufacturer with large dollar exposure. Those are the two major reasons for the undervaluation. As for cyclicity: GDP is growing 4-5% percent per year all over the place. In some years the U.S. might be better, in others Europe or Asia. But overall, we are looking at 3, 4 or 5% growth. As for the dollar exposure – our calculations are based current exchange rates. We actually think the dollar is undervalued. We

don't agree with Warren Buffett on that.

EVI: You don't agree with Warren Buffett on the dollar?

García Paramés: No. I think that if he starts traveling out of the U.S. he will see why the U.S. is still a good place to invest.

EVI: But normally you agree with Buffett?

García Paramés: Of course. In 1999 we lost money when everybody else was making huge amounts of money in the internet stocks. So it was very

»We usually don't do DCF, because it's not worth the effort«

»We find too many 100 percent situations!«

important for us to have someone like Warren Buffett on the front page of the newspaper saying the same things that we thought.

EVI: Back to BMW – do you see other car manufacturers that interest you?

García Paramés: The discount that we get on BMW and the margin of safety is not present in any other car company.

EVI: BMW just started a new strategy initiative to reinvent itself. Sometimes companies that constantly reinvent themselves are not the best companies because they have no time for business. Did BMW do its homework?

García Paramés: The decrease of margins in the past years has been due to the impact of the dollar exchange rate and to R&D and CAPEX spending that is higher than that of the competitors. These last two are not the things you normally complain about in a company. We think that this money is well-invested and will pay off later on – for example in more efficient cars with lower emissions. And if you look at margins: we are basing our valuation on the 6% margin they currently have. If they had 8-9% operating margins in three years' time, that would be the icing on the cake.

EVI: So you say: this is our base case scenario and then we have options.

García Paramés: What we like best in investing are the free options. If we are not able to assess the upside, we don't like to pay for it. For example, the new Apple device - we are not willing to pay 10 billion dollars for that. In the case of BMW, if the fine-tuning is o.k., we will do very, very well. If not, we will do very well.

EVI: So the high R&D spending is not due to smaller scale, it is really more than the competition is investing in the future.

García Paramés: If you compare BMW with Daimler (ISIN: DE0007100000) and Audi (ISIN: DE0006757008), they are not smaller.

BMW AG

ISIN DE0005190003

Business: One of the leading manufacturers of premium passenger cars.

Financials TTM:

Revenue	€ 48.99 bn (2006)
	€ 51.00 bn (2007e)
Operating Margin	8.3%
Net Margin	5.9%

Institutional Investors:

1) Quandt, S.	17.40 %
2) Quandt, J.	16.70 %
3) Klatten, S.	12.50 %
4) Allianz SE	1.18 %

Share Information (10/23/07):

Price	€ 45.88
52 Week Range	€ 41.00 – € 50.50
Dividend Yield	1.72%
Market Cap	€ 29.37 bn

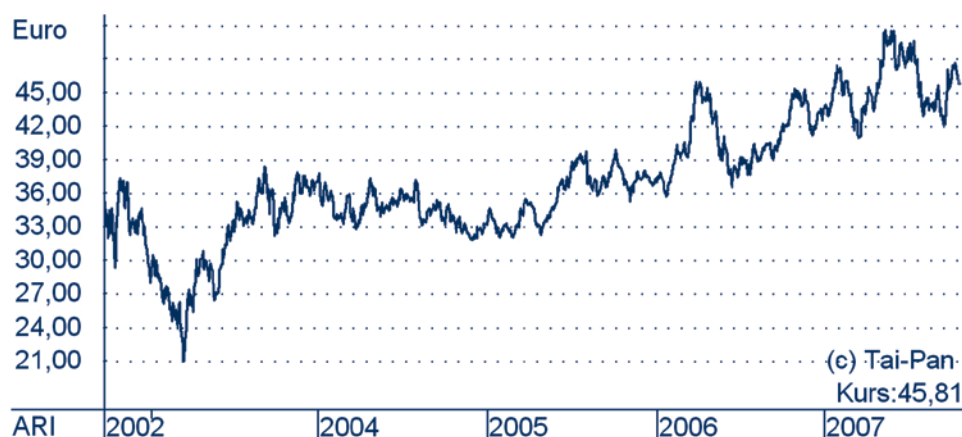
Valuation Metrics:

	BMW	DAX
P/E	9.5	14.4
P/B	1.4	2.1

Fair Value:

ca. € 85

BMW STOCK PRICE



INVESTMENT THESIS

BMW is undervalued in comparison with its peers. Revenues and Net earnings increased since 2000 (Daimler and VW showed much more volatility in its earnings). Regardless of this, the profitability of the automobile segment declined since 2002. The profit margins are currently under pressure from the falling dollar. We see Upside of BMW through: Fair valuation in comparison with benchmark companies and rising of margins through strategy concept 2020 (for example reduction of R&D and Capex to the level of benchmark companies).

EVI: Do you see any cyclical or downside at all?

García Paramés: In the U.S., they have been selling 16 million cars per year for some time. Can it go down to 14 million? Of course! Can it also go up to seventeen million? Of course. In Europe, we also have a somewhat stagnant market. I don't pay much attention whether the GDP of the world or the OECD is growing by 4.8, instead of 5.2%. It's not the end of the world. BMW might be somewhat cyclical, but with China and Asia coming into the equation it might offset any shortfalls in a previously U.S.- and Eurocentric company.

EVI: Asia, then, is more of a consumer market than a competitor for BMW?

García Paramés: Absolutely. There is some risk from increased competition, not only Lexus, but also Infinity and new companies that might come. But there is some room for competition because the market is growing. And you also have BMW's brand, which is very strong in our assessment.

EVI: Prices for cars in Germany are really very high. Consumer surveys say that Germany want to decrease their expenditure on new cars dramatically. Are you aware or afraid of this?

García Paramés: If you have the income, you will buy a car for sure and you will not complain much. It all

depends on your income. But again, some markets can perform better than others at any given time.

EVI: What about valuation?

García Paramés: The stock is trading at 45 Euros and in 2008 year end you have almost 20 Euros in cash financial operation. Actually you are paying 25 Euros for the industrial operation. That implies 16 billion Euros. We are expecting 2.8 billion free cash flow in the next year, paying 5.7 times the free cash flow of next

year. And it is a very stable free cash flow. A cyclical downturn, Germans stop buying cars or people stop driving cars.... All

»What we like best in investing is the free options«

DEBENHAMS PLC

ISIN GB00B126KH97

Business: Second largest retailer (fashion, accessories, beauty care, furniture, household, flowers) in UK with 141 shops and 35 franchise-shops in 16 countries

Share Information (10/23/07):

Price £ 1.07
52 Week Range £ 0.85 – £ 1.88
Dividend Yield 2.3%
Market Cap £ 632 m

Financials TTM:

Revenue £ 1.70 bn (2006)
£ 1.80 bn (2007e)
Operating Margin 13.1%
Net Margin 2.6% (2006)
5.4% (2007e)

Valuation Metrics: Debenhams FTSE 350

P/E 6.6 14.0
P/B 11.7 2.6

Institutional Investors:

1) TPG Shareholder Group 13.2 %
2) CVC Shareholder Group 9.3 %
3) Merrill Lynch Shareholder Group 7.2 %
4) Merrill Lynch Investment Managers 5.8 %

Fair Value:

Three or four times the current share price

DEBENHAMS STOCK PRICE



INVESTMENT THESIS

The company's stocks can be purchased at the same price it was when the company was taken private five years ago, but free cash flow today is 50 to 60 percent higher. The past quarter has not been satisfactory, but turnarounds in the retail industry are not difficult, if the company has a good management. This seems to be the case at Debenhams. In the worst case, the company will be taken private again, because real estate is quite valuable. In the best case, the turnaround will succeed and the company will be traded at a multiple of 15. This would offer a 200 to 300 percent opportunity.

these things can happen, that is the risk in investing. But I don't think these things will happen in the next five years.

EVI: And the trend that car manufacturers have extensive financing operations? Does that worry you?

García Paramés: Not really. In the context of BMW you are talking about a five billion operation in book value in a company that is selling € 55 billion in cars, so it's not as important for BMW as for some other companies, e.g. General Motors.

EVI: If you look at the assets – there are about 11 bn Euros in PPE and more than 35 in financial assets.

García Paramés: For analytical purposes, we take this money out of the balance sheet. But they have to consolidate it for accounting purposes.

EVI: So you don't see any credit problems?

García Paramés: If you manage it properly, you match your liabilities and assets and that's it. It's not a highly leveraged financial operation.

EVI: Let's talk target price!

García Paramés: Our target price is around 85 Euros, and how do we get to that? That's the end 2008 cash and book value of the financial operations net of pensions liabilities.

That's around 18 Euros per share. Then we have the free cash flow of 2.8 billion for next year. At 15 times earnings adding the two it comes out at 85. And that is at the current operating margin of 6%. If we used 8%, this target price could go to more than 100.

EVI: The 15 times earnings seems to be an established multiple these days. There were more conservative times, 20, 30 or 40 years back. So are you comfortable with this kind of multiple?

García Paramés: That has been the average of American stocks since 1800. It is a 6.6 percent earnings yield. That's quite reasonable if interest rates are four or five percent. On a long term basis, stocks are less risky than bonds, especially government bonds. Look back to Germany in the 20's. Would I be willing to pay more for a well-managed company than for some government bonds? Of course!

EVI: Let's talk about Debenhams (ISIN: GB00B126KH97).

First, how did it come up on your screens or however you found it?

García Paramés: That's really easy. It was an IPO last year and we bought some shares.

EVI: So you sometimes buy in IPO situations?

García Paramés: It's not very common, but in this case we did.

EVI: So it dropped, and now you're buying more.

García Paramés: Yes. The company has come down almost 60% from the IPO, so we now have the maximum weight it ever had in our funds. We now know the company better than we knew it at the IPO and we really are more confident about the valuation.

EVI: Again, why has the market passed up this excellent opportunity?

García Paramés: In retail, if something happens, people lose confidence very easily. They had problems with the collection since they were not making any more gains in market share, even losing in both men's and women's wear. EBITDA is down by 15 percent.

EVI: Do you see Debenhams primarily as a fashion group or is it a multi-variety retailer?

García Paramés: Definitely fashion.

EVI: So you clearly see this as an operational problem, not strategic?

García Paramés: One hundred and fifty department stores in the U.K. – that's a unique asset. We find that retail operations, especially fashion-oriented operations, are not very difficult to turn around. We have made a lot of money in retail companies, for example New Look, Cortefiel (ISIN: ES0124254311) or Adolfo Dominguez

(ISIN: ES0106000013). They might have some problems in a particular year, but if they do it right, the rewards are huge. They might go from -3% of sales in a particular year to +5% or 6% in the next, so you have a huge leverage.

EVI: Obviously you're not afraid of retail businesses where the situation can change quickly. Did you come by Karstadt-Quelle (ISIN: DE0006275001) in Germany?

García Paramés: We bought some shares a while ago but now we're out of it.

EVI: Debenhams has a long history, but if I look at it, it was taken private, then there was another IPO. There is no good history of reports on the website. Did you study all previous ones?

García Paramés: Yes. They took the company private at 1.7 billion Pounds five years ago, and that's the current enterprise value. When they took it private, the company was making about 200 million EBITDA and now they are making 300 million, this year maybe between 300 and 350. So EBITDA is 50 to 60 percent higher and we are buying at the price the company was taken private five years ago. We also believe the company is well-managed. The CEO and the CFO know what they are talking about.

EVI: So, top management is in charge of the situation.

»Would I be willing to pay more for a well-managed company than for some government bonds? Of course!«

»Our target price for BMW is around 85 Euros«

García Paramés: Yes. And even if it were not – the worst case would be that they don't turn around the company and somebody will take it private again. Having 150 shops in the U.K. is worth something.

EVI: Just on a side note – what do you think of the Puma valuation?

García Paramés: Puma (ISIN: DE0006969603) is too much of a growth stock and we don't like to pay much for growth. It's not easy to sustain high growth for a number of years, so we don't pay much for it. We normally don't assume more than five or six percent growth every year.

EVI: There are rumors that Debenhams is in merger talks.

García Paramés: There is enough growth potential in the U.K.. For example, they don't have shops in Liverpool and Newcastle. They have four to five years of growth potential before them. They can increase the number of stores by 20-30 percent. This way they can leverage their brand and operations.

EVI: So again, its classic "limit the downside and have the upside for free"?

»Debenhams is a cash flow machine. We are paying a multiple of six times free cash flow«

García Paramés: Absolutely. The company is a cash flow machine.

Even this year, they are making 130 – 140 million free cash flow without problems. Believe it or not, we are paying a multiple of six times that.

EVI: Any target price?

García Paramés: Way high...

EVI: So this is a 200 percent opportunity?

García Paramés: We believe that if everything goes well it's a 300 or 400 percent opportunity. In retail if the turnaround is successful, you are making huge amounts of money. Now they are making 130 free cash flow, in a few years they might be making 200 or

250. If you put a multiple of 15 times on that, that's significant.

EVI: One or two questions about one of your holdings, Telefonica. Do you still have a large position?

García Paramés: No. From 12 Euros last year to 23 now – that's enough for us. They think that they can increase revenues by eight percent and we think that that's difficult due to the economic environment we are going to have in Spain.

EVI: Obviously, you have had a tremendous investment career, but you almost certainly made some mistakes. Are you willing to share some of those?

García Paramés: We now have a deeper understanding of what we do. But of course we still make some mistakes. Our last one was a very small French company that was very leveraged.

We didn't think the leverage was too large but it was, so now the company is in receivership.

EVI: You have a very clear strategy of focusing on simple and easy to understand situations. Over the years, have you focused even more or are your investments becoming more complex?

García Paramés: We like simplicity. That's our key principle.

EVI: You have a large part of Global Value in European shares. How long will Europe continue to be hot? You mentioned that European markets are less efficient than the U.S. Is it likely to stay that way?

García Paramés: When we invest in European companies most of the time we really invest in global companies. BMW for example, is

a German company, but it operates globally. The same is true for many Spanish companies. Sometimes we do have country situations – Debenhams

obviously is a country play. But usually we invest in global players although headquartered in Europe. Meanwhile, we can have a portfolio trading at eight times free cash flow.

»They took the company private at 1.7 billion Pounds five years ago, and that's the current enterprise value«

EVI: One last question: what would you like to do twenty years from now?

García Paramés: One of our major competitive advantages is that we are doing most of the things we will be doing for the next twenty years. That allows us to do things other people are not prepared to do. If you are a hedge fund manager and try to deliver returns in 2-3 years, you do some things differently than when you invest for the next 20 years.

Some people have 4-5 year holding periods. We sometimes have 4-5 year buying periods. We have been buying shares of some companies for ten years. It's a different approach and that's why we can do some things others cannot do.

EVI: You really see yourself doing this for life.

García Paramés: Yes. It's easier with a long-term perspective. Time is on your side.

EVI: Thank you very much! ■

Contact:
Bestinver Asset Management
Francisco García Paramés
C/Juan de Mena, 8-1° D
28014 Madrid, Spain
Fon: +34 91 595 91-50
Fax: +34 91 595 91-20
E-Mail: bestinver@bestinver.es
Internet: www.bestinver.com
