



Bestinver Bolsa (28/01/2008)



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Despite underperforming in 2007, the fund is keeping the same investment philosophy. There are no reasons to change it.

After its stellar performance of recent years, Bestinver Bolsa has become one of the most popular equity funds in the Spanish market. That said, the fund underperformed in 2007, gaining just 4.8% compared to a 7.3% rise by the IBEX 35 index and a 7.5% average increase by other funds in its category. However, if one truly understands the philosophy behind Bestinver Bolsa, this setback should not be cause for alarm.

Two trends worked against the fund throughout 2007. First, growth stocks fared better than value stocks. As the chart below illustrates, the MSCI Spain Value index rose virtually half as much as the MSCI Spain index (NR: index returns including dividends). Remember, Mr García Paramés' strategy is precisely to invest in stocks that are trading at a significant discount to their target prices, companies whose business is easy to understand and securities with upside potential of at least 50%; i.e. companies with a value style that, in the eyes of the fund managers, does not necessarily fit our style box.

Name	Annual Ret 2007 EUR	Annual Ret 2006 EUR	Annual Ret 2005 EUR	Annual Ret 2004 EUR	Annual Ret 2003 EUR
MSCI Spain NR USD	11.80	33.60	20.31	19.65	31.83
MSCI Spain Small Cap NR USD	(6.42)	48.25	40.21	31.20	46.63
MSCI Spain Growth NR USD	17.00	30.57	13.21	24.07	26.04
MSCI Spain Value NR USD	6.11	36.51	27.20	15.54	38.49

Source: Morningstar Direct - Returns in euros

Second, blue chips handily beat small and mid caps in 2007; the MSCI Spain Small Caps index fell over 6% in the year. Bestinver Bolsa is not a pure small cap fund, but it has certainly been more exposed to these than its peers. And this has obviously weighed against its performance.

We would highlight that despite its underperformance, the fund has remained faithful to its investment philosophy. This philosophy has not been affected by the decision to allocate a small percentage of the portfolio to investment in Portugal.

If this investment was made trusting in the skill of the fund's managers -and if there is a manager who can show he has kept the same criteria even throughout difficult times, like in 1999, it is Mr García Paramés- there is no reason to sell. Rather the opposite; the fund should be even more attractive, as its upside potential has risen after the recent market declines. One can hardly expect this type of fund to be near to the top of the ranks year in and year out.