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Bestinver targets export-focused Spanish firms

- * Likes Viscofan, Acerinox; Still not back in banks
- * Sees strong upside for Exor; Fuchs Petrolub a best bet

By Simon Jessop

LONDON, Dec 7 (Reuters) - Spanish-based fund Bestinver likes export-focused Iberian companies such as casings producer Viscofan <VIS.MC>, and will not end a longstanding underweight stance on banks until the region's debt crisis is over.

The firm uses a value-investing strategy to buy companies with a "competitive advantage", co-fund manager Alvaro Guzman de Lazaro said.

Using that strategy over the past 10 years has allowed the fund to avoid exposure to the worst of the region's financial and property sector weakness, and it has been completely out of the region's banks for five years, he said.

A re-entry into Spanish financials was unlikely in the short term as Spain -- taking a market battering due to its sovereign debt woes -- had yet to finish the shake-out from a period of "excessive" credit growth, de Lazaro said.

Bestinver manages around 5.5 billion euros (\$7.3 billion) under two strategies -- Iberian and International.

A 958 million euro Bestinfond fund, a blend of both strategies, has returned 17 percent so far in 2010 compared with a 6 percent rise in its benchmark, itself a blend of the MSCI World index (70 percent), the Indice General Bolsa de Madrid (20 percent) and the Portugal Stock Index (10 percent).

The fund currently invests 18 percent of its assets in Spain, 17 percent in Switzerland and 14 percent in France, with 75 percent in the euro zone.

Bestinver has responded to weakness in Iberian markets targeting Spanish companies with more than 80 percent of sales in foreign countries, with Viscofan being a case in point, de Lazaro said. "We have ridden it from something like 11 euros to 26 euros, and we are still holders of it," he said.

Another target is steel producer Acerinox <ACX.MC>. "It is the lowest cost, worldwide producer and we greatly admire and trust it. If it happens to be cheap, we will buy it."

SCHINDLER, EXOR

Among the fund's top holdings is Swiss elevator company Schindler <SCHN.S>, which is a "very, very good business, with a high return on capital".

"We started buying Schindler in the 60 Swiss franc range. We sold some at around 111 and then bought again at 103. We sell small pieces on the way up and buy small pieces on the way down," he said.

Exor <EXOR.MI>, the "under researched" holding company of the Agnelli family, is another key bet as it has stakes in a number of good businesses and strong upside potential.

"We started buying Exor six months ago at 8 euros and our price target at that time was 38 euros, and we have continued our research and now our target is around 42 euros," he said.

"Hidden jewels" within the portfolio include its 15 percent stake in inspection services firm SGS <SGSN.VX> and sportscar maker Ferrari, although the main value driver there is the impending Fiat <FIA.MI> spinoff into Auto and Industrial units, he said.

German lubricants company Fuchs Petrolub <FPEG.DE>, with "one of the best managements I have ever seen", remains his best bet. "We bought the stock massively. In 2004 the stock went up three or fourfold and we sold most of the position. In the crisis it went down to 25 euros and we again bought massively, and now it is trading at 100 euros," he said.

"It is not capital intensive, it does not carry a lot of inventory and it has some pricing power."