

Performance

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Bestinver increased assets under management by 13%, to total 5.916 billion euros at 2012 year-end. The average return on portfolios under management or advice was a positive 15% with respect to 2011.

Average assets in the year exceeded the 2011 figure, with the result that turnover expanded by 3% to 82 million euros. Pre-tax profit increased by 2%, to 58 million euros. The number of investors remained steady at 53,000.

Bestinver operated in a complicated environment for the third consecutive year. The Spanish stock market registered

its third year of losses. The Ibex 35 ended 2012 at 8,556.30 points, a decline of 4.66% with respect to 2011 year-end. However, the situation could have been much worse, considering that the Ibex 35 shed 30% during the year, dipping to a record low of 5,596 points on 24 July, when the Spanish government was forced to seek European aid for its financial sector.

Spain's risk premium, which measures investor confidence in the country by indicating the difference between Spanish and German 10-year bond yields, ended the year at 395.3 basis points after months of instability. In July, Spain's risk premium

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Bestinver, S.A. is a wholly-owned subsidiary of ACCIONA which provides asset management services via mutual and pension funds and SICAVs through its subsidiaries Bestinver Gestión, S.A. and Bestinver Pensiones, S.A. It also provides brokerage services through subsidiary Bestinver S.V., S.A., which is a member of the Madrid Stock Exchange.

peaked at 658 basis points, i.e. the highest since the euro area was created, and the yield on Spain's 10Y bond reached 7.51%. During that time, rumours of an imminent European bailout of Spain were reported on the front pages of the world's leading newspapers.

As a result, the leading international rating agencies— Moody's, Standard & Poor's and Fitch—downgraded Spain's credit rating on several occasions and assigned it a negative outlook (i.e. maintaining the threat of additional downgrades). These decisions were justified by the increase in debt assumed by Spain as a result of the bank bailout, the country's limited access to the

financial markets, and the ongoing weakness of the Spanish economy.

Despite volatility all year long, most international markets performed positively in 2012. In Europe, the Euro Stoxx 600 appreciated by 14.37% and the Euro Stoxx 50 by 13.79%. In the US, the Dow Jones ended the year in the black, adding 7.26%, and the S&P500 gained 13.41%, to reach 1,257.60 points. Both positions were very close to their levels prior to the global financial crisis.

In Asia, the Nikkei also improved, adding 22.94% in the year.

In the currency market, the dollar ended the year at around 1.32 against the euro. The US dollar reached its highest in the year at 1.20 in July as a result of the sharp decline in the euro due to heightened tensions over the European debt crisis. European Central Bank President Mario Draghi said that he would do "whatever it takes" to save the euro, leading to a change in trend in July. It wasn't until November that the euro registered an improvement against the dollar, attributable to a reduction in risk in Europe and to the Federal Reserve's monetary policy.

Bestinver's outlook for next year includes sporadic volatility in currency markets, although the factors that might drive oscillations in the dollar-euro exchange rate seem to be relatively stable. Central bank initiatives will play a key role. In 2012, the European Central Bank reduced interest rates by 25 basis points, to 0.75% (a record low). The Fed maintained interest rates at 0.25%, where they have been since 2008. The Fed is expected to continue to give priority to reducing unemployment in 2013; to this end, it will maintain low rates and continue expanding its debt for as long as necessary, which should put downward pressure on the dollar. The ECB may reduce rates to revive lending and economic growth.

Other sources of uncertainty this year include the elections in Italy and Germany, which will be reflected in the markets.

At Bestinver, we are experts in leveraging short-term deficiencies in the market for portfolio rotation, increasing or reducing positions according to the share prices of the companies in portfolio. However, as strong believers in value investing, our primary focus is company valuation, to which the team dedicates 95% of its time.

Bestinver's economic forecast is positive for 2013. It expects growth of around 3% in gross world product, i.e. at the same pace as in the last 20 years, driven by emerging economies. Bestinver views widespread pessimism as an opportunity to invest in companies whose

share prices we believe have fallen without justification, based on fundamentals. The key is patience: waiting for the market to recognise those companies' real value.

This situation has enabled the Company to amass the best portfolio in its history. Bestinver's model portfolio, which is reflected in the Bestinfond mutual fund, obtained a return of 16.52% in 2012, compared with 9.47% by its benchmark (70% MSCI, 20% IGBM, 10% PSI). Since its creation in 1993, this portfolio has generated an annual return of 15.80%, compared with 8.48% by its benchmark.

At the end of 2012, Bestinfond's net asset value was very close to its record high of 2007, just before the crisis began. As a

result of this good performance, some of the investments in portfolio are about to mature, which poses the usual challenge of reinvesting in attractive alternatives. Bestinver experts aim to increase the portfolio's target value by investing in companies with greater quality, albeit sometimes at the expense of a degree of upside potential.

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