
BESTINVER

2015 ended with double-digit returns

Good performance by the Bestinver team resulted not only in strong returns but also in a portfolio that will continue to provide returns in the future.

Bestinver, S.A. is wholly owned by ACCIONA. Through subsidiaries Bestinver Gestión, S.A. and Bestinver Pensiones, S.A., it provides asset management services in the form of mutual funds, pension funds and SICAVs. The company's third subsidiary is Bestinver S.V., S.A., a securities firm with a seat on the Madrid Stock Exchange.

In 2015, the volume of assets under management or advice declined by 21% to 5.106 billion euros at 31 December 2015. This decline was due to a net outflow of managed funds, principally in portfolios under advice, amounting to 1.962 billion euros, partly offset by the positive average return obtained on the portfolios that the Company manages. The average return in the period was 11%, resulting in a 597-million-euro increase in assets under management.

The reduction in assets under management or advice during the year resulted in a 33% year-on-year reduction in revenues to 92 million euros. Excluding the positive 28-million-euro effect of the sale of the stake in Bolsas y Mercados Españoles (BME) in 2014, earnings before taxes fell by 27%, to 66 million euros. Overall, Group net profit in 2015 amounted to 48 million euros, the third-highest figure ever.

The number of investors declined by 2% in 2015, to 59,526.

It was a positive year for the mutual funds managed by the Company. Not only did Bestinver achieve good returns, it also increased the target value of its portfolios, which entails greater appreciation potential for investors in the long term.

To quote Seth Klarman, investors should always keep in mind that the most important metric is not the returns achieved but the returns weighed against the risks incurred. Although equities were attractively priced early in the year and the equity market advanced (too) quickly, things changed in the second quarter. Thereafter, and until the beginning of 2016, investors focused on four big issues: falling oil prices, the commodities crisis after the end of the Chinese supercycle, the divergence between the big central banks' monetary policies, and political risk. These factors created episodes of uncertainty characterised by significant fluctuations in market prices. After years of truly anomalous tranquillity, volatility returned to the markets.

Whereas many investors view this short-term volatility as a threat, Bestinver sees it as an opportunity, enabling the investment team to make the investments required to increase the portfolio's upside potential. We were able to buy into good names at attractive prices. We increased exposure to companies already in the portfolio which had been punished unfairly by the market. We also took profits and reduced exposure

Bestinver in 2015

11%

AVERAGE RETURN IN THE PERIOD

48 M€

GROUP NET PROFIT

to companies whose good performance had reduced their safety margin.

In the first quarter, while equities climbed, the investment team built up a war chest by selling stocks that were approaching their target values. At the same time, the team continued working to identify the best companies, and to observe, analyse and value them. This resulted in a Bestinver 'shopping list' and, when the prices were right, we began to buy.

About 50% of the portfolio was rotated in 2015. As a result of all the changes, Bestinver's portfolios had around 50% upside potential at 2015 year-end. Additionally, our pension funds and plans proved more resilient to the mid-year market decline and ended 2015 in positive territory, having beaten their benchmarks.

Bestinver's model portfolio, which is applied by the Bestinver mutual fund, obtained a return of 12.49% in 2015, compared with 6.64% by its benchmark (80% MSCI, 14% IGBM, 6% PSI). Since its creation in 1993, this portfolio has generated an annual return of 15.61%, compared with 9.03% by its benchmark.

It was a complex and demanding year, but the skill of Bestinver's investment team made it possible not only to achieve good returns but also to build a portfolio that will continue to generate returns in the future.

Bestinver maintains its commitment in 2016: seek the best for its investors. The Company puts all its energy and capabilities into seeking the best possible long-term returns and it maintains its conviction that equities are still the best way to achieve this. 2016 promises to be challenging, but it will also be replete with opportunities.

In the past 20 years, Bestinver has received a total of 108 awards in recognition of its management performance.

