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# BESTINVER increases profit

Average assets increased with respect to the previous year, and turnover expanded by 20%.

Bestinver, S.A. is wholly owned by ACCIONA. Through its 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.

Assets under management at Bestinver decreased by 28%, to 6.472 billion euros at year-end 2014. In contrast, average assets increased with respect to 2013, with the result that turnover expanded by 20%, to 137 million euros. Pre-tax profit

increased by 44%, to 118 million euros. The number of investors declined by 6%, to 61,000.

Earnings before taxes in 2014 include 27 million euros of capital gains on the sale of BME shares held by Bestinver.

Beltrán de la Lastra joined the company as General Manager of Investments in 2014. De la Lastra was a portfolio manager and head of European equities at JPMorgan for almost two decades. His incorporation ensures the continuity of the investment values and philosophy that define Bestinver: the search for returns by

**+44%**

EARNINGS BEFORE  
TAXES TO

**118M€**

**137**

MILLION EUROS  
IN TURNOVER IN

**2014**

investing in undervalued companies based on its own fundamental analysis, appropriate risk management, and a long-term vision shared by managers and investors.

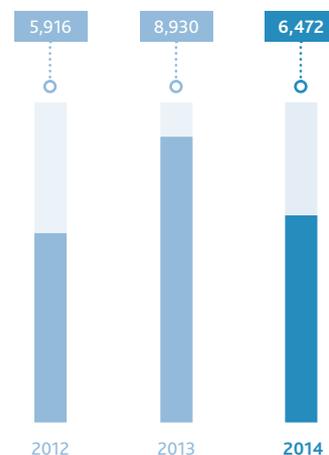
In 2014, the Spanish stock market maintained the positive trend that began two years ago. The IBEX 35 index ended 2014 at 10,279 points, a gain of 3.66%, despite shedding 13.569% during the year to reach a low of 9,669 points.

In spite of volatility throughout the year, most international markets performed positively in 2014. In Europe, the Euro Stoxx 600 appreciated by 4.35% and the Euro Stoxx 50 by 1.2%. In the US, the Dow Jones ended the year in positive territory, increasing 7.52%, and the S&P 500 gained 11.39% to reach 2,058.9 points. In Asia, the Nikkei also registered a positive performance, gaining 7.12%.

In this context of volatility in equities, Bestinver's model portfolio, which is based on the Bestinfond mutual fund, obtained a return of 0.71% in 2014, compared with 12.60% by its benchmark (70% MSCI World, 20% IGBM, 10% PSI). Since its creation in 1993, Bestinfond has comfortably outstripped inflation and its benchmark index, generating an annual return of 15.75%, compared with 9.14% by its benchmark.

Spain's risk premium, a measure of investor confidence in the country shown by the difference between Spanish and German 10-year bond yields, ended 2014 at less than 107 basis points after a very unstable performance throughout the year. Spain's risk premium peaked at 216 basis points in January 2014, and the yield on Spain's benchmark bond reached 4.151%.

→ **Assets managed by Bestinver**  
(million euros)



Bestinver is focused on the search for **returns** by investing in undervalued companies based on its own fundamental analysis, appropriate risk management and **a long-term** vision shared by managers and investors

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During the year, rating agencies Moody's, Standard & Poor's and Fitch upgraded Spain's credit rating, with a positive outlook. All three agencies justified the upgrade by noting that Spain has sufficient capacity to meet its financial commitments, but it is more susceptible to adverse economic conditions. Moody's raised Spain's rating to Baa2, Standard and Poor's to BBB, and Fitch to BBB+.

The dollar ended the year at around 1.2141 against the euro, having peaked at 1.3925 on two occasions (7 March and 6 May 2014). The euro has been declining against the dollar since May 2014.

It is important to be prepared for volatility to normalise at a higher level than in the last few years. For Bestinver, the key is to understand volatility as an opportunity: both investors and managers should expect it and be prepared to take advantage of it.

Greater volatility can be expected due to four factors. First, the markets are already discounting an economic recovery, which may result in greater corrections during moments of doubt. Second, geopolitical risks (oil prices, turbulence in Greece, etc.) will continue to affect prices.

Third, after many years of coordinated action between the various central banks, we seem to be entering a new phase of greater instability in exchange rates. And finally, we shouldn't forget that over the last few years volatility has been below historical levels in equities, even though most investors feel that volatility is high.

Without embarking on a detailed analysis of macroeconomic expectations, suffice to say that these and other variables have caused, and will continue to cause, market volatility. These episodes are disconcerting for investors focused on the short term. In contrast, volatility is an ally for long-term investors. Although the prices of some of the companies in Bestinver's portfolio may suffer, other stocks in which our managers are interested but were unable to buy for price reasons may now enter the range in which they can be added to the portfolio. This therefore allows Bestinver to build a foundation of profitability for the future.

At the end of 2014, Bestinver's net asset value was very close to its record high of 2007, just before the crisis began. This good performance needs to be nuanced. Due to the exceptional measures implemented by the central banks,

especially the ECB, the debt markets currently offer returns that are close to zero or, in many cases, negative. As a result, investors are looking for yields in more volatile assets, and so they are turning increasingly to equities.

This situation requires that investors monitor their investments closely and be aware of potential overvaluations. In this scenario, it is important to focus on companies' quality, even at the risk of lagging in a bull market.

Since its creation in 1993, Bestinfond has generated an annual return of **15.75%**, compared with **9.14%** by its benchmark

