QUARTERLY NEWSLETTER

TO OUR INVESTORS

FIRST QUARTER 2024

BESTINVER acciona

BESTINVER Madrid

Mark Giacopazzi, CIO - Chief Investment Officer of BESTINVER

Dear Investor,

Seventy-five years ago, Benjamin Graham said that the movements of markets follow a manic-depressive pattern[1]. And in view of how they have evolved over the last two years, we must agree —once again— with the father of Value Investing. In this period, stock markets have gone from discounting a severe recession —triggered by inflation, rising interest rates and the war in Ukraine— to trading at all-time highs. Although the environment has been markedly inflationary, with high interest rates and geopolitical instability, the world economy has not gone into recession and corporate profits have not collapsed.

[1] Graham, B. (1949). *The Intelligent Investor. A guide for the general reader to wise investment practice under today's financial conditions.* Harper & Brothers.

Over the past year and a half, the economy has performed unevenly in different regions of the world. On the one hand, growth in the US has consistently beaten the forecasts, thanks to resilient consumption, demand for services and employment.

This strength contrasts with China's weakness, which has dragged Germany and other northern European countries into recession. On overall terms, however, global economic activity has outperformed market projections, and GDP estimates have been mostly revised upwards.

The same has been true for inflation, which has been more persistent than expected due to stronger economic growth. As a result, expectations of interest rate cuts in 2024 have moderated significantly in recent months. Unlike two years ago, when the market reacted with falls in response to any hint of higher rates, this time such expectations have been greeted with strong upward movements on the stock exchanges. Why? Because in the current environment, high rates are perceived as a symptom of good economic health and, in a healthy economy, companies' profitability increases.

This outlook of higher returns has been particularly favourable for our companies, and funds such as Bestinver Internacional, Bestinver Consumo Global and Bestinver Norteamérica have ended the quarter with gains exceeding 11%. Overall, our equity funds have averaged a return of 10%. Fixed income securities also performed extraordinarily well, overcoming a difficult environment in which 50% of their competitors incurred losses over the quarter. At quarter end, Bestinver Corto Plazo was up 1%, Bestinver Renta was up 2% and Bestinver Deuda Corporativa rose by 4%. These results reflect another of Benjamin Graham's key lessons: for long-term investing, what really matters is the performance of companies' earnings and the valuation of their shares.

Looking ahead, our funds' performance should maintain this positive trend, driven by the strong fundamentals of our companies. In this respect, we consider relevant the statements of a number of managers indicating that business productivity is improving rapidly thanks to technology. If this phenomenon spreads across sectors, the economy could enter a period of sustained growth, controlled inflation and positive interest rates, which would be very favourable for stock markets. Therefore, beyond short-term uncertainties, such as the outcome of the US elections, developments in monetary policy or geopolitical tension, we see a major opportunity for investing in quality companies with attractive valuations.

As Benjamin Graham explained, the market being manic-depressive is not a problem; we simply need to be aware of it and not be driven by the same instincts. Therefore, rather than trying to predict short-term stock market movements, value investors use them to invest in good businesses, buying when their shares fall and are cheap, and selling when they rise and cease to be cheap. This is the strategy which, in accordance with the teachings of Benjamin Graham, we have followed at BESTINVER for more than 35 years.

On another note, I am pleased to announce that last February we launched Bestinver Bonos Institucional IV, F.I., which will continue to be marketed until June this year. In this fund, we aim to offer an estimated portfolio IRR of 4% —with an estimated net investor APR of 3.9%— while maintaining a credit quality of BBB+, maturing in June 2028.

I invite you to read the letters from our managers below, and thank you for your trust in us.

Sincerely,

Mark Giacopazzi

BESTINVER in figures

46,000 investors trust us

We manage EUR 6.390 million

Independence: Acciona Group

We have been endorsed by various awards in recent years

Data at 31/03/2024. Source: BESTINVER

Investment funds

BESTINVER Barcelona

Bestinfond

Investment fund aimed at investors with a long-term time horizon (over five years). The fund invests up to 100% in global equities, with European listed companies being the most highly represented in the portfolio. The fund's objective is to achieve long-term performance by selecting attractive, well-managed businesses with high growth potential. The fund is managed based on the three cornerstones of our investment philosophy: our own fundamental analysis, appropriate risk management and a time horizon shared by investors and managers.

MANAGEMENT TEAM

Tomás Pintó
Head of International Equities

Jorge Fuentes
International Equities Manager

ANNUAL RETURNS TABLE

	2024	2023	2022	2021	2020	2019
Bestinfond	9,81%	25,27%	-16,98%	13,70%	-3,83%	20,81%

ANNUALISED RETURNS TABLE

	1 year	3 years	5 years	10 years	15 years	Launch
Bestinfond (1)	24,55%	5,77%	6,76%	5,70%	11,69%	12,98%

Data at 31/03/2024
Past performance is no guarantee of future performance.

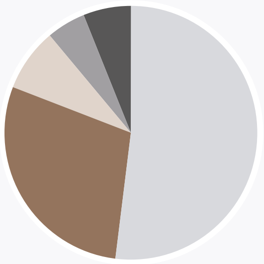
(1) Launch date: 13/01/1993

TOP POSITIONS

TOP 5	% OF PORTFOLIO
SAMSUNG ELECTRONICS CO LTD	3,26%
BERKSHIRE HATHAWAY INC-CL B	3,11%
HOLCIM LTD	3,04%
HARLEY-DAVIDSON INC	3,00%
META PLATFORMS INC-CLASS A	2,79%

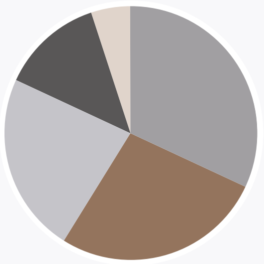
PORTFOLIO DISTRIBUTION

Geographical distribution



Europe	**52%**	Liquidity	**5%**
USA.	**29%**	Rest of the World	**6%**
Iberia	**8%**		

Sectoral distribution



Industrial	**32%**	Financial	**13%**
Consumer	**27%**	Liquidity	**5%**
Communication & Technology	**23%**		

FLUCTUATIONS IN NET ASSET VALUE (€)

Day close data: 31/03/24. Source: BESTINVER. Periods exceeding 1 year at annualised rate. Launch date: 13/1/1993.

RISKS ASSOCIATED WITH THE INVESTMENT

Bestinfond is an equity investment fund and as such mainly involves the following risks: market risk, currency risk, country risk, concentration risk and inflation risk.
Detailed information on the risks associated with the investments can be found at the end of this document.
Past performance is no guarantee of future performance.
The fund's full prospectus, regular reports and KIID can be found on the following websites www.bestinver.es and www.cnmv.es

MANAGEMENT ASSESSMENT

Dear Investor,

Bestinfond ended the quarter with a return of 9.8%.

The market continues to reward the excellent performance of our businesses with very positive returns for the portfolio.

It is interesting to think of our fund as a company. A holding company that invests in various sectors, buying profitable and well-financed businesses that are trading below their fundamental value. Businesses that will generate results which, over time, will allow us to grow our capital and make it profitable.

In this respect, it is important to note that in 2023 the revenues of Bestinfond companies increased by 4.5%, which is a more than reasonable performance after the massive 29% growth in turbulent 2022. The global economy has slowed significantly in real terms and much more so in nominal terms. Business activity has slowed after the strong cyclical recovery following the end of Covid, and inflation, thanks to high interest rates, has receded from exceptionally high levels. Understandably, our companies' results have followed a similar trajectory.

The cash they generated, i.e. what remained after investing in everything they needed to maintain and grow their businesses, increased by 3.3% in 2023 after a hefty 25% in 2022. An excellent performance that has enabled them to further strengthen their solvency (net cash represents 11% of Bestinfond's value) and to continue increasing shareholder remuneration via dividends and share buybacks.

Most interestingly of all, however, thanks to the portfolio rotation we have implemented (a matter we will discuss in this newsletter), the earnings growth we are projecting for 2024 and 2025 represents a clear acceleration compared with the year just ended. In this respect, we expect our companies' sales to grow by around 8% per annum over the next two years, and free cash flow to grow by a solid 20%. We have achieved this operational improvement without sacrificing the solvency of the portfolio (13.5% expected average net cash) or the remuneration we estimate for the fund from the companies that comprise it.

At Bestinfond we are shareholders in companies that are world leaders in their sectors. According to our analysis, their solvency position is enviable and they are run by first-class professionals. Their ability to adapt in the face of enormous difficulties in recent years has reinforced their outstanding competitiveness. Today, in a largely normalised environment, our companies are gaining market share and enjoying significantly higher margins than their competitors.

We have a balanced portfolio, both by geography and by business type, comprising solid companies trading at a significant discount to their fundamental value. This combination of factors does not guarantee immediate results, but should provide good returns in the coming years. In the long run, share performance depends much more on causality than chance.

It is asset prices that dictate the market narrative, never the other way around

The most interesting development in the last quarter has been the evident improvement in sentiment following the spectacular rebound in stock markets since the end of 2023. Renewed optimism has been driven mainly by investors' belief that the downturn in economic activity is bottoming out and therefore earnings growth will accelerate in the future. This radical change in perception reminds us, once again, that it is asset prices that dictate the markets' narrative, never the other way around.

Our vision of the investment environment at BESTINVER over the past few years (a much more constructive one compared to the consensus) is now shared by a larger number of investors. Consequently, many stocks have achieved significant rebounds and their valuations are no longer as attractive as they were a few months ago. We do not detect an excess of optimism that would justify being much more cautious than we have been in recent times, but it is possible that our perception is conditioned by the attractive valuation of the companies in our portfolio.

It is true that certain corners of the market are achieving intimidating appreciations (i.e. anything related to artificial intelligence). Similarly, cyclical sectors continue to perform exceptionally well on the stock market, which contrasts with many companies with recurrent and visible results which are less closely linked to the economic situation, whose shares have slumped.

An observer of the events could summarise the quarter by saying that supposedly expensive stocks have become more expensive, while the discounts at which apparently cheap ones traded have increased. This analysis would be a little superficial, but it would not be far from the truth.

Veblen assets and necessary portfolio rotation

Drawing conclusions about potential investment successes (or failures) based on the whimsical behaviour of short-term price movements is generally not a good idea.

There is no doubt that we are all happier when the portfolio accumulates good gains, but as value investors our work has to focus on connecting the dots between share prices and real business performance. In other words, trying to distil what is important from what seems urgent but is not so important. What is our objective? To take investment decisions based on a fundamental analysis and seek to take advantage of daily market noise to benefit the portfolio's future performance.

At BESTINVER we do not try to predict short-term market fluctuations. It is extremely difficult to get this right and hugely damaging to get it wrong. Of course, there will always be investors who pay no attention to us, despite all the studies that show that it is a fruitless exercise. Their intentions are laudable, but remain illusory.

We have all heard on countless occasions phrases such as "the market is expensive, I should get out temporarily" or the famous and recurrent "I don't think this is a good time to invest in the stock market". The reasons given change from one year to the next, but they always boil down to the same mistake: not investing in companies that generate value for their owners in the long term for fear of macroeconomic or other eventualities which, of course, are transitory in nature.

But this does not mean that, as investors, we should not act when rises in share prices reduce our safety margin. A good company is not necessarily a good investment. The return we earn as owners of a listed company depends on the performance of the business and its valuation in the markets.

This is something that not all investors take into account, as shares behave as if they were Veblen[(1)], goods, i.e. demand tends to increase as their prices rise. In other words, investors' interest in the stock market grows as valuations expand and expected future returns shrink.

(1) In his book "The Theory of the Idle Class" published in 1899, Thorstein Veblen explained how certain goods have a positively sloping demand curve, i.e. as their price increases so does their demand. These are goods whose value derives not only from the intrinsic utility of their consumption, but primarily from the reputational value that an individual derives from owning them, as in the case of luxury goods.

At Bestinfond we are very disciplined about the returns we demand on our capital. We rotate the portfolio seeking to maximise the long-term performance of our investments. This strategy, which is not the easiest to implement when the dominant factor in the markets is "momentum"[2], requires reducing the relative importance of companies whose safety margins have shrunk and increasing it in companies with a higher appreciation potential, provided that their risk profile is similar to that of the company we are selling.

Prudence, discipline and the application of a method that has been working for more than 35 years

When we enjoy periods of very positive returns, we should look in the mirror and ask ourselves how we would feel if we were experiencing losses of a similar magnitude. We say this because such situations are dangerous for investors. They generate excessively optimistic (or pessimistic) expectations that can lead us to make irrational extrapolations of the recent past, due to the influence it has on our way of projecting the future.

This consideration applies perfectly to the example of Pandora, an idea that we will revisit in this quarterly newsletter. A fantastic company whose investment case we detailed 18 months ago, in a very different stock market climate to the one we now enjoy. We have reread the Bestinfond newsletter in which we explained its tremendous undervaluation and we cannot resist cutting and pasting some of the paragraphs we wrote at the time. We find them truly instructive on the problem of extrapolating the recent past:

[2] Momentum-based investment strategies are built on the idea that stocks that have performed well in the past are more likely to continue to perform well in the future.

Interest rates have already covered much of the ground they had to cover (at breakneck speed) and many of the imbalances that have brought us to this point are in full retreat. The end of this intense journey, which in record time has gone from euphoria over the end of the pandemic to post-Covid depression, is closer than it seems.

It is vital to be aware of where we are in the stock market cycle. We say this because our companies are very cheap. We are not sure when we will be able to enjoy the full benefits they offer but what we do know is that when the right circumstances are in place, the gains will be very significant.

The decisions we make in the coming months will determine our performance as savers in the years to come.

Everyone has a plan to buy shares when they fall by 40%...except when they have already done so. At that point, we will always find reasons to explain their price and inevitably there will be a lot of negative narratives that will make it extremely difficult to stick to the original strategy. Making a smart plan when we are calm is useless if we fail to carry it out when we are not so calm.

To enjoy long-term investment success, we must be able to navigate through periods of difficulty. This challenge is caused not so much by the (temporary) losses that are often incurred but because bad news will make us increasingly fearful, fuelling an incessant negativity that will make us believe that the economic situation and the future profitability of our investments go hand in hand, when the opposite is true.

Bear markets are a test of temperament, not intelligence. How successfully we emerge from difficult periods like the current one will depend on our ability to make rational decisions. We must not forget that downturns are nothing *more than a revaluation of future profits generated by the businesses we own. The underlying value of these businesses hardly changes, it is the price of their shares that fluctuates (considerably) in a short space of time.*

We should recall that that more money is lost preparing for a recession than when one actually arrives. We should also remember that, while in bull markets equity valuations expand to levels that compromise their future returns, in in bear markets the opposite is true: the foundations for excellent future returns on the shares are laid.

Our portfolio has a potential of well over 100%. In BESTINVER's 35-year history, there have been a few occasions when, due to a recession, a war or an unexpected event, the spread between the price and the value of Bestinfond has been as wide as it is today. All of them represented the prior stage of what were to be magnificent returns in the years that followed.

How things have changed in just a few months! In that time, Bestinfond's accumulated appreciation has been over 50%. It is essential to remember that emotions are not a good guide to investment decisions. We all become risk averse when we are losing money, just as greed is a silent enemy that can erode our gains if left unchecked in bull markets. Prudence, discipline and the application of a method that has been working for more than 35 years are key to finding the balance needed to navigate the financial markets safely and profitably.

This way of doing things explains the portfolio rotation referred to above. As a result, we continue to have a similar appreciation potential in Bestinfond as we did 18 months ago.

We make this estimate using exactly the same methodology as then: projecting the operational improvement we expect for our businesses over the next four years. When are these potential appreciations going to happen? We do not know, but it is clear to us that to make money in the stock market it is not necessary to anticipate what the macro-economy will do in the coming quarters. It will depend exclusively on whether we are able to buy companies below their fundamental value and to do so with as wide a safety margin as possible. Not forgetting patience, of course.

In this respect, at BESTINVER we focus exclusively on gaining an important advantage over the market regarding the factors that are fundamental for those of us who are long-term savers in the stock market. What are we talking about? We are referring to the in-depth analysis of the companies and the people who manage them, which is an absolutely essential condition for being able to appraise them accurately. As we have said before, investment success comes not from buying good things, but from buying the right things.

Pandora, the value of the most important intangible asset of all

The case of Pandora perfectly exemplifies the method we have just described. This investment has been very profitable for BESTINVER (with our fair share of suffering, as could not be otherwise) and highlights the value of the exhaustive analysis carried out by the Investment Team, not only of the Danish jewellery company's business model, but also of the most valuable intangible asset that any company can have: the talent of the people who run it.

We are referring to Alexander Lacik, Pandora CEO, who since joining Pandora in 2019 has managed to grow the company's sales by 29% (despite Covid) and earnings per share from DKK 30 to DKK 55. The price of our shareholding has more than tripled. This value creation has been possible thanks to the unusual confluence of three factors: Lacik's strategic vision, his skill as a capital allocator, and the low valuation of Pandora shares when we acquired them for Bestinfond.

Lacik came to the company to implement a strategic vision based on three axes, which he built in parallel with a management team of extraordinary professionals. The first of these was to strengthen its business model through the management of the distribution channel. Traditionally, Pandora's sales had been channelled through its own stores and a network of franchises and multi-brand points of sale. However, Lacik realised that the high percentage of revenues from franchised and multi-brand shops was a weakness in the business model. In his view, if he could bring this share down, he would gain more control over inventories and improve the customer experience. This would result in higher revenues as the company's own stores absorbed the sales of the franchises and generated better margins by retaining the profits that previously went to franchisees. His plan was to acquire the franchises as their contractual relations expired, because that way he would only have to pay little more for them than the value of his inventory. He thereby reduced the number of non-owned retail outlets —from 1,373 in 2019 to 779 in 2023— and the percentage contribution to group revenues from 35% to the current figure of 20%.

The second axis was the recovery of respect for the brand. Lacik decided to drastically reduce the use of promotions and discounts, which were very common under the previous management, as they were seen as eroding the business's brand attributes. In addition, he initiated an ambitious digital marketing plan to reposition Pandora on social media: he recruited high-impact influencers, launched the new Essence product line and the Brillance lab diamond brand, and activated an attractive loyalty programme. For this purpose, Lacik increased the advertising spend from DKK 2,142 million in 2018 to DKK 3,840 million in 2023, increasing from 9.4% of revenue to 13.7% in just five years.

The third strategic focus was the increase in the number of the company's own shops and the development of the online channel. From his arrival, Lacik realised that the profitability of the business meant that opening new stores would have a positive effect on margins as it only needed one year to recoup its initial investment. The question, therefore, was not whether to open new stores, but where to open them. A geographical analysis of Pandora's revenues gave him the answer: while in countries such as Italy, Mexico, Spain or Austria it had a market share of around 10%, in others such as Germany and the United States market share was only 5% and 2%, respectively. Therefore, it was decided that store openings should focus on these countries, particularly the US. Since 2019, the number of own outlets has grown from 1,397 to 1,869.

In addition, boosting the online channel has been a major milestone for Pandora: at 21% of group revenues, its contribution has exceeded that of third-party stores for the first time in the company's history. In total, by end-2023 these measures had resulted in own stores and the online channel accounting for 80% of the group's revenues.

The impact of these three strategic axes on the company's profitability has been spectacular. Total sales have increased from DKK 21,868 million to DKK 28,136 million, income per point of sale has increased by 48.5%, gross margin has grown by almost 600 basis points —already outperforming luxury companies such as LVMH or Hèrmes— and the 2023 operating margin was 750 basis points higher than in 2019. All this, despite drastically increasing advertising spending and closing more than 600 points of sale.

Pandora has a great business model thanks to its high margins and scale. Also because of the efficiency provided by its vertical integration and the fact that it concentrates all production in its two factories in Thailand. As announced at its last investor day, the good performance of the business is expected to continue over the next three years, with estimated average growth of 7% to 9% per year. These rates have already been exceeded in the last two quarters, after generating sales increases of 12%. In fact, according to our estimates, the company could achieve double-digit annual growth until at least 2027. Therefore, the strategy initiated in 2019 has not only improved the company's profitability but has also established a strong growth platform for the coming years.

But what makes Alexander Lacik the kind of manager we want for our companies is that his strategic vision is complemented by his great skill as a capital allocator (I, II and III). Proof of this is the fact that, since he became the company's CEO, he has dedicated the free cash generated by the business to remunerating its shareholders through dividend payments and share buybacks. In particular, he has paid out DKK 6,986 million in dividends, has bought back DKK 14,888 million worth of own shares and has reduced the number of outstanding shares by 20%. All this, with only a slight increase in the group's net leverage. Shareholder remuneration since 2019 has totalled DKK 21,874 million, equivalent to just over 60% of the company's market capitalisation when Lacik took over. These are spectacular numbers.

The Pandora case is highly educational because it brings together many aspects of the reality of value investing. Today it is easy to admire what Lacik has achieved, but when he arrived only a few investors believed in his project. At the beginning of 2019, the Danish company had been one of the worst stocks in the European market for the previous two years, and market consensus was extraordinarily negative on the outlook for its business.

Without any doubt, this pessimism allowed us to buy the shares at a price well below the company's true value. But that pessimism, until it was dispelled by the overwhelming numbers reported, caused the market to test us several times. The most difficult occasion was in 2022 when the Danish company's shares plummeted, dropping almost 60% at one point during the year.

For this reason, it is important not to fall into the trap of hindsight and explain value investing as if it were as simple as analysing a business, buying cheap, waiting and reaping strong capital gains in three to five years. Quite the opposite: even when a company evolves in the way Pandora has, the path is always extraordinarily complex. This is something we must always remember. Value investing is never easy. It requires hard work, patience, humility, a cool head and conviction. Precisely the same attributes that Alexander Lacik has demonstrated.

Portfolio movements

We continue to rotate our capital from names that have performed very well, where the spread between price and value has narrowed significantly, to other types of companies where just the opposite has occurred.

The first group of companies includes names like Meta, Inpost, Siltronic, Informa, Stellantis and Pandora itself. Among the latter, we have continued to increase our holdings in Heineken and BP, among others. The objective is the same as always: to continue to find the right balance between equilibrium and performance, knowing that it is not always possible to achieve this in the short term.

We have acquired shares in Elevance Health (formerly Anthem), an investment with an attractive combination of stable growth and profitability, as well as a valuation that has room to expand.

Elevance is the second largest health insurer in the United States, with 48 million customers. Thanks to its scale and brand recognition, the company has historically generated returns on equity that we consider very attractive (15-20%), particularly in view of the low cyclicality of its business.

In 2017, a new CEO from UnitedHealth joined the company. Since then, Elevance has implemented a diversification process in order to become a broader healthcare provider, not just an insurance company. It has created a new segment called Carelon, based on four pillars: lab testing, behavioural health, medical care and prescriptions. Elevance has stated that it wants Carelon to account for 30% of its profits in the next four to five years.

We believe this is the right strategy, as the margins and returns this division could generate are higher than those of the traditional insurance business, which could raise its valuation multiples in the market.

By way of reference, UnitedHealth's Optum division accounts for half of the company's earnings and the American company trades at 18 times earnings, compared to Elevance's 14 times (11 times if we look two years ahead). As the management team continues to implement its plan and the improvement in profitability becomes more evident, we believe this valuation gap should narrow.

We should now turn our attention to the total divestments we have made in TechnipFMC, BNP, Bayer and Booking. In the case of the former, we continue to believe that the current cycle favours oil equipment and service companies. The lack of investment over the last five years, together with the stability in oil prices that results from having OPEP as a marginal producer in the market (compared to shale producers in the previous cycle), provides the sector with levels of visibility and profitability unseen in the last ten years. After TechnipFMC's plus-90% rally over the last 12 months, this new reality is clearly reflected in its valuation.

In the case of BNP, we are still in the process of recycling our exposure from eurozone banks to banks that have experienced a narrowing of their net interest income. This is the case for names such as Barclays or Natwest (an old acquaintance of Bestinfond). Unlike their continental cousins, which have benefited enormously from the rates hikes of the last two years, UK banks have been under enormous pressure to remunerate their depositors. We expect an imminent stabilisation of margins, even if the Bank of England changes its monetary policy in the coming quarters. In our opinion, this reality is not discounted by the low valuations at which we have bought their shares in recent months.

In the case of Booking, after three years of blood, sweat and … smiles (having more than doubled our capital since the pandemic) we have exchanged our shares for those of its competitor Expedia, the owner of brands such as Expedia itself, Hotels.com and Trivago. We know the sector well and believe that the US company is trading under a stigma that does not do justice to the improved profitability of the business that we expect in the coming years, after having integrated its brands and technology platform. Expedia is a much better company than it was before the pandemic, when it was earning USD 8 per share. It returned to this profit level in 2022, when its shares were trading for USD 180. According to analyst consensus, earnings this year and next year are expected to reach USD 12 and USD 15 per share, respectively (our three-year forecast figures are higher than the consensus) and its price is almost 40% below the level at which it was trading three years ago.

Finally, the sale of Bayer should be seen as an investment mistake on our part. The German company's multiples had been depressed for a long time, but we believed there were compelling reasons to reverse the well-deserved discount it has traded at in recent years. What we did not expect is that one of the pillars of our investment case, the replacement of two drugs (Xarelto and Eylea), which represent a significant part of the value of its pharmaceutical division and whose patents will expire in the next two years, would suffer a setback like the one the company announced at the end of last year.

Bayer announced the suspension of the OCEANIC-AF study, a phase III clinical trial of its new oral anticoagulant (Asundexian), after acknowledging that the results did not evidence a higher efficacy and safety profile than the existing drug on the market (Apixaban). The business opportunity for this medicinal product was very important for many reasons, but one of the most important is that it relieved the balance sheet pressures that the German company had suffered since the purchase of Monsanto in 2018, a deal that included huge contingent liabilities that have led to the payment of millions of dollars in compensation.

The new management team (another pillar of our thesis) can do little about this situation. It has announced a painful cost restructuring programme, including a 95% cut in its dividend, and has delayed sine die the possible segregation of the businesses that could have unlocked so much value.

The suspension of the OCEANIC-AF study is a reminder that new drug development is a complex and risky process. Even those that appear promising in the early stages of development may fail in phase III clinical trials. The other lesson from Bayer is that, once again, when you buy debt-ridden companies, you have much less room for manoeuvre in the face of misfortune than you might initially think.

Bayer still "looks" very cheap. It probably is. However, any investor can buy a mix of Corteva, Glaxo and Haleon, for example, replicating Bayer's business and doing so at a valuation very similar to Bayer's. But without the burden of debt, a burden that in the investment world does not allow any mistakes to be made.

Thank you again for placing your trust in us.

Yours sincerely,

The Investment Team.

Date: 31/03/2024. Source: BESTINVER

MAIN MOVEMENTS

Additions

EXPEDIA
ELEVANCE HEALTH

Disposals

BAYER
BOOKING
BNP
TECHNIPFMC

Increases

HEINEKEN
BP

Reductions

SILTRONIC
META PLATFORMS
INFORMA
INPOST
PANDORA
STELLANTIS

Bestinver Internacional

Investment fund aimed at investors with a long-term time horizon (over five years). The fund invests up to 100% in global equities, excluding Iberian equities, with European listed companies being the most highly represented companies in the portfolio. The Fund's objective is to achieve long-term performance by selecting attractive, well-managed businesses with high growth potential. The fund is managed based on the three cornerstones of our investment philosophy: our own fundamental analysis, appropriate risk management and a time horizon shared by investors and managers.

MANAGEMENT TEAM

Tomás Pintó
Head of International Equities

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Past performance is no guarantee of future performance.

(1) Launch date: 19/11/1997

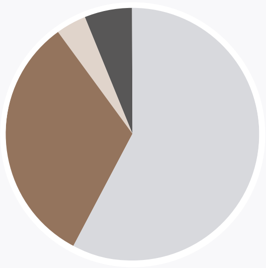
TOP POSITIONS

TOP 5	% OF PORTFOLIO
SAMSUNG ELECTRONICS CO LTD	3,63%
HOLCIM LTD	3,39%
BERKSHIRE HATHAWAY INC-CL B	3,39%
HARLEY-DAVIDSON INC	3,35%
META PLATFORMS INC-CLASS A	3,10%

< GO TO CIO'S STATEMENT

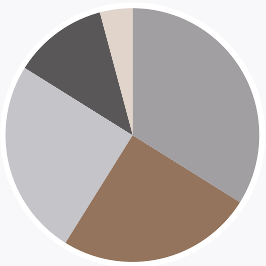
PORTFOLIO DISTRIBUTION

Geographical distribution



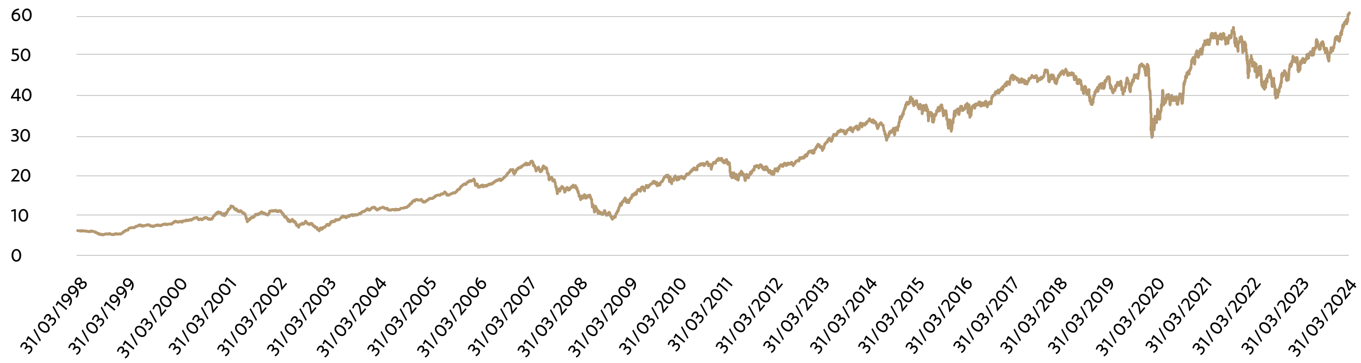
- Europe **58%**
- USA. **32%**
- Liquidity **4%**
- Rest of the World **6%**

Sectoral distribution



- Industrial **34%**
- Consumer **25%**
- Communication & Technology **25%**
- Financial **12%**
- Liquidity **4%**

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 31/03/24. Source: BESTINVER. Periods exceeding 1 year at annualised rate. Launch date: 19/11/1997.

RISKS ASSOCIATED WITH THE INVESTMENT

Bestinver Internacional is an equity investment fund and as such mainly involves the following risks: market risk, currency risk, country risk, concentration risk and inflation risk.
Detailed information on the risks associated with the investments can be found at the end of this document.
Past performance is no guarantee of future performance.
The fund's full prospectus, regular reports and KIID can be found on the following websites www.bestinver.es and www.cnmv.es

< GO TO CIO'S STATEMENT

Dear Investor,

Bestinver Internacional ended the quarter with a return of 11.0%.

The market continues to reward the excellent performance of our businesses with very positive returns for the portfolio.

It is interesting to think of our fund as a company. A holding company that invests in various sectors, buying profitable and well-financed businesses that are trading below their fundamental value. Businesses that will generate results which, over time, will allow us to grow our capital and make it profitable.

In this respect, it is important to note that in 2023 the revenues of Bestinver Internacional companies increased by 4.6%, a more than reasonable performance after the massive 30% they grew during turbulent 2022. The global economy has slowed significantly in real terms and much more so in nominal terms. Business activity has slowed after the strong cyclical recovery following the end of Covid, and inflation, thanks to high interest rates, has receded from exceptionally high levels. Understandably, our companies' results have followed a similar trajectory.

The cash they generated, i.e. what remained after investing in everything they needed to maintain and grow their businesses, increased by 3.4% in 2023 after a hefty 26% in 2022. An excellent performance that has enabled them to further strengthen their solvency (net cash represents 12% of Bestinver Internacional's value) and to continue increasing shareholder remuneration via dividends and share buybacks.

Most interestingly of all, however, thanks to the portfolio rotation we have implemented (a matter we will discuss in this newsletter), the earnings growth we are projecting for 2024 and 2025 represents a clear acceleration against the year just ended. In this respect, we expect our companies' sales to grow by around 8% per annum over the next two years, and free cash flow to grow by a solid 21%. We have achieved this operational improvement without sacrificing the solvency of the portfolio (13.5% expected average net cash) or the remuneration we estimate for the fund from the companies that comprise it.

At Bestinver Internacional we are shareholders in companies that are world leaders in their sectors. According to our analysis, their solvency position is enviable and they are run by first-class professionals. Their ability to adapt in the face of enormous difficulties in recent years has reinforced their outstanding competitiveness. Today, in a largely normalised environment, our companies are gaining market share and enjoying significantly higher margins than their competitors.

We have a balanced portfolio, both by geography and by business type, comprising solid companies trading at a significant discount to their fundamental value. This combination of factors does not guarantee immediate results, but should provide good returns in the coming years. In the long run, share performance depends much more on causality than chance.

It is asset prices that dictate the market narrative, never the other way around

The most interesting development in the last quarter has been the evident improvement in sentiment following the spectacular rebound in stock markets since the end of 2023. Renewed optimism has been driven mainly by investors' belief that the downturn in economic activity is bottoming out and therefore earnings growth will accelerate in the future. This radical change in perception

< GO TO CIO'S STATEMENT

reminds us, once again, that it is asset prices that dictate the markets' narrative, never the other way around.

Our vision of the investment environment at BESTINVER over the past few years (a much more constructive one compared to the consensus) is now shared by a larger number of investors. Consequently, many stocks have achieved significant rebounds and their valuations are no longer as attractive as they were a few months ago. We do not detect an excess of optimism that would justify being much more cautious than we have been in recent times, but it is possible that our perception is conditioned by the attractive valuation of the companies in our portfolio.

It is true that certain corners of the market are accumulating intimidating appreciations (i.e. anything related to artificial intelligence). Similarly, cyclical sectors continue to perform exceptionally well on the stock market, which contrasts with many companies with recurrent and visible results which are less closely linked to the economic situation, whose shares have slumped.

An observer of the events could summarise the quarter by saying that supposedly expensive stocks have become more expensive, while the discounts at which apparently cheap ones traded have increased. This analysis would be a little superficial, but it would not be far from the truth.

Veblen assets and necessary portfolio rotation

Drawing conclusions about potential investment successes (or failures) based on the whimsical behaviour of short-term price movements is generally not a good idea.

There is no doubt that we are all happier when the portfolio accumulates good gains, but as value investors our work has to focus on connecting the dots between share prices and the businesses' true performance. In other words, trying to distil what is important from what seems urgent but is not so important. What is our objective? To take investment decisions based on a fundamental analysis and seek to take advantage of daily market noise to benefit the portfolio's future performance.

At BESTINVER we do not try to predict short-term market fluctuations. It is extremely difficult to get this right and hugely damaging to get it wrong. Of course, there will always be investors who pay no attention to us, despite all the studies that show that it is a fruitless exercise. Their intentions are laudable, but remain illusory.

We have all heard on countless occasions phrases such as "the market is expensive, I should get out temporarily" or the famous and recurrent "I don't think this is a good time to invest in the stock market". The reasons given change from one year to the next, but they always boil down to the same mistake: not investing in companies that generate value for their owners in the long term for fear of macroeconomic or other eventualities which, of course, are transitory in nature.

But this does not mean that, as investors, we should not act when rises in share prices reduce our safety margin. A good company is not necessarily a good investment. The return we earn as owners of a listed company depends on the performance of the business and its valuation in the markets.

This is something that not all investors take into account, as shares behave as if they were Veblen[1] goods, i.e. demand tends to increase as their prices

[1] In his book "The Theory of the Idle Class" published in 1899, Thorstein Veblen explained how certain goods have a positively sloping demand curve, i.e. as their price increases so does their demand. These are goods whose value derives not only from the intrinsic utility of their consumption, but primarily from the reputational value that an individual derives from owning them, as in the case of luxury goods.

< GO TO CIO'S STATEMENT

rise. In other words, investors' interest in the stock market grows as valuations expand and expected future returns shrink.

At Bestinver Internacional we are very disciplined about the returns we demand on our capital. We rotate the portfolio seeking to maximise the long-term performance of our investments. This strategy, which is not the easiest to implement when the dominant factor in the markets is "momentum"[2], requires reducing the relative importance of companies whose safety margins have shrunk and increasing it in companies with a higher appreciation potential, provided that their risk profile is similar to that of the company we are selling.

Prudence, discipline and the application of a method that has been working for more than 35 years

When we enjoy periods of very positive returns, we should look in the mirror and ask ourselves how we would feel if we were experiencing losses of a similar magnitude. We say this because such situations are dangerous for investors. They generate excessively optimistic (or pessimistic) expectations that can lead us to make irrational extrapolations of the recent past, due to the influence it has on our way of projecting the future.

This consideration applies perfectly to the example of Pandora, an idea that we will revisit in this quarterly newsletter. A fantastic company whose investment case we detailed 18 months ago, in a very different stock market climate to the one we now enjoy. We have reread the Bestinver Internacional newsletter in which we explained its tremendous undervaluation and we cannot resist cutting and pasting some of the paragraphs we wrote at the time. We find them truly instructive on the problem of extrapolating the recent past:

Interest rates have already covered much of the ground they had to cover (at breakneck speed) and many of the imbalances that have brought us to this point are in full retreat. The end of this intense journey, which in record time has gone from euphoria over the end of the pandemic to post-Covid depression, is closer than it seems.

It is vital to be aware of where we are in the stock market cycle. We say this because our companies are very cheap. We are not sure when we will be able to enjoy the full benefits they offer but what we do know is that when the right circumstances are in place, the gains will be very significant.

The decisions we make in the coming months will determine our performance as savers in the years to come.

Everyone has a plan to buy shares when they fall by 40% ... except when they have already done so. At that point, we will always find reasons to explain their price and inevitably there will be a lot of negative narratives that will make it extremely difficult to stick to the original strategy. Making a smart plan when we are calm is useless if we fail to carry it out when we are not so calm.

To enjoy long-term investment success, we must be able to navigate through periods of difficulty. This challenge is caused not so much by the (temporary) losses that are often incurred but because bad news will make us increasingly fearful, fuelling an incessant negativity that will make us believe that the economic situation and the future profitability of our investments go hand in hand, when the opposite is true.

[2] Momentum-based investment strategies are built on the idea that stocks that have performed well in the past are more likely to continue to perform well in the future.

< GO TO CIO'S STATEMENT

Bear markets are a test of temperament, not intelligence. How successfully we emerge from difficult periods like the current one will depend on our ability to make rational decisions. We must not forget that downturns are nothing more than a revaluation of future profits generated by the businesses we own. The underlying value of these businesses hardly changes, it is the price of their shares that fluctuates (considerably) in a short space of time.

We should recall that that more money is lost preparing for a recession than when one actually arrives. We should also remember that, while in bull markets equity valuations expand to levels that compromise their future returns, in in bear markets the opposite is true: the foundations for excellent future returns on the shares are laid.

Our portfolio has a potential of well over 100%. In BESTINVER's 35-year history, there have been a few occasions when, due to a recession, a war or an unexpected event, the spread between the price and the value of Bestinver Internacional has been as wide as it is today. All of them represented the prior stage of what were to be magnificent returns in the years that followed.

How things have changed in just a few months! In that time, Bestinver Internacional's accumulated appreciation has been over 50%. It is essential to remember that emotions are not a good guide to investment decisions. We all become risk averse when we are losing money, just as greed is a silent enemy that can erode our gains if left unchecked in bull markets. Prudence, discipline and the application of a method that has been working for more than 35 years are key to finding the balance needed to navigate the financial markets safely and profitably.

This way of doing things explains the portfolio rotation referred to above. As a result, we continue to have a similar appreciation potential in Bestinver Internacional as we did 18 months ago. We make this estimate using exactly the same methodology as then: projecting the operational improvement we expect for our businesses over the next four years. When are these potential appreciations going to happen? We do not know, but it is clear to us that to make money in the stock market it is not necessary to anticipate what the macro-economy will do in the coming quarters. It will depend exclusively on whether we are able to buy companies below their fundamental value and to do so with as wide a safety margin as possible. Not forgetting patience, of course.

In this respect, at BESTINVER we focus exclusively on gaining an important advantage over the market regarding the factors that are fundamental for those of us who are long-term savers in the stock market. What are we talking about? We are referring to the in-depth analysis of the companies and the people who manage them, which is an absolutely essential condition for being able to appraise them accurately. As we have said before, investment success comes not from buying good things, but from buying the right things.

Pandora, the value of the most important intangible asset of all

The case of Pandora perfectly exemplifies the method we have just described. This investment has been very profitable for BESTINVER (with our fair share of suffering, as could not be otherwise) and highlights the value of the exhaustive analysis carried out by the Investment Team, not only of the Danish jewellery company's business model, but also of the most valuable intangible asset that any company can have: the talent of the people who run it.

We are referring to Alexander Lacik, Pandora CEO, who since joining Pandora in 2019 has managed to grow the company's sales by 29% (despite Covid) and earnings per share from DKK 30 to DKK 55. The price of our shareholding has more than tripled. This value creation has been possible thanks to the unusual confluence of three factors: Lacik's strategic vision, his skill as a

< GO TO CIO'S STATEMENT

capital allocator, and the low valuation of Pandora shares when we acquired them for Bestinver Internacional.

Lacik came to the company to implement a strategic vision based on three axes, which he built in parallel with a management team of extraordinary professionals. The first of these was to strengthen its business model through the management of the distribution channel. Traditionally, Pandora's sales had been channelled through its own stores and a network of franchises and multi-brand points of sale. However, Lacik realised that the high percentage of revenues from franchised and multi-brand shops was a weakness in the business model. In his view, if he could bring this share down, he would gain more control over inventories and improve the customer experience. This would result in higher revenues as the company's own stores absorbed the sales of the franchises and generated better margins by retaining the profits that previously went to franchisees. His plan was to acquire the franchises as their contractual relations expired, because that way he would only have to pay little more for them than the value of his inventory. He thereby reduced the number of non-owned retail outlets —from 1,373 in 2019 to 779 in 2023— and the percentage contribution to group revenues from 35% to the current figure of 20%.

The second axis was the recovery of respect for the brand. Lacik decided to drastically reduce the use of promotions and discounts, which were very common under the previous management, as they were seen as eroding the business's brand attributes. In addition, he initiated an ambitious digital marketing plan to reposition Pandora on social media: he recruited high-impact influencers, launched the new Essence product line and the Brillance lab diamond brand, and activated an attractive loyalty programme. For this purpose, Lacik increased the advertising spend from DKK 2,142 million in 2018 to DKK 3,840 million in 2023, increasing from 9.4% of revenue to 13.7% in just five years.

The third strategic focus was the increase in the number of the company's own shops and the development of the online channel. From his arrival, Lacik realised that the profitability of the business meant that opening new stores would have a positive effect on margins as it only needed one year to recoup its initial investment. The question, therefore, was not whether to open new stores, but where to open them. A geographical analysis of Pandora's revenues gave him the answer: while in countries such as Italy, Mexico, Spain or Austria it had a market share of around 10%, in others such as Germany and the United States market share was only 5% and 2%, respectively. Therefore, it was decided that store openings should focus on these countries, particularly the US. Since 2019, the number of own outlets has grown from 1,397 to 1,869.

In addition, boosting the online channel has been a major milestone for Pandora: at 21% of group revenues, its contribution has exceeded that of third-party stores for the first time in the company's history. In total, by end-2023 these measures had resulted in own stores and the online channel accounting for 80% of the group's revenues.

The impact of these three strategic axes on the company's profitability has been spectacular. Total sales have increased from DKK 21,868 million to DKK 28,136 million, income per point of sale has increased by 48.5%, gross margin has grown by almost 600 basis points —already outperforming luxury companies such as LVMH or Hèrmes— and the 2023 operating margin was 750 basis points higher than in 2019. All this, despite drastically increasing advertising spending and closing more than 600 points of sale.

Pandora has a great business model thanks to its high margins and scale. Also because of the efficiency provided by its vertical integration and the fact that it concentrates all production in its two factories in Thailand. As announced at its last investor day, the good performance of the business is expected to continue over

< GO TO CIO'S STATEMENT

the next three years, with estimated average growth of 7% to 9% per year. These rates have already been exceeded in the last two quarters, after generating sales increases of 12%. In fact, according to our estimates, the company could achieve double-digit annual growth until at least 2027. Therefore, the strategy initiated in 2019 has not only improved the company's profitability but has also established a strong growth platform for the coming years.

But what makes Alexander Lacik the kind of manager we want for our companies is that his strategic vision is complemented by his great skill as a capital allocator (I, II and III). Proof of this is the fact that, since he became the company's CEO, he has dedicated the free cash generated by the business to remunerating its shareholders through dividend payments and share buybacks. In particular, he has paid out DKK 6,986 million in dividends, has bought back DKK 14,888 million worth of own shares and has reduced the number of outstanding shares by 20%. All this, with only a slight increase in the group's net leverage. Shareholder remuneration since 2019 has totalled DKK 21,874 million, equivalent to just over 60% of the company's market capitalisation when Lacik took over. These are spectacular numbers.

The Pandora case is highly educational because it brings together many aspects of the reality of value investing. Today it is easy to admire what Lacik has achieved, but when he arrived only a few investors believed in his project. At the beginning of 2019, the Danish company had been one of the worst stocks in the European market for the previous two years, and market consensus was extraordinarily negative on the outlook for its business.

Without any doubt, this pessimism allowed us to buy the shares at a price well below the company's true value. But that pessimism, until it was dispelled by the overwhelming numbers reported, caused the market to test us several times. The most difficult occasion was in 2022 when the Danish company's shares plummeted, dropping almost 60% at one point during the year.

For this reason, it is important not to fall into the trap of hindsight and explain value investing as if it were as simple as analysing a business, buying cheap, waiting and reaping strong capital gains in three to five years. Quite the opposite: even when a company evolves in the way Pandora has, the path is always extraordinarily complex. This is something we must always remember. Value investing is never easy. It requires hard work, patience, humility, a cool head and conviction. Precisely the same attributes that Alexander Lacik has demonstrated.

Portfolio movements

We continue to rotate our capital from names that have performed very well, where the spread between price and value has narrowed significantly, to other types of companies where just the opposite has occurred. The first group of companies includes names like Meta, Inpost, Siltronic, Informa, Stellantis and Pandora itself. Among the latter, we have continued to increase our holdings in Heineken and BP, among others. The objective is the same as always: to continue to find the right balance between equilibrium and performance, knowing that it is not always possible to achieve this in the short term.

We have acquired shares in Elevance Health (formerly Anthem), an investment with an attractive combination of stable growth and profitability, as well as a valuation that has room to expand.

Elevance is the second largest health insurer in the United States, with 48 million customers. Thanks to its scale and brand recognition, the company has historically generated returns on equity that we consider very attractive (15-20%), particularly in view of the low cyclicality of its business.

In 2017, a new CEO from UnitedHealth joined the company. Since then, Elevance has implemented a diversification process in order to become a

< GO TO CIO'S STATEMENT

broader healthcare provider, not just an insurance company. It has created a new segment called Carelon, based on four pillars: lab testing, behavioural health, medical care and prescriptions. Elevance has stated that it wants Carelon to account for 30% of its profits in the next four to five years.

We believe this is the right strategy, as the margins and returns this division could generate are higher than those of the traditional insurance business, which could raise its valuation multiples in the market. By way of reference, UnitedHealth's Optum division accounts for half of the company's earnings and the American company trades at 18 times earnings, compared to Elevance's 14 times (11 times if we look two years ahead). As the management team continues to implement its plan and the improvement in profitability becomes more evident, we believe this valuation gap should narrow.

We should now turn our attention to the total divestments we have made in TechnipFMC, BNP, Bayer and Booking. In the case of the former, we continue to believe that the current cycle favours oil equipment and service companies. The lack of investment over the last five years, together with the stability in oil prices that results from having OPEP as a marginal producer in the market (compared to shale producers in the previous cycle), provides the sector with levels of visibility and profitability unseen in the last ten years. After TechnipFMC's plus-90% rally over the last 12 months, this new reality is clearly reflected in its valuation.

In the case of BNP, we are still in the process of recycling our exposure from eurozone banks to banks that have experienced a narrowing of their net interest income. This is the case for names such as Barclays or Natwest (an old acquaintance of Bestinver Internacional). Unlike their continental cousins, which have benefited enormously from the rates hikes of the last two years, UK banks have been under enormous pressure to remunerate their depositors. We expect an imminent stabilisation of margins, even if the Bank of England changes its monetary policy in the coming quarters. In our opinion, this reality is not discounted by the low valuations at which we have bought their shares in recent months.

In the case of Booking, after three years of blood, sweat and … smiles (having more than doubled our capital since the pandemic) we have exchanged our shares for those of its competitor Expedia, the owner of brands such as Expedia itself, Hotels.com and Trivago. We know the sector well and believe that the US company is trading under a stigma that does not do justice to the improved profitability of the business that we expect in the coming years, after having integrated its brands and technology platform. Expedia is a much better company than it was before the pandemic, when it was earning USD 8 per share. It returned to this profit level in 2022, when its shares were trading for USD 180. According to analyst consensus, earnings this year and next year are expected to reach USD 12 and USD 15 per share, respectively (our three-year forecast figures are higher than the consensus) and its price is almost 40% below the level at which it was trading three years ago.

Finally, the sale of Bayer should be seen as an investment mistake on our part. The German company's multiples had been depressed for a long time, but we believed there were compelling reasons to reverse the well-deserved discount it has traded at in recent years. What we did not expect is that one of the pillars of our investment case, the replacement of two drugs (Xarelto and Eylea), which represent a significant part of the value of its pharmaceutical division and whose patents will expire in the next two years, would suffer a setback like the one the company announced at the end of last year.

Bayer announced the suspension of the OCEANIC-AF study, a phase III clinical trial of its new oral anticoagulant (Asundexian), after acknowledging that the results did not evidence a higher efficacy and safety profile than the existing drug on the market (Apixaban). The business opportunity for this medicinal product was very important for many reasons, but one of the most important

< GO TO CIO'S STATEMENT

is that it relieved the balance sheet pressures that the German company had suffered since the purchase of Monsanto in 2018, a deal that included huge contingent liabilities that have led to the payment of millions of dollars in compensation.

The new management team (another pillar of our thesis) can do little about this situation. It has announced a painful cost restructuring programme, including a 95% cut in its dividend, and has delayed *sine die* the possible segregation of the businesses that could have unlocked so much value.

The suspension of the OCEANIC-AF study is a reminder that new drug development is a complex and risky process. Even those that appear promising in the early stages of development may fail in phase III clinical trials. The other lesson from Bayer is that, once again, when you buy debt-ridden companies, you have much less room for manoeuvre in the face of misfortune than you might initially think.

Bayer still "looks" very cheap. It probably is. However, any investor can buy a mix of Corteva, Glaxo and Haleon, for example, replicating Bayer's business and doing so at a valuation very similar to Bayer's. But without the burden of debt, a burden that in the investment world does not allow any mistakes to be made.

Thank you again for placing your trust in us.

Yours sincerely,

The Investment Team.

Date: 31/03/24. Source: BESTINVER

MAIN MOVEMENTS

Additions

EXPEDIA
ELEVANCE HEALTHi

Disposals

BAYER
BOOKING
BNP
TECHNIPFMC

Increases

HEINEKEN
BP

Reductions

SILTRONIC
META PLATFORMS
INFORMA
INPOST
PANDORA
STELLANTIS

< GO TO CIO'S STATEMENT

Bestinver Bolsa

Investment fund aimed at investors with a long-term time horizon (over five years). The fund invests up to 100% in Iberian equities (Spain and Portugal). The Fund's objective is to achieve long-term returns by selecting attractive, well-managed businesses with a high growth potential. The fund is managed based on the three cornerstones of our investment philosophy: our own fundamental analysis, appropriate risk management and a time horizon shared by investors and managers.

MANAGEMENT TEAM

Ricardo Seixas
Head of Iberian Equities

Javier Ortiz de Artiñano
Iberian Equities Analyst

León Izuzquiza
Iberian Equities Analyst

Gabriel Megías
Iberian Equities Analyst

ANNUAL RETURNS TABLE

	2024	2023	2022	2021	2020	2019
Bestinver Bolsa	4,09%	25,62%	-6,43%	16,97%	-14,01%	10,51%

ANNUALISED RETURNS TABLE

	1 year	3 years	5 years	10 years	15 years	Launch
Bestinver Bolsa (1)	19,89%	8,98%	5,29%	3,73%	7,92%	9,44%

Data at 31/03/2024
Past performance is no guarantee of future performance.

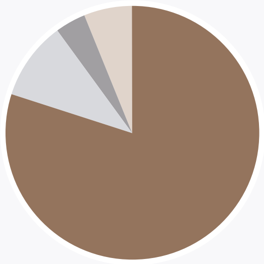
(1) Launch date: 28/06/1994

TOP POSITIONS

TOP 5	% OF PORTFOLIO
BANCO SANTANDER SA	8,09%
BANCO BILBAO-VIZCAYA ARGENTARIA	7,22%
REPSOL	6,03%
INDRA SISTEMAS S.A.	5,21%
INMOBILIARIA COLONIAL, S.A.	5,01%

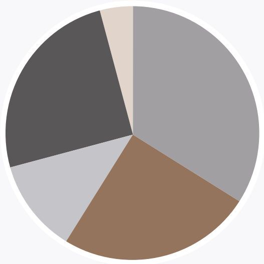
PORTFOLIO DISTRIBUTION

Geographical distribution



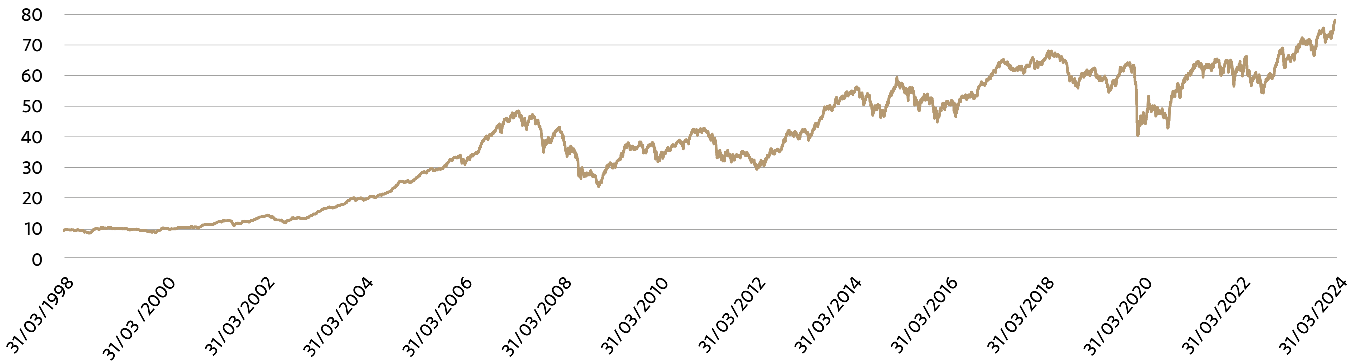
Spain	**80%**	Liquidity	**4%**
Portugal	**10%**	Europe	**6%**

Sectoral distribution



Industrial	**34%**	Financial	**25%**
Consumer	**25%**	Liquidity	**4%**
Communication & Technology	**12%**		

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 31/03/24. Source: BESTINVER. Periods exceeding 1 year at annualised rate. Launch date: 28/6/1994.

RISKS ASSOCIATED WITH THE INVESTMENT

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Detailed information on the risks associated with the investments can be found at the end of this document.
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MANAGEMENT ASSESSMENT

Dear Investor,

It has not been a bad start to the year for stock markets in general. However, if we scratch the surface we find that returns have been very highly concentrated in large companies on the main indices. We also ended the first quarter with a certain sense of *déjà vu* as we recognise certain patterns that determined the generation of profitability last year.

Somehow, investors remain concerned about the pause in the disinflationary process —a process that the market had been discounting very aggressively towards the end of 2023. By way of example, in the euro area futures have gone from predicting seven rate cuts in 2024 to only four in just a few weeks. This hangover has been conditioned to a large extent by the drag from unfavourable US inflation and growth data, the apparent resilience of domestic inflation in Europe and the cautious messages from the monetary authorities regarding rate cuts, which have punished the highest value segments to a greater extent at the beginning of the year. In addition, while growth seems to be showing signs of stabilisation, particularly in a manufacturing sector that had a rough time during 2023, the recovery in Europe remains very timid. However, as we pointed out in our previous quarterly newsletter, these processes do not occur in a straight line and we expect moderation in inflation and interest rates to gain traction over the course of the year, providing greater depth to the economic cycle. We believe that there is still considerable scope for valuations to become normalised in this scenario, particularly in an Iberian market that continues to trade at historically low levels.

Regarding our portfolio positions, one of the main events of the quarter was the heavy fall suffered by Grifols. In January, the American firm Gotham City Research, which is also used to taking bearish positions, published a report on the company concluding that it might be worthless. Broadly, the report cited a number of governance and transaction practices that we had already analysed and monitored over the years and which, taken together, were the main reason that kept us at distance. It was only a little over a year ago when we began to perceive substantial changes in governance and in the deleveraging trajectory, and to anticipate an operational improvement in the business that made us change our minds and take a position in the fund. In fact, the only change we have observed in Grifols' thesis in this first quarter does derive from any media attack but from the company's annual results presentation on 29 February. At the meeting, the CFO announced that Grifols would not generate free cash flow this year, largely due to extraordinary investment commitments. We do not consider that this deviation calls into question the recurrent cash generation by the business, but it comes at a delicate time and makes it difficult to achieve the deleveraging targets set for the end of this year.

In any case, we continue to invest in Grifols because we believe that the fall is excessive and still see considerable long-term value, given its leadership position in an oligopolistic sector and the change of direction in the company's management. We will closely monitor the materialisation of the upcoming milestones, such as the incorporation in April of Nacho Abia as new CEO and, above all, the closing of the Shanghai Raas sale operation which is expected in the second quarter.

Another portfolio company that is going through a significant period is Indra. Exactly one year ago, we presented this investment idea and the shares have risen by more than 70% since the end of 2022. What has happened since then, and how do we view the investment case now?

Looking back, the operational performance of its defence, transport and technology divisions has been excellent and governance improvements have helped to improve the perception of its Board of Directors. In the transport and defence division Indra had been awarded a large number of projects over several years, but their impact on the income statement requires a certain time lag, given the nature of these contracts. To give a few figures, this division earned over EUR 7 billion in contracts between 2019 and 2022, while sales for the same period were EUR 4.9 billion. The new project execution cycle increased the division's revenues by 18% in 2023. In its technology division, Minsait, revenue growth also reached double digits. But what was really remarkable was the slight margin dilution in a high inflation environment, a rarity compared to its competitors.

In addition, the appointment of Jose Vicente de los Mozos as CEO following the departure of Ignacio Mataix has helped to disperse fears about possible conflicts of interest of Indra's largest shareholder, Sociedad Estatal de Participaciones Industriales, with other minority shareholders. Its strong industrial profile, its execution track record, the bases of the new strategic plan presented last March and the commitment to value creation through a reasonable capital allocation policy have served to reduce any risk premium that the market might apply to Indra due to governance issues.

Why do we hold on to this position after its substantial appreciation? The key lies in the business plan for the next three years to which the company has just committed itself. Considering only the organic targets they have set, at current prices Indra would be trading at 6 times the operating profit we expect by 2026, a discount which in our opinion is excessive for the company's business mix and prospects. The first key is that we see them as reasonable targets if we look at their sectoral trends, such as Europe's increasing defence budgets and the digitalisation of the economy. Secondly, if we add to this basis the capital allocation to be made by the management team and the potential crystallisation of Minsait's value, we believe that Indra's best days are yet to come.

The cases of Grifols and Indra are just two examples of the multitude of intra-stories that unfold in the heart of an investment portfolio. Bestinver Bolsa is a portfolio of around 25 companies which, as we have explained, involve investment theses with varying degrees of maturity but which together make up a solid and diversified block.

We do not wish to depart without re-emphasising a reality that we have conveyed to you on several occasions over the last 18 months. There are many companies in our Iberian universe that have undergone a radical transformation in terms of profitability and deleveraging over the last few years which the markets have barely recognised. The concentration of returns mentioned at the beginning of this newsletter has only exacerbated this discord.

Thank you again for placing your trust in us.

Yours sincerely,

The Investment Team.

Date: 31/03/24. Source: BESTINVER

MAIN MOVEMENTS

Additions

AENA

Disposals

ENDESA

Increases

FERROVIAL

Reductions

IBERDROLA

Bestinver Grandes Compañías

Investment fund aimed at investors with a long-term time horizon (over five years). The fund invests up to 100% in global companies. The fund's objective is to achieve long-term returns by seeking out extraordinary companies with reasonable valuations, based on the investment team's fundamental analysis. We understand extraordinary businesses to be those that combine sound corporate governance with business models that bring lasting competitive advantages. The fund is managed based on the three cornerstones of our investment philosophy: our own fundamental analysis, appropriate risk management and a time horizon shared by investors and managers.

MANAGEMENT TEAM

Tomás Pintó
Head of International Equities

Jorge Fuentes
International Equities Manager

ANNUAL RETURNS TABLE

	2024	2023	2022	2021	2020	2019
Bestinver Grandes Compañías	7,89%	24,57%	-22,55%	19,52%	12,66%	23,37%

ANNUALISED RETURNS TABLE

	1 year	3 years	5 years	10 years	Launch
Bestinver Grandes Compañías [1]	18,34%	5,60%	9,75%	7,12%	9,40%

Data at 31/03/2024
Past performance is no guarantee of future performance.

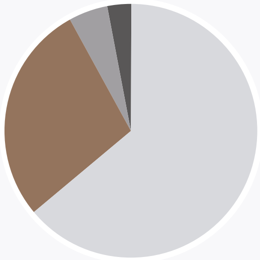
[1] Launch date: 16/12/2011

TOP POSITIONS

TOP 5	% OF PORTFOLIO
ASML HOLDING N	3,40%
SAMSUNG ELECTRONICS CO (KRW)	3,38%
DEUTSCHE BOERSE AG	3,32%
HEINEKEN NV	3,31%
ALPHABET INC-CL A	3,21%

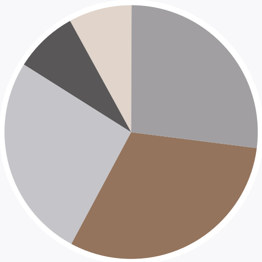
PORTFOLIO DISTRIBUTION

Geographical distribution



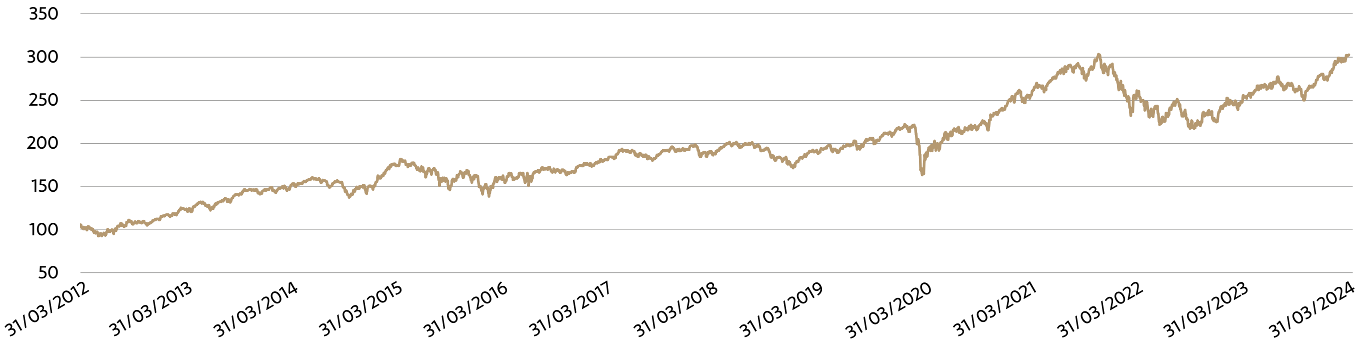
- Europe **64%**
- USA. **28%**
- Liquidity **5%**
- Rest of the World **3%**

Sectoral distribution



- Industrial **27%**
- Consumer **31%**
- Communication & Technology **26%**
- Financial **8%**
- Liquidity **8%**

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 31/03/24. Source: BESTINVER. Periods exceeding 1 year at annualised rate. Launch date: 16/12/2011.

RISKS ASSOCIATED WITH THE INVESTMENT

Bestinver Grandes Compañías is an equity investment fund and as such mainly involves the following risks: market risk, currency risk, country risk, concentration risk and inflation risk.
Detailed information on the risks associated with the investments can be found at the end of this document.
Past performance is no guarantee of future performance.
The fund's full prospectus, regular reports and KIID can be found on the following websites www.bestinver.es and www.cnmv.es

Dear Investor,

Bestinver Grandes Compañías ended the quarter with a return of 7.9%.

The overall figures for our shares have reflected good returns for the portfolio for several quarters, although the dispersion among returns continues to be considerable. There are companies whose fundamental value is being recognised by the market which coexist with others that continue to trade at a major discount to their valuations.

We are finding opportunities in companies whose results are affected by dynamics that we consider temporary, but whose share prices have discounted a highly unlikely lasting impact. Names that are unfashionable among investors and therefore trade at contracted multiples, an essential ingredient for safe and profitable investments.

At Bestinver Grandes Compañías we remain cautious in our projections and austere in our valuations. Nevertheless, we are very optimistic when we think about the future. Our portfolio comprises extraordinary companies that will bring us much joy as shareholders not only because of the good operating performance we project for their businesses, but also because of the attractive valuations at which they are trading on the markets.

We are prudent, but not worried

Investor sentiment continues to drive the strong rebound in markets from the rock-bottom figures in October last year. Or is it the other way around? It is difficult to know, as in the peculiar ecosystem of the stock market, investor sentiment rises as valuations expand. It is a fascinating symbiosis that tends to feed off itself and requires a good measure of prudence on our part.

But being prudent is not the same as being pessimistic. Prudence calls for caution when investors extrapolate ad infinitum a scenario that has been kind to them recently (like now). The opposite is also true: it requires a good measure of optimism when the prevailing opinion is clearly pessimistic (as was the case in the markets until only a few months ago).

Although optimism is contagious in the stock market, we do not believe that we are in a viral phase of the market in which euphoria and exaggeration end up ignoring the importance of valuations. There are still a few pessimists out there, although they are becoming less noisy. This is not surprising: the world's major indices have recorded their best first quarter in five years and almost half a year has gone by without a daily drop of 2% in the world's major stock markets.

We are not overly concerned. Firstly, because we are confident that when we see the first adjustment, that positive sentiment will turn into rampant negativism. This is the nature of markets in recent times. Secondly, and more importantly in our view, the gains of the past year have only reversed the steep declines that occurred in 2022. In that year, the market ignored the strong recovery in corporate profits after the end of the pandemic, preparing for a recessionary scenario and structurally high inflation that has not materialised.

Observations resulting from a tantrum

We consider it worthwhile to comment on the "momentum" existing in some sectors, the positioning that we observe in the markets after the rebound in recent months and, incidentally, to contextualise some of the claims that, while untrue, are repeated ad nauseam by people who have never made a calculation in their lives. No conclusions should be drawn from such reflections, they are simple observations which, as the expression goes, should be taken with a pinch of salt. Or with a whole salt-shaker if you are making investment decisions.

As we have discussed before, companies can be considered as very long-term bonds. Their profits are similar to coupons on fixed income assets but, unlike fixed income assets, they are variable. In other words, they grow (or shrink) with the economy, and also with inflation. The global economy has slowed significantly in real terms and much more so in nominal terms. Business activity has slowed down after the strong cyclical recovery following the end of Covid, and inflation, thanks to high interest rates, has receded from exceptionally high levels. Understandably, business results have followed a similar trajectory.

There is one exception to the nominal earnings slowdown described above: the technology sector. This industry grew spectacularly during Covid and, evidently, did not shine during the reopening of economies that followed the end of the pandemic. The solid recovery we are seeing in the earnings of large technology companies and starting valuations not seen in more than a decade explain the sector's strong stock market performance in recent times. We are not in a Y2K-type bubble. We often hear this said and it is absolutely pointless, despite artificial intelligence which, for now, is just the icing on the cake of the profit recovery we have been talking about.

The performance of other industries, with a few honourable exceptions, shows a clear stagnation. This is the case of the manufacturing sector, affected by the slowdown in China and the shift in the consumption preferences of the business community (from goods to services) following the reopening of the world's economies. Likewise in the construction sector, which has come to a standstill waiting for the lowering of interest rates that everyone is discounting. This situation is also reflected in the lack of dynamism in business investment and the reduced demand for many goods that require financing for their purchase. Nobody will move until central banks reverse their monetary policies.

What is curious is that many of these industries, which are considered cyclical because their activity depends on the economic situation, are the ones that are leading market gains so far this year. This is after leading the performance table in 2023 as well. We understand that there has not been a recession and that these sectors were heavily underweighted in investors' portfolios 18 months ago. Nor do we forget that their profits rebounded sharply after Covid while their shares, conversely, had fallen significantly (they were very cheap).

But now their multiples have expanded, their margins are at record highs and their results are somewhat discreet. However, the rebounds continue and they are not negligible (double digit in many cases). So what is going on?

What is happening is that investors are betting that cyclical companies are going to be the winners in the rate cuts that are expected in the coming months. They do this after being the winners last year, when they celebrated the fact that there was no economic contraction (which is the main reason why rates have remained high for longer).

Today, however, investors are celebrating an (extra) soft landing of the economy, i.e. a slowdown in growth that will not lead to a recession but which requires rates to fall in order for this not to happen. The problem is that when you look at the behaviour of many cyclical stocks, it is only consistent with a type of growth that rules out any need for reductions in the price of money.

All this is probably just an *ex-post* rationalisation of the excellent returns that certain sectors have achieved in the market. In our view, this dynamic has a lot to do with the huge popularity in today's markets of the "momentum factor", a strategy based on the idea that stocks that have performed well in the past are more likely to continue to perform well in the future.

As we said before, such reflections are interesting but not important. These are merely observations, in this case the result of a tantrum due to the poor performance of some of our companies with recurrent and visible results (so-called defensive stocks) which have not joined the powerful rebound in the last few quarters on the stock market.

Portfolio movements

Such market speculation has little to do with long-term investment in listed companies. It belongs to the field of speculators who do not invest in businesses and people, but make tactical bets based on macroeconomic indicators or other "factors". But this does not mean that we at BESTINVER don't care. Quite the opposite. Situations of this kind provide us with daily investment opportunities by allowing us to buy (or sell) companies whose prices diverge from the fundamental valuation of their businesses, which is precisely what we do.

As we said at the beginning, although the performance of the portfolio is very positive and on the surface it appears that nothing has happened, the reality is that many of our stocks have recovered significantly while others have fallen. Among the latter, as you may have anticipated, there are a number of defensive companies that investors sold last year because the economy was stronger than expected. Now that the economy has cooled down, they don't want to buy them because interest rates are going to fall and the economy is going to reaccelerate. For that reason, and due to their evident lack of momentum.

We are talking about fabulous companies, in which we continue to increase our exposure and which in the long term will generate excellent returns for the portfolio with very limited risk, the true objective of our fund. Names such as speciality chemicals distributor Azelis (-11.7% in the quarter), Pernod Ricard (-14%) or Heineken (-3%) are among them.

Speaking of lack of momentum, Roche (-6.5%) deserves special mention, affected by the doubts of many investors over its R&D capabilities and by the wild divergence in valuation that exists between the two companies that have anti-obesity drugs on the market (Novo Nordisk and Elli Lilly) and the rest of global pharmaceuticals.

This disparity, in some respects, reminds us of the case in 2021 of Tesla and the traditional car manufacturers, when Elon Musk's company was worth more than twice as much on the stock market as all the European, Korean and American manufacturers combined.

We will end this newsletter by briefly commenting on a company that perfectly describes the philosophy of our fund and which, this time, has shown wonderful “momentum” since we bought it at the end of last summer, with a cumulative appreciation of over 50% since then (31% in the quarter).

Our strategy’s hunting ground is what we at BESTINVER have defined as “great companies”. We are not talking about large-cap companies but companies with profitable business models, which have the capacity to grow on a recurrent basis and can do so without without competition eroding that profitability. How do they achieve this? With extraordinarily high barriers to entry. Few companies in the world fit this description better than *ASML*, the Dutch firm that holds a global monopoly in the manufacture of advanced lithography (EUV) equipment.

For BESTINVER, semiconductors are the raw materials of the 21st century and ASML is at the top of the industry value chain. Its machines are able to draw patterns on the surface of a silicon wafer with nanometre precision, creating the tiny transistors that are the chip’s heart. A kind of 3D printers which, instead of plastic, use light and, instead of three-dimensional objects, create electronic circuits the size of a millionth of a human hair. High-tech parts, critical to the survival of Moore’s Law, and therefore essential for the development of modern technology, the global economy and society as a whole.

We are describing an absolutely impregnable moat that has allowed ASML to grow its revenues by more than 20% per year over the last decade, converting 20% of those sales into free cash flow and using very little capital to do so (average ROCEs above 55%). An unrepeatable company, which represents the funnel through which companies that make the chips (TSMC, Intel, Samsung, etc.) that design the world’s technology giants (Apple, AMD, Nvidia, etc.) have to pass.

However, our investment strategy demands an additional requirement that does not depend on a company’s qualities, in this case unquestionable, but has to do with the valuation of its shares. Buying well is relatively easy, buying cheap less so. What is remarkable about the ASML case is that we have become owners of a global monopoly operating in a strategic sector with strong tailwinds and we have done so at a very significant discount to its fundamental value. How is this possible? Thanks to a fantastic team of analysts and a lot of patience, the indispensable element of any value investment, the best medicine against panic and market excesses and the necessary ingredient for value and price to converge.

We have been following ASML for many years, it has almost always been expensive or very expensive (since 2013 the Dutch company company’s average PER has been over 30x). This summer, with our homework long done, we took advantage of market uncertainty over the recovery of semiconductor investment, coupled with geopolitical tensions between China and the US, to acquire a unique asset at a very attractive valuation.

We are talking about 18 times next year’s profits or 12 times what we believe it will generate in 2027, when ASML will be equipping the semiconductor factories of many countries that want to reduce their dependence on Asia for the production of what, for us, are the raw materials of the 21st century.

We would like to thank you once again for your trust in us and remind you that on 25 April at 18:30h we will be holding a webinar in which we will talk about why "Great Companies" increase the magic of compound interest and how to invest in quality companies from a value investing perspective.

Thank you again for placing your trust in us.

Yours sincerely,

The Investment Team.

Date: 31/03/24. Source: BESTINVER

MAIN MOVEMENTS

Additions

DISNEY
ELEVANCE HEALTH

Disposals

—

Increases

ASML
RENTOKIL
AZELIS
BEIERSDORF

Reductions

IFF
BUREAU VERITAS
META

Bestinver Latam

Equity fund that invests primarily in Latin America BESTINVER LATAM FI as a Subordinated CIU invests at least 85% of its assets in BESTINVER LATIN AMERICA, CLASS Z - EUR, a sub-fund of BESTINVER SICAV, IIC Principal.
The Fund's Main CIU invests at least 75% of its total exposure in Latin American equities, primarily in Brazil, Mexico, Chile, Colombia and Peru. The strategy focuses mainly on consumer-related areas and the growth of the middle class in these countries. The aim is to achieve long-term profitability, applying a value investment philosophy.
Both the Main CIU and the Subordinated CIU promote environmental and social features, being listed as Art. 8 Regulation (EU) 2019/2088 SFDR.

MANAGEMENT TEAM

Ignacio Arnau
Bestinver Latam Manager

Pablo Ortea
Bestinver Latam Analyst

ANNUAL RETURNS TABLE

	2024	2023	2022	2021	2020	2019
Bestinver Latam FI	2,79%	22,26%	-12,71%	-16,77%	-6,91%	12,66%
Class R Bestinver SICAV - Latin America	2,73%	21,45%	-13,03%	-16,75%	-6,02%	32,67%

ANNUALISED RETURNS TABLE

	1 year	3 years	5 years	Launch
Bestinver Latam FI (1)	27,89%	-2,42%	-0,01%	-0,83%
Class R Bestinver SICAV - Latin America (2)	27,61%	-2,92%	0,03%	3,52%

Data at 31/03/2024
Past performance is no guarantee of future performance.

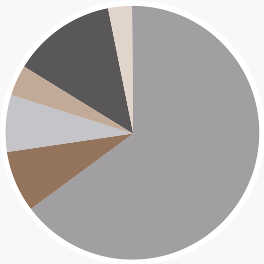
(1) Launch date: 18/01/2019
(2) Launch date: 05/07/2017

TOP POSITIONS

TOP 5	% OF PORTFOLIO
VTEX -CLASS A	5,76%
EMBRAER SA-SPON ADR	5,38%
MERCADOLIBRE INC US	4,86%
LOCAWEB SERVICOS DE INTERNE	4,86%
XP INC - CLASS A	4,17%

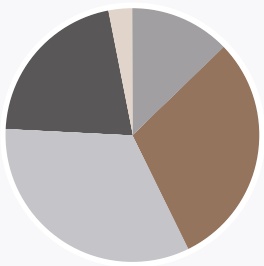
PORTFOLIO DISTRIBUTION

Geographical distribution



Brazil	**65%**	Peru	**4%**
Mexico	**8%**	Latam	**13%**
Chile	**7%**	Liquidity	**3%**

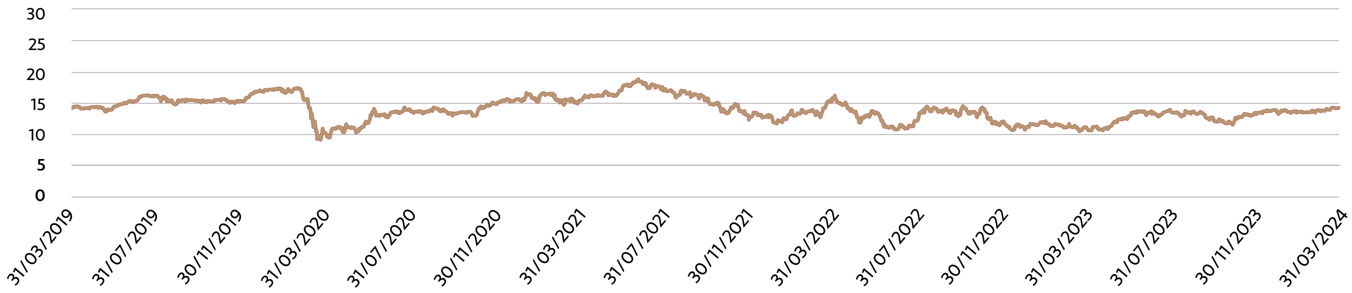
Sectoral distribution



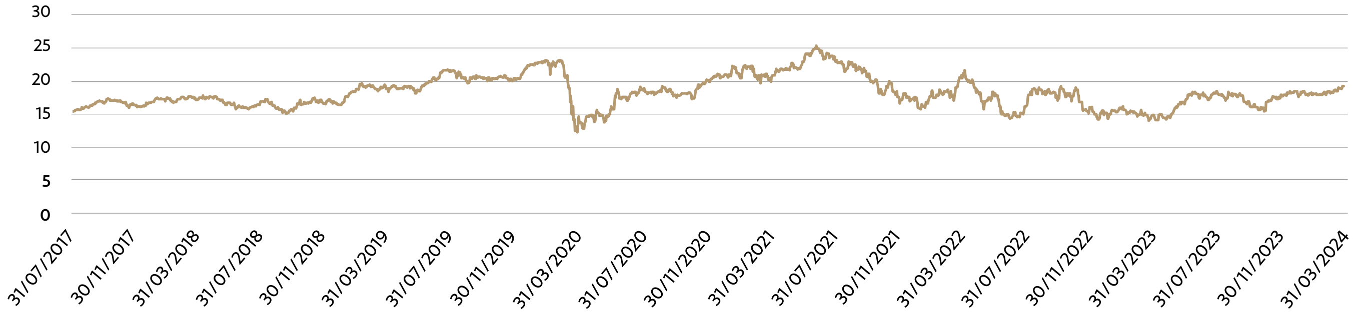
Industrial	**13%**	Financial	**21%**
Consumer	**30%**	Liquidity	**3%**
Communication & Technology	**33%**		

FLUCTUATIONS IN NET ASSET VALUE (€)

BESTINVER LATIN AMERICA SICAV



BESTINVER LATAM FI



Day close data: 31/03/24. Source BESTINVER. Launch date Bestinver Latam FI 18/01/2019. Lauch date Bestinver Latin America SICAV clase R 05/07/2017.
Bestinver Latin America belongs to Bestinver SICAV (registered in Luxembourg). It is not registered with the CNMV and is therefore not marketed in Spain.

RISKS ASSOCIATED WITH THE INVESTMENT

Bestinver Latam is an equity investment fund and as such mainly involves the following risks: market risk, currency risk, country risk, concentration risk, inflation risk, derivative risk and sustainability risk.
Detailed information on the risks associated with the investments can be found at the end of this document.
Past performance is no guarantee of future performance.
The fund's full prospectus, regular reports and KIID can be found on the following websites www.bestinver.es and www.cnmv.es

MANAGEMENT ASSESSMENT

Dear Investor,

The main Latin American stock exchanges closed the first quarter of 2024 with a slight fall in euro terms of 0.15%. In contrast to the uniformity of the previous quarter, the last three months were marked by a high degree of dispersion, both at geographical and sectoral levels. Geographically, the main movements were a 5% fall in the Brazilian stock market and a 16.3% rise in the Peruvian stock market. At sectoral level, the most notable feature was the poor performance of the the industrial and mining sectors, which fell by 8% and 5%, respectively. In this context, Bestinver Latam completed the quarter with a positive return of 2.8%.

Global and regional macroeconomic normalisation: the process moves forward

The path towards economic, social and political normalisation that we have discussed in our recent newsletters continues apace, driven by the stabilisation of inflation projections at favourable levels and interest rate cuts by the region's central banks. Within this long-term process, the first quarter of 2024 can be considered as a transition period, in which Latin American markets have sought a new equilibrium after the gains accumulated in the previous months. As we noted at the beginning of this newsletter, the period has been marked by a greater level of geographical and sectoral dispersion, but accompanied by much lower levels of volatility than in the last two years. We interpret this positively and hope it will continue.

On a global level, the leading actors for the quarter were again the US Federal Reserve and the phenomenon of Generative Artificial Intelligence. Both issues continue to develop positively. The notion that interest rates in the US have reached a ceiling is reflected in the markets, with an expectation of various rate cuts in the second half of the year and, therefore, the likelihood of a soft landing for its economy during 2024 is also increasing. For Latin American markets, a looser US interest rate environment will help to extend and accommodate the rates reduction process for central banks in the region, in terms of both time and magnitude. In our opinion, the longer and deeper the process, the more solid and lasting it will become.

Elsewhere, large US companies linked to Artificial Intelligence continue to generate strong earnings growth and serve as a magnet for global flows that have helped the US market start the year with significant gains. It is true that, at present, it is difficult to compete for global flows with something as strong and real as Generative Artificial Intelligence, but the important thing is that the countries in which we invest continue to do their homework and our companies continue to execute their strategic plans appropriately and grow their profits. This good performance by countries and companies is necessary so that, when the flows return, they focus on our universe. As Picasso said, *may the muses catch you at work*.

In the countries and companies in which we invest, the work they have carried out in recent years is structural for the former and strategic for the latter; and, in both cases, of considerable quantitative and qualitative magnitude. The processes of political regeneration, social modernisation and legal and institutional strengthening undertaken in the region are examples of the profound change that Latin America is undergoing and which is consolidated by the arrival of high levels of foreign direct investment. Positive trade balances, combined with pragmatic fiscal policies, help anchor the value of their currencies in these times of falling rates. This is a good macro context for a universe of companies that continue to increase their sales, expand their margins and improve their competitive positions.

Therefore, our long-term strategy, which focuses on growing quality companies with very attractive valuations in a region as dynamic as Latam, allows us to build a portfolio with a very asymmetric return profile and great appreciation potential in this normalisation process that continues to progress slowly but surely.

Main movements in the main CIU portfolio

There were very few movements in the portfolio during the quarter, the most notable being the exit from the DLocal portfolio.

The portfolio ended the quarter with a liquidity level of 3.3% and 37 companies, representing the best investment opportunities in the region. In geographical terms, Brazil represents 65% of the portfolio, followed by LatAm —as we call our pan-Latin American group of companies— with 13%, and Mexico with 8%. On a sectoral level, technology and consumer continue to predominate at 33% and 30% respectively.

Embraer: time to reap and extract value in all its verticals

Embraer, Empresa Brazileira de Aeronáutica, is one of only three commercial aircraft manufacturers which, along with Boeing and Airbus, is licensed to fly worldwide. Its business has many of the characteristics we seek for our portfolio: it operates in an oligopolistic sector, has high value-added products and, starting from a regional leadership position, has become a global player with more than 80% of its revenues derived from non-Latin American countries. For this reason, at Bestinver Latam we have been shareholders in the company for several years and it currently accounts for 5.3% of the fund.

Embraer has four lines of business. The commercial aviation division is the largest with 36% of sales. Despite competing with Boeing and Airbus, Brazil is the world leader in aircraft with up to 90 seats, with a market share of more than 80% in markets as important as the US. This is a strategically important niche as the routes on which these aircraft operate are often highly profitable. For this reason, airlines have a strong incentive to normalise the size of these routes in developed countries and increase their density in emerging countries by placing orders with Embraer and providing it with the volumes needed to achieve margins of 7% to 9% over the next few years, up from 6.6% today. The second largest division is business aviation, with 25% of income, where it has a leading global position in the light jet segment with its Phenom 300 model. Embraer's figures are very strong in this area, with an order book and operating margins —currently around 10%— at the highest levels in its history. Third, Embraer is a major player in the defence sector, from which it derives 10% of its income. Its main product is the C-390, a multi-role aircraft developed together with the Brazilian Army, capable of carrying ammunition, heavy weapons, fuel or troops. Due to its operational advantages over Lockheed Martin's C-130 —its main competitor— its order book is at a record high, deriving from six different countries and generating operating margins of 7%, compared to losses in previous years. Finally, there is Embraer's services division accounting for 25% of sales. It leverages the experience gained in the other three divisions to provide support, technical assistance, maintenance and staff training to the company's customers. Thanks to its low capital intensity and operating margins in excess of 15%, it is the company's most profitable segment and a major cash generator. These four divisions therefore constitute a diversified business model capable of maintaining dominant positions in the face of major international competitors.

In terms of its balance sheet, Embraer has completed a long investment cycle in which it has renewed its product offering with higher added value. Over the next few years, its strategy will be to enjoy a less capital-intensive phase which, coupled with increased cash generation, will allow for rapid deleveraging. This deleveraging may increase if Boeing is eventually ordered by an arbitration court to pay it USD 400 million in compensation for breaking off the agreement to acquire its commercial aviation business during the pandemic. This amount represents more than half of the USD 781 million in net debt it recorded at end-2023 and 10% of its market capitalisation.

Finally, there is one additional aspect that we believe the market is not adequately considering. Embraer owns 90% of EVE, the electric vertical take-off and landing vehicle company with the world's largest order book: USD 8.6 billion, representing 22% of the industry's total. The market value of this holding is USD 1.26 billion, compared to USD 4.9 billion for the group as a whole. If we extract the EVE value from Embraer's capitalisation, the implied valuation of the company would be around 6.2x estimated EBITDA in 2024, compared to an industry average that we estimate at around 14x. These implicit multiples for the Brazilian company are not consistent with the quality of its product, the strong growth in its operating profits and the historically high levels of its order book. At current prices, therefore, Embraer remains very attractive for the Bestinver Latam portfolio even though it has doubled its share price in the last six months.

A region full of opportunities

Bestinver Latam's aim is to generate positive long-term returns that are higher in absolute and relative terms than the region average. To this end, we invest in companies with solid sector growth rates, profitable and sustainable business models, good products and strong balance sheets, led by excellent capital allocators, focused on generating shareholder value and applying high standards of governance. We take advantage of the volatility that affects Latin American markets from time to time to buy these businesses at attractive prices, well below their true value.

This company profile adds a structural growth component that differentiates us from other alternatives and makes us a fund designed for long-term investment in Latin America. In our opinion, Bestinver Latam is not an opportunistic or tactical proposition but a strategic and sustainable option for any global savings or investment portfolio seeking to invest in region overflowing with opportunities. According to our estimates, the portfolio offers high potential which will continue to grow in line with Latin America's unstoppable process of economic and social development.

Thank you again for placing your trust in us.

Yours sincerely,

The Investment Team.

Date: 31/03/24. Source: BESTINVER

MAIN MOVEMENTS

Additions

—

Disposals

D LOCAL

Increases

—

Reductions

—

Bestinver Megatendencias

Bestinver Megatendencias is an investment fund aimed at investors with a long-term time horizon (over five years). The fund invests up to 100% in global equities. The fund's aim is to achieve long-term returns by applying Socially Responsible Investment (SRI) criteria in addition to financial criteria. Bestinver Megatendencias will invest in three trends:

- **T1** - Improved quality of life.
- **T2** - Digitalisation and automation.
- **T3** - Decarbonisation of the economy.

Within these trends, the strategy prioritises business models that we consider sustainable and socially responsible and therefore its investment universe is more restricted than that of BESTINVER's other funds. The fund is managed based on the three cornerstones of our investment philosophy: our own fundamental analysis, appropriate risk management and a time horizon shared by investors and managers.

MANAGEMENT TEAM

Jaime Ramos, CFA
Bestinver Megatendencias
Manager

Raquel Martínez, CFA
Bestinver Megatendencias
Analyst

ANNUAL RETURNS TABLE

	2024	2023	2022	2021	2020	2019
Bestinver Megatendencias	8,81%	16,02%	-23,10%	13,55%	11,53%	19,30%

ANNUALISED RETURNS TABLE

	1 year	3 years	5 years	Launch
Bestinver Megatendencias (1)	19,47%	1,43%	5,66%	3,96%

Data at 31/03/2024

Past performance is no guarantee of future performance.

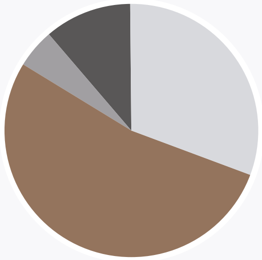
(1) Launch date: 16/06/2017

TOP POSITIONS

TOP 5	% OF PORTFOLIO
ALPHABET INC-CL A	4,38%
MICROSOFT	4,30%
TAIWAN SEMICONDUCTORS-SP ADR	3,96%
MICRON TECHNOLOGY INC	3,95%
NVIDIA CORP	3,85%

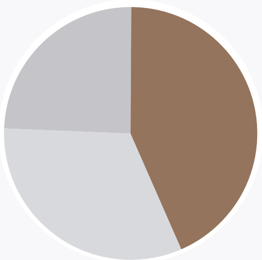
PORTFOLIO DISTRIBUTION

Geographical distribution



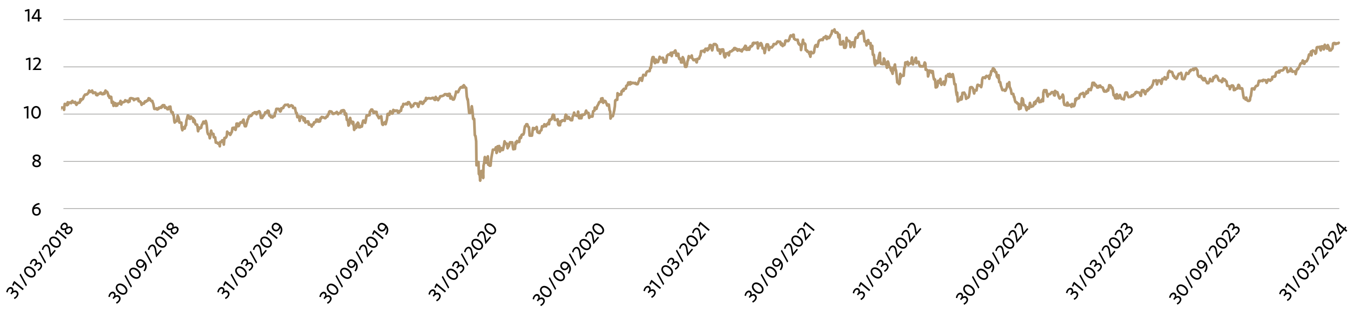
Europe	**31%**	Liquidity	**5%**
USA.	**53%**	Rest of the World	**11%**

Distribution by megatrend



T1	**39%**	T3	**22%**
T2	**39%**		

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 31/03/24. Source: BESTINVER. Launch date: 16/6/2017. Periods exceeding 1 year at annualised rate.

RISKS ASSOCIATED WITH THE INVESTMENT

Bestinver Megatendencias is an equity investment fund and as such mainly involves the following risks: market risk, currency risk, country risk, concentration risk, inflation risk and sustainability risk.
Detailed information on the risks associated with the investments can be found at the end of this document.
Past performance is no guarantee of future performance.
The fund's full prospectus, regular reports and KIID can be found on the following websites www.bestinver.es and www.cnmv.es

Dear Investor,

Bestinver Megatendencias has started the year maintaining the sound performance achieved during the latter part of 2023. Developments in artificial intelligence, institutional support for renewable energy and advances in critical sectors such as healthcare are significantly benefiting many of our companies. Following the sharp interest rate hikes by central banks, the current economic normalisation process is a very positive environment for the development of the megatrends in which we invest, and this is being reflected in the fund's performance. In this context, Bestinver Megatendencias ended the first quarter of 2024 with a return of 8.8%.

Artificial intelligence: again?

In the first and second quarter 2023 letters, we identified artificial intelligence as a key structural change for the digitisation and innovation of companies. One year later, we still feel the same way and believe that artificial intelligence is accelerating many of the trends we have mentioned in our quarterly newsletters and the Megatendencias webinar.

Artificial intelligence is revolutionising a wide range of sectors such as:

- Healthcare: through more accurate diagnostics, development of new medicines and automation of administrative tasks.
- E-commerce: through personalisation of recommendations, fraud detection and supply chain optimisation.
- Manufacturing: by automating production tasks, optimising equipment maintenance and predicting failures.
- Finance: improving fraud detection, risk analysis and investment management.
- Transport: through the development of autonomous vehicles and optimisation of transport networks.

Cloud computing is the ideal platform for the development and implementation of artificial intelligence, offering enterprises flexibility, scalability and security. This aspect is relevant for Bestinver Megatendencias investors as leading cloud computing companies are in our portfolio, such as Microsoft, Alphabet and Oracle.

Another relevant topic for the growth of artificial intelligence is the so-called Internet of Things, or IoT. This refers to the network of physical devices that collects information using the sensors installed in them, processes that information using its software and shares it via an Internet connection, which enables the generation of a large amount of data that can be used to feed artificial intelligence. Among other uses, this data can be used to train artificial intelligence models, improve decision-making and personalise user experience.

Demand for chips is also being driven by artificial intelligence, which requires a large number of increasingly powerful and sophisticated semiconductors to meet its growing processing needs. This huge demand, which we expect to remain high over the next few years (although not necessarily in a straight line), will also have a favourable effect on our portfolio as we are shareholders in leading chip manufacturing companies such as Nvidia, TSMC, Marvell and Micron.

The digitalisation and artificial intelligence trends we are experiencing have a very positive impact on the economy and on companies that are adapting their business models to this new environment. Artificial intelligence is driving innovation, efficiency and productivity in a wide range of sectors. This momentum will keep demand for cloud computing and semiconductors at high levels over the coming years. This demand is the basis of the digitisation and automation megatrend among companies, which is present in the fund's portfolio through the companies that are leading this trend and making it possible.

Veralto: spin-off with high potential

Veralto is a spin-off of Danaher, integrated into the Bestinver Megatendencias portfolio due to its fit in the economy decarbonisation trend. It is a leader in two market niches whose products are critical to its customers' good operational performance. 60% of its revenues come from what it calls water quality, a division that provides solutions for water analysis, treatment and disinfection. Its customers include municipal water management companies and industrial process facilities that require treatment of clean water or the wastewater they generate. The remaining 40% derives from a division that supplies products and services to guarantee the quality of the products they sell to companies in the consumer, pharmaceutical and industrial sectors. Through this division, Veralto provides its customers with critical equipment such as printers and consumables for printing barcodes and nutritional information on product packaging, software for packaging design and colour instrumentation, etc.

Although these two divisions seem very different, they actually have many features in common. First, both provide services critical to the smooth operational functioning of their customers, which makes them key suppliers with very low or no turnover. Secondly, in addition to representing an integral part of their customers' operations, they entail very low operational costs for customers and are not exposed to the companies' investment cycles. Third, they have high barriers to entry due to their product specialisation and specifications.

In addition, they have a business model in which 60% of revenues are recurring due to sales of consumables integrated into the equipment they sell or install for their customers, providing the group's business activity with high visibility and low cyclicality. Finally, more than 75% of sales are made directly to consumers without going through intermediaries, as they have the know-how necessary for marketing their products. In the long term, growing demand for clean and affordable water, greater concern over product quality, safety and traceability, and an increasing focus on sustainability are trends that will drive the company's revenue growth. But there are other sectors, such as semiconductors, which are very intensive in pure water consumption and are already experiencing exponential growth.

Concerning Veralto's profitability, it has achieved steady sales growth throughout its history which, together with consistently high operating margins —around 23%— and low capital intensity —around 1% of revenues— have made it a great cash generator. In addition to the secular organic growth of the business, the company complements this through acquisitions that add inorganic growth to its profile and have proven to be great value generators.

In conclusion, Veralto combines a leading position in its markets which by our estimates will enable it to achieve the long-term growth and margin expansion targets we expect of it, with a disciplined capital allocation culture, a strong cash generation profile and an attractive valuation. It is therefore a company that fits perfectly with Bestinver Megatendencias' investment strategy.

Unstoppable trends

The global economy continues the monetary normalisation process that began last year, leaving behind a decade of zero interest rates. This process, which is necessary and will have positive effects in the medium and long term, may provoke episodes of market instability in the markets in general and in the relevant sectors of our investment universe in particular. As we have explained above, however, such episodes result in share price reductions that we can take advantage of to buy companies with good fundamentals at attractive valuations.

Bestinver Megatendencias invests in companies that are well-positioned to benefit from three megatrends that will determine the development of our lifestyles over the coming decades: the improvement in people's quality of life, digitalisation and automation of companies, and decarbonisation of the economy. These three economic and social improvements are as strong as ever, thanks to structural growth, visibility and institutional momentum that are rooting and integrating them in our societies.

The fund uses research into these trends to invest in companies that have the capacity to provide distinctive solutions to the world's major challenges, such as climate change, an ageing population and the transition to a digital economy. By means of fundamental analysis, BESTINVER's investment team selects the companies that have the products, technologies, resources and competitive advantages required to become winners within each megatrend. Finally, they perform a detailed valuation of each one to determine the price level at which they should be bought in order to respect their safety margin and increase the portfolio's potential return with each new addition.

Beyond the unpredictability of a given quarter, the companies exposed to the megatrends in which we invest have the potential to outgrow and outperform the market in the long term. They have benefited from a strong structural tailwind that will continue to offer good investment opportunities for our portfolio.

Thank you again for placing your trust in us.

Yours sincerely,

The Investment Team.

Date: 31/03/24. Source: BESTINVER

MAIN MOVEMENTS

Additions

JD SPORTS
AALBERTS

Disposals

BUNZL
FANUC

Increases

ELEVANCE
SSE

Reductions

VESTAS
MEDTRONIC

Bestinver Tordesillas FIL

Hedge fund aimed at investors with a long-term time horizon (over five years). This is an Iberian equity fund (Spain and Portugal). The fund's objective is to provide an absolute return, with the flexibility required to take net short positions. Bestinver Tordesillas FIL is an investment fund that aims to preserve its investors' capital while maintaining a low level of volatility. The fund is managed based on the three cornerstones of our investment philosophy: our own fundamental analysis, appropriate risk management and a time horizon shared among investors.

MANAGEMENT TEAM

Ricardo Seixas
Head of Iberian Equities

Javier Ortiz de Artiñano
Iberian Equities Analyst

León Izuzquiza
Iberian Equities Analyst

Gabriel Megías
Iberian Equities Analyst

ANNUAL RETURNS TABLE

	2024	2023	2022	2021	2020	2019
Bestinver Tordesillas	0,35%	4,82%	-8,68%	5,88%	4,30%	0,03%

ANNUALISED RETURNS TABLE

	1 year	3 years	5 years	10 years	15 years	Launch
Bestinver Tordesillas (1)	4,82%	-0,73%	1,06%	1,19%	3,11%	2,46%

Data at 31/03/2024
Past performance is no guarantee of future performance.

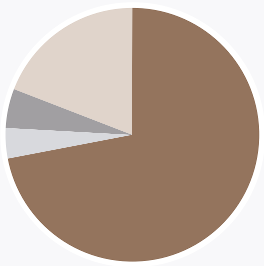
(1) Launch date: 27/02/2007

TOP POSITIONS

TOP 5	% OF PORTFOLIO
REPSOL	6,02%
BANCO SANTANDER SA	5,66%
INDUSTRIA DE DISENO TEXTIL	5,51%
INDRA SISTEMAS S.A.	5,09%
INMOBILIARIA COLONIAL, S.A.	5,08%

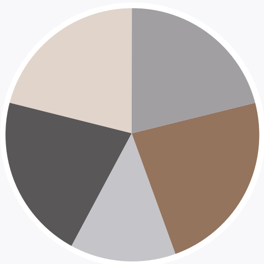
PORTFOLIO DISTRIBUTION

Geographical distribution



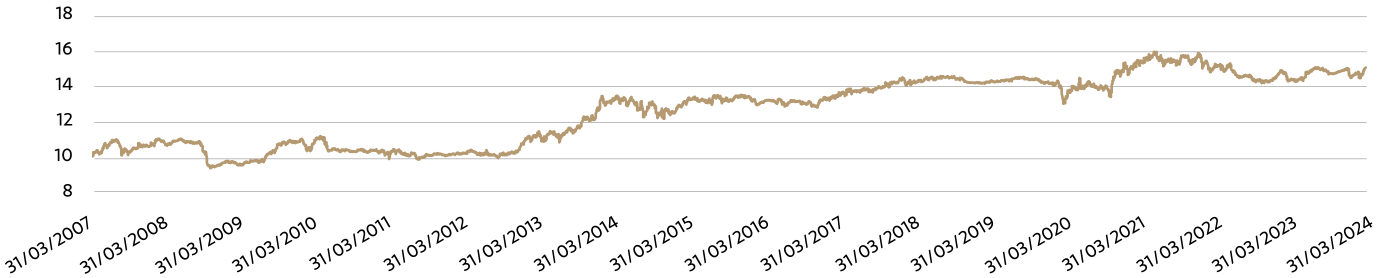
- Spain **72%**
- Europe **5%**
- Portugal **4%**
- Liquidity **19%**

Sectoral distribution



- Industrial **29%**
- Financial **19%**
- Consumer **21%**
- Liquidity **19%**
- Communication & Technology **12%**

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 31/03/24. Source: BESTINVER. Periods exceeding 1 year at annualised rate. Launch date: 27/2/2007.
Bestinver Tordesillas FIL is a hedge fund and therefore involves a high level of complexity and risk. Daily liquidity. Minimum investment EUR 100,000.

RISKS ASSOCIATED WITH THE INVESTMENT

Bestinver Tordesillas FIL is a hedge fund and therefore mainly involves the following risks: market risk, currency risk, country risk, concentration risk, inflation risk and derivative risk.
Detailed information on the risks associated with the investments can be found at the end of this document.
Past performance is no guarantee of future performance.
The fund's full prospectus, regular reports and KIID can be found on the following websites www.bestinver.es and www.cnmv.es

MANAGEMENT ASSESSMENT

Dear Investor,

It has not been a bad start to the year for stock markets in general. However, if we scratch the surface, we find that returns have been very highly concentrated in large companies on the main indices. We also ended the first quarter with a certain sense of déjà vu as we recognise some patterns that determined the generation of profitability in the previous year.

Somehow, investors remain concerned about the pause in the disinflationary process —a process that the market had been discounting very aggressively towards the end of 2023—. By way of example, in the euro area futures have gone from predicting seven rate cuts in 2024 to only four in just a few weeks. This hangover has been conditioned to a large extent by the drag from unfavourable US inflation and growth data, the apparent resilience of domestic inflation in Europe and the cautious messages from the monetary authorities regarding rate cuts, which have punished the highest value segments to a greater extent at the beginning of the year. In addition, while growth seems to be showing signs of stabilisation, particularly in a manufacturing sector that had a rough time during 2023, the recovery in Europe remains very timid. However, as we pointed out in our previous quarterly newsletter, these processes do not occur in a straight line and we expect moderation in inflation and interest rates to gain traction over the course of the year, providing greater depth to the economic cycle. We believe that there is still considerable scope for valuations to become normalised in this scenario, particularly in an Iberian market that continues to trade at historically low levels.

Thank you again for placing your trust in us.

Yours sincerely,

The Investment Team.

Date: 31/03/24. Source: BESTINVER

MAIN MOVEMENTS

Additions

AENA

Disposals

ENDESA

Increases

FERROVIAL

Reductions

IBERDROLA

Risks associated with the investments

Market risk

The risk arising from an investment in any kind of asset. Assets will be traded on their respective markets and their quoted price will be influenced by a number of variables, such as economic developments and the political climate. Some assets, such as equities, are more volatile and therefore involve a higher level of risk. Fixed income assets tend to be less volatile, although this will depend on the issuer. Their quoted prices are closely linked to interest rates. Increases in interest rates negatively impact the price of these assets.

Currency risk

When investing in foreign currency, i.e. in a currency other than the local currency, the performance of the investment will be influenced by exchange rate fluctuations.

Concentration risk

Sectoral, geographical, asset or any other type of concentration implies the assumption of greater risks because negative results in one of the assets will have a greater impact on the overall results of the portfolio, as it will have greater relative importance than in the case of a more diversified portfolio.

Counterparty risk

Counterparties' failure to meet their contractual obligations may result in potential losses on the investment.

Country risk

Investment risk in emerging economies stems from the possibility of having to face the consequences of unstable governments, economies that are highly concentrated on certain activities and, in general, greater political, social and economic uncertainty.

Interest rate risk

Exposure to changes in market interest rates can have an impact on investments, such as difference between the interest rate review periods or maturity dates of investment transactions relative to borrowings.

Inflation risk

Fluctuations in inflation may impact the profitability and value of an investment.

Credit risk

Refers to the failure by an issuer of fixed-income assets to meet its obligations with respect to the payment of interest, principal, or both.

Valuation risk

Investments in unlisted securities are valued using discounted cash-flow valuation models discounted at a market rate based on the type of asset involved, comparables and the associated potential risks and opportunities. These methods are based on estimates or comparables which introduce a subjective element and could potentially limit liquidity.

Liquidity risk

Liquidity risk is defined as the difficulty of transforming your investment into cash. Venture capital investments are not traded on secondary securities markets but under agreement between parties. For this reason, it can be difficult to sell such holdings and convert them into cash in a short period of time. This lack of liquidity may result in the penalisation of the price obtained to unwind a position or even the impossibility of unwinding the position at a given time.

This risk also affects portfolio investments as it may be difficult to sell the asset at the end of the investment period at a suitable price as these are not listed assets and they are not traded on an organised market.

Derivative risk

Investment in derivatives (futures, options, swaps, etc.) is subject to market, leverage, counterparty, correlation, and liquidity risk. Leverage risk means that the exposure to the underlying asset is much greater than the amount invested and therefore the impact on performance could be disproportionate to the investment made. Correlation risk measures the potential for losses resulting from adverse changes in the correlation between the derivative and the underlying asset (of whatever type). All risks combined may cause the loss to be greater than the capital invested in the derivative.

Sustainability risk

High sustainability risk in an investment may result in a decrease in the price of the underlying assets and therefore negatively affect the fund's net asset value.

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BESTINVER
acciona