QUARTERLY NEWSLETTER

TO OUR INVESTORS

SECOND QUARTER 2025

BESTINVER
acciona

BESTINVER Madrid

Mark Giacopazzi, CIO - Chief Investment Officer of BESTINVER

Dear Investor,

The second quarter of 2025 was marked by uncertainty. Although the announcement —and subsequent moderation— of the new tariff policy in the USA was the main source of volatility, it was not the only one. In the geopolitical sphere, the worst-case scenarios have come to pass: the peace talks in Ukraine have failed and tensions in the Near East have culminated in open warfare between Israel and Iran. Furthermore, the pressure to increase military spending has placed a question mark over the public deficits of some European NATO partners. Meanwhile, the Federal Reserve has decided to maintain interest rates, despite the fact that the market was expecting two downgrades in the first half of the year. A highly volatile environment that, against all odds, has been overcome by stock markets with gains.

After recovering from the sharp fall in April, the Stoxx 600 closed the first half of the year with a 6.43% rise, while the revaluation of the S&P 500 was 5.38% in dollars[(1)]. In the case of the IBEX 35, the gains were even greater, closing the first part of the year with returns of 23.45%. In our opinion, the events of the quarter are further proof of companies' strength and their ability to adapt to the most demanding environments. Equities have the necessary fundamentals and valuations to absorb the different episodes of uncertainty and continue to generate good long-term returns.

However (and as explained in other newsletters), despite this underlying strength, the increasingly extreme behaviour of the markets never ceases to amaze us. For some time now, we have become accustomed to the constant breaking of different historical records. In 2020, we witnessed the worst fall in the history of stock markets. In 2022, the sharpest rate hike in 40 years. In the first quarter of 2025, we experienced the greatest change in geographic equity positionings since records began. In April, we saw the fastest 15% correction ever in a major equity index such as S&P 500. In the second half of the quarter, its recovery also broke the all-time speed record. Lastly, in the foreign currency market, the dollar is experiencing its worst first half of the year in nearly five decades. The market is in the midst of an unprecedentedly sharp and accelerated price regime.

Far from being a problem, this marketplace of extremes is a great ally. Volatility is always synonymous to opportunity and, in today's volatile market, opportunities are constantly arising. As we explain in detail in the newsletters of each fund, we took advantage of the sharp swings of the quarter to rotate our portfolios. Specifically, in the sectors most

(1) The performance in euros of the S&P 500 in the first six months of the year fell to -7.30%, as a result of the devaluation of the US currency against its European counterpart.

impacted by the tariff announcement —such as discretionary or Industrial consumption—, we were able to acquire high quality companies at particularly attractive valuations. For this reason, we estimated that the value of our funds was higher at the end of the second quarter of 2025 than at 2024 year-end.

As regards business performance, we must differentiate between noise and reality. The noise suggests that the tariffs, the dollar and geopolitics herald an environment of economic cooling. However, the published data and results point to a different scenario. The returns from our companies are in line with what we expect from them in our investment thesis. Additionally, although management teams remain cautious, in most cases they have maintained their strategic objectives for the coming years. It is evident that the environment raises major uncertainties. But it is also evident that our companies have an advantage when it comes to adapting their business models better than their competitors. This will enable them to gain market share at the expense of weaker players and emerge stronger from any eventualities. After reviewing our theses, our conviction in all of them remains unchanged.

For this reason, with our sights set on the long term, our expectations have not changes significantly, despite the noise. At the macro level, the economic remains relatively strong, inflation is under control, Corporate and household indebtedness is minimal and employment is strong.

Moreover, the market has additional potential tailwinds. The most important are the cuts in taxes and the deregulation of various economic sectors in the USA, the effects of the stimulus plans in Europe, Japan and China and, lastly, the possible movements of central banks. This environment is positive for equities.

As regards our funds, there are even better perspectives. We are convinced that investment success is not based on the ability to anticipate twists and turns in tariff policy and swings in investor confidence. On the contrary, it depends on the detailed analysis of each company, the quality of their business and the good price we pay for them. And, in this regard, after having put our theses to the test during the quarter, we think that the current value of the portfolios exceeds what they were worth barely six months ago.

After having completed the first half of the year, our funds continue to have a large valuation discount against the leading indices. In addition, we expect our companies to continue growing above average, expanding their profit margins and buying back treasury shares at very high rates. In conclusion, the portfolios are well positioned to continue generating the high returns we seek at BESTINVER.

I thank you once again for placing your trust in us and wish you a happy summer.

Yours sincerely,

Mark Giacopazzi

BESTINVER in figures

47,000 investors trust in us	**We manage EUR 6.96 billion**	**Independence of the Acciona Group**	**We are endorsed by several awards in recent years**

Data at 30/06/2025. Source: BESTINVER

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Investment Funds period

BESTINVER - Auditorio Campus ACCIONA

Bestinfond

It is an investment fund aimed at investors with a long-term time horizon (more than five years). The fund invests up to 100% in global equities, with European listed companies being the most represented in the portfolio. The objective of the fund is to achieve long-term performance through the selection of attractive, well-managed businesses with high growth potential. The fund is managed according to the three pillars of our investment philosophy: proprietary fundamental analysis, appropriate risk management and a shared time horizon between investors and managers.

MANAGEMENT TEAM

Tomás Pintó
Head of International Equities

Jorge Fuentes
International Equities Manager

ANNUAL RETURNS TABLE

	2025	2024	2023	2022	2021	2020
Bestinfond	2.99%	12.82%	25.27%	-16.98%	13.70%	-3.83%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	15 years	Launch
Bestinfond [1]	14.76%	10.38%	5.37%	7.91%	12.65%

Figures at 30/06/2025
Past performance is no guarantee of future performance.

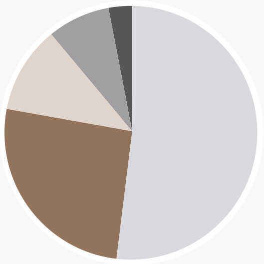
(1) Launch date: 13/01/1993

TOP POSITIONS

	% OF PORTFOLIO
PHILIPS ELECTRONICS NV	3.09%
META PLATFORMS INC-CLASS A	3.05%
HEINEKEN NV	2.57%
ARCELORMITTAL	2.56%
ELEVANCE HEALTH INC	2.54%

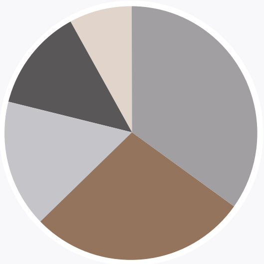
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



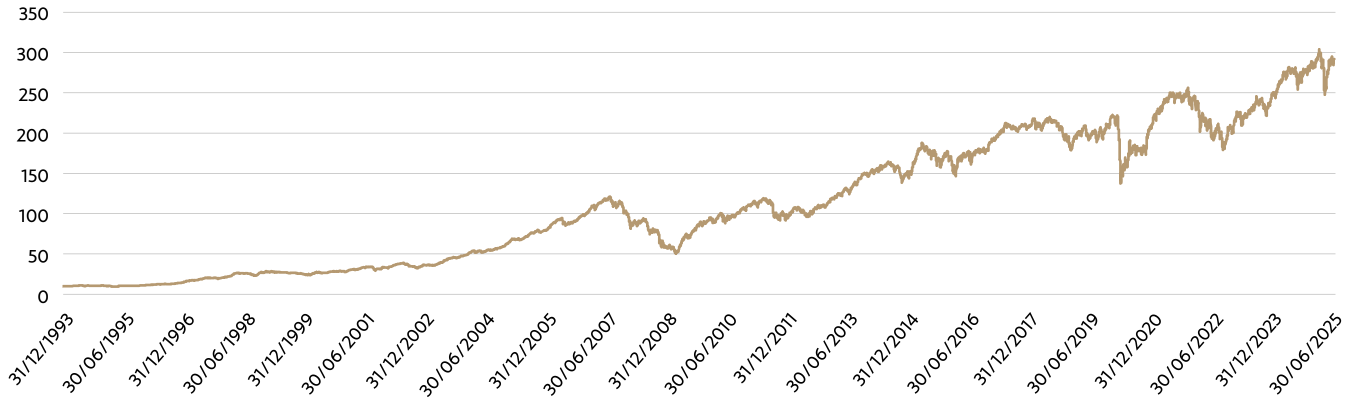
Europe	52%	Liquidity	8%
USA	26%	Rest of the World	3%
Iberia	11%		

Sectoral distribution



Industrial	35%	Financial	13%
Consumer	28%	Liquidity	8%
Communication & Technology	16%		

NET ASSET VALUE TRENDS (€)



Data at close of day: 30/06/2025. Source: BESTINVER. Periods longer than 1 year in annualised rate. Launch date: 13/01/1993.

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.

Dear Investor,

Bestinfond ended the quarter with growth of 5.0%, bringing its cumulative annual return for the first six months of the year to 3.0%.

The second quarter of 2025 has given us a masterclass on the current nature of financial markets. Markets swinging between paralysing terror and unbridled optimism, losing sight of the fact that economic reality rarely conforms to the extremes portrayed by the headlines we consume on a daily basis.

In a world where everything is "historical", "unheard of" or "seismic", nothing really is beyond the collective inability to process information without dramatising it. For this reason, our unwavering commitment to our investment principles —comprehensive fundamental analysis, respect for valuation and patience, the best medicine against market panic and excesses—, seems more important than ever.

At BESTINVER, our deepest conviction is that successful investment is not an exact science of economic forecasting, but rather a rigorous discipline to discern the value of businesses in a world dominated by emotions.

We are referring to a method based on consistency and perseverance, which has worked well for more than 35 years, and which allows us to navigate short-term storms serenely. Trusting that companies' intrinsic value always manifests itself in the long term, regardless of the economic environment in which they must operate.

The tyranny of hyperbole

The main obstacle for investors to reach accurate conclusions is not lack of information, but rather their inherent tendency to assess the world dramatically instead of objectively.

Some alarming headlines and certain "financial experts", in their desperate search for clicks and attention, have perfected the art of systematic exaggeration. A 3% correction in stock market indices becomes a "historic slump", each geopolitical tension threatens to "collapse the world order" and any economic indicator (or quarterly result) triggers reactions that range from apocalypse to unbridled euphoria.

The democratisation of financial information has paradoxically created a more reactive and less analytical audience than ever. We live in a world where media amplification finds fertile ground in a large number of investors who have lost their ability to contextualise: they have surrendered to the tyranny of hyperbole.

For the patient and disciplined investor, this context is not a curse, but a blessing: a real-time sample of how fear (or greed) can divert the price of shares from their true fundamental value, opening windows of opportunity for those who are capable of remaining calm in the midst of the storm.

"If you spend 13 minutes a year on economics, you've wasted 10 minutes"

We observe markets which have gone from the desperation at the beginning of April to the strong optimism at the end of June. A wild round-trip in quotations, marked by a deep initial slump and an equally meteoric recovery.

We have witnessed a host of pre-agreements and disagreements, climbing and de-escalation, including an unprecedented dispute of US President Donald Trump and his former ally, multimillionaire Elon Musk, which ended with a trail of unfortunate accusations between the two on social media. Seeing is believing.

At the time of writing this letter, the tariff saga has not ended. Daily headlines continue to be published at a frenetic pace and there is no certainty as to what proposals (or publications in social media) are mere negotiation tactics and which will end up being finally approved. A multitude of details have yet to be defined, not only in relation to the rules of the global trade game, but rather in other major fronts such as the tax treatment of the huge investment in weapons and infrastructure in Europe, the evolution of the wars in Ukraine and the Middle East or the approval of the budget reform promoted by Trump.

Legendary investor Peter Lynch used to say: "If you spend 13 minutes a year on economics, you've wasted 10 minutes". We share this vision to a large extent, despite the fact that this investment team estimates that, if there was ever a good occasion to waste those "three minutes", it is probably now. The problem is that, from a macroeconomic standpoint, with the information we have at our disposal, the range of possible results is extremely broad. We do not think that making specific forecasts in this area makes much sense at the present time.

The impact of tariffs will have normalised over the next two years

We are convinced that investment success does not lie in the ability to predict the twists and turns of the tariff policy or swings in investor confidence. Our investment work is primarily based on a "micro" analysis: the detailed study of individual companies, the quality of their businesses and their long-term valuation.

The analysis of "macro" factors —economic and political— fulfils an important, but subordinated function: it helps us to contextualise the operating environment in which companies carry on their activities and to assess the risks and opportunities that said environment presents for their business.

The current economic panorama, although challenging, has allowed us to test the soundness of our theses. We stressed different tariff frameworks and established certain macroeconomic assumptions. This has enabled us to update our models for each company assuming a difficult economic scenario for the next year and a half. The reason? Uncertainty. We believe that it is prudent to assume a deferral of consumption and investment decisions[1] by the private sector until the environment offers greater visibility. A dynamic that will, probably, slow down activity in the near future.

Our assumption is that any tariff impact will have normalised over the next two years. Call us optimistic, but we think that we are entering a more balanced world, with a USA less focused on domestic consumption and more on investment, and a Europe less restricted by austerity, which we consider a step in the right direction.

But the fact is that, over and above this consideration, we know that our companies are not static entities, but rather living organisms endowed with a remarkable capacity to adapt to a perpetually fluctuating economic environment. The history of the last two decades, with financial crises, sovereign debt crises, political disruptions such as Brexit or global shocks such as the pandemic, testifies to the inherent resilience and capacity of our companies to create value in difficult times.

Making money on the stock market is more a question of temperament than intelligence

A fascinating aspect of financial markets is that long-term returns are almost entirely explained by mathematics, while short-term returns are driven by psychology. It is useful to consider both.

From a long-term perspective, the intrinsic value of an asset is equivalent to the cash flows that its owners will receive in the future. Given a reasonable estimate of these cash flows, knowing the current price is identical to knowing the return that can be expected from said asset. This part is pure mathematics(2).

The problem is that the arithmetic, in the short term, does not apply. Thus, the trade price of any company on the stock exchange at any given time is no more than the highest price that the most eager buyer is willing to pay and the lowest price that the most eager seller is willing to accept. In the event of any news, if the buyers become more eager and the sellers withdraw, the price rises. If the sellers become more eager and the buyers withdraw, the price falls. If either of the two parties becomes very eager, but neither wants to withdraw from the market, the price does not change, but a large volume is exchanged. Specific news are not important. They are not even true. What matters is what is in the head of the most eager buyer.

As Ben Graham and David Dodd observed almost a century ago, the market "does not react to real data directly, but rather only to the extent that they affect the decisions of buyers and sellers". That is, it is not the news that matters, but how investors interpret them. Therefore, when investors are optimistic and are willing to assume risks, all news —good or bad— are usually interpreted favourably. However, when pessimism is the dominant emotion in the markets, all news are, essentially, bad news.

Rational investors must navigate this environment recognising that, behind each "unprecedented crisis" or "historic rally", there usually lies an opportunity for those who know how to differentiate value from the price of a business. That's why we say that making money on the stock market is more a question of temperament than intelligence.

Benjamin Graham himself, the mentor of Warren Buffett and considered the father of "Value Investing", in his book "The Intelligent Investor", repeatedly emphasised that long-term investment success does not depend so much on having a high IQ or being an analytical genius. Rather, it depends on the emotional discipline and ability to remain calm in the face of market fluctuations, resisting fear when others sell and euphoria when others buy.

His philosophy, which is ours, stresses the importance of controlling emotions and adhere to sound investment principles, irrespective of the noise and collective psychology of the market at any given time.

"In the short run, the market is a voting machine, but in the long run, it is a weighing machine"

For many people it is difficult to assimilate that stock market corrections are merely a reassessment of the profit generated by companies in the long term. Even in adverse economic scenarios, the underlying value of businesses barely changes(3).

The key is to know that the long-term performance of corporate results has not changed much over time. We know, for example, that the earnings of the S&P 500 have grown nominally at a nominal rate of around 6-8% per annum, irrespective of whether we look back 10, 20, 50 or 100 years. Since shares are a right to a very long-term cash flow, the type of volatility observed in the results of two quarters (or two years) simply does not matter much when calculating the fundamental value of a business.

Therefore, the real impact of any adverse event on the valuation of a company come from changes in the perception of customers who either estimate that the deceptions will continue indefinitely, thus affecting future cash flows, or reduce the price that they are willing to pay to maintain their shares in the portfolio, thereby increasing the returns that they will bring in the long term.

This dynamic shows why the deceptions in the results of speculative companies —those that do not generate profit or have as yet unvalidated business models (biotechnological companies, start-ups, etc.)— cause such dramatic impacts on their trade prices. Their intrinsic value completely depends on flows that will be accrued in the very distant future, due to which any event that erodes investor confidence will result in a drastic adjustment in the price (the demanded return) of their shares.

On the contrary, a well-diversified portfolio such as ours, composed of leading sector companies, with a proven track record of profitability and growth, "should" not have large swings in the face of a macro event or worse-than-expected quarterly (or annual) results. Neither is it logical for the cost of capital of our companies to be drastically altered, due to the fact that their initial valuations are already low (the return demanded by the market is high).

This is the reason why the long-term returns of Bestinfond have practically no correlation with the economic context, neither with the growth rate of the earnings of our companies in the previous year, the current year or the following year. Something that must not be forgotten if the high temperatures trigger market volatility again in the summer months(4).

The profitability of our portfolio will depend, as it has always done, on the performance of our businesses in the long term and, above all, on the valuation of our market shares(5). In this regard, the declines at the beginning of April and the meteoric recovery we have had since then have allowed us to improve Bestinfond's revaluation potential, which we have done, fortunately, maintaining the fund's solidity and balance.

We have a portfolio made up of fabulous companies trading at a significant discount to their fundamental value. A combination of elements that does not guarantee immediate returns, but should provide very good results in forthcoming years since, although in the short term the market is a voting machine, in the long run it is a weighing machine(6).

Changes in the portfolio

In an environment where politics give rise to unprecedented volatility, true investor discipline lies in the unwavering commitment to the microeconomic fundamentals of each companies and respect for valuation.

As we mentioned at the beginning of this newsletter, we do not try to predict what will happen next with the economy, tariffs or international conflicts. We focus on what has historically worked: relying on our rigorous investment process, focusing on the fundamentals and recognising that uncertainty, although uncomfortable, often creates the best investment opportunities.

During the quarter we leveraged the panic caused by the fear of the tariffs to buy back shares of companies in which we had reduced our weighting at the beginning of the year. We are referring to names such as Meta, Pandora or Expelia, whose shares suffered price cuts in April, in many cases greater than 30%.

These declines allowed us to buy more Arcelor shares. Those that we were unable to buy when they went from EUR 20-22 to EUR 30 in very few sessions at the end of February, on being included in a few thematic baskets (ETFs) of "Winners of the end of the Ukraine war" or "Beneficiaries of the German infrastructure plan". We already know that the proliferation of vehicles (ETFs) created ad hoc by investment banks and fund supermarkets is used by a large number of (misnamed) investors to jump on the bandwagon of a particular fashion. A trend that has segmented the market by themes which can be "bet on" in a seemingly simple way. Fortunately, the fear of tariffs which have been discounted since Trump won the elections in November caused the shares of the steel giant (whose investment case we explained in detail in the newsletter of the previous quarter) to decline nearly 40% in practically one month and allowed us to complete our position. Fortunately, passive investors do not understand valuations, only fashions.

We have continued to reduce, in some cases substantially, the weight of companies that have been with us for many years in the portfolio. We are referring to Heidelberg Materials, Rolls-Royce or some Eurozone banks that have given us such good results in recent years (UniCredit, KBC and BNP).

As we explained in the previous quarter, we continue to see an opportunity in English banks (Lloyds and Barclays). During the quarter we were able to increase our weight in them at prices that we consider very attractive for the portfolio in the long term. We also bought back a former company of Bestinfond: Nordea. We like the postcode where the Nordic bank operates and it is an example of stability, solvency (CET >15%) and high profitability (RoE 15%). Despite this, it continues to trade at a P/E ratio of 9x and provides us with double-digit profitability (with dividend and buyback of treasury shares) which we consider excellent in this environment.

As in the last quarter, we have continued to strengthen our positions in Philips, Elevance and also in Ashtead. All of them trading with highly discounted valuations that project structural deteriorations in their businesses when, in our opinion, they are only contextual.

Furthermore, the speed and intensity of the slump of the US stock exchange at the beginning of the quarter has given us the opportunity of starting to buy a pair of new companies. One in the semiconductor sector and the other in the discretionary consumer sector. In retrospect, it would have been better if we had acted more quickly, but price rules and the meteoric recovery of share prices in the last two months has not allowed us to complete our investments.

They are purchases that we have financed by reducing our weight in more defensive businesses, whose shares were largely unaffected by the declines. Such is the case of Reckitt, GSK or Berkshire Hathaway, which we are going to dedicate a special mention.

In fact, in the last quarters we have reduced the weight of Berkshire Hathaway in the portfolio. They are sales that we made due to their excellent performance, long before Warren Buffett announced his retirement.

We know that Berkshire is not the fastest-growing or most profitable company in the portfolio, but the returns we projected for the building are predictable and stable. The fact that it has drastically reduced its investment in Apple is good news, and the fact that it has EUR 350 billion in "cash" continues to offer us an optionality, or rather, an "anti-fragility"[7] that cannot be quantified in a multiple, although it undoubtedly has a lot of value.

Berkshire Hathaway continues to be "an anchor in our portfolios", but the discipline with the valuations and the relative opportunity of other positions in the portfolio has made us reduce its weight as its valuation has increased.

As we commented in detail a few weeks ago in a podcast, a Berkshire without Warren Buffett (and Charlie Munger) will inevitably be different. The iconic presence and accumulated wisdom of two of the most brilliant minds in the history of finance will be lost. However, Buffett built Berkshire with the intention of making it last beyond his leadership. The company's corporate culture, based on integrity, subsidiary autonomy and long-term approach is deeply rooted in each corner of the Omaha conglomerate.

Greg Abel, Buffett's substitute, has the responsibility of safeguarding that culture and demonstrating his capacity to lead Berkshire in the future. Although we expect a continuity in the fundamental strategic principles, we are likely to see an evolution (not a revolution) in the company's management. We believe that Abel is the perfect technocrat. He is a man who is expected to uphold the decentralised leadership of Berkshire's businesses, but with the oversight and capacity to make important decisions when circumstances require it.

Buffett's decision to hand over his leadership at a time of economic uncertainty and market volatility could be interpreted as a sign of confidence in Abel's readiness. After decades navigating economic cycles and financial crises, Buffett probably believes that the company is well positioned to meet future challenges under a new leadership. It could also be a pragmatic decision based on his age. Ensuring an orderly transition at a time when the company is sound and Buffett is cognitively and physically well makes sense from a long-term management perspective.

What is undeniable is that Abel is not Buffett. But there are countless examples of companies that have continued to have an excellent track record of creating value for their owners, once the founders were no longer in charge of the businesses. Consider Apple after Steve Jobs' death; or Amazon when Jeff Bezos stepped down; or Inditex without the figure of Amancio Ortega.

In our opinion, the impact of Buffett's replacement on Berkshire's investees will probably be moderated in the short term. Buffett's philosophy has always been to be a patient and supportive shareholder, confiding in the management of the executive teams of the companies in which he invests, without imposing drastic changes in their strategy.

However, in the long term, Greg Abel's vision on the allocation of capital could influence the composition of the company's huge business portfolio. We do not know how emotionally attached Abel is to many of his Berkshire holdings, in which Mr Buffett had an involvement with or a moral responsibility to its founders. His ability to objectively assess the profitability of many of those businesses could differ from Buffett's, thus creating, in our opinion, a good opportunity to generate value and growth for Berkshire in the future.

We thank you for your trust and wish you a great summer. Yours sincerely,

The Investment Team.

MAIN MOVEMENTS

Additions

NORDEA

Disposals

UNICREDIT
BNP PARIBAS
KBC GROEP

Increases

ASHTEAD
ARCELOR
META
BARCLAYS
EXPEDIA
PANDORA
LLOYDS

Reductions

BERKSHIRE HATHAWAY
ROLLS ROYCE
GSK
RECKITT BENCKISER

NOTES

[1] It was particularly difficult to draw conclusions in the face of the almost continuous changes emanating from the U.S. Administration on what tariffs will be imposed, to whom and when. Indeed, we have had to modify our analysis several times as the probable tariff path has changed. However, the problems of those of us who stress constantly changing trade policy valuation models are nothing compared to those who manage their businesses in this environment. Changing the assumptions of results on an Excel worksheet is a matter of a few hours; dismantling and rebuilding a supply chain or the capital stock of a company

is a task that takes years and requires enormous sums of money. A direct example of this problem are the tariffs that the Administration is considering imposing on car imports, particularly luxury vehicles of European brands such as BMW, of which we are shareholders. The apparent objective is to encourage the German manufacturer to increase production at its US plants, as it has already done in Spartanburg, South Carolina. However, imposing a high tariff on its imported cars seems an inefficient and costly way to achieve it. The construction of a new assembly plant or the massive expansion of an existing plant is a multi-million dollar project which takes years to complete. Meanwhile, the cost of luxury vehicles in the USA is substantially higher than it used to be, which will directly harm US consumers.

The existence of high import tariffs would no doubt encourage investment in new domestic production plants, but only if it is assumed that those tariffs will last long enough to justify the enormous investment. An automotive plant, once operational, will function for decades, due to which the uncertainty on the duration of the tariffs will drastically reduce the incentive to invest now. A future administration, even if it shared the same objective of increasing domestic automobile production, could decide that a more efficient way of achieving it would be to offer tax incentives or direct grants for investment in plants, which would have a lower cost for consumers.

Therefore, if BMW (or any other importing company) had the slightest suspicion that the Administration could change its tariff policy (or that a future administration would do so), it would not be very encouraged to invest now in new production capacity, even after the tariffs are imposed.

[2] Let's see a simple example to illustrate the valuation arithmetic more clearly. To this end, we resort to the market in which all Spaniards are experts: the real estate market. Let's imagine that you are an investor are thinking of buying a flat to rent it out. From this perspective, the "value" of that flat is no more than the right to receive "cash flows" over time, in this case, rental income.

On this basis, we establish the following initial assumptions:

— Price of acquisition of the building: €200,000

— Gross rental income: €1,000/month × 12 = €12,000/year.

In order to calculate the actual cash flow we will receive as owners, we must subtract the flat maintenance costs, such as property tax, community charges and insurance. Let's assume that these expenses amount to €2,000 per year.

With these data, we can calculate the expected long-term returns using a simple arithmetic formula:

— Annual net cash flow: €12,000 - €2,000 = €10,000.

— Expected return: (€10,000 / €200,000) × 100 = 5% per annum.

In this example, the expected long-term return of the investment in the flat is 5% per annum.

Similarly, it can be said that if the price of the flat rose to EUR 250,000, with the same rental, its expected return would have dropped to 4% [(€10,000 / €250,000) × 100 = 4%]. And, on the contrary, if the price of the flat fell to EUR 160,000, its expected return would increase to 6.25% [(€10,000 / €160,000) x 100 = 6.25%].

Therefore, when reasonably estimating the rental income that we will receive each year and knowing the price of the flat on the market, we can calculate its expected return. It goes without saying that the cheaper we buy the flat, the better the return we will get from it.

Well, it is exactly the same in the stock market. Estimating the "rental income" of a company, i.e. the cash flows that their business will generate in the future (the rigorous work we perform with each company we analyse) allows us to know the price we will have to pay to obtain the return we seek on our investment. This is not conjecture, it is simple arithmetic.

[3] The baseline premise of any valuation exercise is that the intrinsic value of a company lies in the sum of the cash flows that it business will be capable of generating over its lifetime. However, those cash flows must be discounted at a reasonable rate or cost of capital. Essentially, a minimum return demanded by investors to invest in an asset or project, considering its risk and the value of money over time. The greater the perceived asset risk, the greater this rate will be (which will reduce its current valuation) and vice versa.

For the valuation exercise we propose, we are going to use DCF (discounted cash flow) that, as opposed to other methods, requires analysing the fundamentals of the business and its long-term growth prospects. Since it focuses on cash flow —a less manipulable metric for accounting purposes than profit—, DFC offers a provides a more accurate vision of a company's real long-term value creation capacity.

In our exercise we are going to assume that, at current prices, a company's shares offer a cash flow equivalent to an annual profitability of 4% (in the example of the flat, rentals provide an annual return of 4% on the investment that would be required to buy said flat). We also know that these flows grow annually at around 4%. In this assumption, the long-term return of the business owners would be 8% (4% of the current rent plus the 4% that said rent will rise each year). Therefore, if the economy suffers a deep recession that completely wipes out two years of cash flow (if rental income disappears because we are doing a structural reform in the flat), the company's loss of value will be only 7.26%.

We know that the exercise we have just done is a somewhat mathematical act of faith. We invite you to cut and paste the preceding paragraph in your favourite artificial intelligence application and ask it if the result is true. We can anticipate that it is true (and that the application will explain the necessary calculations to arrive at the result), which shows that the corporate earnings performance of two quarters (or two years) simply do not matter much when calculating the fundamental value of a business.

[4] Last year our fund lost 10% in August after the Cboe Volatility Index (VIX) —also called the "Fear Index"— recorded its third-highest reading in history, just a few points below the levels reached during the worst moments of the 2008 financial crisis and the start of the pandemic in 2020. The reason? The announcement by Japan's central bank of a 25 basis point interest rate hike. A decision that triggered a historic 12% slump of the Nikkei index, added to the 6% drop on Friday after worse-than-expected US employment data (creation of 112,000 jobs vs the 179,000 estimated by consensus). A year earlier, the fund also lost 10% in summer due to the (unfounded) fear that inflation, which was not slowing down at the

desired speed, would require new interest rate hikes. And in 2022, the (also unfounded) fear of a recession that by all accounts seemed inevitable led to double-digit losses in the portfolio from June to September.

(5) As we explained in the newsletter of the first quarter, Bestinfond trades at a discount of close to 50% against the world's leading indices, has a financial soundness unattainable for most of the companies that comprise them, and the growth in profit we project for our companies (70% compound until 2028) is much higher than that forecast by analyst consensus for global indices in the coming years.

(6) Warren Buffett, paraphrasing his professor and mentor Ben Graham, put it plainly: "In the short term, the market is a popularity contest. In the long term, a market is a weighing machine". Indeed, daily prices fluctuate according to the collective whims of investors, as if share prices responded to the votes of a financial popularity contest. However, over time, the "weight" of the fundamentals is eventually imposed: profit and valuation always end up prevailing.

(7) Nassim Taleb, in his book "Antifragile: Things that Gain from Disorder" (2012), coined the term "antifragility" to describe systems that not only withstand chaos, volatility and uncertainty (like resistant or resilient systems), but also thrive and improve when exposed to them. In our opinion, USD 350 billion in the hands of Buffett, Abel, Combs or Weschler would not only allow BRK to capitalise on a potential recession or market downturn, but also the eventual acquisitions they make in such an environment will create undoubted value for their shareholders in the years to come. Something which has happened several times in the 60 years of Berkshire's history: in 1964, with the acquisition of American Express taking advantage of the "Salad Oil" scandal, in the 1987 crash (Coca Cola), during the 2008 crisis (BSNF) and in 2011 (preference shares and stock warrants in Bank of America), not to mention the most recent acquisition of Apple in 2016 (when the US giant based in Cupertino was trading at a P/E ratio of around 14, considerably lower than the 30+ P/E ratio it has today).

Bestinver Internacional

It is an investment fund aimed at investors with a long-term time horizon (more than five years). The fund invests up to 100% in global equities, excluding Iberian equities, with European listed companies being the most represented companies in the portfolio. The objective of the Fund is to achieve long-term performance through the selection of attractive, well-managed businesses with high growth potential. The fund is managed according to the three pillars of our investment philosophy: proprietary fundamental analysis, appropriate risk management and a shared time horizon between investors and managers.

MANAGEMENT TEAM

Tomás Pintó
Head of International Equities

Jorge Fuentes
International Equities Manager

ANNUAL RETURNS TABLE

	2025	2024	2023	2022	2021	2020
Bestinver Internacional	1.90%	14.25%	24.62%	-17.85%	14.17%	-1.38%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	15 years	Launch
Bestinver Internacional (1)	14.97%	10.50%	5.71%	8.36%	8.91%

Figures at 30/06/2025
Past performance is no guarantee of future performance.

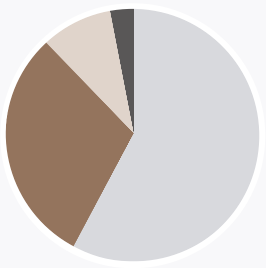
(1) Launch date: 19/11/1997

TOP POSITIONS

	% OF PORTFOLIO
PHILIPS ELECTRONICS NV	3.44%
META PLATFORMS INC-CLASS A	3.42%
HEINEKEN NV	2.95%
ARCELORMITTAL	2.85%
ELEVANCE HEALTH INC	2.85%

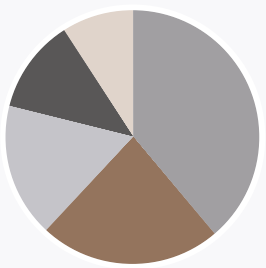
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



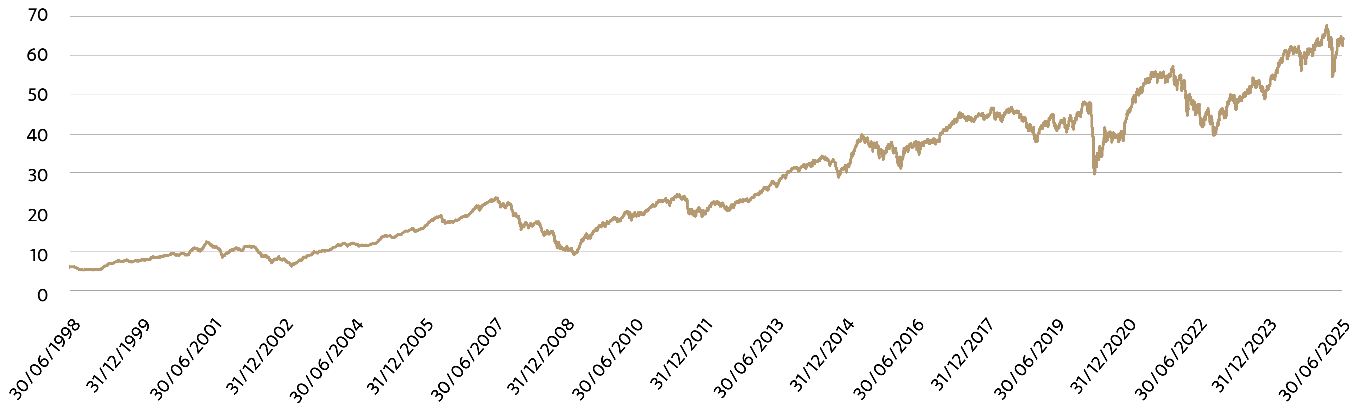
Europe	**58%**	Liquidity	**9%**
USA	**30%**	Rest of the World	**3%**

Sectoral distribution



Industrial	**39%**	Financial	**12%**
Consumer	**23%**	Liquidity	**9%**
Communication & Technology	**17%**		

NET ASSET VALUE TRENDS (€)



Data at close of day: 30/06/2025. Source: BESTINVER. Periods longer than 1 year in 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

Dear Investor,

Bestinver Internacional ended the quarter with growth of 4.1%, bringing its cumulative annual return for the first six months of the year to 1.9%.

The second quarter of 2025 has given us a masterclass on the current nature of financial markets. Markets swinging between paralysing terror and unbridled optimism, losing sight of the fact that economic reality rarely conforms to the extremes portrayed by the headlines we consume on a daily basis.

In a world where everything is "historical", "unheard of" or "seismic", nothing really is beyond the collective inability to process information without dramatising it. For this reason, our unwavering commitment to our investment principles —comprehensive fundamental analysis, respect for valuation and patience, the best medicine against market panic and excesses—, seems more important than ever.

At BESTINVER, our deepest conviction is that investment success is not an exact science of economic forecasting, but rather a rigorous discipline to discern the value of businesses in a world dominated by emotions.

We are referring to a method based on consistency and perseverance, which has worked well for more than 35 years, and which allows us to navigate short-term storms serenely. Trusting that companies' intrinsic value always manifests itself in the long term, regardless of the economic environment in which they must operate.

The tyranny of hyperbole

The main obstacle for investors to reach accurate conclusions is not lack of information, but rather their inherent tendency to assess the world dramatically instead of objectively.

Some alarming headlines and certain "financial experts", in their desperate search for clicks and attention, have perfected the art of systematic exaggeration. A 3% correction in stock market indices becomes a "historic slump", each geopolitical tension threatens to "collapse the world order" and any economic indicator (or quarterly result) triggers reactions that range from apocalypse to unbridled euphoria.

The democratisation of financial information has paradoxically created a more reactive and less analytical audience than ever. We live in a world where media amplification finds fertile ground in a large number of investors who have lost their ability to contextualise: they have surrendered to the tyranny of hyperbole.

For the patient and disciplined investor, this context is not a curse, but a blessing: a real-time sample of how fear (or greed) can divert the price of shares from their true fundamental value, opening windows of opportunity for those who are capable of remaining calm in the midst of the storm.

"If you spend 13 minutes a year on economics, you've wasted 10 minutes"

We observe markets which have gone from the desperation at the beginning of April to the strong optimism at the end of June. A wild round-trip in quotations, marked by a deep initial slump and an equally meteoric recovery.

We have witnessed a host of pre-agreements and disagreements, climbing and de-escalation, including an unprecedented dispute of USA President Donald Trump and his former ally, multimillionaire Elon Musk, which ended with a trail of unfortunate accusations between the two on social media. Seeing is believing.

At the time of writing this letter, the tariff saga has not ended. Daily headlines continue to be published at a frenetic pace and there is no certainty as to what proposals (or publications in social media) are mere negotiation tactics and which will end up being finally approved. A multitude of details have yet to be defined, not only in relation to the rules of the global trade game, but rather in other major fronts such as the tax treatment of the huge investment in weapons and infrastructure in Europe, the evolution of the wars in Ukraine and the Middle East or the approval of the budget reform promoted by Trump.

Legendary investor Peter Lynch used to say: "If you spend 13 minutes a year on economics, you've wasted 10 minutes". We share this vision to a large extent, despite the fact that this investment team estimates that, if there was ever a good occasion to waste those "three minutes", it is probably now. The problem is that, from a macroeconomic standpoint, with the information we have at our disposal, the range of possible results is extremely broad. We do not think that making specific forecasts in this area makes much sense at the present time.

The impact of tariffs will have normalised over the next two years

We are convinced that investment success does not lie in the ability to predict the twists and turns of the tariff policy or swings in investor confidence. Our investment work is primarily based on a "micro" analysis: the detailed study of individual companies, the quality of their businesses and their long-term valuation.

The analysis of "macro" factors —economic and political— fulfils an important, but subordinated function: it helps us to contextualise the operating environment in which companies carry on their activities and to assess the risks and opportunities that said environment presents for their business.

The current economic panorama, although challenging, has allowed us to test the soundness of our theses. We stressed different tariff frameworks and established certain macroeconomic assumptions.

This has enabled us to update our models for each company assuming a difficult economic scenario for the next year and a half. The reason? Uncertainty. We believe that it is prudent to assume a deferral of consumption and investment decisions(1) by the private sector until the environment offers greater visibility. A dynamic that will, probably, slow down activity in the near future.

Our assumption is that any tariff impact will have normalised over the next two years. Call us optimistic, but we think that we are entering a more balanced world, with a USA less focused on domestic consumption and more on investment, and a Europe less restricted by austerity, which we consider a step in the right direction.

But the fact is that, over and above this consideration, we know that our companies are not static entities, but rather living organisms endowed with significant capacity to adapt to a perpetually fluctuating economic environment. The history of the last two decades, with financial crises, sovereign debt crises, political disruptions such as Brexit or global shocks such as the pandemic, testifies to the inherent resilience and capacity of our companies to create value in difficult times.

Making money on the stock market is more a question of temperament than intelligence

A fascinating aspect of financial markets is that long-term returns are almost entirely explained by mathematics, while short-term returns are driven by psychology. It is useful to consider both.

From a long-term perspective, the intrinsic value of an asset is equivalent to the cash flows that its owners will receive in the future. Given a reasonable estimate of these cash flows, knowing the current price is identical to knowing the return that can be expected from said asset. This part is pure mathematics[2].

The problem is that the arithmetic, in the short term, does not apply. Thus, the trade price of any company on the stock exchange at any given time is no more than the highest price that the most eager buyer is willing to pay and the lowest price that the most eager seller is willing to accept. In the event of any news, if the buyers become more eager and the sellers withdraw, the price rises. If the sellers become more eager and the buyers withdraw, the price falls. If either of the two parties becomes very eager, but neither wants to withdraw from the market, the price does not change, but a large volume is exchanged. Specific news are not important. They are not even true. The only relevant thing is what is in the head of the most eager buyer and the most eager seller.

As Ben Graham and David Dodd observed almost a century ago, the market "does not react to real data directly, but rather only to the extent that they affect the decisions of buyers and sellers". That is, it is not the news that matters, but how investors interpret them. Therefore, when investors are optimistic and are willing to assume risks, all news —good or bad— are usually interpreted favourably. Whereas when pessimism is the dominant emotion in the markets, all news are, essentially, bad news.

Rational investors must navigate this environment recognising that, behind each "unprecedented crisis" or "historic rally", there usually lies an opportunity for those who know how to differentiate value from the price of a business. That's why we say that making money on the stock market is more a question of temperament than intelligence.

Benjamin Graham himself, the mentor of Warren Buffett and considered the father of "Value Investing", in his book "The Intelligent Investor", repeatedly emphasised that long-term investment success does not depend so much on having a high IQ or being an analytical genius. Rather it depends on emotional discipline and the ability to remain calm in the face of market fluctuations, resisting fear when others sell and euphoria when others buy.

His philosophy, which is ours, stresses the importance of controlling emotions and adhere to sound investment principles, irrespective of the noise and collective psychology of the market at any given time.

"In the short run, the market is a voting machine, but in the long run, it is a weighing machine"

For many people it is difficult to assimilate that stock market corrections are merely a reassessment of the profit generated by companies in the long term. Even in adverse economic scenarios, the underlying value of businesses barely changes[3].

The key is to know that the long-term performance of corporate results has not changed much over time. We know, for example, that the earnings of the S&P 500 have grown nominally at a nominal rate of around 6-8% per annum, irrespective of whether we look back 10, 20, 50 or 100 years. Since shares are a right to a very long-term cash flow, the type of volatility observed in the results of two quarters (or two years) simply does not matter much when calculating the fundamental value of a business.

Therefore, the real impact of any adverse event on the valuation of a company come from changes in the perception of customers who either estimate that the deceptions will continue indefinitely, thus affecting future cash flows, or reduce the price that they are willing to pay to maintain their shares in the portfolio, thereby increasing the returns that they will bring in the long term.

This dynamic shows why the deceptions in the results of speculative companies —those that do not generate profit or have as yet unvalidated business models (biotechnological companies, start-ups, etc.)— cause such dramatic impacts on their trade prices. Its intrinsic value
completely depends on flows that will be accrued in the very distant future, due to which any event that erodes investor confidence will result in a drastic adjustment in the price (the demanded return) of their shares.

On the contrary, a well-diversified portfolio such as ours, composed of leading sector companies, with a proven track record of profitability and growth, "should" not have large swings in the face of a macro event or worse-than-expected quarterly (or annual) results. Neither is it logical for the cost of capital of our companies to be drastically altered, due to the fact that their initial valuations are already low (the return demanded by the market is high).

This is the reason why the long-term returns of Bestinfond have practically no correlation with the economic context, neither with the growth rate of the earnings of our companies in the previous year, the current year or the following year. Something that must not be forgotten if the high temperatures trigger market volatility again in the summer months[4].

The profitability of our portfolio will depend, as it has always done, on the performance of our businesses in the long term and, above all, on the valuation of our market shares[5]. In this regard, the declines at the beginning of April and the meteoric recovery we have had since then have allowed us to improve Bestinver Internacional's revaluation potential, which we have done, fortunately, maintaining the fund's solidity and balance.

We have a portfolio made up of fabulous companies trading at a significant discount to their fundamental value. A combination of elements that does not guarantee immediate returns, but should provide very good results in forthcoming years since, although in the short term the market is a voting machine, in the long run it is a weighing machine[6].

Changes in the portfolio

In an environment where politics give rise to unprecedented volatility, true investor discipline lies in the unwavering commitment to the microeconomic fundamentals of each companies and respect for valuation.

As we mentioned at the beginning of this newsletter, we do not try to predict what will happen next with the economy, tariffs or international conflicts. We focus on what has historically worked: relying on our rigorous investment process, focusing on the fundamentals and recognising that uncertainty, although uncomfortable, often creates the best investment opportunities.

During the quarter we leveraged the panic caused by the fear of the tariffs to buy back shares of companies in which we had reduced our weighting at the beginning of the year. We are referring to names such as Meta, Pandora or Expelia, whose shares suffered price cuts in April, in many cases greater than 30%.

These declines allowed us to buy more Arcelor shares. Those that we were unable to buy when they went from EUR 20-22 to EUR 30 in very few sessions at the end of February, on being included in a few thematic baskets (ETFs) of "Winners of the end of the Ukraine war" or "Beneficiaries of the German infrastructure plan". We already know that the We already know that the proliferation of vehicles (ETFs) created ad hoc by investment banks and fund supermarkets is used by a large number of (misnamed) investors to jump on the bandwagon of a particular fashion. A trend that has segmented the market by themes which can be "bet on" in a seemingly simple way. Fortunately, the fear of tariffs which have been discounted since Trump won the elections in November caused the shares of the steel giant (whose investment case we explained in detail in the newsletter of the previous quarter) to decline nearly 40% in practically one month allowed us to complete our position. Fortunately, passive investors do not understand valuations, only fashions.

We have continued to reduce, in some cases substantially, the weight of companies that have been with us for many years in the portfolio. We are referring to Heidelberg Materials, Rolls-Royce or some Eurozone banks that have given us such good results in recent years (UniCredit, KBC and BNP).

As we explained in the previous quarter, we continue to see an opportunity in English banks (Lloyds and Barclays). During the quarter we were able to increase our weight in them at prices that we consider very attractive for the portfolio in the long term. We also bought back a former company of Bestinver Internacional: Nordea. We like the postcode where the Nordic bank operates and it is an example of stability, solvency (CET >15%) and high profitability (RoE 15%). Despite this, it continues to trade at a P/E ratio of 9x and provides us with double-digit profitability (with dividend and buyback of treasury shares) which we consider excellent in this environment.

As in the last quarter, we have continued to strengthen our positions in Philips, Elevance and also in Ashtead. All of them trading with highly discounted valuations that project structural deteriorations in their businesses when, in our opinion, they are only contextual.

Furthermore, the speed and intensity of the slump of the US stock exchange at the beginning of the quarter has given us the opportunity of starting to buy a pair of new companies. One in the semiconductor sector and the other in the discretionary consumer sector. In retrospect, it would have been better if we had acted more quickly, but price rules and the meteoric recovery of share prices in the last two months has not allowed us to complete our investments.

They are purchases that we have financed by reducing our weight in more defensive businesses, whose shares were largely unaffected by the declines. Such is the case of Reckitt, GSK or Berkshire Hathaway, which we are going to dedicate a special mention.

In fact, in the last quarters we have reduced the weight of Berkshire Hathaway in the portfolio. They are sales that we made due to their excellent performance, long before Warren Buffett announced his retirement.

We know that Berkshire is not the fastest-growing or most profitable company in the portfolio, but the returns we projected for the building are predictable and stable. The fact that it has drastically reduced its investment in Apple is good news, and the fact that it has EUR 350 billion in "cash" continues to offer us an optionality, or rather, an "anti-fragility"[7] that cannot be quantified in a multiple, although it undoubtedly has a lot of value.

Berkshire Hathaway continues to be "an anchor in our portfolios", but the discipline with the valuations and the relative opportunity of other positions in the portfolio has made us reduce its weight as its valuation has increased.

As we commented in detail a few weeks ago in a podcast, a Berkshire without Warren Buffett (and Charlie Munger) will inevitably be different. The iconic presence and accumulated wisdom of two of the most brilliant minds in the history of finance will be lost. However, Buffett built Berkshire with the intention of making it last beyond his leadership. The company's corporate culture, based on integrity, subsidiary autonomy and long-term approach is deeply rooted in each corner of the Omaha conglomerate.

Greg Abel, Buffett's substitute, has the responsibility of safeguarding that culture and demonstrating his capacity to lead Berkshire in the future. Although we expect a continuity in the fundamental strategic principles, we are likely to see an evolution (not a revolution) in the company's management. We believe that Abel is the perfect technocrat. He is a man who is expected to uphold the decentralised leadership of Berkshire's businesses, but with the supervision and capacity to make important decisions when circumstances require it.

Buffett's decision to hand over his leadership at a time of economic uncertainty and market volatility could be interpreted as a sign of confidence in Abel's readiness. After decades navigating economic cycles and financial crises, Buffett probably believes that the company is well positioned to meet future challenges under a new leadership. It could also be a pragmatic decision based on his age. Ensuring an orderly transition at a time when the company is sound and Buffett is cognitively and physically well makes sense from a long-term management perspective.

What is undeniable is that Abel is not Buffett. But there are countless examples of companies that have continued to have an excellent track record of creating value for their owners, once the founders were no longer in charge of the businesses. Consider Apple after Steve Jobs' death; or Amazon when Jeff Bezos stepped down; or Inditex without the figure of Amancio Ortega.

In our opinion, the impact of Buffett's replacement on Berkshire's investees will probably be moderated in the short term. Buffett's philosophy has always been to be a patient and supportive shareholder, confiding in the management of the executive teams of the companies in which he invests, without imposing drastic changes in their strategy.

However, in the long term, Greg Abel's vision on the allocation of capital could influence the composition of the company's huge business portfolio. We do not know how emotionally attached Abel is to many of his Berkshire holdings, in which Mr Buffett had an involvement with or a moral responsibility to its founders. His ability to objectively assess the profitability of many of those businesses could differ from Buffett's, thus creating, in our opinion, a good opportunity to generate value and growth for Berkshire in the future.

We thank you for your trust and wish you a great summer. Yours sincerely,

The Investment Team.

MAIN MOVEMENTS

Additions

NORDEA

Disposals

UNICREDIT
BNP PARIBAS
KBC GROEP

Increases

ASHTEAD
ARCELOR
META
BARCLAYS
EXPEDIA
PANDORA
LLOYDS

Reductions

BERKSHIRE HATHAWAY
ROLLS ROYCE
GSK
RECKITT BENCKISER

NOTES

(1) It was particularly difficult to draw conclusions in the face of the almost continuous changes emanating from the U.S. Administration on what tariffs will be imposed, to whom and when. Indeed, we have had to modify our analysis several times as the probable tariff path has changed. However, the problems of those of us who stress constantly changing trade policy valuation models are nothing compared to those who manage their businesses in this environment. Changing the assumptions of results on an Excel worksheet is a matter of a few hours; dismantling and rebuilding a supply chain or the capital stock of a company

is a task that takes years and requires enormous sums of money. A direct example of this problem are the tariffs that the Administration is considering imposing on car imports, particularly luxury vehicles of European brands such as BMW, of which we are shareholders. The apparent objective is to encourage the German manufacturer to increase production at its US plants, as it has already done in Spartanburg, South Carolina. However, imposing a high tariff on its imported cars seems an inefficient and costly way to achieve it. The construction of a new assembly plant or the massive expansion of an existing plant is a multi-million dollar project which takes years to complete. Meanwhile, the cost of luxury vehicles in the USA is substantially higher than it used to be, which will directly harm US consumers.

The existence of high import tariffs would no doubt encourage investment in new domestic production plants, but only if it is assumed that those tariffs will last long enough to justify the enormous investment. An automotive plant, once operational, will function for decades, due to which the uncertainty on the duration of the tariffs will drastically reduce the incentive to invest now. A future administration, even if it shared the same objective of increasing domestic automobile production, could decide that a more efficient way of achieving it would be to offer tax incentives or direct grants for investment in plants, which would have a lower cost for consumers.

Therefore, if BMW (or any other importing company) had the slightest suspicion that the Administration could change its tariff policy (or that a future administration would do so), it would not be very encouraged to invest now in new production capacity, even after the tariffs are imposed.

(2) Let's see a simple example to illustrate the valuation arithmetic more clearly. To this end, we resort to the market in which all Spaniards are experts: the real estate market. Let's imagine that you are an investor are thinking of buying a flat to rent it out. From this perspective, the "value" of that flat is no more than the right to receive "cash flows" over time, in this case, rental income.

On this basis, we establish the following initial assumptions:

— Price of acquisition of the building: €200,000

— Gross rental income: €1,000/month × 12 = €12,000/year.

In order to calculate the actual cash flow we will receive as owners, we must subtract the flat maintenance costs, such as property tax, community charges and insurance. Let's assume that these expenses amount to €2,000 per year.

With these data, we can calculate the expected long-term returns using a simple arithmetic formula:

— Annual net cash flow: €12,000 - €2,000 = €10,000.

— Expected return: (€10,000 / €200,000) × 100 = 5% per annum.

In this example, the expected long-term return of the investment in the flat is 5% per annum.

Similarly, it can be said that if the price of the flat rose to EUR 250,000, with the same rental, its expected return would have dropped to 4% [(€10,000 / €250,000) × 100 = 4%]. And, on the contrary, if the price of the flat fell to EUR 160,000, its expected return would increase to 6.25% [(€10,000 / €160,000) x 100 = 6.25%].

Therefore, when reasonably estimating the rental income that we will receive each year and knowing the price of the flat on the market, we can calculate its expected return. It goes without saying that the cheaper we buy the flat, the better the return we will get from it.

Well, it is exactly the same in the stock market. Estimating the "rental income" of a company, i.e. the cash flows that their business will generate in the future (the rigorous work we perform with each company we analyse) allows us to know the price we will have to pay to obtain the return we seek on our investment. This is not conjecture, it is simple arithmetic.

(3) The baseline premise of any valuation exercise is that the intrinsic value of a company lies in the sum of the cash flows that it business will be capable of generating over its lifetime. However, those cash flows must be discounted at a reasonable rate or cost of capital. Essentially, a minimum return demanded by investors to invest in an asset or project, considering its risk and the value of money over time. The greater the perceived asset risk, the greater this rate will be (which will reduce its current valuation) and vice versa.

For the valuation exercise we propose, we are going to use DCF (discounted cash flow) that, as opposed to other methods, requires analysing the fundamentals of the business and its long-term growth prospects. Since it focuses on cash flow —a less manipulable metric for accounting purposes than profit—, DFC offers a provides a more accurate vision of a company's real long-term value creation capacity.

In our exercise we are going to assume that, at current prices, a company's shares offer a cash flow equivalent to an annual profitability of 4% (in the example of the flat, rentals provide an annual return of 4% on the investment that would be required to buy said flat). We also know that these flows grow annually at around 4%. In this assumption, the long-term return of the business owners would be 8% (4% of the current rent plus the 4% that said rent will rise each year). Therefore, if the economy suffers a deep recession that completely wipes out two years of cash flow (if rental income disappears because we are doing a structural reform in the flat), the company's loss of value will be only 7.26%.

We know that the exercise we have just done is a somewhat mathematical act of faith. We invite you to cut and paste the preceding paragraph in your favourite artificial intelligence application and ask it if the result is true. We can anticipate that it is true (and that the application will explain the necessary calculations to arrive at the result), which shows that the corporate earnings performance of two quarters (or two years) simply do not matter much when calculating the fundamental value of a business.

(4) Last year our fund lost 10% in August after the Cboe Volatility Index (VIX) —also called the "Fear Index"— recorded its third-highest reading in history, just a few points below the levels reached during the worst moments of the 2008 financial crisis and the start of the pandemic in 2020. The reason? The announcement by Japan's central bank of a 25 basis point interest rate hike. A decision that triggered a historic 12% slump of the Nikkei index, added to the 6% drop on Friday after worse-than-expected US employment data (creation of 112,000 jobs vs the 179,000 estimated by consensus). A year earlier, the fund also lost 10% in summer due to the (unfounded) fear that inflation, which was not slowing down at the desired speed, would require new interest rate hikes. And in 2022, the (also

unfounded) fear of a recession that by all accounts seemed inevitable led to double-digit losses in the portfolio from June to September.

(5) As we explained in the newsletter of the first quarter, Bestinver Internacional trades at a discount of close to 50% against the world's leading indices, has a financial soundness unattainable for most of the companies that comprise them, and the growth in profit we project for our companies (70% compound until 2028) is much higher than that forecast by analyst consensus for global indices in the coming years.

(6) Warren Buffett, paraphrasing his professor and mentor Ben Graham, put it plainly: "In the short term, the market is a popularity contest. In the long term, a market is a weighing machine". Indeed, daily prices fluctuate according to the collective whims of investors, as if share prices responded to the votes of a financial popularity contest. However, over time, the "weight" of the fundamentals is eventually imposed: profit and valuation always end up prevailing.

(7) Nassim Taleb, in his book "Antifragile: Things that Gain from Disorder" (2012), coined the term "antifragility" to describe systems that not only withstand chaos, volatility and uncertainty (like resistant or resilient systems), but also thrive and improve when exposed to them. In our opinion, USD 350 billion in the hands of Buffett, Abel, Combs or Weschler would not only allow BRK to capitalise on a potential recession or market downturn, but also the eventual acquisitions they make in such an environment will create undoubted value for their shareholders in the years to come. Something which has happened several times in the 60 years of Berkshire's history: in 1964, with the acquisition of American Express taking advantage of the "Salad Oil" scandal, in the 1987 crash (Coca Cola), during the 2008 crisis (BSNF) and in 2011 (preference shares and stock warrants in Bank of America), not to mention the most recent acquisition of Apple in 2016 (when the US giant based in Cupertino was trading at a P/E ratio of around 14, considerably lower than the 30+ P/E ratio it has today).

Bestvalue

It is an investment fund aimed at investors with a long-term time horizon (more than five years). The fund invests up to 85% in global equities and up to 15% in Iberian equities, with European listed companies being the most highly represented in the portfolio. The objective of the Fund is to obtain long-term profitability through the selection of attractive, well-managed businesses with high revaluation potential. The fund is managed according to the three pillars of our investment philosophy: proprietary fundamental analysis, appropriate risk management and a shared time horizon between investors and managers.

MANAGEMENT TEAM

Tomás Pintó
Head of International Equities

Ricardo Seixas
Head of Iberian Equities

ANNUAL RETURNS TABLE

	2025	2024	2023	2022	2021	2020
Bestvalue	5.27%	13.03%	24.69%	-15.74%	14.61%	-4.29%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	Launch
Bestvalue (1)	15.55%	11.40%	5.75%	7.19%

Figures at 30/06/2025
Past performance is no guarantee of future performance.

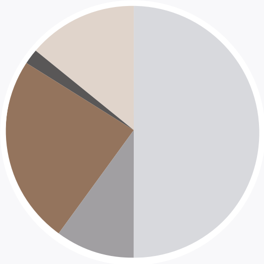
(1) Launch date: 02/12/2010

TOP POSITIONS

	% OF PORTFOLIO
PHILIPS ELECTRONICS NV	2.85%
META PLATFORMS INC-CLASS A	2.80%
HEINEKEN NV	2.37%
ARCELORMITTAL	2.36%
ELEVANCE HEALTH INC	2.32%

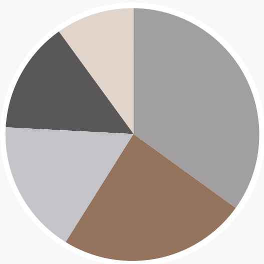
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



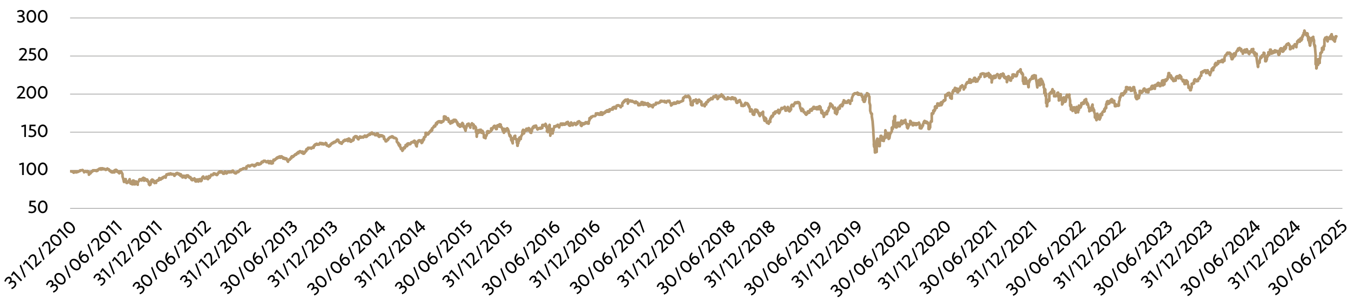
Europe	**50%**	Rest of the World	**2%**
Liquidity	**10%**	Iberia	**14%**
USA	**24%**		

Sectoral distribution



Industrial	**35%**	Financial	**14%**
Consumer	**24%**	Liquidity	**10%**
Communication & Technology	**17%**		

NET ASSET VALUE TRENDS (€)



Data at close of day: 30/06/2025. Source: BESTINVER. Periods longer than 1 year in annualised rate. Launch date: 02/12/2010.

RISKS ASSOCIATED WITH THE INVESTMENT

Bestvalue 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,

BestValue ended the quarter with growth of 5.0%, bringing its cumulative annual return for the first six months of the year to 5.3%.

The second quarter of 2025 has given us a masterclass on the current nature of financial markets. Markets swinging between paralysing terror and unbridled optimism, losing sight of the fact that economic reality rarely conforms to the extremes portrayed by the headlines we consume on a daily basis.

In a world where everything is "historical", "unheard of" or "seismic", nothing really is beyond the collective inability to process information without dramatising it. For this reason, our unwavering commitment to our investment principles —comprehensive fundamental analysis, respect for valuation and patience, the best medicine against market panic and excesses—, seems more important than ever.

At BESTINVER, our deepest conviction is that investment success is not an exact science of economic forecasting, but rather a rigorous discipline to discern the value of businesses in a world dominated by emotions.

We are referring to a method based on consistency and perseverance, which has worked well for more than 35 years, and which allows us to navigate short-term storms serenely. Trusting that companies' intrinsic value always manifests itself in the long term, regardless of the economic environment in which they must operate.

The tyranny of hyperbole

The main obstacle for investors to reach accurate conclusions is not lack of information, but rather their inherent tendency to assess the world dramatically instead of objectively.

Some alarming headlines and certain "financial experts", in their desperate search for clicks and attention, have perfected the art of systematic exaggeration. A 3% correction in stock market indices becomes a "historic slump", each geopolitical tension threatens to "collapse the world order" and any economic indicator (or quarterly result) triggers reactions that range from apocalypse to unbridled euphoria.

The democratisation of financial information has paradoxically created a more reactive and less analytical audience than ever. We live in a world where media amplification finds fertile ground in a large number of investors who have lost their ability to contextualise: they have surrendered to the tyranny of hyperbole.

For the patient and disciplined investor, this context is not a curse, but a blessing: a real-time sample of how fear (or greed) can divert the price of shares from their true fundamental value, opening windows of opportunity for those who are capable of remaining calm in the midst of the storm.

"If you spend 13 minutes a year on economics, you've wasted 10 minutes"

We observe markets which have gone from the desperation at the beginning of April to the strong optimism at the end of June. A wild round-trip in quotations, marked by a deep initial slump and an equally meteoric recovery.

We have witnessed a host of pre-agreements and disagreements, climbing and de-escalation, including an unprecedented dispute of US President Donald Trump and his former ally, multimillionaire Elon Musk, which ended with a trail of unfortunate accusations between the two on social media. Seeing is believing.

At the time of writing this letter, the tariff saga has not ended. Daily headlines continue to be published at a frenetic pace and there is no certainty as to what proposals (or publications in social media) are mere negotiation tactics and which will end up being finally approved. A multitude of details have yet to be defined, not only in relation to the rules of the global trade game, but rather in other major fronts such as the tax treatment of the huge investment in weapons and infrastructure in Europe, the evolution of the wars in Ukraine and the Middle East or the approval of the budget reform promoted by Trump.

Legendary investor Peter Lynch used to say: "If you spend 13 minutes a year on economics, you've wasted 10 minutes". We share this vision to a large extent, despite the fact that this investment team estimates that, if there was ever a good occasion to waste those "three minutes", it is probably now. The problem is that, from a macroeconomic standpoint, with the information we have at our disposal, the range of possible results is extremely broad. We do not think that making specific forecasts in this area makes much sense at the present time.

The impact of tariffs will have normalised over the next two years

We are convinced that investment success does not lie in the ability to predict the twists and turns of the tariff policy or swings in investor confidence. Our investment work is primarily based on a "micro" analysis: the detailed study of individual companies, the quality of their businesses and their long-term valuation.

The analysis of "macro" factors —economic and political— fulfils an important, but subordinated function: it helps us to contextualise the operating environment in which companies carry on their activities and to assess the risks and opportunities that said environment presents for their business.

The current economic panorama, although challenging, has allowed us to test the soundness of our theses. We stressed different tariff frameworks and established certain macroeconomic assumptions. This has enabled us to update our models for each company assuming a difficult economic scenario for the next year and a half. The reason? Uncertainty. We believe that it is prudent to assume a deferral of consumption and investment decisions[1] by the private sector until the environment offers greater visibility. A dynamic that will, probably, slow down activity in the near future.

Our assumption is that any tariff impact will have normalised over the next two years. Call us optimistic, but we think that we are entering a more balanced world, with a USA less focused on domestic consumption and more on investment, and a Europe less restricted by austerity, which we consider a step in the right direction.

But the fact is that, over and above this consideration, we know that our companies are not static entities, but rather living organisms endowed with significant capacity to adapt to a perpetually fluctuating economic environment. The history of the last two decades, with financial crises, sovereign debt crises, political disruptions such as Brexit or global shocks such as the pandemic, testifies to the inherent resilience and capacity of our companies to create value in difficult times.

Making money on the stock market is more a question of temperament than intelligence

A fascinating aspect of financial markets is that long-term returns are almost entirely explained by mathematics, while short-term returns are driven by psychology. It is useful to consider both.

From a long-term perspective, the intrinsic value of an asset is equivalent to the cash flows that its owners will receive in the future. Given a reasonable estimate of these cash flows, knowing the current price is identical to knowing the return that can be expected from said asset. This part is pure mathematics[(2)].

The problem is that the arithmetic, in the short term, does not apply. Thus, the share price of any company on the stock exchange at any given time is no more than the highest price that the most eager buyer is willing the highest price that the most eager seller is willing to accept. In the event of any news, if the buyers become more eager and the sellers withdraw, the price rises. If the sellers become more eager and the buyers withdraw, the price falls. If either of the two parties becomes very eager, but neither wants to withdraw from the market, the price does not change, but a large volume is exchanged. Specific news are not important. They are not even true. What matters is what is in the head of the most eager buyer.

As Ben Graham and David Dodd observed almost a century ago, the market "does not react to real data directly, but rather only to the extent that they affect the decisions of buyers and sellers". That is, it is not the news that matters, but how investors interpret them. Therefore, when investors are optimistic and are willing to assume risks, all news —good or bad— are usually interpreted favourably. Whereas when pessimism is the dominant emotion in the markets, all news are, essentially, bad news.

Rational investors must navigate this environment recognising that, behind each "unprecedented crisis" or "historic rally", there usually lies an opportunity for those who know how to differentiate value from the price of a business. That's why we say that making money on the stock market is more a question of temperament than intelligence.

Benjamin Graham himself, the mentor of Warren Buffett and considered the father of "Value Investing", in his book "The Intelligent Investor", repeatedly emphasised that long-term investment success does not depend so much on having a high IQ or being an analytical genius. Rather it depends on emotional discipline and the ability to remain calm in the face of market fluctuations, resisting fear when others sell and euphoria when others buy.

His philosophy, which is ours, stresses the importance of controlling emotions and adhere to sound investment principles, irrespective of the noise and collective psychology of the market at any given time.

"In the short run, the market is a voting machine, but in the long run, it is a weighing machine"

For many people it is difficult to assimilate that stock market corrections are merely a reassessment of the profit generated by companies in the long term. Even in adverse economic scenarios, the underlying value of businesses barely changes[(3)].

The key is to know that the long-term performance of corporate results has not changed much over time. We know, for example, that the earnings of the S&P 500 have grown nominally at a nominal rate of around 6-8% per annum, irrespective of whether we look back 10, 20, 50 or 100 years. Since shares are a right to a very long-term cash flow, the type of volatility observed in the results of two quarters (or two years) simply does not matter much when calculating the fundamental value of a business.

Therefore, the real impact of any adverse event on the valuation of a company come from changes in the perception of customers who either estimate that the deceptions will continue indefinitely, thus affecting future cash flows, or reduce the price that they are willing to pay to maintain their shares in the portfolio, thereby increasing the returns that they will bring in the long term.

This dynamic shows why the deceptions in the results of speculative companies —those that do not generate profit or have as yet unvalidated business models (biotechnological companies, start-ups, etc.)— cause such dramatic impacts on their trade prices. Their intrinsic value completely depends on flows that will be accrued in the very distant future, due to which any event that erodes investor confidence will result in a drastic adjustment in the price (the demanded return) of their shares.

On the contrary, a well-diversified portfolio such as ours, composed of leading sector companies, with a proven track record of profitability and growth, "should" not have large swings in the face of a macro event or worse-than-expected quarterly (or annual) results. Neither is it logical for the cost of capital of our companies to be drastically altered, due to the fact that their initial valuations are already low (the return demanded by the market is high).

This is the reason why the long-term returns of Bestinfond have practically no correlation with the economic context, neither with the growth rate of the earnings of our companies in the previous year, the current year or the following year. Something that must not be forgotten if the high temperatures trigger market volatility again in the summer months[4].

The profitability of our portfolio will depend, as it has always done, on the performance of our businesses in the long term and, above all, on the valuation of our market shares[5]. In this regard, the declines at the beginning of April and the meteoric recovery we have had since then have allowed us to improve BestValue's revaluation potential, which we have done, fortunately, maintaining the fund's solidity and balance.

We have a portfolio made up of fabulous companies trading at a significant discount to their fundamental value. A combination of elements that does not guarantee immediate returns, but should provide very good results in forthcoming years since, although in the short term the market is a voting machine, in the long run it is a weighing machine[6].

Movements in the International portfolio

In an environment where politics give rise to unprecedented volatility, true investor discipline lies in the unwavering commitment to the microeconomic fundamentals of each companies and respect for valuation.

As we mentioned at the beginning of this newsletter, we do not try to predict what will happen next with the economy, tariffs or international conflicts. We focus on what has historically worked: relying on our rigorous investment process, focusing on the fundamentals and recognising that uncertainty, although uncomfortable, often creates the best investment opportunities.

During the quarter we leveraged the panic caused by the fear of the tariffs to buy back shares of companies in which we had reduced our weighting at the beginning of the year. We are referring to names such as Meta, Pandora or Expelia, whose shares suffered price cuts in April, in many cases greater than 30%.

These declines allowed us to buy more Arcelor shares. Those that we were unable to buy when they went from EUR 20-22 to EUR 30 in very few sessions at the end of February, on being included in a few thematic baskets (ETFs) of "Winners of the end of the Ukraine war" or "Beneficiaries of the German infrastructure plan". We already know that the proliferation of vehicles (ETFs) created ad hoc by investment banks and fund supermarkets is used by a large number of (misnamed) investors to jump on the bandwagon of a particular fashion. A trend that has segmented the market by themes which can be "bet on" in a seemingly simple way. Fortunately, the fear of tariffs which have been discounted since Trump won the elections in November caused the shares of the steel giant (whose investment case we explained in detail in the newsletter of the previous quarter) to decline nearly 40% in practically one month and allowed us to complete our position. Fortunately, passive investors do not understand valuations, only fashions.

We have continued to reduce, in some cases substantially, the weight of companies that have been in our portfolio for many years. We are referring to Heidelberg Materials, Rolls-Royce or some Eurozone banks that have given us such good results in recent years (UniCredit, KBC and BNP).

As we explained in the previous quarter, we continue to see an opportunity in English banks (Lloyds and Barclays). During the quarter we were able to increase our weight in them at prices that we consider very attractive for the portfolio in the long term. We also bought back a former company of BestValue: Nordea. We like the postcode where the Nordic bank operates and it is an example of stability, solvency (CET >15%) and high profitability (RoE 15%). Despite this, it continues to trade at a P/E ratio of 9x and provides us with double-digit profitability (with dividend and buyback of treasury shares) which we consider excellent in this environment.

As in the last quarter, we have continued to strengthen our positions in Philips, Elevance and also in Ashtead. All of them trading with highly discounted valuations that project structural deteriorations in their businesses when, in our opinion, they are only contextual.

Furthermore, the speed and intensity of the slump of the US stock exchange at the beginning of the quarter has given us the opportunity of starting to buy a pair of new companies. One in the semiconductor sector and the other in the discretionary consumer sector. In retrospect, it would have been better if we had acted more quickly, but price rules and the meteoric recovery of share prices in the last two months has not allowed us to complete our investments.

They are purchases that we have financed by reducing our weight in more defensive businesses, whose shares were largely unaffected by the declines. Such is the case of Reckitt, GSK or Berkshire Hathaway, which we are going to dedicate a special mention.

In fact, in the last quarters we have reduced the weight of Berkshire Hathaway in the portfolio. They are sales that we made due to their excellent performance, long before Warren Buffett announced his retirement.

We know that Berkshire is not the fastest-growing or most profitable company in the portfolio, but the returns we projected for the building are predictable and stable. The fact that it has drastically reduced its investment in Apple is good news, and the fact that it has EUR 350 billion in "cash" continues to offer us an optionality, or rather, an "anti-fragility"(7) that cannot be quantified in a multiple, although it undoubtedly has a lot of value.

Berkshire Hathaway continues to be "an anchor in our portfolios", but the discipline with the valuations and the relative opportunity of other positions in the portfolio has made us reduce its weight as its valuation has increased.

As we commented in detail a few weeks ago in a podcast, a Berkshire without Warren Buffett (and Charlie Munger) will inevitably be different. The iconic presence and accumulated wisdom of two of the most brilliant minds in the history of finance will be lost. However, Buffett built Berkshire with the intention of making it last beyond his leadership. The company's corporate culture, based on integrity, subsidiary autonomy and long-term approach is deeply rooted in each corner of the Omaha conglomerate.

Greg Abel, Buffett's substitute, has the responsibility of safeguarding that culture and demonstrating his capacity to lead Berkshire in the future. Although we expect a continuity in the fundamental strategic principles, we are likely to see an evolution (not a revolution) in the company's management. We believe that Abel is the perfect technocrat. He is a man who is expected to uphold the decentralised leadership of Berkshire's businesses, but with the oversight and capacity to make important decisions when circumstances require it.

Buffett's decision to hand over his leadership at a time of economic uncertainty and market volatility could be interpreted as a sign of confidence in Abel's readiness. After decades navigating economic cycles and financial crises, Buffett probably believes that the company is well positioned to meet future challenges under a new leadership. It could also be a pragmatic decision based on his age. Ensuring an orderly transition at a time when the company is sound and Buffett is cognitively and physically well makes sense from a long-term management perspective.

What is undeniable is that Abel is not Buffett. But there are countless examples of companies that have continued to have an excellent track record of creating value for their owners, once the founders were no longer in charge of the businesses. Consider Apple after Steve Jobs' death; or Amazon when Jeff Bezos stepped down; or Inditex without the figure of Amancio Ortega.

In our opinion, the impact of Buffett's replacement on Berkshire's investees will probably be moderated in the short term. Buffett's philosophy has always been to be a patient and supportive shareholder, confiding in the management of the executive teams of the companies in which he invests, without imposing drastic changes in their strategy.

However, in the long term, Greg Abel's vision on the allocation of capital could influence the composition of the company's huge business portfolio. We do not know how emotionally attached Abel is to many of his Berkshire holdings, in which Mr Buffett had an involvement with or a moral responsibility to its founders. His ability to objectively assess the profitability of many of those businesses could differ from Buffett's, thus creating, in our opinion, a good opportunity to generate value and growth for Berkshire in the future.

Movements in the Iberian portfolio

Several factors explain the better performance of the Iberian market compared to the main international indices. From a macro standpoint, this market has low direct exposure to tariffs, at both the macroeconomic and corporate level. Moreover, with a GDP growth of nearly 2 % —above the Eurozone average-, it has more scope to absorb potential adverse impacts on the foreign sector. From a micro standpoint, Iberian companies have the necessary solvency to cope with uncertainty, thanks to the strong deleveraging completed in recent years. Lastly, their valuation starts from substantially lower levels than the rest. These factors give the Iberian market a defensive profile that helps it to cope with the turbulences arising from the trade war.

During the quarter we acquired a company well-known to us, Portuguese electricity leader EDP, and increased our position in Indira, whose investment case we explained in detail in the newsletter of the previous quarter in the section on Bestinver Bolsa. We financed these movements mainly by reducing the weight of the Spanish financial sector through the complete sale of our position in Bankinter and the partial sale of Caixabank.

We thank you for your trust and wish you a great summer. Yours sincerely,

The Investment Team.

MAIN MOVEMENTS

Additions

EDP
NORDEA

Disposals

UNICREDIT
BANKINTER
BNP PARIBAS
KBC GROEP

Increases

ASHTEAD
ARCELOR
META
BARCLAYS
EXPEDIA
PANDORA
LLOYDS

Reductions

BERKSHIRE HATHAWAY
ROLLS ROYCE
GSK
RECKITT BENCKISER
CAIXABANK

NOTES

(1) It was particularly difficult to draw conclusions in the face of the almost continuous changes emanating from the U.S. Administration on what tariffs will be imposed, to whom and when. Indeed, we have had to modify our analysis several times as the probable tariff path has changed. However, the problems of those of us who stress constantly changing trade policy valuation models are nothing compared to those who manage their businesses in this environment. Changing the assumptions of results on an Excel worksheet is a matter of a few hours; dismantling and rebuilding a supply chain or the capital stock of a company

is a task that takes years and requires enormous sums of money. A direct example of this problem are the tariffs that the Administration is considering imposing on car imports, particularly luxury vehicles of European brands such as BMW, of which we are shareholders. The apparent objective is to encourage the German manufacturer to increase production at its US plants, as it has already done in Spartanburg, South Carolina. However, imposing a high tariff on its imported cars seems an inefficient and costly way to achieve it. The construction of a new assembly plant or the massive expansion of an existing plant is a multi-million dollar project which takes years to complete. Meanwhile, the cost of luxury vehicles in the USA is substantially higher than it used to be, which will directly harm US consumers.

The existence of high import tariffs would no doubt encourage investment in new domestic production plants, but only if it is assumed that those tariffs will last long enough to justify the enormous investment. An automotive plant, once operational, will function for decades, due to which the uncertainty on the duration of the tariffs will drastically reduce the incentive to invest now. A future administration, even if it shared the same objective of increasing domestic automobile production, could decide that a more efficient way of achieving it would be to offer tax incentives or direct grants for investment in plants, which would have a lower cost for consumers.

Therefore, if BMW (or any other importing company) had the slightest suspicion that the Administration could change its tariff policy (or that a future administration would do so), it would not be very encouraged to invest now in new production capacity, even after the tariffs are imposed.

(2) Let's see a simple example to illustrate the valuation arithmetic more clearly. To this end, we resort to the market in which all Spaniards are experts: the real estate market. Let's imagine that you are an investor are thinking of buying a flat to rent it out. From this perspective, the "value" of that flat is no more than the right to receive "cash flows" over time, in this case, rental income.

On this basis, we establish the following initial assumptions:

- Price of acquisition of the building: €200,000
- Gross rental income: €1,000/month × 12 = €12,000/year.

In order to calculate the actual cash flow we will receive as owners, we must subtract the flat maintenance costs, such as property tax, community charges and insurance. Let's assume that these expenses amount to €2,000 per year.

With these data, we can calculate the expected long-term returns using a simple arithmetic formula:

- Annual net cash flow: €12,000 - €2,000 = €10,000.
- Expected return: (€10,000 / €200,000) × 100 = 5% per annum.

In this example, the expected long-term return of the investment in the flat is 5% per annum.

Similarly, it can be said that if the price of the flat rose to EUR 250,000, with the same rental, its expected return would have dropped to 4% [(€10,000 / €250,000) × 100 = 4%]. And, on the contrary, if the price of the flat fell to EUR 160,000, its expected return would increase to 6.25% [(€10,000 / €160,000) x 100 = 6.25%].

Therefore, when reasonably estimating the rental income that we will receive each year and knowing the price of the flat on the market, we can calculate its expected return. It goes without saying that the cheaper we buy the flat, the better the return we will get from it.

Well, it is exactly the same in the stock market. Estimating the "rental income" of a company, i.e. the cash flows that their business will generate in the future (the rigorous work we perform with each company we analyse) allows us to know the price we will have to pay to obtain the return we seek on our investment. This is not conjecture, it is simple arithmetic.

(3) The baseline premise of any valuation exercise is that the intrinsic value of a company lies in the sum of the cash flows that it business will be capable of generating over its lifetime. However, those cash flows must be discounted at a reasonable rate or cost of capital. Essentially, a minimum return demanded by investors to invest in an asset or project, considering its risk and the value of money over time. The greater the perceived asset risk, the greater this rate will be (which will reduce its current valuation) and vice versa.

For the valuation exercise we propose, we are going to use DCF (discounted cash flow) that, as opposed to other methods, requires analysing the fundamentals of the business and its long-term growth prospects. Since it focuses on cash flow —a less manipulable metric for accounting purposes than profit—, DFC offers a provides a more accurate vision of a company's real long-term value creation capacity.

In our exercise we are going to assume that, at current prices, a company's shares offer a cash flow equivalent to an annual profitability of 4% (in the example of the flat, rentals provide an annual return of 4% on the investment that would be required to buy said flat). We also know that these flows grow annually at around 4%. In this assumption, the long-term return of the business owners would be 8% (4% of the current rent plus the 4% that said rent will rise each year). Therefore, if the economy suffers a deep recession that completely wipes out two years of cash flow (if rental income disappears because we are doing a structural reform in the flat), the company's loss of value will be only 7.26%.

We know that the exercise we have just done is a somewhat mathematical act of faith. We invite you to cut and paste the preceding paragraph in your favourite artificial intelligence application and ask it if the result is true. We can anticipate that it is true (and that the application will explain the necessary calculations to arrive at the result), which shows that the corporate earnings performance of two quarters (or two years) simply do not matter much when calculating the fundamental value of a business.

(4) Last year our fund lost 10% in August after the Cboe Volatility Index (VIX) —also called the "Fear Index"— recorded its third-highest reading in history, just a few points below the levels reached during the worst moments of the 2008 financial crisis and the start of the pandemic in 2020. The reason? The announcement by Japan's central bank of a 25 basis point interest rate hike. A decision that triggered a historic 12% slump of the Nikkei index, added to the 6% drop on Friday after worse-than-expected US employment data (creation of 112,000 jobs vs the 179,000 estimated by consensus). A year earlier, the fund also lost 10% in summer due to the (unfounded) fear that inflation, which was not slowing down at the desired speed, would require new interest rate hikes. And in 2022, the (also unfounded) fear of a recession that by all accounts seemed inevitable led to double-digit losses in the portfolio from June to September.

(5) As we explained in the newsletter of the first quarter, BestValue trades at a discount of close to 50% against the world's leading indices, has a financial soundness unattainable for most of the companies that comprise them, and the growth in profit we project for our companies (70% compound until 2028) is much higher than that forecast by analyst consensus for these indices in the coming years.

(6) Warren Buffett, paraphrasing his professor and mentor Ben Graham, put it plainly: "In the short term, the market is a popularity contest. In the long term, a market is a weighing machine". Indeed, daily prices fluctuate according to the collective whims of investors, as if share prices responded to the votes of a financial popularity contest. However, over time, the "weight" of the fundamentals is eventually imposed: profit and valuation always end up prevailing.

(7) Nassim Taleb, in his book "Antifragile: Things that Gain from Disorder" (2012), coined the term "antifragility" to describe systems that not only withstand chaos, volatility and uncertainty (like resistant or resilient systems), but also thrive and improve when exposed to them. In our opinion, USD 350 billion in the hands of Buffett, Abel, Combs or Weschler would not only allow BRK to capitalise on a potential recession or market downturn, but also the eventual acquisitions they make in such an environment will create undoubted value for their shareholders in the years to come. Something which has happened several times in the 60 years of Berkshire's history: in 1964, with the acquisition of American Express taking advantage of the "Salad Oil" scandal, in the 1987 crash (Coca Cola), during the 2008 crisis (BSNF) and in 2011 (preference shares and stock warrants in Bank of America), not to mention the most recent acquisition of Apple in 2016 (when the US giant based in Cupertino was trading at a P/E ratio of around 14, considerably lower than the 30+ P/E ratio it has today).

Bestinver Bolsa

It is an investment fund aimed at investors with a long-term time horizon (more than five years). The fund invests up to 100% in Iberian equities (Spain and Portugal). The objective of the fund is to achieve long-term performance through the selection of attractive, well-managed businesses with high growth potential. The fund is managed according to the three pillars of our investment philosophy: proprietary fundamental analysis, appropriate risk management and a shared time horizon between 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

	2025	2024	2023	2022	2021	2020
Bestinver Bolsa	25.37%	9.03%	25.62%	-6.43%	16.97%	-14.01%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	15 years	Launch
Bestinver Bolsa (1)	19.43%	16.17%	6.74%	7.86%	10.08%

Figures at 30/06/2025
Past performance is no guarantee of future performance.

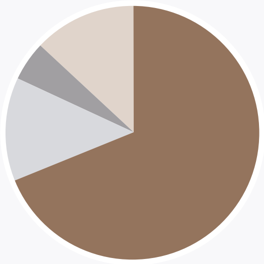
(1) Launch date: 01/12/1997

TOP POSITIONS

	% OF PORTFOLIO
INDRA SISTEMAS S.A.	9.06%
GRIFOLS SA	8.48%
BANCO SANTANDER SA	7.59%
ZEGONA COMMUNICATIONS PLC	6.60%
DISTRIBUIDORA INTERNACIONAL	4.77%

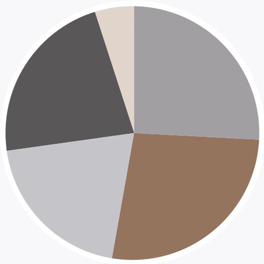
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



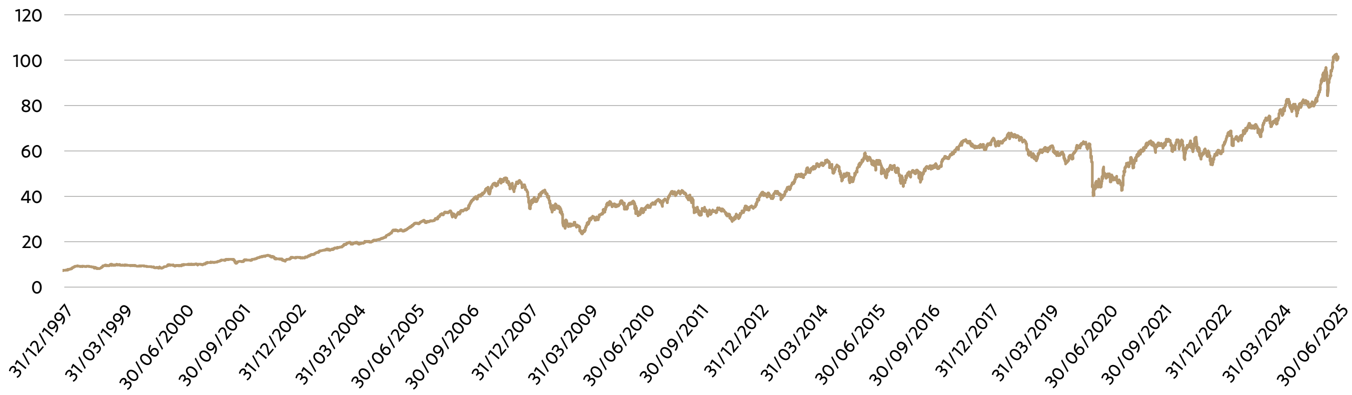
Spain	**69%**	Liquidity	**5%**
Portugal	**13%**	Europe	**13%**

Sectoral distribution



Industrial	**26%**	Financial	**22%**
Consumer	**27%**	Liquidity	**5%**
Communication & Technology	**20%**		

NET ASSET VALUE TRENDS (€)



Data at close of day: 30/06/2025. Source: BESTINVER. Periods longer than 1 year in annualised rate. Launch date: 01/12/1997.

RISKS ASSOCIATED WITH THE INVESTMENT

Bestinver Bolsa 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,

Although the second quarter was marked by volatility, the Iberian market ended the first half of the year with significant gains.

After the sharp falls recorded in April, motivated by the announcement of a much more stringent-than-anticipated tariff package, the market made a fast recovery in the second part of the quarter.

This was driven by the temporary suspension of tariffs, solid business results and more robust-than-expected activity and inflation data. However, we must not ignore that there is still uncertainty about the definitive scope of the new tariff scheme. Therefore, we remain attentive to further developments and communications from companies to assess the potential impact of future deterioration.

Several factors explain the better performance of the Iberian market compared to the main international indices. From a macro standpoint, this market has low direct exposure to tariffs, at both the macroeconomic and corporate level. Moreover, with a GDP growth of nearly 2% —above the Eurozone average-, it has more scope to absorb potential adverse impacts on the foreign sector. From a micro standpoint, Iberian companies have the necessary solvency to cope with uncertainty, thanks to the strong deleveraging completed in recent years. Lastly, their valuation starts from substantially lower levels than the rest. These factors give the Iberian market a defensive profile that helps it to cope with the turbulences arising from the trade war.

DIA

In this newsletter we want to share our thesis on DIA, of which we are shareholders since 2021. An investment which has required a lot of patience, since the market has taken years to start to recognise the good progression of the company since our entry into its capital. It is a perfect example of the importance of maintaining one's conviction and always thinking in the long term.

Our investment, initiated four years ago in the capital increase, had a somewhat tortuous start. From the beginning, we understood that the market was going to treat DIA like a complex story. Its results were difficult to interpret due to the large number of extraordinary items and changes in the scope of consolidation. Moreover, the company was expected to face debt refinancing at the end of 2024. Lastly, the presence of a controversial majority shareholder did not work in its favour either. We knew that this reluctance would require a great deal of patience.

Since their arrival, the new management team focused entirely on the process of restructuring the company. However, their progress was eclipsed by the losses of some formats and regions. Thus, for months the market ignored the transformation being achieved in the company's operations in Spain. This type of situations can be frustrating, but are actually excellent opportunities to buy at very attractive prices. For this reason, after verifying the good progression of the fundamentals and any lack of reaction from the shares, we decided to considerably increase our holding in 2023.

Today, DIA is one of the main positions in the portfolio, thanks in part to the 120% revaluation in the last six months. This is the culmination of a transformation process that began several years ago. First, from the complete restructuring of the shops and product range in Spain. Second, from the sale of Clarel, Supermercados Maxi and the exit of Portugal and Brazil —the latter alone was generating annual losses of EUR 50 million-. Lastly, from the debt refinancing carried out in December, in which banks also agreed to increase their credit facilities.

Overall, since 2021, adjusted EBITDA in Spain —which includes rental payments— has increased from EUR 92 million to more than EUR 300 million estimated for 2025. Spectacular growth, taking into account that it has achieved this after reducing its network by nearly 1,400 shops, renewing all its establishments and reducing net debt to EUR 240 million. DIA is currently present in Spain and Argentina, where it has the necessary size, format and market share to be a profitable and benchmark operator.

We believe that DIA has just begun to make history. On Investor Day, held on 20 March, the company marked the start of a new phase. Over the next five years, it has set itself the objective of increasing its income between 4% and 6% per annum and improving its margins by up to 200 basis points. This would allow it to reach an exceptional EBITDA margin in the sector of between 7.5% and 8%. We think that this plan is feasible due to its starting point, the strategy based on growth of franchises and a favourable competitive environment.

The DIA Group currently trades at 5x EV/EBITDA and at 14x estimated profit for 2025. We only assess their operations in Spain, considering the unit in Argentina —where it has a 15% market share— as pure optionality. Its plan is based on increasing EBITDA by more than 50% and more than double net profit organically in the next five years. Therefore, it is an attractive proposal in a defensive business model, well-financed and, above all, extraordinarily managed.

In conclusion, we want to highlight the strong performance of Iberian small and medium-sized companies in recent months. This performance confirms what we indicated several quarters ago: investors have overlooked improving the fundamentals of these companies for a long time and the valuation normalisation process has barely begun. Consequently, we continue to maintain good expectations of profitability for the next few years.

We thank you for your trust and wish you a great summer. Yours sincerely,

The Investment Team.

Date: 30/06/2025. Source: BESTINVER

MAIN MOVEMENTS

Additions

EDP

Disposals

BANKINTER

Increases

INDRA

Reductions

CAIXABANK

Bestinver Grandes Compañías

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

MANAGEMENT TEAM

Tomás Pintó
Head of International Equities

Jorge Fuentes
International Equities Manager

ANNUAL RETURNS TABLE

	2025	2024	2023	2022	2021	2020
Bestinver Grandes Compañías	-2.01%	9.65%	24.57%	-22.55%	19.52%	12.66%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	Launch
Bestinver Grandes Compañías (1)	10.10%	7.50%	6.10%	8.47%

Figures at 30/06/2025
Past performance is no guarantee of future performance.

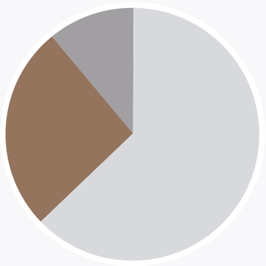
(1) Launch date: 16/12/2011

TOP POSITIONS

	% OF PORTFOLIO
AMAZON.COM INC	3.21%
ASHTEAD GROUP PLC	3.19%
A.C.EXOR NV	3.00%
BEIERSDORF AG	2.92%
TEXTILE DESIGN INDUSTRY	2.90%

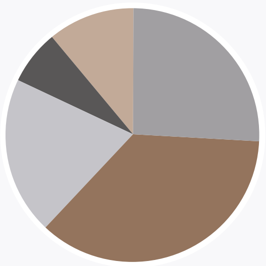
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



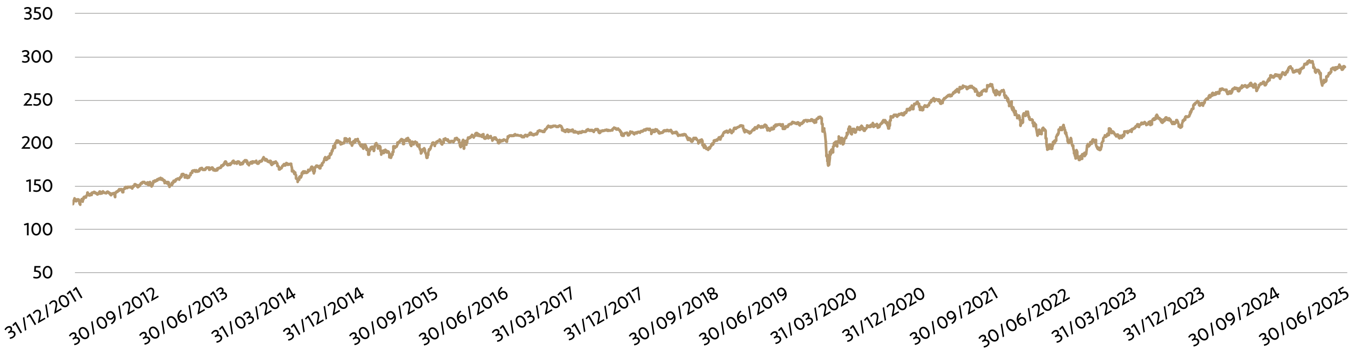
- Europe **63%**
- Liquidity **11%**
- USA **26%**

Sectoral distribution



- Industrial **26%**
- Financial **7%**
- Consumer **36%**
- Liquidity **11%**
- Communication & Technology **20%**

NET ASSET VALUE TRENDS (€)



Data at close of day: 30/06/2025. Source: BESTINVER. Periods longer than 1 year in 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

MANAGEMENT ASSESSMENT

Dear Investor,

Bestinver Grandes Compañías ended the quarter with growth of +2.1%, bringing its cumulative annual return for the first six months of the year to -2.0%.

Our fund only invests in the best ideas that BESTINVER's investment team finds in a select group of companies that we have defined as "Grandes Compañías". We are not referring to extraordinary large-cap companies with profitable business models which have the ability to grow recurrently and can do so without the competition eroding their profitability. How do they achieve this? Mainly by raising strong entry barriers. Competitive advantages that must be defended and enhanced by management teams who are clear about their real objective: create long-term value for us, the shareholders.

The second quarter of 2025 has been characterised by a truly frenetic environment in financial markets. We have gone from desperation at the beginning of April to strong optimism at the end of June, which has led to one of the fastest rebounds in history, but only after making one of the steepest corrections in the last decades.

We are not usually very lenient towards investors who are driven by emotions. However, we must recognise that the tariff threats and geopolitical tensions of recent months, without being entirely exculpatory, have been major mitigating factors.

In any case, we have the feeling that modern markets have developed a kind of important pathological hypersensitivity. In real life, things generally fluctuate between "quite good" and "not so good". But in the current investment world, investor sentiment often swings between "the end of the world" and "nothing is happening here". A pendulum that swings from one extreme to the other, without stopping within the range of reasonableness for a single minute.

Indeed, we go from disproportionate panic to irrational optimism in a matter of days (or hours), with falls and rebounds that are amplified and fed back by passive investment. These swings are echoed in the media, validating, a posteriori, investors' perception of living in an environment of permanent "crisis" or "boom".

Light pessimism and little resilience

Nowadays it is very important not to jump to conclusions about the "signals" offered by market prices. The stock exchange has always been a very efficient anticipation mechanism. Today it has become a relentless reaction machine.

We invest in a very peculiar environment where the worst is constantly anticipated, but with surprisingly little conviction. A kind of light pessimism.

Investor sentiment, consumed by the dramatic headlines they read on a daily basis, sell shares projecting economic downturns and falls in share prices which, when not materialised in the short term, generate concerns they are unable to manage. Thus, good economic data or better-than-expected results create unbearable anxiety that forces them to radically reposition their "bets", giving rise to rapid rebounds that merely reverse the sharp falls that they themselves had caused.

As teenagers say nowadays: absolutely mental.

Investment success consists of being right later

It is not the first time that the market severely punishes valuable assets for emotional reasons and the subsequent upswings are fabulous for patient investors.

After the pandemic, the shares of travel and leisure companies suffered sharp declines after their profit began to recover, despite the fact that their valuations reached all-time lows, as we experienced first-hand with our investment in Booking. In subsequent years, the North American company offered extraordinary revaluations for the portfolio.

In 2022, technology companies were the most heavily penalised due to the fear that high rates would structurally compress their multiples, ignoring the structural growth of companies like Meta, Microsoft and Amazon, which ended up being some of our most profitable investments in recent years.

That same year and in the first half of 2023, something similar occurred with cyclical companies: their results grew significantly thanks to their recovery after the pandemic, but their share prices did not improve due to the fear of a recession that never materialised. The profitability accumulated by Inditex since then illustrates it perfectly.

And in 2024 we focused our attention on the stable food and consumer sector, severely punished by a consensus that now wanted to buy cyclical companies and the fears surrounding GLP-1 drugs. Some of these investments have never generated returns (Heineken), while others have (Jerónimo Martins), but the stability of their returns and, above all, their valuations at 20-year lows makes us confident in their medium-term potential.

It is not a matter of being *contrarians* just for the sake of it. Investment success consists of being right... later. It is about making money obtaining validation a posteriori, if we are right in our analysis, of an investment thesis that the market currently doesn't know how (or wants) to recognise.

It means knowing how to ignore noise, resist euphoria or the panic of the moment and uphold a conviction based on business fundamentals and valuation, when most investors let themselves be carried away by emotion. In essence, it means trusting that the mathematical logic of the long term always prevails over the capricious psychology of the present.

Thinking backwards

In any case, the concept of "investment", understood as the action of addressing a problem from the opposite perspective, has proven to be a highly effective problem-solving tool in various disciplines. By thinking backwards about a challenge, we can identify what not to do, which brings us close to answering the question of what to do. Thinking backwards is not simply about doing the opposite of the first thing that comes to mind. It is about an analysis process that obliges you to consider the worst possible consequences and, by doing so, helps you to identify the critical factors you must avoid or control to achieve success.

Charlie Munger talked about this concept on many occasions, attributing most of Berkshire Hathaway's investment success to the application of this investment principle: "It's remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid, instead of trying to be very intelligent". We cannot agree more: for long periods of time, not doing stupid things tends to converge with doing things in a reasonably intelligent way.

Thus, if we want to fail in such volatile markets such as the current one, we can think of a few courses of action that we should never follow if we want to be successful in our investments. Here are some examples: the portfolio must be constantly reviewed. It is essential to listen to people who predicted what just happened, when they predict what is going to happen afterwards. Similarly, we must forget that equity markets have generated strong long-term returns, despite the frequent declines (which we can avoid). Lastly, it is very helpful to compulsively consume all market news and rumours, letting anxiety control our actions.

Likewise, if we think of a company that will probably end up giving us a lot of problems as shareholders in the long term, we will probably imagine a good company whose valuation does not offer any security margin. That is, a business in which we need to project ten years of profitable growth so that its valuation multiple is more or less reasonable. Or we can also think of a company without a real competitive advantage, with highly cyclical income, a good fixed cost base and high financial leverage.

The icing on the cake, applicable in both cases, would be that its shares are not very liquid in the market. So that selling, in case we are wrong about our thesis, would be impossible without incurring significant losses for the portfolio.

Unusually narrow markets

We live in a marketplace where many investors dedicate most of their time to predicting what will happen with the economy and with companies in the next 90 days.

It is a very different sport to ours, in which strategies based on macro factors and *momentum*[1] have gained prominence when it comes to obtaining returns in the market. They have displaced —at least temporarily— other ingredients that have historically been key to generating good results in the long term: the profitability of the businesses, the talent of the management teams and, naturally, the discount in valuations.

We are describing a world that has become a little more complex for investors in quality (cheap) companies. The truth is that European indices accumulate advances of 6-7% and the Americans show similar returns in dollars (in euros they accumulate losses of around 7%), but when we observe sectoral performance on both sides of the Atlantic, a phenomenon appears that must be cautiously interpreted: unusually narrow markets.

In the USA, returns are concentrated in a small group of technology companies and financial giants. No doubt formidable businesses, but whose valuations leave little margin for prudent investors. In Europe, the difficulty is different. Here what we are lacking is quality, since the spotlight is on banks and companies linked to infrastructure or defence.

The alleged beneficiaries of the fiscal stimuli announced by governments, whose share prices have been boosted by their inclusion in the thematic baskets (ETFs) sold by large investment banks.

[1] "Momentum" is an investment strategy that consists of purchasing assets whose price has risen recently and sell those in which it has fallen, by simply believing that the price trends will continue. Their appeal lies in their apparent simplicity: it is easy to identify what is "in fashion" (and what isn't) by looking at past performance. However, this approach is inherently dangerous because it completely ignores the intrinsic valuation of the asset —whether it is expensive or cheap in relation to its real value-, which exposes the investor to purchase near peaks and suffer heavy losses when the trends are inevitably reversed, which is opposed to the investment in value we practice at BESTINVER with the aim of purchasing undervalued assets.

Unfortunately, our fund does not have much exposure to the winners to this first half of 2025. We don't know what will happen next, nor can we assure that the hidden value of the portfolio will be capitalised in the coming months. What we can affirm is that in Bestinver Grandes Compañías we will not sacrifice the quality of the companies in which we invest, not will we be lenient towards the valuations we pay in doing so.

Our strategy is based on rationality, which has been successfully practised for many years and seeks to combine the adequate balance between trying to make money and trying desperately not to lose it. It is a sensible and prudent approach; two attributes which, in our opinion, are good travelling companions for the times.

Portfolio movements

We continue to marvel at the ability of many investors to conveniently forget what they though (and did) just a few months ago.

We have witnessed an absolutely radical change in perception that reminds us, once again, that the demand for shares tends to increase as their price increases. In other words, investor interest in the portfolio grows as valuations increase and the expected future returns are reduced.

Thanks to this improvement in sentiment, certain market segments accumulate revaluations (and valuations) which are somewhat intimidating. We are referring to some parts of the technology sector, which has had many good revaluations spearheaded by growing investment in artificial intelligence. Thus, we reduced our weight in names such as Lam Research, ASM International and Microsoft; and also in cyclical European companies (Ryanair) and not so cyclical companies (Jerónimo Martins), which provided fantastic returns in the last quarters.

A panorama which contrasts with that of many companies with recurring and visible results, those less linked to the economic context, which experienced sharp falls in their share prices and in which we were able to buy shares at highly discounted valuations (Beiersdorf and Novo Nordisk). Or that of companies whose results are affected by dynamics that we consider temporary, but their share prices have discounted a highly unlikely lasting impact. Names which are not in fashion among investors and, therefore, trade at compressed multiples, an essential ingredient for secure and profitable investments. Such is the case of companies such as Ashtead, Bunzl, LVMH or Philips, a company we know well for having invested large funds in recent years and on which we will pause briefly.

Philips

For each company we incorporate into the Bestinver Grandes Compañías portfolio, the performance we expect to obtain should not only come from the growth in profit we project for their business. Returns can also be obtained through the expansion of their valuation multiple. An undervaluation that provides not only a valuable safety margin against the ever-present potential for inaccuracy in our analysis, but also the potential for a substantial revaluation of our capital in the long term.

If we only focus on buying statistically cheap shares, we often end up with bad or declining businesses. Therefore, in order to obtain decent returns, we will depend almost entirely on a change in the multiple. It is a difficult road and often a road to nowhere. The most fruitful path to long-term returns is that in which we can acquire a business that grows, that generates high returns on capital, has a good conversion of its sales into cash flow and whose executives allocate those resources in an intelligent manner. Naturally, we want to buy all these attributes at a discount.

Well, we believe the case of Philips meets this profile. The business is very good and it grows profitably. It is much better than the market thinks. Its valuation multiple reflects a stigma that stems from the past 15 years and which, while understandable, we do not consider justified.

The Dutch giant, after more than a decade restructuring its businesses, has become one of the main players in the design, manufacture and marketing of high value-added healthcare equipment (MRI machines, cardiac monitors, catheters for non-invasive surgery, etc.). We are talking about an oligopolistic sector, with only three global competitors, in which the necessary technological capabilities and the already installed equipment base give it a significant barrier to entry vis-à-vis its competitors. A sector which also has the demography and cost savings that diagnosis machines provide to hospitals as evident tailwinds.

Just over four years ago now (June 2021), Philips announced the withdrawal of thousands of sleep apnoea ventilators (a division that accounted for only 13% of the Group's revenue) due to a manufacturing defect that could pose health risks. The foam used to reduce the noise of the device could deteriorate under hot conditions or the use of ozone for cleaning. If this happened, certain particles could be inhaled by the person using the device, potentially causing injuries ranging from simple headaches to cancer-causing diseases.

The announcement, one of those events that the market deeply hates due to the uncertainty generated by its potential consequences (cost of withdrawal and replacement of new units, potential indemnities to affected users, etc.), coincided with a difficult period for the sector. The pandemic had completely altered the operation of hospitals (diagnostic tests, surgeries, etc.), the production of equipment was affected by the shortage of materials (chips) and the known supply problems (shipping costs) made them very complicated to market. In short, the profitability of the business was not at its best.

All of these events had caused that, in mid-2022, Philips' shares accumulated a 75% fall from the highs reached in April 2021. Today, the decline is still a hefty 55%. The evident uncertainties faced by the company at the time, absolutely unfounded today, had wiped from investors' minds the improvement that the end of the pandemic and the restructuring of its businesses would bring to the returns of forthcoming years.

As we were saying, the starting point seemed very interesting then, but it is much more now. Two years ago, the fundamentals were improving and the multiple at which its shares traded was frankly attractive, but the impact of the possible indemnities on the balance sheet and its competitive position after the departure of the former CEO and the evident distraction that the problem of the ventilators had posed remained to be assessed. We had to determine whether the prices at which Philips was trading, the worst-case scenario, was already discounted.

Today we know that the balance sheet was not affected by the fine it has had to pay. And we also know that its current CEO, Roy Jakobs, is currently engaged in organisational optimisation, which should result in improved business growth and profitability that we expect will be announced in a forthcoming CMD.

But not only that. Two year's, when BESTINVER became a shareholder of Philips, we found out that another of our investees, Exor, had also been buying shares of the Dutch giant. Exor is a company already known to BESTINVER's unitholders. We are happy shareholders of the Agnelli family's holding, whose valuation we still consider exceptionally attractive (you can read the investment thesis in greater detail in this quarterly newsletter). Their acquisition of Philips is long term in nature and is in line with the holding company's objective to increase its presence in the healthcare sector. Exor holds 19% of the Dutch company's capital and a place on the Board. In our opinion, it has become, de facto, the Dutch company's reference shareholder, with everything that entails.

John Elkan, grandson of Giovanni Agnelli and current CEO of Exor, is one of the best capital allocators we have known in recent times. The returns he has achieved for his shareholders can only be described as spectacular: since 2009 he has increased the value of the company's assets at a compound rate of 20%. We believe that Exor has seen in Philips the same as BESTINVER. On the one hand, technological and industrial capacity almost impossible to replicate within a very attractive sector long term. And, on the other, an unjustified stigma that has allowed it to acquire a shareholding in a large company at a high discount compared to the real value of its business.

We thank you for your trust and wish you a great summer. Yours sincerely,

The Investment Team.

MAIN MOVEMENTS

Additions

PHILIPS

Disposals

RYANAIR

Increases

ASHTEAD
BUNZL
LVMH
NOVO NORDISK

Reductions

MICROSOFT
ASM
LAM RESEARCH
JERÓNIMO MARTINS

Date: 30/06/2025. Source: BESTINVER

Bestinver Latam

The 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

	2025	2024	2023	2022	2021	2020
Bestinver Latam FI [1]	21.06%	-22.56%	22.26%	-12.71%	-16.77%	-6.91%
Clase R Bestinver SICAV - Latin América [2]	21.40%	-23.02%	21.45%	-13.03%	-16.75%	-6.02%

ANNUALISED RETURNS TABLE

	3 years	5 years	Launch
Bestinver Latam FI [1]	6.38%	0.05%	-2.08%
Clase R Bestinver SICAV - Latin América [2]	6.19%	-0.13%	1.75%

Figures at 30/06/2025
Past performance is no guarantee of future performance.

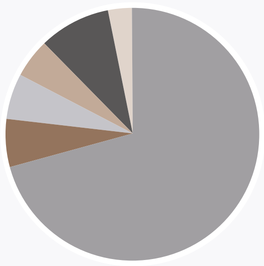
(1) Launch date: 18/01/2019
(2) Launch date: 05/07/2017

TOP POSITIONS

	% OF PORTFOLIO
MERCADOLIBRE INC US	5.34%
VIVARA PARTICIPACOES SA	5.09%
LOCALIZA RENT A CAR	5.04%
XP INC - CLASS A	5.00%
SENDAS DISTRIBUIDORA SA	4.86%

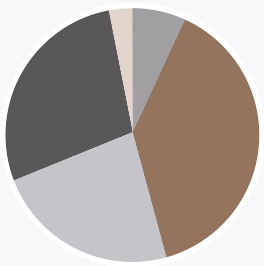
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



Brasil	**71%**	Peru	**5%**
Mexico	**6%**	Latam	**9%**
Chile	**6%**	Liquidity	**3%**

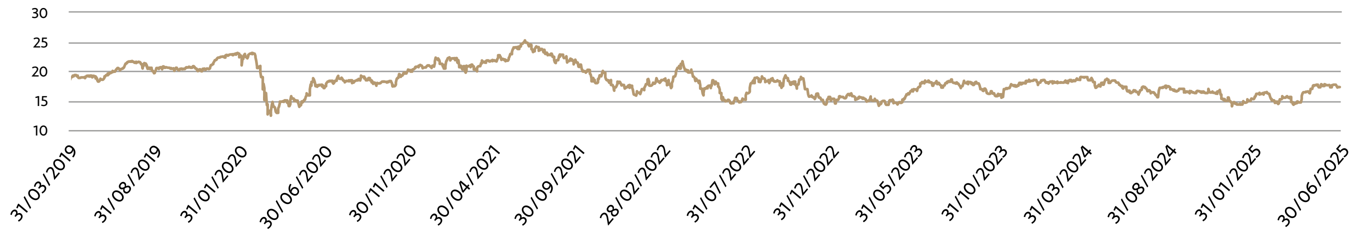
Sectoral distribution



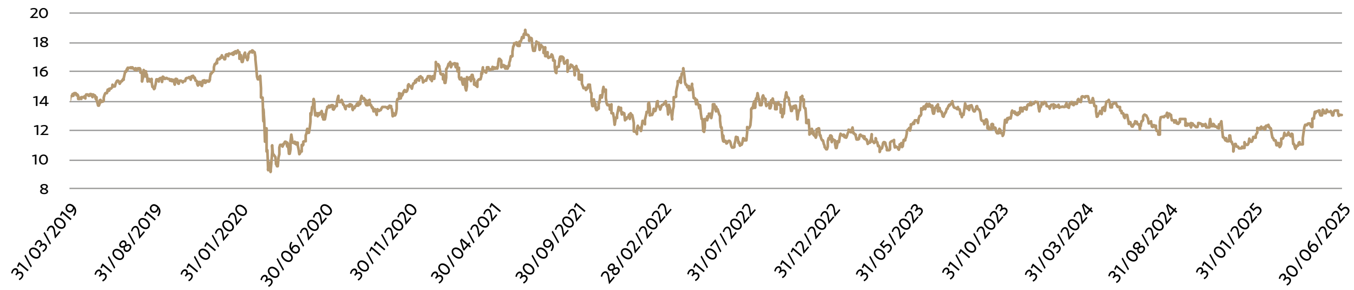
Industrial	**7%**	Financial	**28%**
Consumer	**39%**	Liquidity	**3%**
Communication & Technology	**23%**		

NET ASSET VALUE TRENDS (€)

BESTINVER LATIN AMERICA SICAV



BESTINVER LATAM FI



Data at close of day: 30/06/2025. Source: BESTINVER. Launch date Bestinver Latam FI 18/01/2019. Launch date Bestinver Latin America SICAV class R 05/07/2017. Bestinver Latin America belongs to Bestinver SICAV (registered in Luxembourg), 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

Dear Investor,

In the second quarter of 2025, the Latin American market consolidated the good performance with which it had begun the year. Led by Mexico and Chile —with advances of 11.5% and 3.8%, respectively—, the regional index obtained a profitability in euros of 3.5%. This good performance was underpinned by progress in the negotiation of the US tariff policy and the drop in the price of oil. The dollar is still the main protagonist, which accumulates a devaluation against the euro of nearly 14% so far this year. In this context, the Bestinver Latam portfolio closed the second quarter with earnings of 12.6% and the first six months with 21.4%, compared to the 12% of the regional index.

Light at the end of the tunnel: the stars are aligned in Latin America

The last decade has been a difficult period for Latin American markets. The economic ups and downs, fiscal policy challenges and serious institutional corruption led to the region's ostracism and poor returns for investors. But, finally, a clear change in trend is in sight. It is articulated around five pillars that we want to explain in this quarterly newsletter: macro, micro, politics, investment level and capital flows. Although each factor would individually have a relevant positive impact, the union of all of them seems a clear indication of the region's enormous potential.

Beginning with the macro factor, we are seeing two very positive dynamics for Latin America. The first, of a more contextual nature, is the devaluation of the dollar. The second, more structural, is that the region is a clear winner —in relative and absolute terms— within the new paradigm of global trade. At the same time, it is a market with very high real interest rates. Specifically, Brazil is the country with the highest real rates in the world, with a price of money of 15% and an inflation of 5%. This environment could represent a great tailwind for equities in the region.

The second pillar is the micro factor. The region offers a great value from the standpoint of its valuation. Brazil is the cheapest market in the world. Its multiples are too low, both due to the current capacity of its companies to generate profit and to their future growth. Its companies have overcome the difficult previous decade by strengthening their balance sheets, improving their productivity and efficiency and expanding their profit margins. This is not foreign to management teams, as evidenced by the increase in mergers and acquisitions of companies, confirming our positive vision in equities. In addition, their governance has improved extraordinarily and the share buyback programmes are more substantial. In short, we see better fundamentals with lower multiples.

Third, politics. The region faces a new electoral cycle with a spirit of change which begins this year in Chile and continues with the elections in Peru, Colombia and Brazil in 2026. Currently, all these countries have left-wing governments —more or less radical— with low or very low approval and popularity levels. Potential political changes towards more responsible governments in fiscal terms and ambitious in the reformist process will help to anchor inflation expectations in the long term and will amplify the magnitude of the forthcoming downward rate cycle. This potential change in regime, led by Brazil, would be the "Modi moment" discussed in previous newsletters. In our opinion, it would mean the start of a great period for the region.

Four, we have the level of investment. The positioning of global and local investors in Latin American equities stands at all-time lows. According to sector data, the current exposure of global investors is less than 50 basis points. As regards local funds, they are at a low single-digit level. Not even the improvement in the region's fundamentals nor the attractive valuation of its companies, nor the weight of close to 7% of the region's global GDP[1] justifies these weights. They are result of the pessimism that has been building up over the past decade. If our scenario is confirmed, the Latin American market's place in portfolios would rise by several percentage points.

Lastly, we have capital flows. On the local front, equity funds continue to suffer redemptions due to the pressure of the very high real interest rates on investments in risky assets. Globally, the situation is different. After many years in which it has been impossible to compete for flows against other emerging markets —such as China and India— and to develop them like the US market, we are seeing a change in trend. Global investors are reducing their level of concentration, expanding the geographical scope of their investment universes. For the first time in many years, Latin America is an attractive destination for international portfolios. Additionally, it has very specific short-term catalysts, such as rate cuts and several electoral processes in 2026. This situation is converting global investors into the region's marginal buyers, while local investors continue to sell.

Due to the alignment of these factors, we maintain high expectations for the region and the fund's potential. Despite the profitability it accumulated in the first half of 2025, we believe that the portfolio still accumulates a lot of value. After a complicated decade, Latin America finally seems to be emerging from the tunnel.

Our focus on standardisation

Bestinver Latam invests in the growth of the region's middle classes, in the improvement of people's quality of life, in the digitalisation and automation of economies, in the evolution of the consumer ecosystem and in the democratisation of credit and other basic services, such as healthcare or education, which contribute to the financial and social inclusion of the bottommost layers of the social pyramid.

As long-term investors, our objective is to build a portfolio capable of growing over the cycle and producing above-market returns in absolute and relative terms. The fund mostly invests in medium-sized companies with solid sector growth rates. These companies must have high quality business models, good products, profitability, leadership, sustainability and management teams capable of applying high standards of governance.

This approach leads us to invest in sectors such as technology (fintech, software, edtech) or consumer (platforms, retail, healthcare) that lengthen the portfolio's duration and sustainability, adding a strong structural growth component to our long-term proposal for the region. In other words, Bestinver Latam does not follow an opportunistic or tactical approach, but rather strategic and sustainable.

Portfolio movements

Once again, this quarter we experienced high levels of dispersion in our investment universe. Although the volatility regime was more moderate, we took advantage to make some movements. We increased our weight, namely, in Azzas, Alpargatas, Asai and Raia Drogasil. We also reduced our weight in Meli, ILC, Santander Chile and Parque Arauco. In addition, we adjusted the weights of other positions in the portfolio to maximise its potential without altering its structural composition.

Bestinver Latam ended the quarter with a liquidity level of 3%. It has 36 companies in the portfolio, which represent the best investment

[1] Source: IMF, GDP data adjusted by purchasing power parity.

opportunities in the region. On a geographical level, Brazil accounts for 71% of the portfolio, Latam —our grouping of pan-Latin American companies— 9%, followed by Chile and Mexico, both with 6% and Peru with 5%. In sectoral terms, Consumer, Finance and Technology continue to be the sectors with the greatest weight, accounting for 39%, 28% and 23%, respectively.

Alpargatas

Alpargatas is the owner of Havaianas, the most iconic consumer brand in Brazil and a real symbol of the democratisation of footwear. The penetration of the brand is virtually universal: men and women, rich and poor, young and old… everyone has at least one pair of Havaianas. In this quarterly newsletter we want to explain our investment thesis in this company with nearly 120 years of history.

São Paulo Alpargatas Company S.A. was founded in São Paulo in 1907 and trades on the stock exchange since 1913. Since its beginnings it has engaged in the production of thongs, a very popular shoe on the coffee plantations of the time. In the 1940s and 1950s it diversified its operations, developing a textile business focusing on work clothes and other sports shoes. However, its made its big leap into the mass consumer market in the 1960s with the launch of its Havaianas brand.

Havaianas are rubber thongs inspired in traditional Japanese footwear. Their high quality, low price and specific design converted them into the favourite garment of the country's working classes. A few years after their launch, they had sold millions of units and were included in the basic shopping basket by the Brazilian Government. A symbol of national identity was born.

However, the history of Alpargatas was not free of problems. Since the 1980s, it has changed its owner and strategy three times —with the sale of the sports brand Mizuno and the acquisition of 49% of the US brand Rothy's, for example—. In addition, between 2018 and 2022 it tries to expand its product portfolio and geographical presence. But the execution was deficient and ended up with no strategic direction, little success and too much debt. This drift ended in 2023 with the appointment of Liel Miranda as new CEO.

Since his arrival, the new management team has re-oriented the company's focus towards profitability. It currently has 17,000 employees, four production plants in Brazil, direct presence in 20 markets and sales in 130 countries. Its business model has two geographical segments: Brazil —which accounts for nearly 73% of sales— and international markets —mainly Europe and the USA—. In doing so, the structure of Alpargatas has become rationalised and it has recovered its strategic direction.

The good results under the new management are already evident. In Brazil, margins have recovered strongly. In the first quarter of 2025, its gross margin reached 46% and EBITDA margin 22%. This improvement was achieved on the back of increased productivity, operating efficiency and optimisation of distribution. Factors that we consider sustainable over time.

At the international level, Europe has grown in volume again. But the greatest potential is in the US market. In the USA, Alpargatas has abandoned the direct distribution model and has signed an exclusive agreement with Eastman Group. This operation will imply a reduction in fixed costs and will bring the business to breakeven by 2026. Moreover, its shareholding in Rothy's —a sustainable feminine footwear brand that generates USD 20 million of EBITDA per year— is a clear source of additional value for the future.

We like the company for various reasons. First, because of the strength of the brand, possibly the most powerful of Brazilian retail —each year they sell close to 200 million pairs in Brazil, accounting for 60% of its market share—. Second, because it is restructuring story already under way, debt-free, with a rationalised portfolio and a clear improvement in profitability. Third, because of the excellent executive track record of the new management team. Lastly, because the market is not recognising the true value of the model —particularly in the international segment and the monetisation of Rothy's—.

Since May 2023, Alpargatas has generated more than BRL 1.10 billion in free cash flow. In doing so, it indebtedness has gone from being three times higher than the company's EBITDA to disappearing completely. It currently has net cash. From a valuation standpoint, at current prices it trades at 6.5 times EV/EBITDA and 10 time ex-Rothy's profit. Due to the restructuring potential under way, the strategic evolution of international markets and the strength of its balance sheet, these multiples do not reflect the true value of one of Brazil's most iconic companies.

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, it invests in companies with strong secular growth prospects that have profitable and sustainable business models, good products, a sound balance sheet and managed by excellent capital allocators, focused on value generation for shareholders and the application of high governance standards. Our strategy takes 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 a region full of opportunities. On 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.

We thank you for your trust and wish you a great summer. Yours sincerely,

The Investment Team.

Date: 30/06/2025. Source: BESTINVER

MAIN MOVEMENTS

Additions

–

Disposals

–

Increases

AZZAS
ALPARGATAS
RAIA DROGASIL
ASAI

Reductions

ILC
MELI
PARQUE ARAUCO
SANTANDER CHILE

Bestinver Megatendencias

Bestinver Megatendencias is an investment fund aimed at investors with a long-term time horizon (more than 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 according to the three pillars of our investment philosophy: proprietary fundamental analysis, appropriate risk management and a shared time horizon between investors and managers.

Bestinver Megatendencias promotes environmental and social features and is classified as Article 8 Regulation (EU) 2019/2088 SFDR.

MANAGEMENT TEAM

Jaime Ramos, CFA
Bestinver Megatendencias Manager

Raquel Martínez, CFA
Bestinver Megatendencias Analyst

ANNUAL RETURNS TABLE

	2025	2024	2023	2022	2021	2020
Bestinver Megatendencias	-3.42%	9.29%	16.02%	-23.10%	13.55%	11.53%

ANNUALISED RETURNS TABLE

	3 years	5 years	Launch
Bestinver Megatendencias [1]	0.58%	8.48%	2.69%

Figures at 30/06/2025

Past performance is no guarantee of future performance.

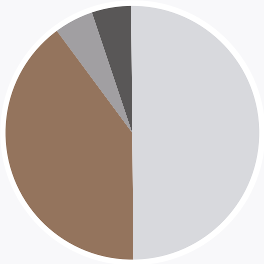
(1) Launch date: 16/06/2017

TOP POSITIONS

	% OF PORTFOLIO
NVIDIA CORP	5.29%
MICROSOFT	4.57%
SSE PLC	4.00%
ORACLE CORP	3.20%
MERCADOLIBRE INC US	2.88%

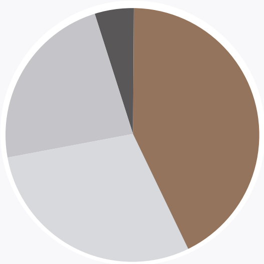
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



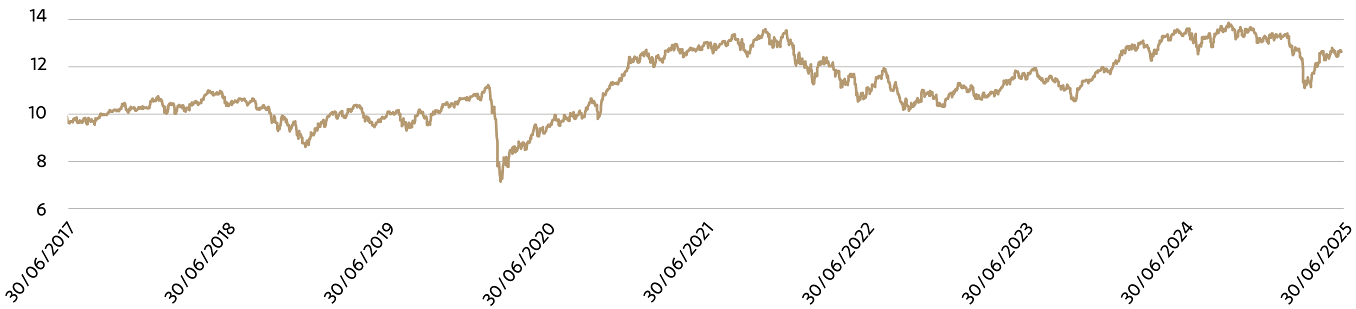
Europe	**50%**	Liquidity	**5%**
USA	**40%**	Rest of the World	**5%**

Distribution by megatrend



T1	**43%**	T3	**23%**
T2	**29%**	Liquidity	**5%**

NET ASSET VALUE TRENDS (€)



Data at close of day: 30/06/2025. Source: BESTINVER. Launch date: 16/06/2017. Periods longer than 1 year in 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 recorded returns of 2.7% in the second quarter, ending the first six months of the year with a fall of 3.4%. During the quarter, we saw that the fund outperformed global equities. The reasons for this better performance include its exposure to trends such as digitalisation and automation —particularly due to investments in artificial intelligence— and decarbonisation —with our positions in the clean energy sector, such as SSE—.

However, we cannot ignore that fund profitability continued to be negative in the last 12 months, with a fall of 5.26%. This is due, mainly, to the poor performance of the healthcare and renewable energy sectors. They are both going through their own perfect storm, due to the political debate they are stirring up and the effect it has on investor sentiment. However, despite the noise, their fundamentals are extraordinarily promising. In the long term, we believe that they offer excellent investment opportunities from which the fund will benefit. For this reason, in this quarterly newsletter, we want to explain our opinion of the renewable energy sector.

Artificial intelligence and energy consumption

In the newsletter of the first quarter of 2024, we explained the impact of artificial intelligence (AI) in the corporate digitalisation process. On this occasion, we want to explain their implications from the perspective of the decarbonisation of the economy and energy demand.

Since the election of Donald Trump as President of the United States, the shares of the sectors most related to decarbonisation and sustainability have underperformed. The main causes have been the greater scepticism about climate change and lower incentives for energy transition. The market has questioned the structural growth of these industries and this has been reflected in their share prices. However, our analysis indicates that these concerns are unjustified.

The fact is that, since 2022, electricity demand has grown exponentially due to the increasingly extended use of AI. This is because a query made to AI models such as ChatGPT consumes ten times more electricity than a conventional search in Google. Consequently, the energy demand of data centres has soared and nothing indicates that this trend will change. According to some studies, this could triple in the next decade, growing from 3% of total consumption to 9%. This situation poses a dilemma for large data centre owners —the so-called "hyperscalers", with companies such as Google, Meta, Microsoft and Amazon—.

These companies have set objectives with implications that, today, are contradictory. On the one hand, the development of AI and leadership in the new technological generation are the main pillar of their respective strategies for the coming decade. Development which, as we explained, implies very high electricity consumption. At the same time, they have all set ambitious decarbonisation objectives in their operations. In our opinion, the only possible way of reaching both is through the development of renewable capacity.

Despite the anti-renewable noise created after the US elections, the truth is that the race to develop the most advanced AI models is leading all these companies to request additional renewable electricity generation capacity. Capacity for which they are willing to pay substantial premiums to whoever is capable of supplying it immediately. Renewable energies would be the cornerstone of this new energy growth cycle. They are undoubtedly the cheapest, cleanest and fastest generation sources in the world, even if we taking into account the cost of deploying them with batteries.

Another great advantage of renewables —critical for the current needs of hyperscalers— is the speed of execution and availability. A solar park may be operational in one or two years. However, a combined-cycle gas power plant requires around five years —due to supply restrictions— while a small modular reactor —which is still an unproven technology— requires a decade of development in the best case scenario. These time frames make renewables an essential part of the new global technology map.

Our conviction in renewable energies is materialised in various portfolio positions. These include, namely, SSE —whose thesis we detailed in the newsletter of the fourth quarter of 2023—, Greencoat Renewables —a company with high exposure to Ireland, where data centres already account for 22% of electricity demand— and Vestas —global market leader in the onshore wind turbine market, a sector in which we expect margins to normalise in the coming years—.

But reality also indicates that it is not enough to generate electricity in an abundant, fast and sustainable manner. As evidenced by the "Major Blackout" in Spain on 28 April, it is essential to have modern, safe and efficient electricity networks. Networks capable of absorbing the intermittence of renewables and the unstoppable growth of demand.

This evident need for infrastructure has led to an accelerated increase in investment in networks on both sides of the Atlantic. According to Bank of America, it is estimated that Europe and the USA will invest, in the second half of the decade, 70% more per year than they have invested in the first half.

At Bestinver Megatendencias we are exposed to this trend through SSE and National Grid. They both own network businesses in the United Kingdom, with double-digit growth and attractive regulated returns protected against inflation.

As investors, we must bear in mind the difference between noise and reality. A difference that, in recent months, has not stopped growing in the renewable sector. This has allowed us to acquire businesses of strategic importance at very low prices. We have the opportunity of patiently nurturing the returns of the coming years which, as on other occasions, we will harvest when the noise dies down and reality is imposed.

Unstoppable trends

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 vectors of economic and social improvement continue to progress, thanks to structural growth, visibility and institutional momentum that are rooting and integrating them in our societies.

The fund relies on the study of these trends to invest in companies that have the capacity to offer differentiated solutions for the main challenges facing the planet —such as climate change, population ageing and the transition to a digitalised economy—. By means of fundamental analysis, BESTINVER’s investment team selects companies that have the products, technologies, resources and necessary advantages to become winners in each megatrend. Lastly, it performs a valuation of each to determine the price level at which they should be acquired in order to respect their safety margin and increase the portfolio’s potential return with each new addition.

Beyond the unpredictable context 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.

We thank you for your trust and wish you a great summer. Yours sincerely,

The Investment Team.

Date: 30/06/2025. Source: BESTINVER

MAIN MOVEMENTS

Additions

QUALCOMM

Disposals

ALLEGION

Increases

ST MICROELECTRONICS

Reductions

ALPHABET

Bestinver Norteamérica

Bestinver Norteamérica's strategy adapts BESTINVER's investment philosophy to the specific features of the North American universe. It builds a portfolio of high-conviction companies with strong return potential. The fund's portfolio combines positions in well-established companies with others that are in the process of developing their own leadership positions. The fund relies on the analytical skills of BESTINVER's investment team to select the most attractive North American companies, taking into account their quality, valuation and risk.

MANAGEMENT TEAM

Jaime Ramos, CFA

Bestinver Norteamérica Manager

ANNUAL RETURNS TABLE

	2025	2024	2023
Bestinver Norteamérica, F.I	**-8.59%**	**22.84%**	**22.05%**

ANNUALISED RETURNS TABLE

	Launch
Bestinver Norteamérica, F.I (1)	**11.26%**

Figures at 30/06/2025

Past performance is no guarantee of future performance.

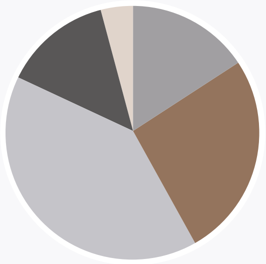
(1) Launch date: 10/10/2022

TOP POSITIONS

	% OF PORTFOLIO
NVIDIA CORP	8.2%
MICROSOFT	7.8%
AMAZON.COM INC	4.6%
META PLATFORMS INC-CLASS A	3.9%
APPLE INC	3.0%

DISTRIBUTION OF THE PORTFOLIO

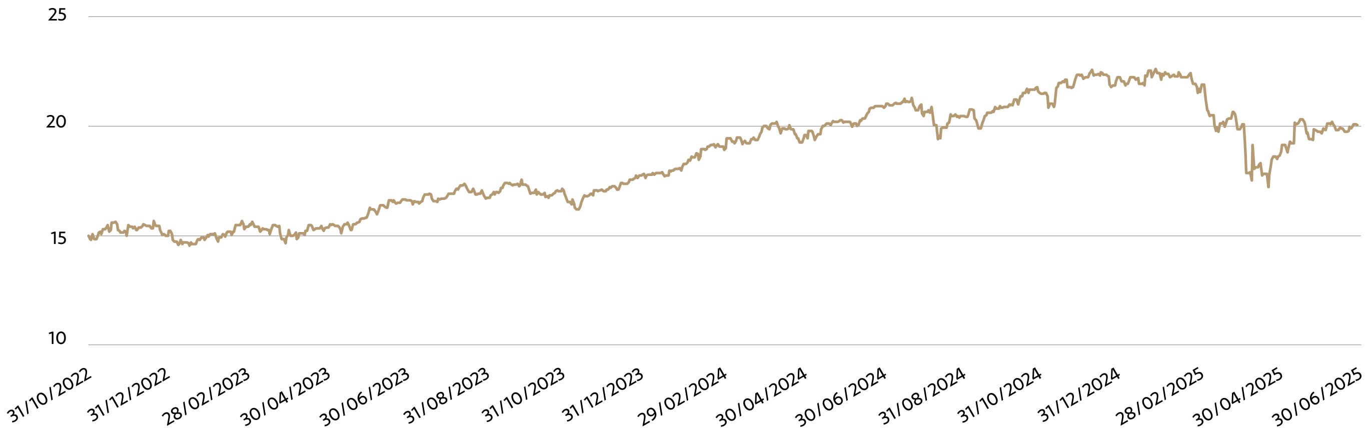
Sectoral distribution



- Industrial **16%**
- Financial **14%**
- Consumer **26%**
- Liquidity **4%**
- Communication & Technology **40%**

NET ASSET VALUE TRENDS (€)

Fluctuations in net asset value (€)



Data at day-end 30/06/2025. Source: BESTINVER. Launch date de Bestinver Norteamérica FI 10/10/2022. Periods longer than 1 year in annualised rate.

RISKS ASSOCIATED WITH THE INVESTMENT

Bestinver Norteamérica is an equity investment fund and as such mainly involves the following risks: market risk, currency risk, country risk, concentration risk and inflation risk.
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Dear Investor,

Bestinver Norteamérica recorded returns of 0.4% in the second quarter of 2025, accumulating 33.7% since its launch. Performance during the first half of the year (-8.6%) was undoubtedly affected by the dollar, which accumulates a devaluation of 14% against the euro. Leaving aside the performance of the euro, the portfolio appreciated by 9.25% in local currency in the second quarter, confirming the good performance of the fund's strategy.

This quarter, in the US market, the narratives of fear have come into conflict with reality, more serene and optimistic. And the fact is that, behind the dense curtain of noise raised by social networks and the media, there are undeniable realities that we must not forget. The reality, for example, of markets that do move in a straight line and that regularly undergo periods of volatility. The reality of an economy such as that of the USA, which continues to be an ideal ecosystem for the creation of large companies and high returns for shareholders. Or the reality of a region that, irrespective of the noise, continues to benefit from a series of structural advantages that remain intact. The reality is that, in the long term, the United States continues to represent a good investment opportunity.

Emotion vs Reality

The conflict between fear and reality is visible in the pessimistic narratives that have haunted the markets throughout the quarter. The first and most important is the fear of recession. It defends that the tariff announcement and chaos caused during the subsequent temporary respite would would cause a halt in all business decisions, generating a sudden economic deceleration and major unemployment. The reality was quite different.

The unemployment rate remained at 4.2% and GDP —after a deceleration of 0.5% in the first quarter— has grown by 2.9%, according to the GDPNow indicator of Atlanta's Federal Reserve. We have always said that predicting the economy is impossible, due to which we must be cautious in our affirmations. But it seems evident that the probability of a severe and imminent recession is much lower than discounted by the market.

The second great narrative of fear is that tariffs will cause inflation. These would act as a tax aimed at the exporter to increase the price of its product in the destination country. This would cause inflation. Reality is far more complex.

Determining who would end up assuming the impact of a tariff depends on the level of competition of each sector, the trading power of the actors and that of the margins of the companies of each value chain, among other factors. In some cases, tariffs can cause temporary inflation. These are concentrated on necessary goods, without replacement products and in oligopolistic industries. In others, they cause deflation. For example, if customers stop buying a product because it is not necessary, they choose an alternative or demand decreases so dramatically that price cuts are required to reactivate it. At least in theory.

But no matter how hard we try to think, the reality is that inflation followed the expected trend in the quarter without surprises. Predicting inflation is also very complex. Therefore, we must be cautious. Having said this, with the available data, it cannot be said that the USA's new tariff policy has been a source of inflation.

Lastly, a third narrative of fear focuses on business profit. According to this narrative, companies had to lower their estimates and the market would suffer a correction due to the worsening of the fundamentals. It is true that some companies have lowered their growth forecasts. But, with few exceptions, the results published in the first quarter were better than expected, with an average positive surprise of 8.2%. The reality is that 80% of companies have exceeded analysts' forecasts for the quarter.

As we have explained, these narratives were not spurred by reality. Underlying them all are negative returns on US assets in currencies other than the dollar. The US currency is having its worst first half of the year since 1973. This is an unusual movement, largely influenced by its starting point at the beginning of the year. However, despite the fears raised by the dollar, we see no structural reasons to change our policy. Our experience indicates that the cost of a currency hedge does not make sense in long-term strategy such as ours. We must simply understand that the dollar fluctuates in the short term, like the stock exchanges —sometimes favour, sometimes against—.

Currency volatility is not a relevant factor for the long-term profitability of a fund like ours, although it is for short-term profitability. Thinking several years ahead, it is the performance of our companies and the strength of the structural advantages of the region that determines the profitability of Bestinver Norteamérica. In both cases, we have total confidence.

BGC Group

This quarter we want to explain the case of the BGC Group, whose history is closely related to that of the US financial market. With more than 80 years of life, it perfectly exemplifies the way in which US companies benefit from the structural advantages of the region. For this reason, we want to explain its case in this newsletter.

After World War II, the huge growth of the fixed-income market offered good business opportunities for financial intermediaries. In this context, B.G. Cantor & Co —the seed of the current BGC Group— was founded in 1945 as a broker focused on trading with US government bonds.

As the war economy was left behind and the country consolidated its position as the leading Western power, the investment fund industry experienced huge growth. To leverage this growth, in 1965 B.G. Cantor & Co —which, at the time, was called Cantor Fitzgerald— opened its division focused on the fixed-income institutional investor. Since then, the progress of the company and of the US financial market has been parallel.

In the 1980s, it launched the first screen brokerage service in the world and expanded its activities to other types of assets, such as equities, derivatives and foreign currency. Since the early 1990s, it became consolidated as a pioneer in the use of technology in the markets with the launch of the eSpeed platform. Cantor suffered major human losses in the 9/11 attacks and, after a stabilisation period, spun-off its voice brokerage business in 2004, originating BGC Partners (the current BGC Group).

The BGC Group is currently a multi-asset broker which has successfully pivoted towards proprietary electronic platforms —Fenics— and, more recently, towards its own futures exchange —FMX—. The main driving force of this transformation has been its business transactions. Since its foundation in 2004, the Group has performed a total of 17 major transactions, including mergers, acquisitions and divestments.

The last major transaction was the acquisition of OTC Global Holdings in 2025. In doing so, the BGC Group became one of the largest energy brokers in the world. With a portfolio focused on segments linked to climate change —gas, electricity, emission rights, LNG shipments, etc.—, it is a clear winner from the structural growth of electrification, the boom of data centres, decarbonisation policies and sophistication of hedges.

However, BGC's greatest optionality lies in FMX, its own futures market. Through it, BGC aims to challenge the historical monopoly of the CME in interest rate derivatives. This ambition is underpinned by three differential advantages. First, shareholder support from the leading derivatives dealers —such as JP Morgan or Bank of America—. Second, a derivative offset agreement with LCH that significantly reduces capital consumption compared to CME. Lastly, a modern technological architecture designed to have minimum spreads.

The deployment of FMX will be gradual and will be completed in three years, due to which BGC does not envisage completing formally with CME until 2027 or 2028. Although it will not be an easy road, we think that FMX can become a new revenue lever for BGC in a segment of high operating margins and high valuation multiples —CME has historically traded at 25 times profit—.

The BGC Group's shares are currently trading at 13 times their estimated profit for 2026. A valuation that is too low for a brokerage business that benefits from market volatility, geopolitical tensions and the structural growth associated with the energy transition. Additionally, these multiples do not reflect the optionality represented by FMX in any way whatsoever. Overall, we think it is a well-managed company with a very attractive valuation and direct beneficiary of the USA's structural advantages.

A region with strong advantages

North America has great political, geographic and legal advantages that have hugely favoured the development of its economy, markets and businesses over the past two centuries. As the world's leading power, it controls the world's only reserve currency, the main capital market and the major flows of international trade. Its cultural inheritance —deeply rooted in the values of individualism, innovation and entrepreneurship— has created an economic, legal and meritocratic educational system that facilitates the generation and accumulation of wealth. It also has a huge local market, large reserves of natural resources and a positive demographic trend, making it one of the most attractive regions for investment. These factors have made North America the ideal region for the development of leading companies in the most critical, strategic and dynamic sectors of the world economy. Bestinver Norteamérica seeks to benefit from these advantages by investing in the companies that are best positioned to profit from them and which, thanks to their valuation, offer above-average long-term returns.

In conclusion, the extraordinary competitive advantages that have accompanied this region for centuries and have made the USA the world's leading power remain intact. Our companies will continue to benefit from this good performance, although we cannot rule out some episodes of market volatility.

As always, these episodes will give us the opportunity to continue to invest in the region's leading companies at attractive valuations.

We thank you for your trust and wish you a great summer. Yours sincerely,

The Investment Team.

Date: 30/06/2025. Source: BESTINVER

MAIN MOVEMENTS

Additions

MONGODB

Disposals

BOOKING HOLDINGS

Increases

NEXTERA

Reductions

ALPHABET

Bestinver Tordesillas F.I.L.

It is a hedge fund aimed at investors with a long-term time horizon (more than five years). It is an Iberian equity fund (Spain and Portugal). The objective of the fund is to provide absolute return, with flexibility 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 according to the three pillars of our investment philosophy: proprietary fundamental analysis, appropriate risk management and a time horizon shared among investors.

MANAGEMENT TEAM

Ricardo Seixas
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Iberian Equities Analyst

Gabriel Megías, CFA
Iberian Equities Analyst

ANNUAL RETURNS TABLE

	2025	2024	2023	2022	2021	2020
Bestinver Tordesillas	13.36%	1.26%	4.82%	-8.68%	5.88%	4.30%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	15 years	Launch
Bestinver Tordesillas (1)	5.18%	4.35%	2.82%	3.45%	3.04%

Figures at 30/06/2025
Past performance is no guarantee of future performance.

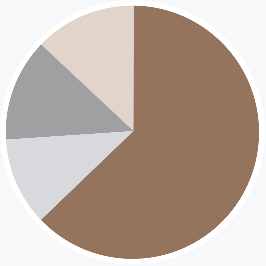
(1) Launch date: 09/03/2007

TOP POSITIONS

	% OF PORTFOLIO
INDRA SISTEMAS S.A.	9.75%
GRIFOLS SA	8.66%
ZEGONA COMMUNICATIONS PLC	6.46%
BANCO SANTANDER SA	4.90%
DISTRIBUIDORA INTERNACIONAL	4.69%

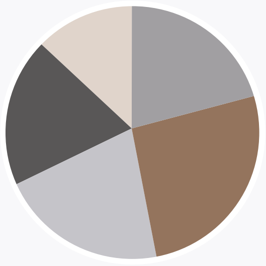
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



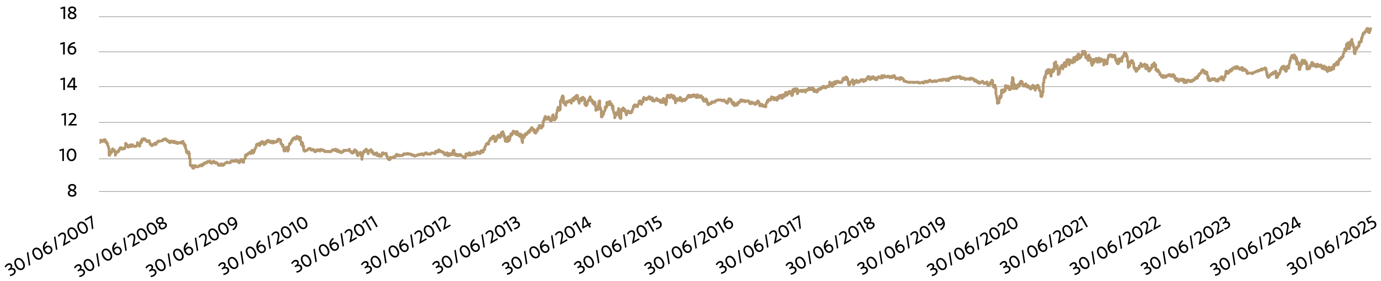
Spain	**63%**	Europe	**13%**
Portugal	**11%**	Liquidity	**13%**

Sectoral distribution



Industrial	**21%**	Financial	**19%**
Consumer	**26%**	Liquidity	**13%**
Communication & Technology	**21%**		

NET ASSET VALUE TRENDS (€)



Data at close of day: 30/06/2025. Source: BESTINVER. Periods longer than 1 year in annualised rate. Launch date: 09/03/2007.
Bestinver Tordesillas, FIL is a hedge fund and, as such, is a product of greater complexity and risk. Daily liquidity. Minimum investment EUR 100,000.

RISKS ASSOCIATED WITH THE INVESTMENT

Bestinver Tordesillas is a hedge fund and as such mainly involves the following risks: market risk, currency risk, country risk, concentration risk, inflation risk and derivatives risk. Minimum investment EUR 100,000.
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,

Although the second quarter was marked by volatility, the Iberian market ended the first half of the year with significant gains. After the sharp falls recorded in April, motivated by the announcement of a much more stringent-than-anticipated tariff package, the market made a fast recovery in the second part of the quarter.

This was driven by the temporary suspension of tariffs, solid business results and more robust-than-expected activity and inflation data. However, we must not ignore that there is still uncertainty about the definitive scope of the new tariff scheme. Therefore, we remain attentive to further developments and communications from companies to assess the potential impact of future deterioration.

Several factors explain the better performance of the Iberian market compared to the main international indices. From a macro standpoint, this market has low direct exposure to tariffs, at both the macroeconomic and corporate level. Moreover, with a GDP growth of nearly 2% —above the Eurozone average—, it has more scope to absorb potential adverse impacts on the foreign sector. From a micro standpoint, Iberian companies have the necessary solvency to cope with uncertainty, thanks to the strong deleveraging completed in recent years. Lastly, their valuation starts from substantially lower levels than the rest. These factors give the Iberian market a defensive profile that helps it to cope with the turbulences arising from the trade war.

In conclusion, we want to highlight the strong performance of Iberian small and medium-sized companies in recent months. This performance confirms what we indicated several quarters ago: investors have overlooked improving the fundamentals of these companies for a long time and the valuation normalisation process has barely begun. Consequently, we continue to maintain good expectations of profitability for the next few years.

We thank you for your trust and wish you a great summer. Yours sincerely,

The Investment Team.

Date: 30/06/2025. Source: BESTINVER

MAIN MOVEMENTS

Additions
EDP

Disposals
BANKINTER

Increases
INDRA

Reductions
CAIXABANK

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 price is 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 countries stems from the possibility of having to face the consequences of unstable governments, economies that are highly concentrated in 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 exposure to the underlying asset is much greater than the amount invested and therefore the impact on the outcome may be disproportionate to the investment made. Correlation risk measures the potential for loss resulting from adverse changes in the correlation between the derivative and the underlying (of any type). All risks combined may cause the loss to be greater than the capital invested in the derivative.

Sustainability risk

Investments with higher sustainability risk may cause a reduction in price of the underlying assets and, therefore, adversely affect the fund's net asset value.

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