QUARTERLY NEWSLETTER

TO OUR INVESTORS

FIRST QUARTER 2025

BESTINVER
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BESTINVER Madrid


Mark Giacopazzi, CIO - Chief Investment Officer de BESTINVER

Dear Investor,

A few months ago, in our newsletter for the third quarter of 2024, we said that the market is like an angry teenager incapable of controlling their frustration. If we had known what the stock markets had in store for the beginning of 2025, we would probably have saved that comment for this quarterly newsletter. In just three months, the narrative that has guided stock markets over the past few years has shifted dramatically, triggering one of the greatest positioning turnarounds in history. 2025 kicked off with a sharp adjustment of global stock market indices to what appears to be a new economic map of the world.

This new map is part of a shift in sentiment around the so-called Trump effect. From being considered the start of an era in which "America would become great again", it is now source of uncertainty due to announcements of tariffs, customs duties and tax adjustments by the new US Government. Measures that have led to a drastic downgrading of growth expectations for the country, which have gone from expecting a strong re-acceleration of the economy to above 3% to a slight increase of around 1.5%. The USA has shifted from optimism to pessimism in just three months.

Developments in Europe, a former pariah of the world economy, have been exactly the opposite. In addition to a possible end to the war in Ukraine, the market has begun to discount a period of greater expansion due to the huge stimulus package announced by Germany. This plan breaks with a long tradition of austerity and lays the foundations for a Union truly united by a political project based on growth and investment. A possible end to 15 years of strategic drift that the market has welcomed with enthusiasm, demonstrating that it only trusts Europe if it is under German leadership.

The stock markets have simply adapted to this new economic map, in which the less frugal regions —mainly the USA— have decided to save and the most austere —such as Germany— have begun to spend. Consequently, there has been a sharp turnaround in positioning, which explains the 5.18% rise in the Stoxx 600 compared to the 8.67% fall in euro terms in the S&P500, that the German DAX has outperformed the Magnificent Seven by nearly 60% or that it was the worst quarter in more than 20 years for the US stock market compared to the rest of the world. The market pendulum has swung from one extreme to the other in record time.

Amidst all this noise, it is advisable to carefully assess the situation. The truth is that it is still early to estimate the real impact that the tariffs and customs duties, on the one hand, and the tax cuts and greater deregulation, on the other, will have on the of the US economy. In addition, deficit control and reduction of public debt —which currently exceeds 120% of GDP— are essential to ensure the region's growth in the coming years. Similarly, in Europe, Germany's stimulus plan may put an end to the country's recession and give way to an expansion process for the rest of the continent. Therefore, as regards fundamentals, what we are seeing on both sides of the Atlantic seems positive to us in the medium and long term.

As regards valuation, the movements of the main regional indices have rebalanced most of the differentials that existed at the beginning of the year and that we explained in our previous newsletter. The excessive pessimism that has shaken North America has lowered the premiums at which many of its companies were trading, driving multiples to attractive levels that we had not seen in a long time. In Europe, stock markets have begun to distinguish between winners and losers in a context of higher growth, creating the appropriate framework to unleash the enormous potential of our European companies. Uncertainty such as we are experiencing at the beginning of 2025 is not foreign to equities that in nearly half of the positive years since 1980 —a very profitable period for the US stock market—, have suffered double-digit corrections at some point during the year. Volatility is not only normal, but also necessary for good opportunities to arise.

The major shifts in the world's major stock market indices are allowing us to rotate our portfolios. The enormous noise and obsession with the short term are creating a false dilemma between the USA and Europe which we categorically reject. We consider it absurd to have to choose between two regions with good long-term fundamentals and where, thanks to the uncertainty, we are finding quality companies at good prices. For this reason, if the market continues to behave as emotionally as an angry teenager over the next few months, we will continue to take advantage of the opportunities that always arise during periods of volatility and attractive valuations.

Thank you again for placing your trust in us. Yours sincerely,

Mark Giacopazzi

BESTINVER in figures

47,000 investors trust in us	**We manage EUR 6,747 million**	**Independence: Acciona Group**	**We are endorsed by several awards in recent years**

Data at 31/03/2025 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	-1.9%	12.82%	25.27%	-16.98%	13.70%	-3.83%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	15 years	Launch
Bestinfond (1)	8.20%	12.71%	4.41%	7.28%	12.58%

Figures at 31/03/2025
Past performance is no guarantee of future performance.

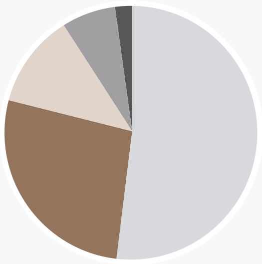
(1) Launch date: 13/01/1993

TOP POSITIONS

	% OF PORTFOLIO
ROYAL PHILIPS	3.07%
ELEVANCE HEALTH INC	2.90%
HEINEKEN NV	2.74%
HOLCIM LTD	2.71%
BERKSHIRE HATHAWAY INC-CL B	2.62%

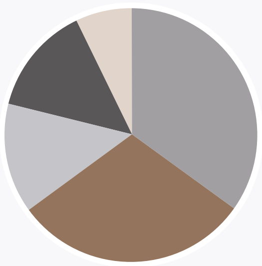
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



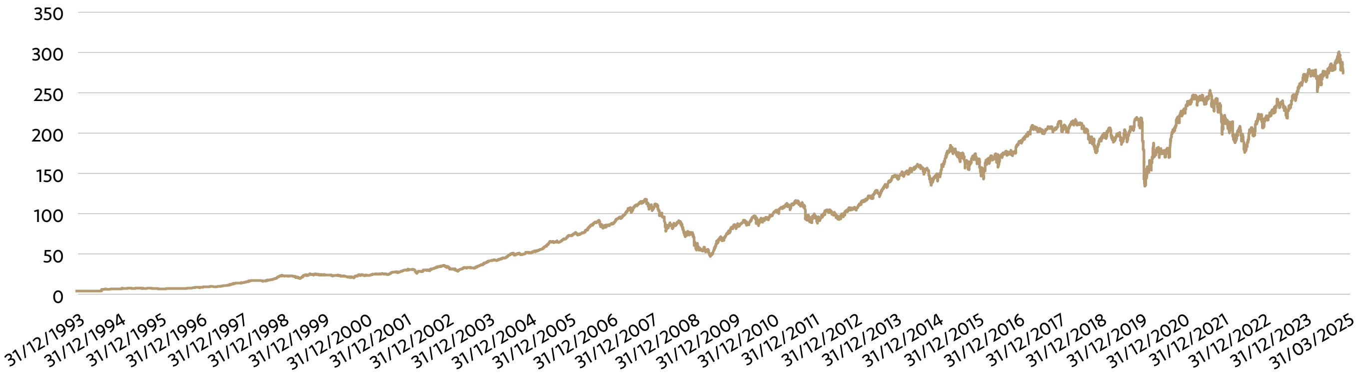
- Europe **52%**
- USA **27%**
- Iberia **12%**
- Liquidity **7%**
- Rest of the World **2%**

Sectorial Distribution



- Industrial **35%**
- Consumer **30%**
- Communication and Technology **14%**
- Financial **14%**
- Liquidity **7%**

NET ASSET VALUE TRENDS (€)



Data at close of day: 31/03/2025. 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 a correction of 1.9%.

“Things happen slowly, then all at once"

We begin this quarterly newsletter by recalling a very popular saying in the economic sphere[1], that vividly captures how long periods of apparent calm or accumulated tension can lead abruptly to rapid and far-reaching transformations. The phrase eloquently illustrates the non-linear nature of the change that occurs in complex systems such as financial markets and is very important to understanding the sudden shifts we have witnessed so far in 2025.

In just three months we have witnessed a rapid succession of events that seem to be profoundly reconfiguring the global macroeconomic scenario. Transformations that would normally require decades to materialise are being concentrated in a few weeks. A reality that has forced us to significantly rethink the dominant narratives in the markets at the end of 2024 and which is painting a volatile picture but, in our opinion, full of investment opportunities.

In this newsletter we are going to describe what has happened in these three intense months, trying to distil what is important from what appears urgent. We will discuss the results of "our company", Bestinfond, the dramatic turnaround in the positioning of the market and also Trump's tariff policy. We will conclude with some of the changes we have made to the portfolio and the investment case of a company that should give us good returns in the coming years.

Volatility is the toll we must pay for profitability

Before we dive into our extensive agenda, it is essential to remember that corrections are a natural part of the markets. Their occurrence should come as no surprise to anyone, but this does not prevent rational thinking from being overcome by the negative emotions that we inevitably feel as we see prices plummet.

If we want to invest in equities because history has proven time and again that it is the most profitable investment in the long term, it is essential to understand their nature. The high returns they have historically offered are precisely due to their volatility and intermittent downturns. We cannot aspire to one without accepting the other; they are two inseparable sides of the same coin.

It may be a consequence of the ease with which we can currently buy or sell shares (and funds); or the rise of social media riddled with financial experts; or it might be because everyone, to a greater or lesser degree, lives glued to a mobile phone consuming vast amounts of news with high dramatic overtones, but investors appear to be showing unprecedented sensitivity to market downturns. Even relatively minor declines, such as those experienced recently, often cause them to overreact.

We have said it before: everybody has a plan to buy shares when they fall by 30%, except when they have already fallen. At that point, we will always find

[1] This expression is inspired by a famous dialogue from Ernest Hemingway's famous novel "The Sun Also Rises" (1926), which narrates the excursion to Pamplona of a group of American and British exiles in Paris in the 1920s. The dialogue goes like this: "How did you go bankrupt?" asked Bill. "In two ways," said Mike. First slowly and then suddenly.

reasons that explain their price and there will inevitably be a large number of negative narratives that make it very difficult to stick to the original plan. When making a plan, it is important to consider how it will be executed in both calm and stressful moments.

The real and lasting damage in a long-term portfolio has nothing to do with the inevitable corrections that always occur in the stock market, but rather the cost of the bad decisions we make during these periods. One of the most common is to try to capture the upside of equities while avoiding the downside. Given our dislike for even temporary losses this is an entirely understandable —but incredibly dangerous— aspiration, one which is far more likely to dampen performance than enhance it.

Charlie Munger was right when he said that in a crisis it is divestors who lose money, not investors. This is because there is an excellent reward for enduring short-term uncertainty. The problem is that, in order to receive it, we must be able to endure it. In other words, if we had the absolute certainty that, in the long term, the shares will offer us annual returns of 10%, then, paradoxically, they would yield much less than that 10% they have historically yielded.

This creates an important advantage for investors with a long-term mindset (or with the habit of not checking their portfolios daily), although we know that capitalising on this advantage is much easier in theory than in practice. For this reason, we have published a series of articles in our Investment Team Blog, where we will address the nature of stock market falls. Be sure to read them, they are informative and illustrative. Additionally, a few weeks ago we organised an excellent webinar with Pepe Díaz, in which the keys to investing in the stock market in the long term and obtaining the best possible returns in doing so are explained in a simple way.

Grey-coloured glasses and analytical rigour

At BESTINVER we endeavour to analyse the world with grey-coloured glasses. A perspective that, in an increasingly polarised environment, where black or white lenses predominate, positions us as a discordant voice when it comes to commenting on current affairs. In this newsletter you will not find a political or, worse, dogmatic stance on Trump's tariffs, the sudden change of course in European military strategy or the abandonment of the tax discipline that has characterised the politics of the old continent in the last decade.

Our work is primarily based on a "micro" analysis: the rigorous 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 serves to contextualise the operating environment in which our companies operate. And it also serves to assess the risks and opportunities that said environment poses to their businesses; but it does not guide our specific investment decisions, which are always based on the individual value of each company.

Maintaining this analytical rigour has served us well in BESTINVER's more than 35-year history and is, in our opinion, essential to capitalise such volatile environments as this in the long term.

A company called Bestinfond

As you are aware, the investment team analyses Bestinfond as if it were a company. A kind of holding company owning profitable, well-financed businesses, managed by people we admire and that trade on the stock markets below their fundamental value. How do we do it? We recognise the sales generated by all our companies on an aggregated basis adjusted by their weight in the portfolio, the margins produced by these sales and the cash flow obtained after investing in everything necessary to maintain and grow their businesses. Thus, within this analytical framework, every year we present the operating results obtained by "our company" and our projected estimate for the coming years.

2024 RETURNS TABLE AND PROJECTIONS FOR THE COMING YEARS

ANNUAL GROWTH	2024A	2025E	2026E	2027E	2028E	TOTAL
Sales Sales per share	3.1% 3.2%	6.3%	8.1%	8.2%	6.3%	**32.2%**
EBIT EBIT per share	15.1% 15.6%	13.7%	16.6%	14.5%	14.3%	**73.5%**
Normalised Net Earnings Normalised Net Earnings Per Share	13.3% 13.7%	13.5%	15.2%	15.2%	13.9%	**70.4%**
Normalised FCF Normalised FCF Per Share	14.9% 15.4%	9.6%	14.6%	14.6%	14.7%	**65.9%**
OTHER METRICS	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**	
Net Cash / Capitalisation (%) Dividends + Share Buybacks	8.9% 4.4%	10.2% 4.4%	12.1% 4.9%	14.7% 5.1%	17.9% 5.3%	

SOURCE: *BESTINVER, data as at March 2025. Estimates based on BESTINVER's own analysis and valuation models It is not a guarantee of profitability; it is an estimate subject to possible variations. Estimates are projected assuming a similar context to the current one. RISKS ASSOCIATED WITH THE INVESTMENT: investments can entail the following risks: liquidity risk, valuation risk, sustainability risk, country risk, currency risk, concentration risk, inflation risk, counterparty risk and interest rate risk. Detailed information on the risks associated with the investment can be found below. The full prospectuses, regular reports, KIID of the pension plans and KIID of the funds can be found on the following websites www.bestinver.es and www.cnmv.es. An investment in this fund is not suitable for time horizons of less than 5 years. Past performance is no guarantee of future performance.*

In 2024, Bestinfond's earnings increased by 3.1%, a performance we consider reasonable. The economic activity of the world's leading economies slowed after the post-pandemic recovery, while inflation receded from exceptionally high levels on the back of high interest rates. The sales of our companies has understandably followed a similar trajectory to the nominal growth of the economies in which they operate.

The good news is that, thanks to the good cost control and maturity cycle of many of the investments made in recent years, the margins produced by those sales have increased significantly. Both operating profit and its conversion into free cash flow have grown by a hefty 15% in the year just ended.

Excellent generation of capital that has enabled us to: 1) strengthen our company's solvency: we have a net cash position that represents nearly 10% of Bestinfond's net asset value; 2) continue paying dividends; and 3) increase our shareholding in our companies' businesses without having to pay a single euro (or bear any tax burden), thanks to the treasury share buyback programmes.

It should be noted that two-thirds of the companies in the portfolio are reducing their number of shares in circulation, a percentage never seen in the more than 35 years of BESTINVER's history Not only are we going to receive a bigger piece of the profits pie in the next few years, but we also believe that, due to the low price at which their shares are traded on the market, it is one of the best investment decisions that their managers can make to increase the future profitability of "our company".

But all this is just a snapshot of the past. What is most interesting for those of use who are Bestinfond unitholders is that, thanks to the rotation we have made in the portfolio, the sales growth we project for our businesses in the coming years represents an acceleration over the year just ended.

An increase in earnings that should leverage the profitability of our businesses —we expect double-digit growth in profit and cash flow between now and 2028—, continue strengthening their solvency and also their optionality (to enter new markets or buy out floundering competitors), value that is difficult to reflect in a valuation multiple.

We should all bear in mind that Bestinfond's long-term profitability will not be determined by economic developments in the coming quarters. As investors, the question we must ask ourselves is whether the valuations of the companies in our portfolio offer a safety margin large enough to cushion a major macroeconomic downturn. Or whether the returns we will obtain in the long term adequately offset the risk we are incurring by investing today.

The answer, in our opinion, is a resounding yes. 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 these indices in the coming years.

We have a balanced portfolio, both in terms of geography and types of business, made up of fabulous companies trading at a significant discount to their fundamental value. This combination of elements does not guarantee immediate results, but should give us good returns in the coming years since, in the long term, share performance depends much more on causality than chance.

We were confident about our diagnosis, but the market's response was unexpected

It seems like an eternity ago —although only four months have elapsed— when the financial debate was buzzing with markedly optimistic forecasts about the consequences of Trump's second presidency. Proclamations about the future of the American economy and unquestionable attractiveness of investing in the USA were accompanied by a unanimously pessimistic sentiment towards Europe. Political paralysis, over-regulation and the low growth of its economy in recent years appeared to justify the low valuation multiples of its companies and substantial underweighting in almost all of the global portfolios. Just in the first three months of 2025, the reality of the market has disproved, almost point by point, predictions that seemed infallible at the time.

We all know that the sentiment and decisions of a large number of investors are overwhelmingly dictated by recent returns. A large part of the market is obsessed by the present, clinging to the delusional belief that future returns are an extension of past returns. Therefore, it should come as no surprise that a large number of these investors are hastily reviewing their portfolios, anxious to gain some exposure to Europe, after observing how the quick profit they expected to obtain in their positions on the other side of the Atlantic have evaporated in a matter of months.

In our last quarterly newsletter we commented on what we considered a historic opportunity for investing in Europe. We argued that the large valuation discount against the USA was excessive, given the key improvements in many European companies and a macro-economy in the old continent far removed from that of the previous decade. We also commented that, although we continued to find value in many American companies, the high valuations in certain market segments and some shadows in its economy not shared by the consensus called for relative caution.

We confided in our diagnosis, but the strength of the market's response in these first three months of 2025 was completely unexpected.

Radical shifts in positioning

Just a few weeks ago we learned the results of a survey conducted by a prominent US bank among the world's leading asset managers.

We have witnessed one of the most violent reversals in optimism and geographical positioning in history. A major shift that, once again, underlines how thin-skinned investors are in recent times, their ability to conveniently forget what they thought (and did) just three months ago and, we believe, the importance of maintaining an informed and long-term perspective against the radical shifts of the consensus.

Indeed, we have experienced the second largest fall in global economic growth expectations in its recorded history (2001) and the highest increase in liquidity positions since the shock of the pandemic in March 2020. This accumulation of "cash" sharply contrasts with the situation just three months earlier, when the same survey reflected liquidity levels at historical lows.

In parallel, we have seen a spectacular overturn in the geographical assignment of portfolios by global asset managers. In March, exposure to US equities experienced the highest monthly cutback ever recorded in the survey's 24 years of history. A slump in positioning based on a record net overweighting of 36% in December —when asset managers expected a "boom" in the USA— to a significant underweighting of 23% in March, its lowest level since June 2023, in the midst of the US regional bank crisis.

Almost symmetrically to the fall in the USA, the increase in allocation to Eurozone equities can only be described as spectacular. A jump of nearly 30 percentage points, driving positioning to a net overweighting of 39% in March. A stark contrast to just three months ago, when enthusiasm for American assets drove the USA's relative exposure to the Eurozone to levels never seen since the European sovereign debt crisis in June 2012, marking one of the greatest divergences in positioning between the two regions in the last 24 years.

Return = Performance + Valuation

As you are aware, the returns we obtain in our investments are explained by just two factors: the profit performance of the company of which we are owners and the valuation multiple that investors are willing to pay for this profit. Evidently, the crucial aspect in the long term is the evolution of this profit and to what extent this trajectory is adequately reflected (or not) in the valuation multiple at the time we purchased our shares.

However, analysing these two variables at present —like a snapshot, even if it is the long-term dynamics that are truly relevant— is of great help for understanding the relative performance of American and European stocks in this first quarter of 2025.

We know it is an absolutely myopic method, but it is the one used by a large part of the market: creating narratives about future profits (playing by ear instead of following a game plan) and applying a multiple to the narrative (high if profits rise and low if they fall).

Narratives and performance in Europe

Trump has been a necessary catalyst for Europe. Aware of the new geopolitical challenges it faces and, finally, admitting its triple dependence on China (exports), Russia (energy) and the US A (security), Europe now seems willing to take control of its destiny. As Ana Botín, Chairwoman of Banco

Santander, recently said: "Europe has woken up and the alarm clock was Donald Trump".

The best example of the change to which we are referring was the Copernican turn of Germany, the traditional standard-bearer of European frugality. The tax relief package announced by the new German Government is of an unprecedented magnitude (the public deficit is estimated to increase from a historic 1.5% to 4-5%). A stimulus that should be capable of cushioning the impact of the tariffs, but also potentially changing the course of growth in recent years of the former European locomotive.

If to the German incentive we add the rearmament plans of most European countries, lower gas prices resulting from a possible ceasefire in Ukraine and the potential recovery of manufacturing and construction cycles (both in recession for three long years), it is understandable why European markets are rallying. For the first time since the global financial crisis, there is a solid base on which to build a narrative of domestic profit growth in Europe.

Spurred on by these good results, European stocks have delivered an outstanding performance in the first three months of the year. Stellar if we compare it to that of its American counterparts, calculated in euros.

We have witnessed a well-deserved expansion of its valuation multiples, although it is true that there has been significant sectoral dispersion. This rally has a strong domestic focus (banks, electricity companies, defence, construction materials, etc.), which contrasts with what has happened in sectors with a more export-oriented profile (luxury, technology, automotive, beverages, etc.), much more exposed to China and tariff risk.

In our opinion, in order to ensure a sustainable and lasting revaluation of European stocks, we need corporate earnings to lead the way. That is, we need to see how the announced ambitious tax plans are implemented in the coming years but also, crucially, calibrate Europe's response to the tariffs, without forgetting the outcome of the conflict in Ukraine. It is imperative that the competitiveness of many European sectors —drastically reduced in recent years by over-regulation, China's technological "sorpasso" in key industries, high energy prices and now, also, by the USA's tariff policy— be restored.

We are not doing ourselves a favour as long-term investors if we forget that, in many cases, the low valuation multiples of countless European companies are more than justified. Regardless of the current positive narrative and good performance, major structural challenges that Europe must face still remain: the necessary but complex fiscal union, demographic collapse, commercial dependence on China and the reduced fiscal space of many countries that, unfortunately, do not have Germany's solvency.

Narratives and performance in the US A: from MAGA to MACA [(2)]

On the other side of the Atlantic, the almost unanimous consensus that anticipated explosive economic growth, driven by the low-tax and deregulation agenda of Trump's second presidency, has completely faded. The narrative has been replaced by the fear of an imminent recession or, worse, the return of the feared stagflation [(3)].

(2) In the US market we have gone from dancing to the cheerful melody of a song called "MAGA", the acronym of Donald Trump's campaign slogan "Make America Great Again", to the somber tone of a ballad called "MACA" or "Make America Cheap Again" (in this case its stock market)..

(3) EThe much talked-about stagflation scenario does not seem possible to us at the present time. To this end, a major change in inflation expectations would be required, in addition to the appearance of the famous "wage-price spiral" of the 1970s. We do not believe that the current economic structure will promote these

After five years of strong growth and high inflation resulting from an unprecedented fiscal exuberance —government spending has soared by 65% during this period (just in 2024, an electoral year, it grew by a hefty 12%)— and consumers who spent the savings accumulated during the pandemic, it seems that the time has come to tighten our belts.

The more than probable federal employment cuts driven by the Department of Government Efficiency (DOGE), the growing threat of a commercial war and the rhetoric used by Trump when referring to his political enemies have undermined business and consumer confidence. No one can argue that, right now, the USA has a negative economic outlook.

As you can probably imagine, investors have not asked questions first, they have directly fired. The market seems to have applied the bandage in anticipation of the wound inflicted by downward revisions to profits, which are vulnerable if the economic deceleration suggested by trustworthy surveys and the probable slowdown in corporate investment, in a context of maximum uncertainty, materialises.

The very speed and intensity of the plunge in US stock market sentiment can be interpreted as a potentially positive sign. We have witnessed a significant contraction of valuation multiples. It is evident that the Federal Reserve can cushion valuation deflation, since it has a lot of munitions to cushion a downturn in the economic cycle. For now, understandably, it has not given clear signs in this direction.

At BESTINVER we do not believe that the Trump Administration will be so fiscally stringent as it currently seems, or that many of the pro-market proposals that were so fervently applauded just three months ago have completely disappeared; they have simply temporarily stepped out of the media spotlight.

Neither do we believe that there is a valuation problem in many American stocks, let alone a generalised bubble. The problem, although less of an issue now than at the end of 2024, is still one of positioning. The fact is that the boom in passive investments has led a large number of investors to have exactly the same portfolio. One concentrated on a handful of companies that have been responsible for the excellent returns obtained by the American stock market in recent years.

Tariffs: clean slate, the substance of the matter and the bad economics of bullying

We cannot fail to address the complex tariff issue in this newsletter. The era of an increasingly free and extensive international trade, based on rules that the USA contributed decisively to create, appears to have reached an abrupt end.

Below we explain our interpretation of the logic that, in our opinion, underpins the actions of the US Administration in the sphere of international trade.

Trump argues that the USA is the victim of disloyal commercial practices. As with many of his assertions, there is a seed of truth in this argument. China,

dynamics. In that decade, in the USA a 10% unemployment rate co-existed with a 10% wage increase. The 3-4% wage increases we see today are consistent with an unemployment rate of less than 4% and with an actual GDP growth of nearly 2.5%. The economy of the 1970s not only suffered shocks in raw material prices, but also the abandonment of the gold standard and subsequent floatation of the dollar, the elimination of wage controls which had suppressed wage inflation at the beginning of the decade and the widespread unionisation of a purely industrial economy. Without forgetting a very important fact: demographics were completely different. What we mean to say is that today's economic structure is different and makes it much more likely for higher inflation to "correct itself" as demand declines, business margins shrink and unemployment increases, instead of being "self-fulfilling" and become entrenched in the system as was the case more than 40 years ago.

for example, has certainly exploited the rules of the World Trade Organisation (WTO), accessing new markets for its export while restricting access to its own market. Peking has also resorted to extensive grants and other measures to boost the global competitiveness of its companies, including the imposition on many foreign companies to transfer their technology.

However, instead of trying to correct the unfair rules that some countries may have taken advantage of, Trump seems to have opted for dynamiting the system with tariffs for all its trade partners, of the USA without discriminating between allies and rivals. China now faces high tariffs, but also historical US allies such as Europe, Japan, South Korea and Taiwan, among others.

The global trading system, as it has functioned until now, is far from being a level playing field where the natural "comparative advantage" dictates trade flows. The fact is that we are in a scenario marked by persistent and significant imbalances between countries that sell much more than they buy (surpluses) and those that buy much more than they sell (deficits).

These imbalances are not mere statistical curiosities; they have tangible and often negative consequences, especially for countries that operate with chronic deficits. Intuitive logic tells us that trade should generate mutual prosperity, allowing each nation to specialise in what they do best and import the rest. This, in many cases, is exactly the case. However, the fact is that the great surpluses of some countries have been built on policies that artificially favour their exports, often at the expense of the well-being of their own citizens (limiting their wages and, therefore, their consumption) and, indirectly, to the detriment of the industries in deficit countries.

For the Trump Administration, the famous competitive advantage exhibited by some countries in their manufacturing is not always the result of "natural" superior efficiency. In many cases, this advantage is the result of disguised or direct subsidies that their governments grant their companies, which allows them to sell at lower prices on the international market. This practice distorts the real trade game, where US companies end up competing not only with foreign producers, but also with the policies of those governments.

The direct consequence for countries with persistent deficit is an erosion of their industrial base. Factories are moved where costs are artificially lower, leading to job losses and less weight of the manufacturing sector in the national economy. A process that often leads to a decrease in domestic savings. How? Through higher indebtedness of families, whose wages are not enough to live reasonably comfortably; or an increase in government deficit, since the countries have to take care, through transfers, of many citizens who fall by the wayside.

The problem is that financing these government deficits and the high indebtedness of families (and countries) requires low interest rates that, indirectly, end up artificially raising the price of a country's assets. A dynamic that generates all manner of major problems: potential bubbles (financial assets), demographic decline (overvaluation of assets, in this case real estate, is dynamite for natality) and the rise of populist movements (by exacerbating the differences between those who have and do not have assets).

It is undeniable that this analysis of the dysfunctions of the global trade system prior to the recent shift towards protectionism contains elements of truth. Recognising these realities and their negative effects on segments of the economy and society, however, does not automatically validate any remedy proposed. The undiscriminated application of tariffs across the board, without distinguishing between strategic and competing partners with dubious practices, represents a radical rupture whose cure could prove to be more harmful than the diagnosed disease itself.

At BESTINVER we believe that Trump's announcement remains a bargaining tool [4]. We do not believe that the US Administration wants to dynamite many of the profound and beneficial interconnections created over decades with many of its allies. We are surprised by the bullying tactics used, as they almost inevitably invite retaliation that can also end up harming US exporters and consumers, raising their costs and creating a climate of uncertainty very harmful to the investment.

Although the search for fairer and more balanced international trade is a legitimate objective, economic history and logic suggests that lasting prosperity is fostered more through specialisation, efficiency and negotiated cooperation —although it requires constant adjustments and reforms of the system— than through a generalised protectionism that, far from solving the underlying problems, usually generates global tension and turbulence with a negative net cost for most.

[4] We say that the announced tariffs are a bargaining chip because, to start off with, they are miscalculated. We must not forget that the USA's trade balance has a very marked dual structure: while recording a persistently large deficit in trade in goods, to which we have made reference, it also has a significant surplus in trade in services. The country is an export powerhouse in high value-added areas such as financial and consulting services, intellectual property licences (software, patents, entertainment), tourism, educational services for foreigners or transport, which demonstrates strong competitiveness in the "intangible" part of the economy, which distorts its global trading position.

There is hope among some observers that these tariffs are an ephemeral phenomenon; that, in the event of a stock market crash and risk of a recession in the USA, Washington ends up reversing the restrictions. It is possible that the White House may moderate some of the rates, especially if the negotiations that are sure to take place in the next few months are successful. But the fact is that a return to the free trade framework that has been in place in the last few decades seems highly unlikely.

Our companies are living organisms endowed with a remarkable capacity for adaptation

Call us optimistic (we are), 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.

The work carried out by the investment team as managers of your savings (and also ours) is not so much about predicting the next macro-turbulence as it is about choosing the businesses and management teams that can best adapt to it. In this respect, we are calm and confident. Our companies are not static entities, but rather living organisms endowed with a significant capacity to adapt to a perpetually fluctuating economic environment. Recent history —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.

We have a balanced portfolio, made up of sector-leading companies, managed by professionals who we admire and whose profit will grow significantly in the coming years. But, above all, the valuation of their shares already discounts a considerable pessimism. It is precisely this 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 when, as is often the case, the environment tends to become normalised or our companies adapt to it.

Changes in the portfolio

This quarter has continued to give us the opportunity to increase the potential profitability of the portfolio while improving its balance. How did we do it? Mainly by buying more shares in companies whose value and share price have diverged and reducing the weight of those in which our safety margin has decreased.

As in the last quarter, we have continued to strengthen our positions in Philips, Elevance and Lundin Mining. We have financed these purchases by reducing our shareholding in some American companies that, until a few weeks ago, had delivered an outstanding performance. Such is the case of Expedia, Berkshire and Meta. In the case of Bank of America, we were fortunate enough to sell the shares remaining in the portfolio prior to the recent collapse in its share prices.

European banks have been the biggest beneficiaries of the changes in policy and sentiment that we have described in this newsletter. We have sold our shareholding in Commerzbank, after its spectacular rally so far this year, and also reduced our holding in Barclays, despite the fact that its shares are still cheap. The reason is that we wanted to make room for another English bank: Lloyds. We have leveraged the uncertainty of the last quarters created by the scandal in the financing of (DCA) vehicles in order to build up a position in a bank of unquestionable quality at an extremely attractive valuation. We consider that the penalty inflicted on its share price by this short-sighted noise has been excessive, which has allowed us to invest in multiples that do not reflect neither their solid fundamentals —with strong growth in profit expected over the next three years via a substantial increase in its net interest income— nor the high returns on capital that it will provide.

Finally, during the quarter we reduced, 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 and Pandora. All of them acquired in the worst moments of the pandemic, they were positions that made us suffer significantly in 2021 and 2022 but in which, thanks to your patience and confidence in the theses provided by a wonderful team of analysts, we were able to obtain fantastic returns.

Finally, we would like to end this newsletter commenting on the investment case of a company in which we have been investing in recent months. We are referring to steel giant ArcelorMittal.

As investors in value, our primary objective is to acquire companies below what we consider their intrinsic value. A premise that, although conceptually simple, is considerably complex in its practical application. Why do we say this? First, because there are multiple approaches to determining the value of a company. Do we assess whether it is cheap in relation to its assets (book value)? Or in comparison to its capacity to generate profit (PER, cash flow)? Maybe in comparison to the value of its different business units (sum of the parts)? The selection of the adequate method requires an in-depth analysis adapted to each specific case.

Second, and no less important, because there are companies whose results are not stable (their profit fluctuates cyclically) or predictable (their profitability depends on the price of a raw material) and their assets are used up when they generate sales (they must be replenished, which requires large amounts of capital). They are businesses that should not be purchased but, at times, can be leased.

This brings us to the essential question: What does really "cheap" mean in this context? Is a PER of 5 times intrinsically attractive? Is it always? In what part of the profit cycle is the business? Should book value be an insurmountable purchase threshold? These are the critical issues that an investor in value must address with rigour and discipline, recognising that there are no simple answers or universal formulas. In this Investment Team Blog post we address these theoretical issues in detail using, precisely, the case of ArcelorMittal.

Until a few years ago, ArcelorMittal represented a paradigmatic example of cyclical value, not very well managed and, above all, very poorly financed.

Given the practical impossibility of obtaining lasting competitive advantages in the steel industry, in the upward phases of the cycle, when the business enjoyed high steel prices —or, rather, wide spreads on raw material prices— the company generated substantial profits. But during the downward phases, the consequences were usually severe, especially for its shareholders. This was because, until recently, there had not been an upward cycle in which the company did not aggressively scale up the business by investing in new capacity and acquiring competitors which, almost inevitably, led to serious overcapacity problems, low profitability and high indebtedness in the recessionary phase of the cycle.

For example, note the absurdity: in the decade prior to the arrival of Covid (2009-2019), Arcelor generated approximately EUR 8.5 billion in free cash flow, paid around EUR 7 billion in dividends and, best of all, increased capital on three occasions (2009, 2013 and 2016) by EUR 7.8 billion, always at the worst moment of the cycle (when the dilution for its shareholders was the greatest).

Then Covid arrived and, of course, Arcelor made another capital increase (EUR 1.5 billion). It is true that in the years before the pandemic an improvement in the management of this company was observed. They had abandoned their previous strategy of "scaling up the business at any cost", in favour of a more conservative approach; they had also implemented several cost reduction programmes and invested in higher-quality assets, with higher margins and greater resilience in the downward phases of the cycle. As a consequence of this restructuring and divestment in underperforming assets, earnings had declined, but —and this is what matters— the generation of free cash flow had improved, remaining in positive territory for several periods that had not been especially buoyant.

What followed after Covid revealed a change in the radical strategy of the management team that, for us, was the first indication that Arcelor had become a "leasable" company. That is to say, for the first time in decades, Arcelor took advantage of the huge cash generation that provided them with the cyclical recovery subsequent to the pandemic and the high inflation in the period 2021-202, to continue improving the quality of its assets without compromising its balance sheet. Moreover, in a radical shift of its capital allocation strategy [5], it decided to undertake a huge treasury share buyback programme (EUR 10.6 billion in the last four years), which has reduced its shares in circulation by practically one-third.

Our investment thesis in ArcelorMittal (MT) is based on finding a significant valuation anomaly, as the market seems to assign a very high negative value (almost half of its market capitalisation) to European business, despite its significant historical contribution to the Group's results.

Indeed, the sum of the value of its main assets (Nafta, Brazil and the mining business, primarily), plus the division of "sustainable solutions" and the value

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[5] Allocation of capital, one of the most unknown but most important aspects when analysing the merits of any investment. At BESTINVER we have addressed this issue, which we consider of vital importance in our analysis process, in these articles (I, II and III) and the following podcasts (I, II and III).

of its non-controlling interests, which includes 60% of AM/NS (a joint venture in India of which Nippon Steel owns the remaining 40%) or the 28.4% shareholding it acquired last year in Vallourec, gives an amount, according to our estimates, of close to EUR 40 billion. To this we must subtract net debt, rent, pensions and other types of liabilities, which amount to around EUR 15 billion. The result? Approximately EUR 25 billion compared to the EUR 19.5 billion that the company is worth on the stock exchange.

What is the problem? None. A 30% potential does not seem high, but knowing that we are at the downward part of the automotive and construction cycle, neither does it seem a bad proposition. There is only one small drawback: that we are not accounting for European assets. A division which, on a normalised basis, accounts for 50% of the Group's volumes and one-third of its operating profit. Moreover, assets that are currently generating EUR 400 million in EBITDA per quarter, despite the fact that volumes in Europe are 25% below those recorded in 2018, distributors' inventories stand at historically low levels and prices have practically hit rock bottom.

Making a reasonable estimate of the value of European assets, we arrive at a figure of around EUR 9 billion, nearly half of ArcelorMittal's stock market value. So what is the problem? The problem is that the market does not understand the investments in the decarbonisation of the European business. In practice, this means that the market discounts all of this potential investment (EUR 9 billion), assuming that it will not generate any returns from it. Never. Moreover, the market observes with frustration how these investments threaten to limit the cash flow generation of the business and, therefore, the capacity to buy back shares taking advantage of the low valuation of its shares on the market (6x PER, 3.5x EV/EBITDA or 0.4x Book Value).

The catalyst for BESTINVER to start buying Arcelor's shares took place last December, after reading a powerful article by the CEO in the Financial Times, in which he conveyed an unequivocal message: the multi-million euro investment required for decarbonisation in Europe would be conditional upon the existence of a real policy support framework for the sector.

What did Lakshmi Mittal mean by this? That his company was not going to invest without substantial public financing of all the steel decarbonisation projects in Europe (50% of the total cost), nor without the existence of effective mechanisms to protect the sector (a tariff framework comparable to that of the USA or Brazil) compared to massive imports from China. Steel that arrives in Europe without being "green" and that has demolished the profitability of a sector suffocated by decarbonisation costs and high energy prices, to margins at levels last seen during the pandemic.

Watching the management team prioritise profitability and financial prudence, refusing to compromise thousands of millions in strategic projects that are non-viable without the adequate support and protection, convinced us that the capital was being managed with the necessary rationality to protect and create long-term value for shareholders. Therefore, we believe that the negative valuation that the market assigns to the European division makes no sense.

We understand the stigma still attached to the shares because of the poor capital allocation of the past, but the reality has changed and the opportunity represented by ArcelorMittal's shares is very significant.

Moreover, many of the tailwinds mentioned in this newsletter that can convert European stocks into major investments in the coming years have the possibility of crystallising in the company. Eventual peace in Ukraine represents an opportunity for reconstruction but, above all, the possibility of lower energy prices in Europe. Germany's infrastructure plan could increase the demand for steel, as can the increase in defence spending announced by governments. Factors not included in our valuation of a business that we have never wanted to purchase in recent years, but which we have just leased.

Thank you again for placing your trust in us. Yours sincerely,

The Investment Team.

Date: 31/03/2025. Source: BESTINVER

MAIN MOVEMENTS

Additions

ARCELOR MITTAL
LLOYDS

Disposals

BANK OF AMERICA
RICHEMONT
COMMERZBANK
ISS

Increases

PHILIPS
ABN AMRO
ELEVANCE HEALTH
LUNDIN MINING

Reductions

BARCLAYS
EXPEDIA
BERKSHIRE HATHAWAY
HEIDELBERG MATERIALS
META PLATFORMS
ROLLS ROYCE
PANDORA

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	2019
Bestinver Internacional	-2.07%	14.25%	24.62%	-17.85%	14.17%	-1.38%	23.34%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	15 years	Launch
Bestinver Internacional (1)	8.12%	13.22%	4.85%	7.98%	8.84%

Figures at 31/03/2025
Past performance is no guarantee of future performance.

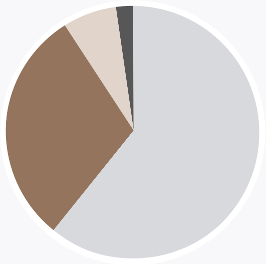
(1) Launch date: 19/11/1997

TOP POSITIONS

	% OF PORTFOLIO
ROYAL PHILIPS	3.43%
ELEVANCE HEALTH INC	3.24%
HEINEKEN NV	3.06%
HOLCIM LTD	3.00%
BERKSHIRE HATHAWAY INC-CL B	2.91%

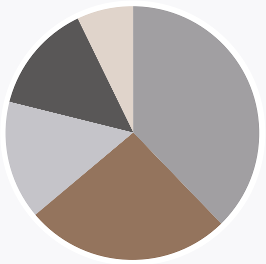
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



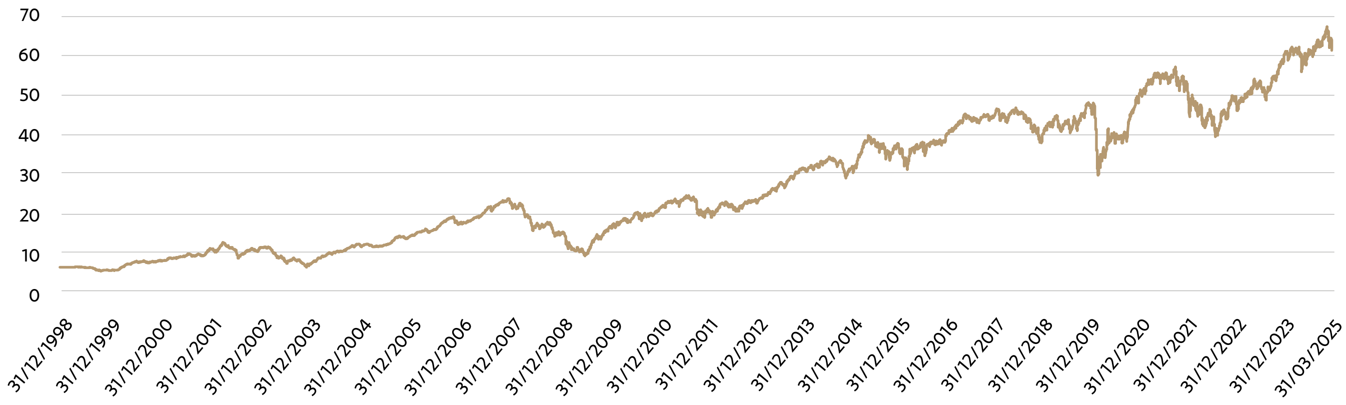
Europe	**61%**	Liquidity	**7%**
USA	**30%**	Rest of the World	**2%**

Sectorial Distribution



Industrial	**38%**	Financial	**14%**
Consumer	**26%**	Liquidity	**7%**
Communication and Technology	**15%**		

NET ASSET VALUE TRENDS (€)



Data at close of day: 31/03/2025. 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 a correction of 2.1%.

“Things happen slowly, then all at once"

We begin this quarterly newsletter by recalling a very popular saying in the economic sphere[1], that vividly captures how long periods of apparent calm or accumulated tension can lead abruptly to rapid and far-reaching transformations. The phrase eloquently illustrates the non-linear nature of the change that occurs in complex

systems such as financial markets and it is very important to understand the sudden shifts we have seen so far in 2025.

In just three months we have witnessed a rapid succession of events that seem to be profoundly reconfiguring the global macroeconomic scenario. Transformations that would normally require decades to materialise are being concentrated in a few weeks. A reality that has forced us to significantly rethink the dominant narratives in the markets at the end of 2024 and which is painting a volatile picture but, in our opinion, full of investment opportunities.

[1] This expression is inspired in a famous dialogue from Ernest Hemingway's famous novel "The Sun Also Rises" (1926), which narrates the excursion to Pamplona of a group of American and British exiles in Paris in the 1920s. The dialogue goes like this: "How did you go bankrupt?" asked Bill. "In two ways," said Mike. First slowly and then suddenly.

In this newsletter we are going to describe what has happened in these three intense months, trying to distil what is important from what seems urgent. We will discuss the results of "our company", Bestinver Internacional, the dramatic turnaround in the positioning of the market and also Trump's tariff policy We will conclude with some of the changes we have made in the portfolio and the investment case of a company that will give good returns in the coming years.

Volatility is the toll we must pay for profitability

Before we dive into our extensive agenda, it is essential to remember that corrections are a natural part of the markets. Their occurrence should come as no surprise to anyone, but this does not prevent rational thinking from being overcome by the negative emotions that we inevitably feel as we see prices fall.

If we want to invest in equities because history has proven time and again that it is the most profitable investment in the long term, it is essential to understand their nature. The high returns they have historically offered are precisely due to their volatility and intermittent downturns. We cannot aspire to one without accepting the other; they are two inseparable sides of the same coin.

It may be a consequence of the ease with which we can currently buy or sell shares (and funds); or the rise of social media riddled with financial experts; or it might be because everyone, to a greater or lesser degree, lives glued to a mobile phone consuming vast amounts of news with high dramatic overtones, but investors appear to be showing unprecedented sensitivity to market downturns. Even relatively minor declines, such as those experienced recently, often cause them to overreact.

We have said it before: everybody has a plan to buy shares when they fall 30%, except when they have already fallen. At that point, we will always find reasons that explain their price and there will inevitably be a large number of negative narratives that make it very difficult to stick to the original plan. When making a plan, it is important to consider how it will be executed in both calm and stressful moments.

The real and lasting damage in a long-term portfolio has nothing to do with the inevitable corrections that always occur in the stock market, but rather the cost of the bad decisions we make during them. One of the most common is to try to capture the upside of equities while avoiding the downside. Given our dislike for even temporary losses this is entirely understandable —but incredibly dangerous— behaviour, one which is far more likely to dampen performance than enhance it.

Charlie Munger was right when he said that in a crisis it is divestors who lose money, not investors. The fact is that there is an excellent reward for enduring short-term uncertainty. The problem is that, in order to receive it, we must be able to endure it. In other words, if we had the absolute certainty that, in the long term, the shares will offer us annual returns of 10%, then, paradoxically, they would yield much less than that 10% they have historically yielded.

This creates an important advantage for investors with a long-term mindset (or with the habit of not checking their portfolios daily), although we know that capitalising on this advantage is much easier in theory than in practice. To this end, we have published a series of articles on our Investment Team Blog where we will address the nature of stock market falls. Be sure to read them, they are informative and illustrative. Additionally, a few weeks ago we organised an excellent webinar with Pepe Díaz, in which the keys to investing in the stock market in the long term and obtaining the best possible returns in doing so are explained in a simple way.

Grey-coloured glasses and analytical rigour

At BESTINVER we endeavour to analyse the world with grey-coloured glasses. A perspective that, in an increasingly polarised environment, where black or white lenses predominate, positions us as a discordant voice when it comes to commenting on current affairs. In this newsletter you will not find a political or, worse, dogmatic stance on Trump's tariffs, the sudden change of course in European military strategy or the abandonment of the tax discipline that has characterised the politics of the old continent in the last decade.

Our work is primarily based on a "micro" analysis: the rigorous 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 serves to contextualise the operating environment in which our companies operate. And it also serves to assess the risks and opportunities that said environment poses to their businesses; but it does not guide our specific investment decisions, which are always based on the individual value of each company.

Maintaining this analytical rigour has served us well in BESTINVER's more than 35-year history and is, in our opinion, essential to capitalise such volatile environments as this in the long term.

A company called Bestinver Internacional

As you are aware, the investment team analyses Bestinver Internacional as if it were a company. A kind of holding company owning profitable, well-financed businesses, managed by people we admire and that trade on the stock markets below their fundamental value. How do we do it? We account for the sales generated by all our companies on an aggregated basis adjusted by their weight in the portfolio, the margins produced by these sales and the cash flow obtained after investing in everything necessary to maintain and grow their businesses. Thus, within this analytical framework, every year we present the operating results obtained by "our company" and the our projected estimate for the coming years.

2024 RETURNS TABLE AND PROJECTIONS FOR THE COMING YEARS

ANNUAL GROWTH	2024A	2025E	2026E	2027E	2028E	TOTAL
Sales Sales per share	3.3% 3.4%	6.1%	8.0%	8.1%	6.4%	**31.8%**
EBIT EBIT per share	15.2% 15.7%	13.5%	16.5%	14.6%	14.4%	**73.4%**
Normalised Net Earnings Normalised Net Earnings Per Share	13.5% 13.8%	13.5%	15.1%	14.5%	14.0%	**70.2%**
Normalised FCF Normalised FCF Per Share	15.0% 15.5%	9.5%	14.5%	15.2%	14.8%	**65.8%**
OTHER METRICS	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**	
Net Cash / Capitalisation (%) Dividends + Share Buybacks	9.1% 4.5%	10.1% 4.5%	12.2% 4.9%	14.8% 5.2%	18.0% 5.4%	

SOURCE: *BESTINVER, data as at March 2025. Estimates based on BESTINVER's own analysis and valuation models It is not a guarantee of profitability; it is an estimate subject to possible variations. Estimates are projected assuming a similar context to the current one. RISKS ASSOCIATED WITH THE INVESTMENT:*

investments can entail the following risks: liquidity risk, valuation risk, sustainability risk, country risk, currency risk, concentration risk, inflation risk, counterparty risk and interest rate risk. Detailed information on the risks associated with the investment can be found below. The full prospectuses, regular reports, KIID of the pension plans and KIID of the funds can be found on the following websites www.bestinver.es and www.cnmv.es. An investment in this fund is not suitable for time horizons of less than 5 years. Past performance is no guarantee of future performance.

In 2024, Bestinver Internacional's earnings rose by 3.3%, an increase we consider reasonable. The economic activity of the world's leading economies has slowed after the post-pandemic recovery, while inflation receded from exceptionally high levels on the back of high interest rates. The sales of our companies has understandably followed a similar trajectory to the nominal growth of the economies in which they operate.

The good news is that, thanks to the good cost control and maturity cycle of many of the investments made in recent years, the margins produced by those sales have increased significantly. Both operating profit and its conversion into free cash flow have grown by a hefty 15% in the year just ended.

Excellent generation of capital that has allowed us to: 1) strengthen our company's solvency: we have a net cash position that represents nearly 10% of Bestinver Internacional's net asset value; 2) continue paying dividends; and 3) increase our shareholding in the businesses of our companies without having to pay a single euro (or bear any tax burden), thanks to the treasury share buyback programmes.

It should be noted that two-thirds of the companies in the portfolio are reducing their number of shares in circulation, a percentage never seen in the more than 35 years of BESTINVER's history Not only are we going to receive a bigger piece of the profits pie in the next few years, but we also believe that, due to the low price at which their shares are traded on the market, it is one of the best investment decisions that their managers can make to increase the future profitability of "our company".

But all this is just a snapshot of the past. What is most interesting for those of use who are Bestinver Internacional unitholders is that, thanks to the rotation we have made in the portfolio, the sales growth we project for our businesses in the coming years represents an acceleration over the year just ended.

An increase in earnings that should leverage the profitability of our businesses —we expect double-digit growth in profit and cash flow between now and 2028— continue strengthening their solvency and also their optionality (to enter new markets or buy out floundering competitors), value that is difficult to reflect in a valuation multiple.

We should all bear in mind that the long-term profitability of Bestinver Internacional will not be determined by economic developments in the coming quarters. As investors, the question we must ask ourselves is whether the valuations of the companies in our portfolio offer a safety margin large enough to cushion a major macroeconomic downturn. Or if the returns we will obtain in the long term adequately offset the risk we are incurring by investing today.

The answer, in our opinion, is a resounding yes. 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) much higher than that forecast by analyst consensus for these indices in the coming years.

We have a balanced portfolio, both in terms of geography and types of business, made up of fabulous companies trading at a significant discount to their fundamental value. This combination of elements does not guarantee immediate results, but should give us good returns in the coming years since, in the long term, share performance depends much more on causality than chance.

We were confident about our diagnosis, but the market's response was unexpected

It seems like an eternity ago —although only four months have elapsed— when the financial debate was buzzing with markedly optimistic forecasts about the consequences of Trump's second presidency. Proclamations about the future of the American economy and unquestionable attractiveness of investing in the USA were accompanied by a unanimously pessimistic sentiment towards Europe. Political paralysis, over-regulation and the low growth of its economy in recent years appeared to justify the low valuation multiples of its companies and substantial underweighting in almost all of the global portfolios. Just in the first three months of 2025, the reality of the market has disproved, almost point by point, predictions that seemed infallible at the time.

We all know that the sentiment and decisions of a large number of investors are overwhelmingly dictated by recent returns. A large part of the market is obsessed by the present, clinging to the delusional belief that future returns are an extension of past returns. Therefore, it should come as no surprise that a large number of these investors are hastily reviewing their portfolios, anxious to gain some exposure to Europe, after observing how the quick profit they expected to obtain in their positions on the other side of the Atlantic have evaporated in just a few months.

In our last quarterly newsletter we commented on what we considered a historic opportunity for investing in Europe. We argued that the large valuation discount against the USA was excessive, given the key improvements in many European companies and a macro-economy in the old continent that had nothing to do with that of the previous decade. We also commented that, although we continued to find value in many American companies, the high valuations in certain market segments and some shadows in its economy not shared by the consensus, called for relative caution.

We confided in our diagnosis, but the strength of the market's response in these three months of 2025 was completely unexpected.

Radical shifts in positioning

Just a few weeks ago we learned the results of a survey conducted by a prominent US bank among the world's leading asset managers.

We have witnessed one of the most violent reversals in optimism and geographical positioning in history. A major shift that, once again, underlines how thin-skinned investors are in recent times, their ability to conveniently forget what they thought (and did) just three months ago and, we believe, the importance of maintaining an informed and long-term perspective against the radical shifts of the consensus.

Indeed, we have experienced the second largest fall in global economic growth expectations in its recorded history (2001) and the highest increase in liquidity positions since the shock of the pandemic in March 2020. This accumulation of "cash" sharply contrasts with the situation just three months earlier, when the same survey reflected liquidity levels at historical lows.

In parallel, we have seen a spectacular overturn in the geographical assignment of the portfolios of global asset managers. In March, exposure to US equities experienced the highest monthly cutback ever recorded in the survey's 24 years of history. A slump in positioning based on a record net overweighting of 36% in December —when asset managers expected a "boom" in the USA— to a significant underweighting of 23% in March, its lowest level since June 2023, in the midst of the US regional bank crisis.

Almost symmetrically to the fall in the USA, the increase in allocation to Eurozone equities can only be described as spectacular. A jump of nearly 30 percentage points, driving positioning to a net overweighting of 39% in March. A stark contrast to just three months ago, when the enthusiasm for American assets drove the USA's relative exposure to the Eurozone to levels never seen since the European sovereign debt crisis in June 2012, marking one of the greatest divergences in positioning between the two regions in the last 24 years.

Return = Performance + Valuation

As you are aware, the returns we obtain in our investments can only be explained by two factors: the profit performance of the company of which we are owners and the valuation multiple that investors are willing to pay for this profit. Evidently, the crucial aspect in the long term is the evolution of this profit and to what extent this trajectory is adequately reflected (or not) in the valuation multiple at the time we purchased our shares.

However, analysing these two variables at present —like a snapshot, even if it is the long-term dynamics that are truly relevant— is of great help for understanding the relative performance of American and European stocks in this first quarter of 2025.

We know it is an absolutely myopic method, but it is the one used by a large part of the market: creating narratives about future profits (playing by ear instead of following a game plan) and applying a multiple to the narrative (high if profits rise and low if they fall).

Narratives and performance in Europe

Trump has been a necessary catalyst for Europe. Aware of the new geopolitical challenges it faces and, finally, admitting its triple dependence on China (exports), Russia (energy) and the US A (security), Europe seems willing to take control of its destiny. As Ana Botín, Chairwoman of Banco Santander, recently said: "Europe has woken up and the alarm clock was Donald Trump".

The best example of the change to which we are referring was the Copernican turn of Germany, the traditional standard-bearer of European frugality. The tax relief package announced by the new German Government is of an unprecedented magnitude (the public deficit is estimated to increase from a historic 1.5% to 4-5%). A stimulus that should be capable of cushioning the impact of the tariffs, but also, potentially change the course of growth in recent years of the former European locomotive.

If to the German incentive we add the rearmament plans of most European countries, lower gas prices resulting from a possible ceasefire in Ukraine and the potential recovery of manufacturing and construction cycles (both in recession for three long years), it is understandable why the music sounds good in European markets. For the first time since the global financial crisis, there is a solid base on which to build a narrative of domestic profit growth in Europe.

Spurred on by these good results, European stocks have delivered an outstanding performance in the first three months of the year. Stellar if we compare to that of its American counterparts, calculated in euros.

We have witnessed a well-deserved expansion of its valuation multiples, although it is true that there has been significant sectoral dispersion. This rally has a strong domestic focus (banks, electricity companies, defence, construction materials, etc.), which contrasts with what has happened in sectors with a more export-oriented profile (luxury, technology, automotive, beverages, etc.), much more exposed to China and tariff risk.

In our opinion, in order to ensure a sustainable and lasting revaluation of European stocks, we need corporate earnings to lead the way. That is, we need to see how the announced ambitious tax plans are implemented in the coming years but also, crucially, calibrate Europe's response to the tariffs, without forgetting the outcome of the conflict in Ukraine. It is imperative that the competitiveness of many European sectors —drastically reduced in recent years by over-regulation, China's technological "sorpasso" in key industries, high energy prices and now, also, by the USA's tariff policy— be restored.

We are not doing ourselves a favour as long-term investors if we forget that, in many cases, the low valuation multiples of countless European companies are more than justified. Regardless of the current positive narrative and good performance, major structural challenges that Europe must face still remain: the necessary but complex fiscal union, demographic collapse, its commercial dependence on China and the reduced fiscal space of many countries that, unfortunately, do not have Germany's solvency.

Narratives and performance in the US A: from MAGA to MACA[2]

On the other side of the Atlantic, the almost unanimous consensus that anticipated explosive economic growth, driven by the low-tax and deregulation agenda of Trump's second presidency, has completely faded. The narrative has been replaced by the fear of an imminent recession or, worse, the return of the feared stagflation[3].

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(2) In the US market we have gone from dancing to the cheerful melody of "MAGA", the acronym of Donald Trump's campaign slogan "Make America Great Again" to the somber tone of a ballad called "Make America Cheap Again" (in this case its stock market)..

(3) The much talked-about stagflation scenario does not seem possible to us at the present time. To this end a major change in inflation expectations would be required, in addition to the appearance of the famous "wage-price spiral" of the 1970s. We do not believe that the current economic structure will promote these dynamics. In that decade, in the USA a 10% unemployment rate co-existed with a 10% wage increase. The 3-4% wage increases we see today are consistent with an unemployment rate of less than 4% and with an actual GDP growth of nearly 2.5%. The economy of the 1970s not only suffered shocks in raw material prices, but also the abandonment of the gold standard and subsequent floatation of the dollar, the elimination of wage controls which had suppressed wage inflation at the beginning of the decade and the widespread unionalisation of a purely industrial economy. Without forgetting a very important fact: demographics were completely different. What we mean to say is that today's economic structure is different and makes it

After five years of strong growth and high inflation resulting from an unprecedented fiscal exuberance —government spending has soared by 65% in this period (just in 2024, an electoral year, it grew by a hefty 12%)— and consumers who spent the savings accumulated during the pandemic, it seems that the time has come to tighten our belts.

The more than probable federal employment cuts driven by the Department of Government Efficiency (DOGE), the growing threat of a commercial war and the rhetoric used by Trump when referring to his political enemies have undermined business and consumer confidence. No one can argue that, right now, the USA has a negative economic outlook.

As you can probably imagine, investors have not asked questions first, they have directly fired. The market seems to have applied the bandage in anticipation of the wound inflicted by downward profit revisions, which are vulnerable if the economic deceleration suggested by trustworthy surveys and the probable slowdown in corporate investment, in a context of maximum uncertainty, materialises.

The very speed and intensity of the plunge in US stock market sentiment can be interpreted as a potentially positive sign. We have experienced a significant contraction of valuation multiples. It is evident that the Federal Reserve can cushion valuation deflation, since it has a lot of munitions to cushion a downturn in the economic cycle. For now, understandably, it has not given clear signs in this direction.

At BESTINVER we do not believe that the Trump Administration will be so fiscally stringent as it currently seems, or that many of the pro-market proposals that were so fervently applauded just three months ago have completely disappeared; they have simply temporarily stepped out of the media spotlight.

Neither do we believe that there is a valuation problem in many American stocks, let alone a generalised bubble. The problem, although smaller now than at the end of 2024, is still one of positioning. The fact is that the boom in passive investments has led a large number of investors to have exactly the same portfolio. One concentrated on a handful of companies that have been responsible for the excellent returns obtained by the American stock market in recent years.

Tariffs: clean slate, the substance of the matter and the bad economics of bullying

We cannot fail to address the complex tariff issue in this newsletter. The era of an increasingly free and extensive Internacional trade, based on rules that the USA contributed decisively to create, appears to have reached an abrupt end.

Below we explain our interpretation of the logic that, in our opinion, underpins the US Administration' actions in the sphere of international trade.

Trump argues that the USA is the victim of unloyal commercial practices. As with many of his assertions, there is a seed of truth in this argument. China, for example, has certainly exploited the rules of the World Trade Organisation (WTO), accessing new markets for its exports, while restricting access to its own market. Peking has also resorted to extensive grants and other measures

much more likely for a higher inflation to "correct itself" as demand declines, business margins shrink and unemployment increases, instead of being "self-fulfilling" and become entrenched in the system as was the case more than 40 years ago.

to boost the global competitiveness of its companies, including the imposition on many foreign companies to transfer their technology.

However, instead of trying to correct the unfair rules that some countries may have taken advantage of, Trump seems to have opted for dynamiting the system with tariffs for all the trade partners of the USA without discriminating between allies and rivals. China now faces high tariffs, but also historical US allies such as Europe, Japan, South Korea and Taiwan, among others.

The global trading system, as it has functioned up until now, is far from being a level playing field where the natural "comparative advantage" dictates trade flows. The fact is that we are in a scenario marked by persistent and significant imbalances between countries that sell much more than they buy (surpluses) and those that buy much more than they sell (deficits).

These imbalances are not mere statistical curiosities; they have tangible and often negative consequences, especially for countries that operate with chronic deficits. Intuitive logic tells us that trade should generate mutual prosperity, allowing each nation to specialise in what they do best and import the rest. This, in many cases, is exactly the case. However, the fact is that the great surpluses of some countries have been built on policies that artificially favour their exports, often at the expense of the well-being of their own citizens (limiting their wages).

For the Trump Administration, the famous competitive advantage exhibited by some countries in their manufacturing is not always the result of "natural" superior efficiency. In many cases, this advantage is the result of disguised or direct grants that their governments provide to their companies, which allows them to sell at lower prices on the international market. This practice distorts the real trade game, where US companies end up competing, not only with foreign producers, but also with the policies of those governments.

The direct consequence for countries with persistent deficit is an erosion of their industrial base. Factories are moved where costs are artificially lower, leading to job losses and less weight of the manufacturing sector in the national economy. A process that often leads to a decrease in domestic savings. How? Through higher indebtedness of families, whose wages are not enough to live reasonably comfortably; or an increase in government deficit, since the countries have to take care, through transfers, of many citizens who fall by the wayside.

The problem is that financing these government deficits and the high indebtedness of families (and countries), require low interest rates that, indirectly, end up artificially raising the price of a country's assets. A dynamic that generates all manner of major problems: potential bubbles (financial assets), demographic decline (overvaluation of assets, in this case real estate, is dynamite for natality) and the rise of populist movements (by exacerbating the differences between those who have and do not have assets).

It is undeniable that this analysis of the dysfunctions of the global trade system prior to the recent shift towards protectionism contains elements of truth. Recognising these realities and their negative effects on segments of the economy and society, however, does not automatically validate any remedy proposed. The undiscriminated application of tariffs across the board, without distinguishing between strategic and competing partners with dubious practices, represents a radical rupture whose cure could prove to be more harmful than the diagnosed disease itself.

At BESTINVER we believe that Trump's announcement remain a bargaining tool[4]. We do not believe that the US Administration wants to dynamite many of the profound and beneficial interconnections created over decades with many of its allies. We are surprised by the bullying tactics used, as they almost inevitably invite retaliation that can also end up harming US exporters and consumers, raising their costs and creating a climate of uncertainty very harmful to the investment.

Although the search for fairer and more balanced international trade is a legitimate objective, economic history and logic suggests that lasting prosperity is fostered more through specialisation, efficiency and negotiated cooperation —although it requires constant adjustments and reforms of the system— that, by means of a generalised protectionism that, far from solving the underlying problems, usually generates global tension and turbulence with a negative net cost for most.

There is hope among some observers that these tariffs are an ephemeral phenomenon; that, in the event of a stock market crash and risk of a recession in the USA, Washington ends up reversing the restrictions. It is possible that the White House may moderate some of the tariffs, especially if the negotiations that are sure to take place in the next few months are successful. But the fact is that a return to the free trade framework that has been in place in the last few decades seems highly unlikely.

[4] We say that the announced tariffs are a bargaining chip because, to start of with, they are miscalculated. We must not forget that the USA's trade balance has a very marked dual structure: while recording a persistently large deficit in trade in goods, to which we have made reference, it also has a significant surplus in trade in services. The country is an export powerhouse in high value-added areas such as financial and consulting services, intellectual property licences (software, patents, entertainment), tourism, educational services for foreigners or transport, which demonstrates strong competitiveness in the "intangible" part of the economy, which distorts its global trading position..

Our companies are living organisms endowed with a remarkable capacity for adaptation

Call us optimistic (we are), 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.

The work carried out by the Investment Team as managers of your savings (and also ours) is not so much about predicting the next macro-turbulence as it is about choosing the businesses and management teams that can best adapt to it. In this respect, we are calm and confident. Our companies are not static entities, but rather living organisms endowed with a significant capacity to adapt to a perpetually fluctuating economic environment. Recent history —financial crises, sovereign debt crises, political disruptions such as Brexit or global shocks such as the pandemic— testifies to the inherent resilience and the capacity our companies to create value in difficult times.

We have a balanced portfolio, made up of sector-leading companies, managed by professionals who we admire and whose profit will grow significantly in the coming years. But, above all, the valuation of their shares already discounts the considerable pessimism. It is precisely this 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 when, as is often the case, the environment tends to become normalised or our companies adapt to it.

Changes in the portfolio

This quarter has continued to give us the opportunity to increase the potential profitability of the portfolio while improving its balance. How did we do it? Mainly by buying more shares in companies whose value and share price have diverged and reducing the weight of those in which our safety margin has decreased.

As in the last quarter, we have continued to strengthen our positions in Philips, Elevance and Lundin Mining. We have financed these purchases by reducing our shareholding in some American companies that, until a few weeks ago, had performed exceedingly well. Such is the case of Expedia, Berkshire and Meta. In the case of Bank of America, we were fortunate enough to sell the shares remaining in the portfolio prior to the recent collapse in its share prices.

European banks have been the biggest beneficiaries of the changes in policy and sentiment that we have described in this newsletter. We have sold our shareholding in Commerzbank, after its spectacular rally so far this year, and have also reduced our holding in Barclays, despite the fact that its shares are still cheap. The reason is that we wanted to make room for another English bank: Lloyds. We have leveraged the uncertainty of the last quarters created by the scandal in the financing of (DCA) vehicles in order to build up a position in a bank of unquestionable quality at an extremely attractive valuation. We consider that the penalty inflicted on its share price by this short-sighted noise has been excessive, which has allowed us to invest in multiples that do not reflect neither their solid fundamentals —with strong growth in profit expected over the next three years via a substantial increase in its net interest income— nor the high returns on capital that it will provide.

Finally, throughout the quarter reduced, 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 and Pandora. All of them acquired in the worst of the pandemic, they were positions that made us suffer significantly in 2021 and 2022 but in which, thanks to your patience and confidence in the theses provided by a wonderful team of analysts, we were able to obtain fantastic returns.

Finally, we would like to end this newsletter commenting on the investment case of a company in which we have been investing in recent months. We are referring to steel giant ArcelorMittal.

As investors in value, our primary objective is to acquire companies below what we consider their intrinsic value. A premise that, although conceptually simple, is considerably complex in its practical application. Why do we say this? First, because there are multiple approaches to determining the value of a company. Do we assess whether it is cheap in relation to its assets (book value)? Or in comparison to its capacity to generate profit (PER, cash flow)? Maybe in comparison to the value of its different business units (sum of the parts)? The selection of the adequate method requires an in-depth analysis and adapted to each specific case.

Second, and no less important, because there are companies whose results are unstable (their profit fluctuates cyclically), unpredictable (their profitability depends on the price of a raw material) and their assets are used up when they generate sales (they must be replenished, which requires large amounts of capital). They are businesses that should not be purchased but, at times, can be leased.

This brings us to the essential question: What does really "cheap" mean in this context? Is a PER of 5 times intrinsically attractive? Is it always? In what part of the profit cycle is the business? Should book value be an insurmountable purchase threshold? These are the critical issues that an investor in value must address with rigour and discipline, recognising that there are no simple answers or universal formulas. In this Investment Team Blog post we address these theoretical issues in detail using, precisely, the case of ArcelorMittal.

Until a few years ago, ArcelorMittal represented a paradigmatic example of cyclical value, not very well managed and, above all, very poorly financed.

Given the practical impossibility of obtaining lasting competitive advantages in the steel industry, in the upward phases of the cycle, when the business enjoyed high steel prices —or, rather, wide spreads on raw material prices— the company generated substantial profits. But during the downward phases, the consequences were usually severe, especially for its shareholders. This was because, until recently, there had not been an upward cycle in which the company did not aggressively scale up the business by investing in new capacity and acquiring competitors which, almost inevitably, led to serious overcapacity problems, low profitability and high indebtedness in the recessionary phase of the cycle.

For example, note the absurdity: in the decade prior to the arrival of Covid (2009-2019), Arcelor generated approximately EUR 8.5 billion in free cash flow, paid around EUR 7 billion in dividends and, best of all, increased capital on three occasions (2009, 2013 and 2016) by EUR 7.8 billion, always at the worst moment of the cycle (when the dilution for its shareholders was the greatest).

Then Covid arrived and, of course, Arcelor made another capital increase (EUR 1.5 billion). It is true that in the years before the pandemic an improvement in the management of this company was observed. They had abandoned they previous strategy "scaling up the business at any cost", in favour of a more conservative approach; they had implemented several cost reduction programmes and invested in higher-quality assets, with higher margins and greater resilience in the downward phases of the cycle. As a result of this restructuring and divestment in underperforming assets, earnings has declined, but —and this is what is relevant— the generation of free cash flow had improved, remaining in positive territory for several periods that had not been especially buoyant.

What followed after Covid showed a change in the radical strategy of the management team that, for us, was the first indication that Arcelor had become a "leasable" company. the first time in decades, Arcelor took advantage of the huge cash generation that provided them with the cyclical recovery subsequent to the pandemic and the high inflation in the period 2021-2023, to continue improving the quality of its assets without compromising its balance sheet. Moreover, in a radical shift of its capital allocation strategy[5], it decided to undertake a huge treasury share buyback programme (EUR 10.6 billion in the last four years), which has reduced its shares in circulation by practically one-third.

Our investment thesis in ArcelorMittal (MT) is based on finding a significant valuation anomaly, as the market seems to assign a very high negative value (almost half of its market capitalisation) to European business, despite its significant historical contribution to the Group's results.

Indeed, the sum of the value of its main assets (Nafta, Brazil and the mining business, primarily), plus the division of "sustainable solutions" and the value of its non-controlling interests, which includes 60% of AM/NS

[5] LAllocation of capital, one of the most unknown but most important aspects when analysing the merits of any investment. At BESTINVER we have addressed this issue, which we consider of vital importance in our analysis process, in these articles (I, II and III) and the following podcasts (I, II and III).

(a joint venture in India of which Nippon Steel owns the remaining 40%) or the 28.4% shareholding it acquired last year in Vallourec, gives an amount, according to our estimates, of close to EUR 40 billion. To this we must subtract net debt, rent, pensions and other types of liabilities, which amount to around EUR 15 billion. The result? Approximately EUR 25 billion compared to the EUR 19.5 billion that the company is worth on the stock exchange.

What is the problem? None. A 30% potential does not seem high, but knowing that we are at the downward part of the automotive and construction cycle, neither does it seem a bad proposition. There is only one small drawback: that we are not accounting for European assets. A division which, on a normalised basis, accounts for 50% of the Group's volumes and one-third of its operating profit. Not only that, some assets that are in fact generating EUR 400 million in EBITDA per quarter, despite the fact that volumes in Europe are 25% below those recorded in 2018, distributors' inventories stand at historically low levels and prices have practically hit rock bottom.

Making a reasonable estimate of the value of Europe's assets, we arrive at a figure of around EUR 9 billion, nearly half of ArcelorMittal's stock market value. So what is the problem? The problem is that the market does not understand the investments in the decarbonisation of the European business. In practice, this means that the market discounts all of this potential investment (EUR 9 billion), assuming that it will not generate any returns from it. Never. Moreover, the market observes with frustration how these investments threaten to limit the cash flow generation of the business and, therefore, the capacity to buy back shares taking advantage of the low valuation of its shares on the market (6x PER, 3.5x EV/EBITDA or 0.4x Book Value).

The catalyst for BESTINVER to start buying Arcelor's shares took place last December, reading a powerful article by the CEO in the Financial Times, in which he offered an unequivocal message: the multi-million euro investment required for decarbonisation in Europe would be conditional upon the existence of a real policy support framework for the sector.

What did Lakshmi Mittal mean by this? That his company was not going to invest without substantial public financing of all the steel decarbonisation projects in Europe (50% of the total cost), nor without the existence of effective mechanisms to protect the sector (a tariff framework comparable to that of the USA or Brazil) compared to massive imports from China. A steel that arrives in Europe without being "green" and that has demolished the profitability of a sector suffocated by decarbonisation costs and high energy prices, to margins at levels last seen during the pandemic.

See the management team prioritise profitability and financial prudence, refusing to compromise thousands of millions in strategic projects that are non-viable without the adequate support and protection, convinced us that the capital was being managed with the necessary rationality to protect and create long-term value for shareholders. Therefore, we believe that the negative valuation that the market assigns to the European division makes no sense.

We understand the stigma still attached to the shares because of the poor capital allocation of the past, but the reality has changed and the opportunity represented by ArcelorMittal's shares is very significant.

Moreover, many of the tailwinds mentioned in this newsletter that can convert European stocks into major investments in the coming years have the possibility of crystallising in the company.

Eventual peace in Ukraine represents an opportunity for reconstruction but, above all, the possibility of lower energy prices in Europe. Germany's infrastructure plan could increase the demand for steel, as can the increase in defence spending announced by governments. Factors not included in our valuation of a business that we have never wanted to purchase in recent years, but which we have now just leased.

Thank you again for placing your trust in us. Yours sincerely,

The Investment Team.

MAIN MOVEMENTS

Additions

ARCELOR MITTAL
LLOYDS

Disposals

BANK OF AMERICA
RICHEMONT
COMMERZBANK
ISS

Increases

PHILIPS
ABN AMRO
ELEVANCE HEALTH
LUNDIN MINING

Reductions

BARCLAYS
EXPEDIA
BERKSHIRE HATHAWAY
HEIDELBERG MATERIALS
META PLATFORMS
ROLLS ROYCE
PANDORA

Date: 31/03/2025. Source: BESTINVER

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	0.27%	13.03%	24.69%	-15.74%	14.61%	-4.29%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	Launch
Bestvalue (1)	9.13%	13.63%	4.77%	6.95%

Figures at 31/03/2025
Past performance is no guarantee of future performance.

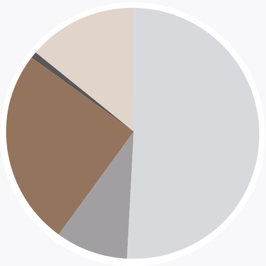
(1) Launch date: 02/12/2010

TOP POSITIONS

	% OF PORTFOLIO
ROYAL PHILIPS	2.82%
ELEVANCE HEALTH INC	2.65%
HEINEKEN NV	2.53%
HOLCIM LTD	2.50%
BERKSHIRE HATHAWAY INC-CL B	2.41%

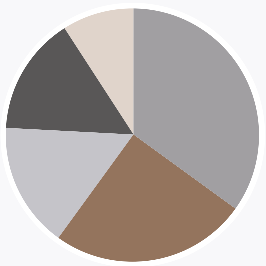
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



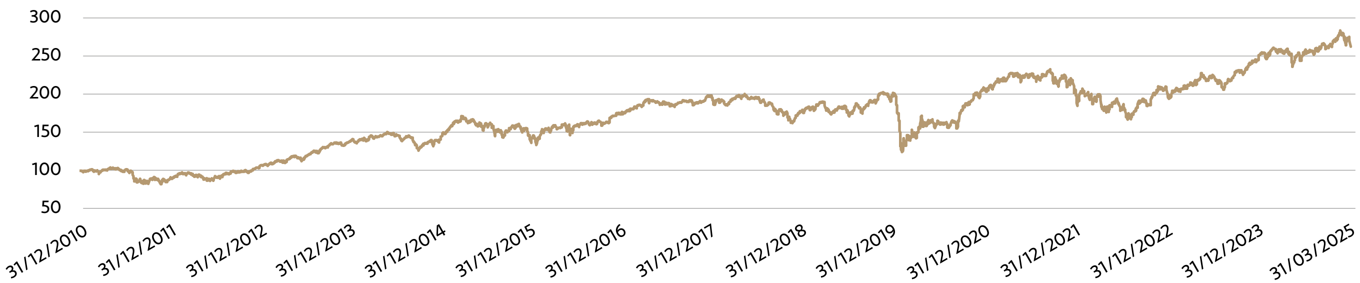
Europe	**51%**	Rest of the World	**1%**
Liquidity	**9%**	Iberia	**14%**
USA	**25%**		

Sectorial Distribution



Industrial	**35%**	Financial	**15%**
Consumer	**25%**	Liquidity	**9%**
Communication and Technology	**16%**		

NET ASSET VALUE TRENDS (€)



Data at close of day: 31/03/2025. 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

MANAGEMENT ASSESSMENT

Dear Investor,

Bestvalue ended the quarter with a positive growth of 0.3%.

“Things happen gradually and then suddenly all at once"

We begin this quarterly newsletter by recalling a very popular saying in the economic sphere[1], that vividly captures how long periods of apparent calm or accumulated tension can lead abruptly to rapid and far-reaching transformations. The phrase eloquently illustrates the non-linear nature of the change that occurs in complex systems such as financial markets and it is very important to understand the sudden shifts we have seen so far in 2025.

In just three months we have witnessed a rapid succession of events that seem to be profoundly reconfiguring the global macroeconomic scenario. Transformations that would normally require decades to materialise are being concentrated in a few weeks. A reality that has forced us to significantly rethink the dominant narratives in the markets at the end of 2024 and which is painting a volatile picture but, in our opinion, full of investment opportunities.

In this newsletter we are going to describe what has happened in these three intense months, trying to distil what is important from what seems urgent. We will discuss the results of "our company", Bestvalue, the dramatic turnaround in the positioning of the market and also Trump's tariff policy. We will finish with some of the changes we have made in the portfolio and the investment case of a company that will give good returns in the coming years.

Volatility is the toll we must pay for profitability

Before we dive into our extensive agenda, it is essential to remember that corrections are a natural part of the markets. Their occurrence should come as no surprise to anyone, but this does not prevent rational thinking from being overcome by the negative emotions that we inevitably feel as we see prices fall.

If we want to invest in equities because history has proven time and again that it is the most profitable investment in the long term, it is essential to understand their nature. The high returns they have historically offered are precisely due to their volatility and intermittent downturns. We cannot aspire to one without accepting the other; they are two inseparable sides of the same coin.

It may be a consequence of the ease with which we can currently buy or sell shares (and funds); or the rise of social media where financial experts abound; or it might be because everyone, to a greater or lesser degree, lives glued to a mobile phone consuming a large amount of news with high dramatic overtones, but investors appear to be showing unprecedented sensitivity to market downturns. Even relatively minor declines, such as those experienced recently, often cause them to overreact.

We have said it before: everybody has a plan to buy shares when they fall 30%, except when they have already fallen. At that point, we will always

[1] This expression is inspired in a famous dialogue belonging to Ernest Hemingway's famous novel "The Sun Also Rises" (1926), which narrates the excursion to Pamplona of a group of American and British exiles in Paris in the 1920s. The dialogue goes like this: "How did you go bankrupt?" asked Bill. "In two ways," said Mike. First gradually and then suddenly.

find reasons to justify their price and there will inevitably be a large number of negative narratives that make it very difficult to stick to the original plan. When making a plan, it is important to consider how it will be executed in both calm and stressful moments.

The real and lasting damage in a long-term portfolio has nothing to do with the inevitable corrections that always occur in the stock market, but rather the cost of the bad decisions we make during them. One of the most common is to try to capture the upside of equities while avoiding the downside. Given our dislike for even temporary losses this is entirely understandable —but incredibly dangerous— behaviour, one which is far more likely to dampen performance than enhance it.

Charlie Munger was right when he said that in a crisis it is disinvestors who lose money, not investors. The fact is that there is an excellent reward for enduring short-term uncertainty. The problem is that, in order to receive it, one must be able to bear it. In other words, if we had the absolute certainty that, in the long term, the shares will offer us annual returns of 10%, then, paradoxically, they would yield much less than that 10% they have historically yielded.

This creates an important advantage for investors with a long-term mentality (or with the habit of not checking their portfolios daily), although we know that capitalising on this advantage is much easier in theory than in practice. To this end, we have published a series of articles on our Investment Team Blog where we will address the nature of stock market falls. Be sure to read them, they are informative and illustrative. Additionally, a few weeks ago we organised an excellent webinar with Pepe Díaz, in which the keys to investing in the stock market in the long term and obtaining the best possible returns in doing so are explained in a simple way.

Grey-coloured glasses and analytical rigour

At BESTINVER we endeavour to analyse the world with grey-coloured glasses. A perspective that, in an increasingly polarised environment, where black or white lenses predominate, positions us as a discordant voice when it comes to commenting on current affairs. In this newsletter you will not find a political stance or, worse, dogmatic stance on Trump's tariffs, the sudden change of course in European military strategy or the abandonment of the tax discipline that has characterised the politics of the old continent in the last decade.

Our work is primarily based on a "micro" analysis: the rigorous 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 serves to contextualise the operating environment in which our companies operate. And it also serves to assess the risks and opportunities that said environment poses to their businesses; but it does not guide our specific investment decisions, which are always based on the individual value of each company.

Maintaining this analytical rigour has served us well in BESTINVER's more than 35-year history and is, in our opinion, essential to capitalise such volatile environments as this in the long term.

A company called Bestvalue

You already know that we analyse Bestvalue as if it were a company. A kind of holding company owning profitable, well-financed businesses, managed by people we admire and that trade on the stock markets below their fundamental value. How do we do it? We account for the sales generated by all our companies on an aggregated basis adjusted by their weight in the portfolio, the margins produced by these sales and the cash flow obtained after investing in everything necessary to maintain and grow their businesses. Thus, within this analytical framework, every year we present the operating results obtained by "our company" and the our projected estimate for the coming years.

RETURNS TABLE 2024 AND PROJECTIONS FOR THE COMING YEARS

ANNUAL GROWTH	2024A	2025E	2026E	2027E	2028E	TOTAL
Sales Sales per share	3.0% 3.1%	6.4%	7.9%	8.0%	6.2%	**31.7%**
EBIT EBIT per share	15.1% 15.4%	13.8%	16.7%	14.4%	14.2%	**73.5%**
Normalised Net Earnings Normalised Net Earnings Per Share	13.2% 13.6%	13.6%	15.3%	14.3%	13.8%	**70.4%**
Normalised FCF Normalised FCF Per Share	14.8% 15.3%	9.8%	14.8%	15.0%	14.6%	**66.1%**
OTHER METRICS	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**	
Net Cash / Capitalisation (%) Dividends + Share Buybacks	8.8% 4.6%	10.1% 4.6%	12.0% 5.0%	14.5% 5.2%	17.7% 5.4%	

SOURCE: *BESTINVER, data as at March 2025. Estimates based on BESTINVER's own analysis and valuation models It is not a guarantee of profitability; it is an estimate subject to possible variations. Estimates are projected assuming a similar context to the current one. RISKS ASSOCIATED WITH THE INVESTMENT:*

investments can entail the following risks: liquidity risk, valuation risk, sustainability risk, country risk, currency risk, concentration risk, inflation risk, counterparty risk and interest rate risk. Detailed information on the risks associated with the investment can be found below. The full prospectuses, regular reports, KIID of the pension plans and KIID of the funds can be found on the following websites www.bestinver.es and www.cnmv.es. An investment in this fund is not suitable for time horizons of less than 5 years. Past performance is no guarantee of future performance.

In 2024, Bestvalue's earnings rose by 3.0%, an increase we consider reasonable. The economic activity of the world's leading economies slowed after the post-pandemic recovery, while inflation receded from exceptionally high levels on the back of high interest rates. The sales of our companies has understandably followed a similar trajectory to the nominal growth of the economies in which they operate.

The good news is that, thanks to the good cost control and maturity cycle of many of the investments made in recent years, the margins produced by those sales have increased significantly. Both operating profit and its conversion into free cash flow have grown by a hefty 15% in the year just ended.

Excellent generation of capital that has allowed us to: 1) strengthen our company's solvency: we have a net cash position that represents nearly 10% of Bestvalue's net asset value; 2) continue paying dividends; and 3) increase our shareholding in the businesses of our companies without having to pay a single euro (or bear any tax burden), thanks to the treasury share buyback programmes.

It should be noted that two-thirds of the companies in the portfolio are reducing their number of shares in circulation, a percentage never seen in the more than 35 years of BESTINVER's history Not only are we going to receive a bigger slice of the profits pie in the next few years, but we also believe that, due to the low price at which their shares are traded on the market, it is one of the best investment decisions that their managers can make to increase the future profitability of "our company".

But all this is just a snapshot of the past. What is most interesting for those of use who are Bestvalue unitholders is that, thanks to the rotation we have made in the portfolio, the sales growth we project for our businesses in the coming years represents an acceleration over the year just ended.

An increase in earnings that should leverage the profitability of our businesses —we expect double-digit growth in profit and cash flow between now and 2028— continue strengthening their solvency and also their optionality (to enter new markets or buy out floundering competitors), a value that is difficult to reflect in a valuation multiple.

We should all bear in mind that the long-term profitability of Bestvalue will not be determined by economic developments in the coming quarters. As investors, the question we must ask ourselves is whether the valuations of the companies in our portfolio offer a safety margin large enough to cushion a major macroeconomic downturn. Or if the returns we will obtain in the long term adequately offset the risk we are incurring by investing today.

The answer, in our opinion, is a resounding yes. 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) much higher than that forecast by analyst consensus for these indices in the coming years.

We have a balanced portfolio, both in terms of geography and types of business, made up of fabulous companies trading at a significant discount to their fundamental value. This combination of elements does not guarantee immediate results, but should give us good returns in the coming years since, in the long term, share performance depends much more on causality than chance.

We were confident about our diagnosis, but the market's response was unexpected

It seems like an eternity ago —although only four months have elapsed— when the financial debate was buzzing with markedly optimistic forecasts about the consequences of Trump's second presidency. Proclamations about the future of the American economy and unquestionable attractiveness of investing in the USA were accompanied by a unanimously pessimistic sentiment towards Europe. Political paralysis, over-regulation and the low growth of its economy in recent years appeared to justify the low valuation multiples of its companies and substantial underweighting in almost all of the global portfolios. Just in the first three months of 2025, the reality of the market has disproved, almost point by point, predictions that seemed infallible at the time.

We all know that the sentiment and decisions of a large number of investors are overwhelmingly dictated by recent returns. A large part of the market is obsessed by the present, clinging to the delusional belief that future returns are an extension of past returns. Therefore, it should come as no surprise that a large number of these investors are hastily reviewing their portfolios, anxious to gain some exposure to Europe, after observing how the quick profit they expected to obtain in their positions on the other side of the Atlantic have evaporated in just a few months.

In our last quarterly newsletter we commented on what we considered a historic opportunity for investing in Europe. We argued that the large valuation discount against the USA was excessive, given the key improvements in many European companies and a macro-economy in the old continent that had nothing to do with that of the previous decade. We also commented that, although we continued to find value in many American companies, the high valuations in certain market segments and some shadows in its economy not shared by the consensus, called for relative caution.

We confided in our diagnosis, but the strength of the market's response in these three months of 2025 was completely unexpected

Radical shifts in positioning

Just a few weeks ago we learned the results of a survey conducted by a prominent US bank among the world's leading asset managers.

We have witnessed one of the most violent reversals in optimism and geographical positioning in history. A major shift that, once again, underlines how thin-skinned investors are in recent times, their ability to conveniently forget what they thought (and did) just three months ago and, we believe, the importance of maintaining an informed and long-term perspective against the radical shifts of the consensus.

Indeed, we have experienced the second largest recorded fall in global economic growth expectations (2001) and the highest increase in liquidity positions since the shock of the pandemic in March 2020. This accumulation of "cash" sharply contrasts with the situation just three months earlier, when the same survey reflected liquidity levels at historical lows.

In parallel, we have seen a spectacular overturn in the geographical assignment of the portfolios of global asset managers. In March, exposure to US equities experienced the highest monthly cut ever recorded in the survey's 24 years of history. A slump in positioning based on a record net overweighting of 36% in December —when asset managers expected a "boom" in the USA— to a significant underweighting of 23% in March, its lowest level since June 2023, in the midst of the US regional bank crisis.

Almost symmetrically to the fall in the USA, the increase in allocation to Eurozone equities can only be described as spectacular. A jump of nearly 30 percentage points, driving positioning to a net overweighting of 39% in March. A stark contrast to just three months ago, when the enthusiasm for American assets drove the USA's relative exposure to the Eurozone to levels never seen since the European sovereign debt crisis in June 2012, marking one of the greatest divergences in positioning between the two regions in the last 24 years

Return = Performance + Valuation

You already know that the returns we obtain in our investments can only be explained by two factors: the profit performance of the company of which we are owners and the valuation multiple that investors are willing to pay for this profit. Evidently, the crucial aspect in the long term is the evolution of this profit and to what extent this trajectory is adequately reflected (or not) in the valuation multiple at the time we purchased our shares.

However, analysing these two variables at present —like a snapshot, even if it is the long-term dynamics that are truly relevant— is of great help for understanding the relative performance of American and European stocks in this first quarter of 2025.

We know it is an absolutely myopic method, but it is the one used by a large part of the market: creating narratives about future profits (playing by ear instead of studying solfège) and applying a multiple to the narrative (high if the music sounds good and low if it does not sound so good).

Narratives and music in Europe

Trump has been a necessary catalyst for Europe. Aware of the new geopolitical challenges it faces and, finally, admitting its triple dependence on China (exports), Russia (energy) and the US A (security), Europe seems willing to take control of its destiny. As Ana Botín, Chairwoman of Banco Santander, recently said: "Europe has woken up and the alarm clock was Donald Trump".

The best example of the change to which we are referring was the Copernican turn of Germany, the traditional standard-bearer of European frugality. The tax relief package announced by the new German Government is of an unprecedented magnitude (the public deficit is estimated to increase from a historic 1.5% to 4-5%). A stimulus that should be capable of cushioning the impact of the tariffs, but also, potentially change the course of growth in recent years of the former European locomotive.

If to the German incentive we add the rearmament plans of most European countries, lower gas prices resulting from a possible ceasefire in Ukraine and the potential recovery of manufacturing and construction cycles (both in recession for three long years), it is understandable why the music sounds good in European markets. For the first time since the global financial crisis, there is a solid base on which to build a narrative of domestic profit growth in Europe.

Spurred on by this good music, the performance of European stocks has been outstanding in the first three months of the year. Stellar if we compare it with that of its American counterparts, calculated in euros.

We have witnessed a well-deserved expansion of its valuation multiples, although it is true that there has been significant sectoral dispersion. This rally has a strong domestic focus (banks, electricity companies, defence, construction materials, etc.), which contrasts with what has happened in sectors with a more export-oriented profile (luxury, technology, automotive, beverages, etc.), much more exposed to China and tariff risk.

In our opinion, in order to ensure a sustainable and lasting revaluation of European stocks, we need corporate earnings to lead the way. That is, we need to see how the announced ambitious tax plans are implemented in the coming years but also, crucially, calibrate Europe's response to the tariffs, without forgetting the outcome of the conflict in Ukraine. It is imperative that the competitiveness of many European sectors —drastically reduced in recent years by over-regulation, China's technological sorpasso in key industries, high energy prices and now, also, by the USA's tariff policy— be restored.

We are not doing ourselves a favour as long-term investors if we forget that, in many cases, the low valuation multiples of countless European companies are more than justified. Regardless of whether the narrative and the music sound good now, major structural challenges that Europe must face still remain: the necessary but complex fiscal union, demographic collapse, its commercial dependence on China and the reduced fiscal space of many countries that, unfortunately, do not have Germany's solvency.

The narrative and music of the US A: from MAGA to MACA[2]

On the other side of the Atlantic, the almost unanimous consensus that anticipated explosive economic growth, driven by the low-tax and deregulation agenda of Trump's second presidency, has completely faded. The narrative has been replaced by the fear of an imminent recession or, worse, the return of the feared stagflation[3].

(2) In the US market we have gone from dancing to the cheerful tune of "MAGA", the acronym of Donald Trump's campaign slogan "Make America Great Again" US "Make America Cheap Again" (in this case its stock market).

(3) The much talked-about stagflation scenario does not seem possible to us at the present time. To this end a major change in inflation expectations would be required, in addition to the appearance of the famous "wage-price spiral" of the 1970s. We do not believe that the current economic structure will promote these dynamics. In that decade, in the USA a 10% unemployment rate co-existed with a 10% wage increase. The 3-4% wage increases we see today are consistent with an unemployment of less than 4% and with an actual GDP growth of nearly 2.5%. The economy of the 1970s not only suffered shocks in raw material prices, but also the abandonment of the gold standard and subsequent floatation of the dollar, the elimination of wage controls which had suppressed wage inflation at the beginning of the decade and the widespread unionalisation of a purely industrial economy. Without forgetting a very important fact: demographics were completely different. What

After five years of strong growth and high inflation resulting from an unprecedented fiscal exuberance —government spending has soared by 65% in this period (just in 2024, an electoral year, it grew by a hefty 12%)— and consumers who spent the savings accumulated during the pandemic, it seems that the time has come to tighten our belts.

The more than probable federal employment cuts driven by the Department of Government Efficiency (DOGE), the growing threat of a commercial war and the rhetoric used by Trump when referring to his political enemies have undermined business and consumer confidence. No one can argue that, right now, the music in the USA sounds terrible.

As you can probably imagine, investors have not asked questions first, they have directly fired. The market seems to have applied the bandage in anticipation of the wound inflicted by downward profit revisions, which are vulnerable if the economic deceleration suggested by trustworthy surveys and the probable slowdown in corporate investment, in a context of maximum uncertainty, materialises.

The very speed and intensity of the plunge in US stock market sentiment can be interpreted as a potentially positive sign. We have experienced a significant contraction of valuation multiples. It is evident that the Federal Reserve can cushion valuation deflation, since it has a lot of munitions to cushion a downturn in the economic cycle. For now, understandably, it has not given clear signals in this direction.

we mean to say is that today's economic structure is different and makes it much more likely for a higher inflation to "correct itself" as demand declines, business margins shrink and unemployment increases, instead of being "self-fulfilling" and become entrenched in the system as was the case more than 40 years ago.

At BESTINVER we do not believe that the Trump Administration will be so fiscally stringent as it currently seems, or that many of the pro-market proposals that were so fervently applauded just three months ago have completely disappeared; they have simply temporarily stepped out of the media spotlight.

Neither do we believe that there is a valuation problem in many American stocks, let alone a generalised bubble. The problem, although smaller now than at the end of 2024, is still one of positioning. The fact is that the boom in passive investments has led a large number of investors to have exactly the same portfolio. One concentrated on a handful of securities that have been responsible for the excellent returns obtained by the American stock market in recent years.

Tariffs: clean slate, the substance of the matter and the bad economics of bullying

We cannot fail to address the complex tariff issue in this newsletter. The era of an increasingly free and extensive international trade, based on rules that the USA contributed decisively to create, appears to have reached an abrupt end.

Below we set out our interpretation of the logic that, in our opinion, underpins the actions of the US Administration in the sphere of international trade.

Trump argues that the USA is the victim of unloyal commercial practices. As with many of his assertions, there is a seed of truth in this argument. China, for example, has certainly exploited the rules of the World Trade Organisation (WTO), accessing new markets for its exports, while restricting access to its own market. Peking has also resorted to extensive grants and other measures to boost the global competitiveness of its companies, including the imposition on many foreign companies to transfer their technology.

However, instead of trying to correct the unfair rules that some countries may have taken advantage of, Trump seems to have opted for dynamiting the system with tariffs for all the trade partners of the USA without discriminating between allies and rivals. China now faces high tariffs, but also historical US allies such as Europe, Japan, South Korea and Taiwan, among others.

The global trading system, as it has functioned up until now, is far from being a level playing field where the natural "comparative advantage" dictates trade flows. The fact is that we are in a scenario marked by persistent and significant imbalances between countries that sell much more than they buy (surpluses) and those that buy much more than they sell (deficits).

These imbalances are not mere statistical curiosities; they have tangible and often negative consequences, especially for countries that operate with chronic deficits. Intuitive logic tells us that trade should generate mutual prosperity, allowing each nation to specialise in what they do best and import the rest. This, in many cases, is exactly the case. However, the fact is that the great surpluses of some countries have been built on policies that artificially favour their exports, often at the expense of the well-being of their own citizens (limiting their wages and, therefore, their consumption) and, indirectly, to the detriment of the industries in deficit countries.

For the Trump Administration, the famous competitive advantage exhibited by some countries in their manufacturing is not always the result of "natural" superior efficiency. In many cases, this advantage is the result of disguised or direct grants that their governments provide to their companies, which allows them to sell at lower prices on the international market. This practice distorts the real trade game, where US companies end up competing, not only with foreign producers, but also with the policies of those governments.

The direct consequence for countries with persistent deficit is an erosion of their industrial base. Factories are moved where costs are artificially lower, leading to job losses and less weight of the manufacturing sector in the national economy. A process that often leads to a decrease in domestic savings. How? Through higher indebtedness of families, whose wages are not enough to live reasonably comfortably; or an increase in government deficit, since the countries have to take care, through transfers, of many citizens who fall by the wayside.

The problem is that financing these government deficits and the high indebtedness of families (and countries) requires low interest rates that, indirectly, end up artificially raising the price of a country's assets. A dynamic that generates all manner of major problems: potential bubbles (financial assets), demographic decline (overvaluation of assets, in this case real estate, is dynamite for natality) and the rise of populist movements (by exacerbating the differences between those who have and do not have assets).

It is undeniable that this analysis of the dysfunctions of the global trade system prior to the recent shift towards protectionism contains elements of truth. Recognising these realities and their negative effects on segments of the economy and society, however, does not automatically validate any remedy proposed. The undiscriminated application of tariffs across the board, without distinguishing between strategic and competing partners with dubious practices, represents a radical rupture whose cure could prove to be more harmful than the diagnosed disease itself.

At BESTINVER we believe that Trump's announcement remain a bargaining tool[4]. We do not believe that the US Administration wants to dynamite many of the profound and beneficial interconnections created over decades with many of its allies. We are surprised by the bullying tactics used, as they almost inevitably invite retaliation that can also end up harming US exporters and consumers, raising their costs and creating a climate of uncertainty very harmful to the investment.

Although the search for fairer and more balanced international trade is a legitimate objective, economic history and logic suggests that lasting prosperity is fostered more through specialisation, efficiency and negotiated cooperation —although it requires constant adjustments and reforms of the system— that, by means of a generalised protectionism that, far from solving the underlying problems, usually generates global tension and turbulence with a negative net cost for most.

There is hope among some observers that these tariffs are an ephemeral phenomenon; that, in the event of a stock market crash and risk of a recession in the USA, Washington ends up reversing the restrictions. It is possible that the White House may moderate some of the tariffs, especially if the negotiations that are sure to take place in the next few months are successful. But the fact is that a return to the free trade framework that has been in place in the last few decades seems highly unlikely..

[4] We say that the announced tariffs are a bargaining chip because, to start off with, they are miscalculated. We must not forget that the USA's trade balance has a very marked dual structure: while recording a persistently large deficit in trade in goods, to which we have made reference, it also has a significant surplus in trade in services. The country is an export powerhouse in high value-added areas such as financial and consulting services, intellectual property licences (software, patents, entertainment), tourism, educational services for foreigners or transport, which demonstrates strong competitiveness in the "intangible" part of the economy, which distorts its global trading position.

Our companies are living organisms endowed with a remarkable capacity for adaptation

Call us optimistic (we are), 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.

The work carried out by the investment team as managers of your savings (and also ours) is not so much about predicting the next macro-turbulence as it is about choosing the businesses and management teams that can best adapt to it. In this respect, we are calm and confident. Our companies are not static entities, but rather living organisms endowed with a significant capacity to adapt to a perpetually fluctuating economic environment. Recent history —financial crises, sovereign debt crises, political disruptions such as Brexit or global shocks such as the pandemic— testifies to the inherent resilience and the capacity our companies to create value in difficult times.

We have a balanced portfolio, made up of sector-leading companies, managed by professionals who we admire and whose profit will grow significantly in the coming years. But, above all, the valuation of their shares already discounts the considerable pessimism. It is precisely this 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 when, as is often the case, the environment tends to become normalised or our companies adapt to it.

Movements in the international portfolio

This quarter has continued to give us the opportunity to increase the potential profitability of the portfolio while improving its balance. How did we do it? Mainly by buying more shares in companies whose value and share price have diverged and reducing the weight of those in which our safety margin has decreased.

As in the last quarter, we have continued to strengthen our positions in Philips, Elevance and Lundin Mining. We have financed these purchases by reducing our shareholding in some American companies that, until a few weeks ago, had performed exceedingly well. Such is the case of Expedia, Berkshire and Meta. In the case of Bank of America, we were fortunate enough to sell the shares remaining in the portfolio prior to the recent collapse in its share prices.

European banks have been the biggest beneficiaries of the changes in policy and sentiment that we have described in this newsletter. We have sold our shareholding in Commerzbank, after its spectacular rally so far this year, and have also reduced our holding in Barclays, despite the fact that its shares are still cheap. The reason is that we wanted to make room for another English bank: Lloyds. We have leveraged the uncertainty of the last quarters created by the scandal in the financing of (DCA) vehicles in order to build up a position in a bank of unquestionable quality at an extremely attractive valuation. We consider that the penalty inflicted on its share price by this short-sighted noise has been excessive, which has allowed us to invest in multiples that do not reflect neither their solid fundamentals —with strong growth in profit expected over the next three years via a substantial increase in its net interest income— nor the high returns on capital that it will provide.

Finally, throughout the quarter reduced, 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 and Pandora. All of them acquired in the worst moments of the pandemic, they were positions that made us suffer significantly in 2021 and 2022 but in which, thanks to your patience and confidence in the theses provided by a wonderful team of analysts, we were able to obtain fantastic returns.

Finally, we would like to conclude this newsletter commenting on the investment case of a company in which we have been investing in recent months. We are referring to steel giant ArcelorMittal.

As investors in value, our primary objective is to acquire companies below what we consider their intrinsic value. A premise that, although conceptually simple, is considerably complex in its practical application. Why do we say this? First, because there are multiple approaches to determining the value of a company. Do we assess whether it is cheap in relation to its assets (book value)? Or in comparison to its capacity to generate profit (PER, cash flow)? Maybe in comparison to the value of its different business units (sum of the parts)? The selection of the adequate method requires an in-depth analysis adapted to each specific case.

Second, and no less important, because there are companies whose results are not stable (their profit fluctuates cyclically) or predictable (their profitability depends on the price of a raw material) and their assets are used up when they generate sales (they must be replenished, which requires large amounts of capital). They are businesses that should not be purchased but, at times, can be leased.

This brings us to the essential question: What does really "cheap" mean in this context? Is a PER of 5 times intrinsically attractive? Is it always? In what part of the profit cycle is the business? Should book value be an insurmountable purchase threshold? These are the critical issues that an investor in value must address with rigour and discipline, recognising that there are no simple answers or universal formulas. In this Investment Team Blog post we address these theoretical issues in detail using, precisely, the case of ArcelorMittal.

Until a few years ago, ArcelorMittal represented a paradigmatic example of cyclical value, not very well managed and, above all, very poorly financed.

Given the practical impossibility of obtaining lasting competitive advantages in the steel industry, in the upward phases of the cycle, when the business enjoyed high steel prices -or, rather, wide spreads on raw material prices- the company generated substantial profits. But during the downward phases, the consequences were usually severe, especially for its shareholders. This was because, until recently, there had not been an upward cycle in which the company did not aggressively scale up the business by investing in new capacity and acquiring competitors which, almost inevitably, led to serious overcapacity problems, low profitability and high indebtedness in the recessionary phase of the cycle.

For example, note the absurdity: in the decade prior to the arrival of Covid (2009-2019), Arcelor generated approximately EUR 8.5 billion in free cash flow, paid around EUR 7 billion in dividends and, best of all, increased capital on three occasions (2009, 2013 and 2016) by EUR 7.8 billion, always at the worst moment of the cycle (when the dilution for its shareholders was the greatest).

Then Covid arrived and, of course, Arcelor made another capital increase (EUR 1.5 billion). It is true that in the years before the pandemic an improvement in the management of this company was observed. They had abandoned their previous strategy of "scaling up the business at any cost", in favour of a more conservative approach; they had implemented several cost reduction programmes and invested in higher-quality assets, with higher margins and greater resilience in the downward phases of the cycle. As a consequence of this restructuring and divestment in underperforming assets, earnings has declined, but -and this is what is relevant- the generation of free cash flow had improved, remaining in positive territory for several periods that had not been especially buoyant.

What followed after Covid showed a change in the radical strategy of the management team that, for us, was the first indication that Arcelor inflation in the period 2021-2023, to continue improving the quality of its assets without compromising its balance sheet. Moreover, in a radical shift of its capital allocation strategy[(5)], it decided to undertake a huge treasury share buyback programme (EUR 10.6 billion in the last four years), which has reduced its shares in circulation by practically one-third.

Our investment thesis in ArcelorMittal (MT) is based on finding a significant valuation anomaly, as the market seems to assign a very high negative value (almost half of its market capitalisation) to European business, despite its significant historical contribution to the Group's results.

Indeed, the sum of the value of its main assets (Nafta, Brazil and the mining business, primarily), plus the division of "sustainable solutions" and the value of its non-controlling interests, which includes 60% of AM/NS (a joint venture in India of which Nippon Steel owns the remaining 40%) or the 28.4%

(5) Allocation of capital, one of the most unknown but most important aspects when analysing the merits of any investment. At BESTINVER we have addressed this issue, which we consider of vital importance in our analysis process, in these articles (I, II and III) and the following podcasts (I, II and III).

shareholding it acquired last year in Vallourec, gives an amount, according to our estimates, of close to EUR 40 billion. To this we must subtract net debt, rent, pensions and other types of liabilities, which amount to around EUR 15 billion. The result? Approximately EUR 25 billion compared to the EUR 19.5 billion that the company is worth on the stock exchange.

What is the problem? None. A 30% potential does not seem high, but knowing that we are at the downward part of the automotive and construction cycle, neither does it seem a bad proposition. There is only one small drawback: that we are not accounting for European assets. A division that, on a normalised basis, accounts for 50% of the Group's volumes and one-third of its operating profit. Not only that, some assets that are in fact generating EUR 400 million in EBITDA per quarter, despite the fact that volumes in Europe are 25% below those recorded in 2018, distributors' inventories stand at historically low levels and prices have practically hit rock bottom.

Making a reasonable estimate of the value of Europe's assets, we arrive at a figure of around EUR 9 billion, nearly half of ArcelorMittal's stock market value. So what is the problem? The problem is that the market does not understand the investments in the decarbonisation of the European business. In practice, this means that the market discounts all of this potential investment (EUR 9 billion), assuming that it will not generate any returns from it. Never. Moreover, the market observes with frustration how these investments threaten to limit the cash flow generation of the business and, therefore, the capacity to buy back shares taking advantage of the low valuation of its shares on the market (6x PER, 3.5x EV/EBITDA or 0.4x Book Value).

The catalyst for BESTINVER to start buying Arcelor's shares took place last December, reading a powerful article by the CEO in the Financial Times, in which he conveyed an unequivocal message: the multi-million euro investment required for decarbonisation in Europe would be conditional upon the existence of a real policy support framework for the sector.

What did Lakshmi Mittal mean by this? That his company was not going to invest without substantial public financing of all the steel decarbonisation projects in Europe (50% of the total cost), nor without the existence of effective mechanisms to protect the sector (a tariff framework comparable to that of the USA or Brazil) compared to massive imports from China. A steel that arrives in Europe without being "green" and that has demolished the profitability of a sector suffocated by decarbonisation costs and high energy prices, to margins at levels last seen during the pandemic.

Watching the management team prioritise profitability and financial prudence, refusing to compromise thousands of millions in strategic projects that are non-viable without the adequate support and protection, convinced us that the capital was being managed with the necessary rationality to protect and create long-term value for shareholders. Therefore, we believe that the negative valuation that the market assigns to the European division makes no sense.

We understand the stigma still attached to the shares because of the poor capital allocation of the past, but the reality has changed and the opportunity represented by ArcelorMittal's shares is very significant.

Moreover, many of the tailwinds mentioned in this newsletter that can convert European stocks into major investments in the coming years have the possibility of crystallising in the company. Eventual peace in Ukraine represents an opportunity for reconstruction but, above all, the possibility of lower energy prices in Europe. Germany's infrastructure plan could increase the demand for steel, as can the increase in defence spending announced by governments. Factors not included in our valuation of a business that we have never wanted to purchase in recent years, but which we have now just leased.

Movements in the Iberian portfolio

Regarding the Iberian market, we continue to believe that the best times for the Spanish stock market are yet to come. We believe that the valuation anomaly we have referred to over the last two years has been the main cause of the strong start in 2025. And beyond the foreseeable increase in corporate earnings, this valuation normalisation process still has a long way to go.

One of these values is Indra. The company can benefit enormously from the paradigm shift taking place in Europe, where the level of defence spending will reach levels we could not foresee when we started our position. Although we accumulate strong capital gains, the possible repositioning of the business towards the defence and aerospace sectors —less cyclical activities, protected by high entry barriers and, consequently, with higher margins and returns—, would justify higher multiples than the current ones.

Furthermore, as regards divestments, we must highlight Aena. We purchased a holding in the Spanish airport operator in October 2022 at a price of EUR 115 per share. At the time, we were able to purchase the shares from the owner of Spain's entire airport network, at an extremely low valuation: 9.5 times the free cash flow we estimated for 2024. Since our purchase, the company

has repositioned much of its commercial offering, in a period of booming tourism. Therefore, it has benefited from a larger number of trips and from a higher average income for each. Its shares have already incorporated this improvement of the business's fundamental and, after an increase of more than 100% with dividends, we have decided to sell our shareholding.

Thank you again for placing your trust in us. Yours sincerely,

The Investment Team.

Date: 31/03/2025. Source: BESTINVER

MAIN MOVEMENTS

Additions

ARCELOR MITTAL
LLOYDS
HOTELBEDS

Disposals

BANK OF AMERICA
RICHEMONT
COMMERZBANK
ISS
AENA

Increases

PHILIPS
ABN AMRO
ELEVANCE HEALTH
LUNDIN MINING
INDITEX

Reductions

BARCLAYS
EXPEDIA
BERKSHIRE HATHAWAY
HEIDELBERG MATERIALS
META PLATFORMS
ROLLS ROYCE
PANDORA

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	13.96%	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)	14.61%	15.93%	5.28%	6.40%	9.79%

Figures at 31/03/2025
Past performance is no guarantee of future performance.

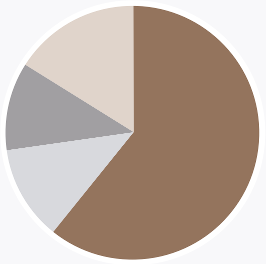
(1) Launch date: 01/12/1997

TOP POSITIONS

	% OF PORTFOLIO
ZEGONA COMMUNICATIONS PLC	8.73%
BANCO SANTANDER SA	7.24%
GRIFOLS SA	6.67%
INDRA SISTEMAS S.A.	5.92%
CAIXABANK	4.35%

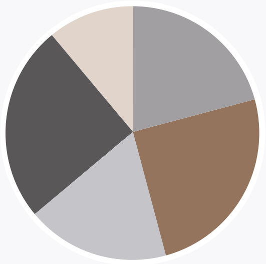
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



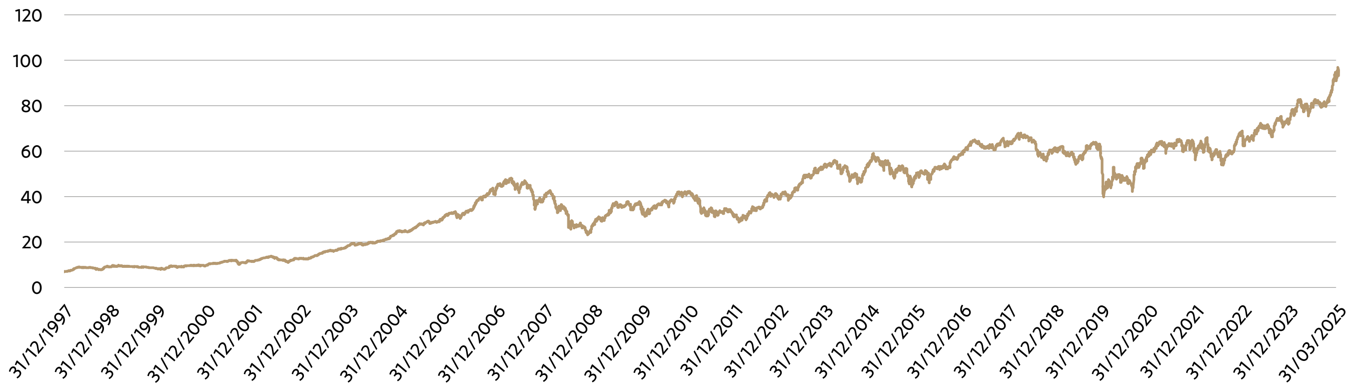
Spain	61%	Liquidity	11%
Portugal	12%	Europe	16%

Sectorial Distribution



Industrial	21%	Financial	25%
Consumer	25%	Liquidity	11%
Communication and Technology	18%		

NET ASSET VALUE TRENDS (€)



Data at close of day: 31/03/2025. 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

Dear Investor,

2025 has got off to a good start for Iberian equities. Despite the volatility that has accompanied Trump's arrival at the White House and the uncertainty surrounding this tariff policies, our domestic market has experienced strong rises in this first quarter. Green has also extended to the main European markets where, despite the loss of momentum in economic growth in the second half of 2024 and the threat of a trade war, the foundations for recovery remain solid. The combination of rate cuts, improved real income and a manufacturing sector with little room for worsening have reinforced investor sentiment. These fundamental factors have found a major additional catalyst in the progress made in the negotiations to end the conflict in Ukraine and in the fiscal stimulus package announced by Germany.

These developments are clearly positive for Spain. The stimulus of domestic European demand and the relaxation of an overly cautious consumer after having been hit by successive crises in recent years should boost growth prospects in the region. It is also positive for small and medium-sized companies, which could lower their risk premium (excessively high) and benefit both from greater visibility in growth and the expected improvement in financing conditions.

We would now like to comment on two companies. The first, Indra, one of our main positions. And the second, Aena, a company whose shareholding we sold in this first quarter.

Indra

We are revisiting our thesis on Indra, one of the oldest and most successful investments in our portfolio. We began to build our position in December 2022, when Indra's shares were trading at around EUR 10, which has allowed us to obtain a compound profitability of more than 40% to date. It is currently one of the five most significant positions in the portfolio.

Indra's recent history can be divided into three stages. In the first, it went from being a non-investable asset to an investable asset. In the second, it successfully stabilised its governance, operations and cash generation, committing to a reasonable capital allocation policy. Now, in the third, we hope that this process culminates with the repositioning of its business —now profitable— towards segments with higher growth, returns and value.

In our newsletter of the first quarter of 2023, we explained that the market was overly short-sighted and did not properly understand the potential of the plans laid out by the company to improve its cash generation profile and governance. As mentioned earlier, the excessive pessimism was giving us the opportunity of purchasing Indra's shares at prices far below their real value. Just one year afterwards, in March 2024, the accumulated revaluation was 50%. However, despite this increase, in our newsletter of the first quarter of 2024 we indicated that we would maintain our shareholding in the company, since it was trading at multiples that were too low for the profit that it would foreseeably earn in the following two years. Today, in the newsletter of the first quarter of 2025, and after having accumulated an increase of 40% in the past year, we once again show our conviction that Indra continues to have high potential.

The possible repositioning of the business towards the defence and aerospace sectors —less cyclical activities, protected by high entry barriers and, consequently, with higher margins and returns—, would justify higher multiples than the current ones. Indra is starting from a low level of valuation in absolute and relative terms, but without knowing whether the market will maintain this perception, a significant change in the business mix would justify a higher level.

If we consider the profit that the company could generate, we would witness a paradigm shift in Europe, where the level of defence spending will reach levels we could not foresee when we started building our position in Indra. Germany's budgetary measures have been a catalyst for change, but it appears that, despite the shakeup, we can only venture to say that things will be different in the future. Defence sector demand is fuelled by public budgets and, although we do not know the speed at which the different measures will be implemented, we can guess the direction they will be taking.

It is strange for an investment thesis to evolve towards even more optimistic scenarios than we initially imagined. Indra's thesis is one of them. The business continues to function, increasing cash generation, the environment offers optionalities and the valuation is still more than reasonable. For this reason we think, once again, that Indra's best days are yet to come.

Aena

After just over two years as shareholders of Aena, we believe it is time for a pause. We purchased a holding in the Spanish airport operator in October 2022 at a price of EUR 115 per share. At the time, we were able to purchase the shares from the owner of Spain's entire airport network at an extremely low valuation: 9.5 times the free cash flow we estimated for 2024.

We were able to purchase a such low prices for different reasons. First, a very high cost inflation, greater than 20% that raised doubts in the market about the company's ability to generate profit in the short term. Second, Aena has just invested in a package of airports in Brazil that did not quite convince the market. Third, because of the continuous disputes over the clauses stipulated in the contracts with their tenants in relation to the famous guaranteed minimum rents. The market, as usual, focused on the short-termism of these problems, projecting them into perpetuity and raising the price of its shares to levels far below their real value.

However, we saw very attractive attributes in the company. On the one hand, Aena had taken advantage of the pandemic to make investments that repositioned all its commercial offering right when its old contracts were terminating and the new ones could be renegotiated in better terms. On the other, we considered investors' obsession with the capital allocation policy excessive. Aena has been traditionally prudent with its foreign investments and we believe that this position remained essentially unaltered. Finally, tourism has performed exceedingly well in recent years in Spain. In 2024, the number of passengers using Aena's airport network reached 309 million, compared to 275 million in 2019. This has a double positive effect for the company: in addition to paying airport taxes, passengers also consume within airport shopping areas. A consumption per passenger that has increased by 35% compared to 2019. In other words, tourist traffic has increased and so has spending in each of Aena's shops.

Thanks to these points, the company appreciated by more than 100%, including dividends. In our opinion, it is still an extraordinary company, with a monopoly position in a structurally growing market and still with good potential to benefit from higher passenger spending in its airport network. However, we consider that these factors are already well known to the market. Currently, the valuation of its shares, far from being high, is in line with its historical average. Reasonable levels that, consequently, make its investment thesis unattractive. Moreover, the company faces the uncertainty of the next regulatory period —DORA III— and of the returns, the investment and profitability during this new period. As a result, we have decided to sell our shareholding in the company.

We continue to believe that the best times for the Spanish stock market are yet to come. We believe that the valuation anomaly we have referred to over the last two years has been the main cause of the strong start in 2025. And beyond the foreseeable increase in corporate earnings, this valuation normalisation process still has a long way to go.

Thank you again for placing your trust in us. Yours sincerely,

The Investment Team.

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Date: 31/03/2025. Source: BESTINVER

MAIN MOVEMENTS

Additions

HOTELBEDS

Disposals

AENA

Increases

INDITEX

Reductions

—

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	2019
Bestinver Grandes Compañías	-4.00%	9.65%	24.57%	-22.55%	19.52%	12.66%	23.37%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	Launch
Bestinver Grandes Compañías (1)	5.02%	9.29%	5.41%	8.46%

Figures at 31/03/2025

Past performance is no guarantee of future performance.

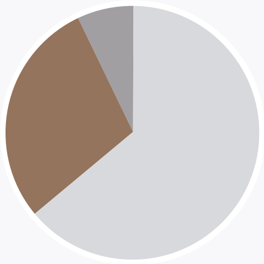
(1) Launch date: 16/12/2011

TOP POSITIONS

	% OF PORTFOLIO
ELEVANCE HEALTH INC	3.24%
MICROSOFT	2.99%
AIRBUS SE	2.93%
HEINEKEN NV	2.93%
A.C.EXOR NV	2.91%

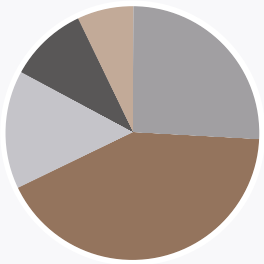
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



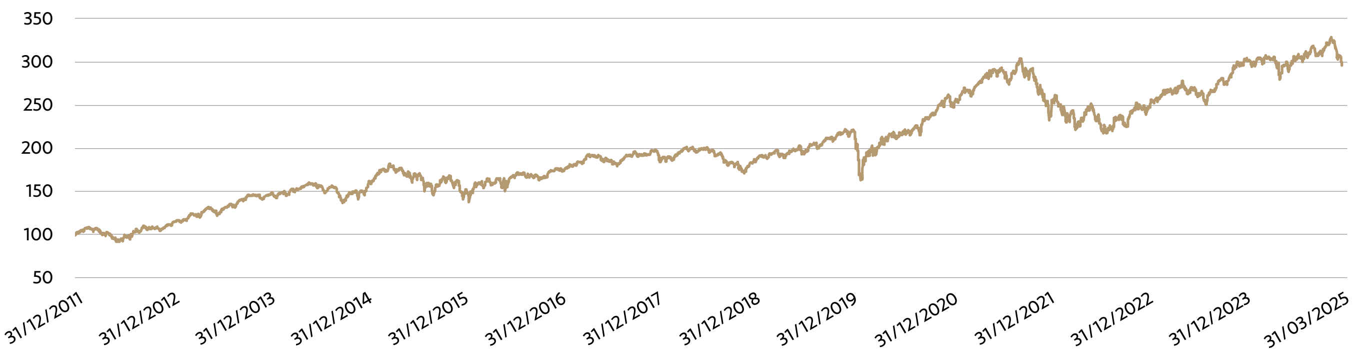
- Europe **64%**
- Liquidity **7%**
- USA **29%**

Sectorial Distribution



- Industrial **26%**
- Financial **10%**
- Consumer **42%**
- Liquidity **7%**
- Communication and Technology **15%**

NET ASSET VALUE TRENDS (€)



Data at close of day: 31/03/2025. 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

Dear Investor,

Bestinver Grandes Compañías ended the quarter with a correction of 4.0%.

In just three months we have witnessed a rapid succession of events that seem to be profoundly reconfiguring the global macroeconomic scenario.

Transformations that would normally require decades to materialise are being concentrated in a few weeks. A reality that has forced us to significantly rethink the dominant market narratives at the end of 2024 and which is painting a volatile picture but, in our opinion, full of investment opportunities.

We will not go into the details of everything that has happened, but we recommend reading the management commentary of our sister fund, Bestinfond, to understand what has happened in this intense start to 2025.

Navigating uncertainty

Human nature hates uncertainty. The greater our feeling of insecurity, the more actions we undertake in an attempt to restore a sense of control.

An almost inevitable response to the growing uncertainty is to intensify the search for certainties. Their sale represents an incredibly lucrative business for the investment industry. Today, with the development of social media, it is also a lucrative business for the entertainment industry.

Although the dawn of 2025 has provided us with another valuable lesson in the futility of short-term predictions, we do not see signs of renewed humility by these "opinion leaders" when it comes to predicting what will happen in the market, even though they did not predict any of what has happened in recent weeks.

We have witnessed one of the most violent reversals in optimism and geographical positioning in history. A major shift that, once again, underlines how thin-skinned investors are in recent times, their ability to conveniently forget what they thought (and did) just three months ago and, we believe, the importance of maintaining an informed and long-term perspective against the radical shifts of the consensus.

Investing successfully consists of making decisions that recognise the inherent uncertainty, not acting as if it can be avoided. Although it is impossible to eliminate the anxiety caused by market downturns, we can adapt our behaviour to manage them more effectively. The most important step is to embrace sound investment principles over spot predictions.

Fundamental pillars such as diversification, maintenance of long temporal horizons and, in our case, know that we are owners of extraordinary companies that trade below the value of their businesses, will not eliminate uncertainty (particularly in the short term), but it makes us more resilient to it.

Nothing is certain, but some things are more probable than others

At the Annual General Meeting of Berkshire Hathaway in 1998, Warren Buffett uttered an apparently simple sentence, but of profound importance to investment: "We try to think about two things: things that are important and things that are knowable".

Although at first glance this comment may seem harmless, it encloses an essential idea to successfully navigate financial markets. Naturally, nothing is fully predictable in the markets, but there are factors that can contribute to help us achieve a sufficient level of confidence as opposed to many others whose behaviour is, if not random, then very close to it. Distinguishing between the two groups, being the second much larger than the first, is essential.

For example, we do not know whether the tariffs that the US will apply to Europe will be 10%, 20% or if a free trade agreement will be entered into between the two economic areas. Neither do we know whether the Federal Reserve or the ECB will finally lower rates in 2025. We are aware that negotiations are under way to put an end to the war in Ukraine; we would love to see them come to fruition, but we have no certainty that our wishes will come true.

However, we do harbour reasonably high confidence that, in the coming years, regardless of the outcome of the events we have just described, the economies will grow. This growth will be capitalised by our companies in the form of corporate earnings and our shares will eventually provide us with the excellent returns always offered by good businesses when purchased at good prices

The danger of justifying stock market falls (I)

We will now update the investment case of Elevance. An idea that we presented to you a few months ago and which, so far, has not been cause for celebration. It is true that in these first three months of the year it accumulates a revaluation (in euros) of 12.5% compared to the 8.3% decline of the S&P or the nearly 6% of the index comprising the world's leading companies (MSCI World Index). Its defensive qualities (and the low valuation of its shares) have made his good relative behaviour possible.

The reason why we have brought up the case of Elevance, although it is also applicable to other names we have in the portfolio, is because its shares have experienced a period of underperformance. When this happens, it is increasingly common to hear investors argue that the falls are "justified" because profit has been decreasing.

The argument typically defended is that the falls make perfect sense as they simply reflect the deterioration of the fundamentals. This is a very simple notion and seems logical. The problem is that it may (and usually is) incorrect, since it ignores some of the critical variables that investors should consider in the long term in shares; for example:

— **Mixing the recent past with an uncertain future:** Today's results are a reflection of the current situation of the business. However, the price of a share should (in theory) be based on expectations of the potential for generating profit in the future of said business.

The only way in which a fall in profit can "justify" the fall of a company on the stock exchange is if, somehow, it offers us absolute certainty about the indefinite continuation of its poor business prospects. Poor results can inform us of the current challenges that it must face, but it certainly does not give us a good answer to vital questions such as: Is this fall in profit cyclical or structural? Are we on the threshold of future recovery? Has the cycle bottomed out?

— Ignoring the role of valuations: The other glaring problem of investors that justify stock market falls by the lower earnings reported is that they appear to completely ignore the role of starting valuations; or, even worse, the new valuations (sometimes extremely low) at which the businesses are traded after these falls.

For example, is it coherent for a company to go from being valued at ten times earnings to only six times? Too often, this necessary reflection is replaced by the convenient argument of: "if the results worsened, the fall is justified".

For falls to be fundamentally justified (or to determine whether they have been excessive), we need to have an opinion on the current valuation of the business in relation to its future profitability. If not, it is about "momentum" (although many investors refuse to admit it)[1], the factor currently in fashion in the market.

The danger of justifying stock market falls (II)

In recent weeks, global financial markets have experienced major reversals. This selling pressure is not due to a deterioration in today's results, but rather to an anticipation by investors that they will deteriorate in the future. In these scenarios of generalised disorder and risk aversion, valuation —and its crucial role in the long-term profitability of the investments— is also completely ignored.

[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 -if 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.

Panic always overcomes common sense in times such as the present, despite the fact that what actually occurs is a long-term revaluation of cash flows generated by the businesses we own. Their intrinsic value remains relatively unchanged, while their share prices can fluctuate (significantly) over a short period of time. This differential between price and value is what we must leverage as long-term investors and this is exactly what we are doing in our fund.

We must not forget that our companies are not static entities, but rather living organisms endowed with a significant capacity to adapt to a perpetually fluctuating economic environment. They have high-recurrence products whose profitability is not threatened by the competition and, therefore, generate value irrespective of the context. Recent history —financial crises, sovereign debt crises, political disruptions such as Brexit or global shocks such as the pandemic— testifies to the inherent resilience of quality companies to create value in difficult times.

We have a portfolio made up of extraordinary companies, managed by professionals who we admire and whose earnings will grow significantly in the coming years. But, above all, the valuation of their shares already discounts the considerable pessimism. It is precisely this 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 when, as is often the case, the environment tends to become normalised or our companies adapt to it.

Portfolio movements

We are taking advantage of major market reversals to strengthen the long-term potential of the portfolio. How? On the one hand, by replacing companies whose valuations have practically not been reduced —such as Reckitt, Air Liquide and Deutsche Boerse— by others with much higher revaluation potential after the falls. Examples of the latter can be found in companies such as Ashtead or Julius Baer, which we have reincorporated into the fund.

We are also improving the balance of the portfolio, prioritising investment in companies whose results are less dependent on the economic environment. Thus, we have increased our weight in Microsoft and have reacquired Bunzl shares after the falls in March.

We have sold our shares in Legrand after the good revaluations obtained by its shares at the beginning of the year. We continue to see an example of stable margins and a first-class management team in the French company, but the generalised optimism of the consensus on the growth prospects of its incipient data centre business has reduced our safety margin.

A similar case is that of Fuchs. Its excellent business model remains intact. The company should continue to show earnings stability, excellent cash generation and returns on capital well above those of its major industrial competitors. But price rules and the market's frenzy with German equities, after the approval by the German government of a historical fiscal package, has led its shares to trade at levels close to our fundamental valuation of the business.

In addition to the aforementioned incorporations of Julius Baer and Bunzl, we are acquiring shares from two new companies that we will comment on in future newsletters. One of the them is, in all probability, Europe's leading chemical company. Its volumes are beginning to stabilise after the declines of recent years. It is a stable business, with non-cyclical growth and much more profitable than it was in the years subsequent to Covid. Its valuation has followed the trajectory of the profits of recent years, but it does not discount the value that it will generate in the next five years.

The other is a competitor of one of the companies in our portfolio. Due to a corporate operation in which the market estimated that it was going to destroy value (we were not of the same opinion), we had the opportunity of acquiring shares at very attractive valuations. In the end, the transaction did not take place, its shares rebounded and we fell short of our position. As you can imagine, its shares are not immune to panic (despite being an extremely defensive business) and we are reacquiring shares for the portfolio.

Elevance

Our investment in Elevance has navigated somewhat turbulent waters in recent months, facing a couple of challenges that have put pressure on its share price.

However, after a detailed analysis of both the company's specific problems and the general context of the MCO (Managed Care Organisations) sector, maintaining our conviction in the value of a defensive, profitable business that is growing at double-digit rates and that the market has punished because its results have declined temporarily.

The first challenge came from its Medicaid business. The company realised that the profit derived from this segment would fall below initial expectations for this year. The root of the problem is in the complex post-pandemic dynamics. During the Covid crisis, Medicaid's enrolment lists increased considerably, but with economic normalisation, and many of these patients lost their eligibility, altering the composition and risk profile of the remaining population.

Estimating health trends and the severity of the conditions of this new group has proved more difficult than expected (the associated costs were significantly higher than expected, misaligning with the approved tariff structure for Elevance). As a direct consequence, Medicaid's margins were compromised, which will affect the company's profit in the coming quarters.

Despite this setback, we consider that it is a mainly transitory situation. Legislation obliges Medicaid's state programmes to establish actuarially sound rates for suppliers such as Elevance. Therefore, we expect an upward adjustment of these tariffs in the next 12-18 months, which should make it possible to restore Elevance's margins at more normalised levels.

The second blow in recent months has not come from internal operating factors, but rather the general market sentiment towards the sector. A tragic and deplorable event —the assassination of a senior executive of its competitor UnitedHealthcare by a disturbed individual— triggered a wave of virulent criticism on social networks and the media, often inaccurate, against the health insurance industry. As is often the case, the negative headlines and controversy tend to weigh on prices and Elevance's share have been no exception, suffering additional pressure despite not bearing any direct relationship to the crime.

This incident, although extreme, exacerbated an already negative sentiment that seemed to have reached its peak over the last year. We have seem very negative media coverage and derogatory remarks by political figures on the role of insurance companies and, in particular, of pharmacy benefit managers (PBMs).

It is undeniable that the health insurance sector is facing adverse public perception; few are fond of their insurance company. However, we firmly believe that most of this antipathy is out of place or, at least, is an over-simplification of a complex reality. Although we sympathise with the difficulties that consumers may experience when navigating the health system, we consider that the role of MCOs like Elevance is vital and increasingly important.

In a fragmented US health system that strives to balance often conflicting incentives of suppliers (pharmaceutical, hospitals), payers (companies, government and individuals) and patients, MCOs act as crucial intermediaries. We argue that their incentives are, indeed, better aligned with the objective of manage the overall efficiency and costs of the system. Many of the legitimate criticism it receives (high costs, bureaucracy) are erroneously attributed to the insurance companies simply because they are the visible point of contact, when the underlying decisions often come from the payers (who seek to control their costs) or from the practices of suppliers (who want to earn more money).

Specific accusations, such as excessive "coding" in Medicare Advantage, the unfair refusal of claims or the mismanagement of PBMs to inflate prices, do not stand up to close scrutiny. Coding is a system audited by the government to adjust risk payments; the denial of claims due to medical necessity is minimal (<1%) and often justified; and PBMs, despite their complexity and lack of transparency at times, negotiate significant discounts that mainly benefit the final payers, promoting cheaper alternatives such as generic drugs.

Elevance plays an essential role in the proper functioning of the US health system. With an impeccable growth history (the company has consistently demonstrated double-digit profit growth) and strong long-term prospects, driven by demographic trends and the constant need to manage growing health spending, the conviction in our investment thesis remains intact.

Above all, because its valuation multiples (11 times their profits for this year, 9 times those for 2027) after the falls are explained by the adverse industry sentiment and the temporary challenges of a small part of its business, not because its long-term profitability has been affected.

Lastly, we would like to remind you that the current market environment favours the type of management we practice at BESTINVER. An environment in which good doses of volatility are ensured and in which we cannot rule out new falls in assets prices. They are falls that, as long-term savers, we must leverage.

To this end, try travelling a few years into the future and looking back. Think about whether you would be more likely (or not) to regret not having invested in extraordinary companies in 2025. Try to answer this question today; it may help you to decide what to do if the markets were to offer us the opportunity of reinvesting in a portfolio, with reduced risk, that should provide us with excellent revaluations in the future.

Thank you again for placing your trust in us. Yours sincerely,

The Investment Team.

Date: 31/03/2025. Source: BESTINVER

MAIN MOVEMENTS

Additions

SGS
JULIUS BAER
BUNZL

Disposals

FUCHS PETROLUB
LEGRAND
EPIROC
ASSA ABLOY

Increases

ASHTEAD
BRENNTAG
MICROSOFT

Reductions

AIR LIQUIDE
NESTLE
DEUTSCHE BOERSE

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]	8.50%	-22.56%	22.26%	-12.71%	-16.77%	-6.91%
Clase R Bestinver SICAV - Latin América [2]	7.79%	-23.02%	21.45%	-13.03%	-16.75%	-6.02%

ANNUALISED RETURNS TABLE

	3 years	5 years	Launch
Bestinver Latam FI [1]	-8.75%	2.74%	-3.87%
Clase R Bestinver SICAV - Latin América [2]	-9.19%	2.27%	0.26%

Figures at 31/03/2025
Past performance is no guarantee of future performance

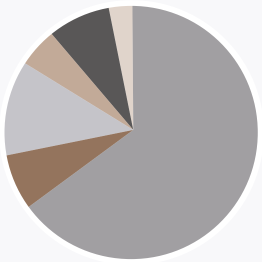
(1) Launch date: 18/01/2019
(2) Launch date: 05/07/2017

TOP POSICIONS

	% OF PORTFOLIO
LOCALIZA RENT A CAR	4.78%
SMARTFIT - ORDINARY	4.55%
VTEX -CLASS A	4.48%
VIVARA PARTICIPACOES SA	4.28%
XP INC - CLASS A	4.08%

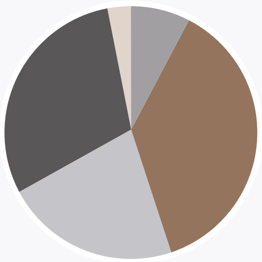
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



Brazil	**65%**	Peru	**5%**
Mexico	**7%**	Latam	**8%**
Chile	**12%**	Liquidity	**3%**

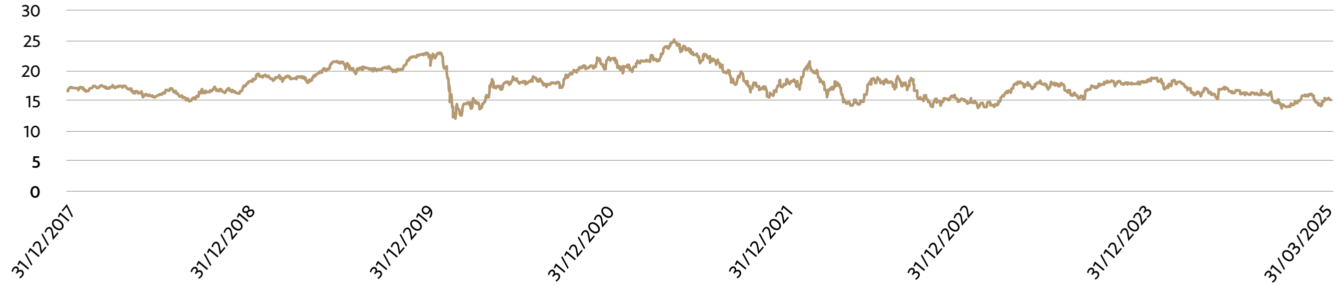
Sectorial Distribution



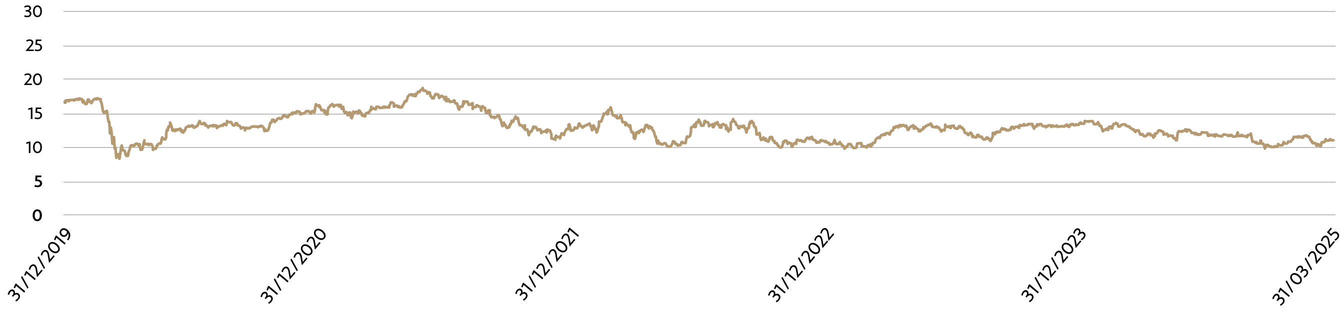
Industrial	**8%**	Financial	**30%**
Consumer	**37%**	Liquidity	**3%**
Communication and Technology	**22%**		

NET ASSET VALUE TRENDS (€)

BESTINVER LATIN AMERICA SICAV



BESTINVER LATAM FI



Data at close of day: 31/03/2025. 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

MANAGEMENT ASSESSMENT

Dear Investor,

The Latin American market ended the first quarter with a strong recovery, led by gains in euros of 14% and 12% in Chile and Brazil, respectively. It has been a start to the year of clear winners and losers, marked by high dispersion in international markets. Indices in Europe, China and Latin America saw close to double-digit appreciation, while falling in the USA, Turkey and India, enabling the global MSCI World index to end the quarter down 5% in euro terms. In this context of high volatility, the Bestinver Latam portfolio has accumulated a revaluation of 7.8%, in line with its regional index.

A new global paradigm: LatAm is emerging as a winner

After a decade of total US supremacy, the first quarter of 2025 was a much more multipolar period in the markets. The optimism with which the stock markets received the new Trump Administration —anticipating a reacceleration of growth due to the greater deregulation, tax cuts and downsizing of the Administration— has been buried under the imposition of trade tariffs and the confrontation with traditional allies such as Europe and Canada. On top of that, the epiphanic appearance of DeepSeek has suggested that Chinese technology may be much closer to US technology than many thought. At least for the time being, US exceptionalism in the markets has lost momentum and stock markets have reflected this.

Focusing on Latin America, we believe that much of the revaluation of the region's stock markets and currencies has been a consequence of the weak dollar and US market declines, rather than local idiosyncratic factors. Mexico may be the exception which, with 25% of its GDP dependent on exports to the US, it is the country most exposed to a new tariff regime. Although its growth expectations are falling as a result of private investment paralysed for months and the urgent need for significant fiscal adjustment, the market is rewarding the astuteness and pragmatism with which its president is negotiating with the Trump Administration. The consensus expects a quick and positive resolution of the negotiations that will help to unblock the country's economic potential in the short and medium term.

In view of the profound changes that global market dynamics are undergoing, we believe that Latin America is set to become one of the winners, both at relative and absolute level. Our portfolio is clearly positioned to take advantage of the tailwinds that may be starting to blow in the region.

Bestinver LatAm: *Deep value* with catalysts. The question is not if, but when...

As we said in our last newsletter, Bestinver Latam's strategy has become a *Deep Value* proposal. We have the best companies in the region, which are increasingly leading in their sectors, with sound balances, outperforming the market, generating cash and trading at single-digit multiples. Focusing on the valuation, according to our estimates, the risk premium implicit in the cost of capital of our Brazilian companies is 20%, the highest level in history. These valuations discount an economic crisis of proportions never seen —not even in the worst moments of the presidency of Dilma Roussef— which, in our opinion, does not reflect reality.

The valuations of our universe are at all-time lows, both at relative and absolute level. Additionally, the interest rate upward cycle in Brazil is coming to an end and the market will soon have to start discounting the start of a downward cycle. Lastly, the start of the electoral cycle is inexorably approaching and we know that, historically, the convergence of these dynamics has had extremely positive effects on the economy. We believe that the resurgence of confidence in internal and external actors should lead to the decrease in risk premiums and expectations of inflation and that, at the same time, could accelerate the dynamism of the businesses, expand the multiples and boost the stock markets.

We are convinced of the great opportunity, led by Brazil, that Latin America has to offer. The region has all the necessary factors for the market to showcase the companies it has been ignoring for years and that, however, have not stopped developing their fundamentals. Until when can the market ignore this reality? We cannot be sure of the exact moment, but we sense that it will be soon, with a violent and pronounced movement. For us, the only uncertainty is not if it will happen, but when it will happen.

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 the economies, in the evolution of the consumer ecosystem and in the democratisation of loans and other basic services, such as health and education, that contribute to the financial and social inclusion of the lowest strata 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 volatility and dispersion in our investment universe. Although not as pronounced as on other occasions, we took the opportunity to make some movements. Thus, we increased the weight of Azzas, Hapvida and XP, and reduced that of Embraer and Pagbank, since it is no longer in our portfolio. In addition, we adjusted the weights of other positions to maximise the portfolio's potential without altering its structural composition.

Bestinver Latam ended the quarter with a liquidity level of 3% and has 36 companies in the portfolio, which represent the best investment opportunities in the region. On a geographical level, Brazil accounts for 65% of the portfolio, followed by Chile with 12%, Latam (our group of pan-Latin American companies) with 8% and Mexico with 6%. In sectoral terms, Consumer, Finance and Technology continue to be the sectors with the greatest weight, accounting for 33%, 30% and 25%, respectively.

Banco Inter

Bestinver Latam's main raison d'être is to participate in and capitalise on the process of growth, modernisation and digitalisation of Latin American society. This process, which started more than a decade ago, is revolutionising the economic framework of the continent spearheaded by increasingly richer, more sophisticated and more demanding consumers. This is the ideal environment for new business models to emerge and disrupt sectors controlled by traditional, excessively rigid competitors and with value propositions far removed from the new market reality. Banco Inter, present in the Bestinver Latam portfolio, is one of those new disruptors.

Although the company's origins date back to 1994, it was not until 2015 that it began its digital journey. This year it launches the first fully online Brazilian account, with unprecedented commercial success through which it reaches 80,000 digital customers in just 12 months. Aware of the great opportunity that lay ahead, Banco Inter completely transformed itself in 2018 with the migration of its entire structure to the cloud. That year it reached 1.4 million customers. Seven years later, in 2024, they had increased to 36 million, with a transactional volume of BRL 1.2 trillion.

How did Banco Inter go from a simple application to becoming one of the financial institutions with the highest growth in the region? In 2015, the company identified an opportunity to compete against Brazil's traditional banking. This sector was concentrated in a small number of entities that had inherited oversized, bureaucratised and obsolete structures in previous decades. With no interest in adapting to customer requirements, the old entities ignored the opportunities offered by the latest technological developments to cut costs and improve their commercial offering. Opportunities that Banco Inter was not going to let pass.

Banco Inter proposed a disruptive business model, without a network of physical branches and based on highly scalable technological platform with which to cover the entire market and offer its customers a tailored product range. With its platform, it is capable of meeting any financial need —from simple daily transactions to taking out insurance, contracting an investment fund or performing an international transaction— with extraordinarily simple processes for the customer and efficient for the company. A disruptive commercial symbiosis that competitors were incapable of addressing.

The company's strategy consists of implementing the classic virtuous circle of large technology companies in the financial sector. It is based on quickly increasing the customer base —either by the attraction generated by its platform, or through the acquisition of other companies whose products and markets complete the range offered on the platform— and, through data analysis and cross-selling, increasing the average revenue generated by each. The flexibility, transactionality and scalability of the platform reduces the cost of acquisition of each customer as they increase in number. Specifically, in recent years, these costs have decreased by more than 20%. Therefore, its first strategic pillar is to generate growth to have scale.

Secondly, the savings produced by economy of scale are reinvested in the improvement of technology and commercial offering —with more products, better terms and more services than its competitors—, further reinforcing its brand image, attracting new customers and restarting the virtuous circle of this business model. A virtuous circle has translated into an annual growth of the financial margin after provisions of 40% in the last five years or into having the lowest borrowing costs in the entire Brazilian industry. It is a competitive dynamic difficult to stop, which grows in the same exponential manner as a snowball rolling down the side of a mountain.

Looking ahead, its technological advantage and branch-free structure give us a strong conviction that Banco Inter will continue to generate above-average returns. According to our estimates, we expect a ROE of close to 30% in 2027 —compared to an average for the sector in Brazil of 20%—. This higher profitability endows the company with the necessary resources to continue expanding its market share in high-margin credit products.

At present, Banco Inter has an 8% share in transactions via the PIX instant payment method. However, its share in other segments is smaller —3% in collateralised personal loans and 2% in credit cards—. We believe that the progress shown in these businesses —increasing its consumer credit ledger three times more than the industry average—, together with the improvement of its credit management structures, will enable it to achieve significantly higher market shares. In other words, the company's potential for further profitable growth remains enormous.

Banco Inter's success and disruption history cannot be understood without the economic and social changes being experienced in Latin America. It is a perfect example of the opportunity offered by the region to companies with disruptive models, appreciated by a growing and increasingly richer population, to impose itself on obsolete competitors incapable of responding. Banco Inter has one of the most attractive fundamentals of the sector, with a Tier-1 Capital Ratio of 15% and trading at 7.3 times the profit we expect by 2017. It is a clear opportunity to invest in a high quality company, with attractive valuations and perfectly adapted to Bestinver Latam's strategy and objectives.

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 rather a strategic and sustainable option for any global savings or investment portfolioseeking 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.

Thank you again for placing your trust in us. Yours sincerely,

The Investment Team.

Date: 31/03/2025. Source: BESTINVER

MAIN MOVEMENTS

Additions

–

Disposals

PAGBANK

Increases

AZZAS
XP
HAPVIDA
VIVARA

Reductions

EMBRAER
TOTVS

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	-5.95%	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 31/03/2025
Past performance is no guarantee of future performance.

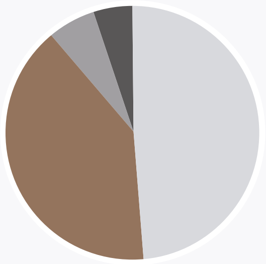
(1) Launch date: 16/06/2017

TOP POSITIONS

	% OF PORTFOLIO
NVIDIA CORP	4.10%
MICROSOFT	3.94%
SSE PLC	3.90%
ELEVANCE HEALTH INC	3.36%
MEDTRONIC PLC	3.09%

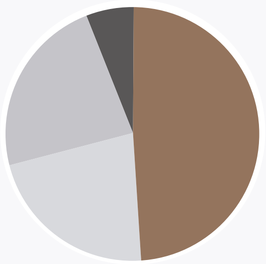
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



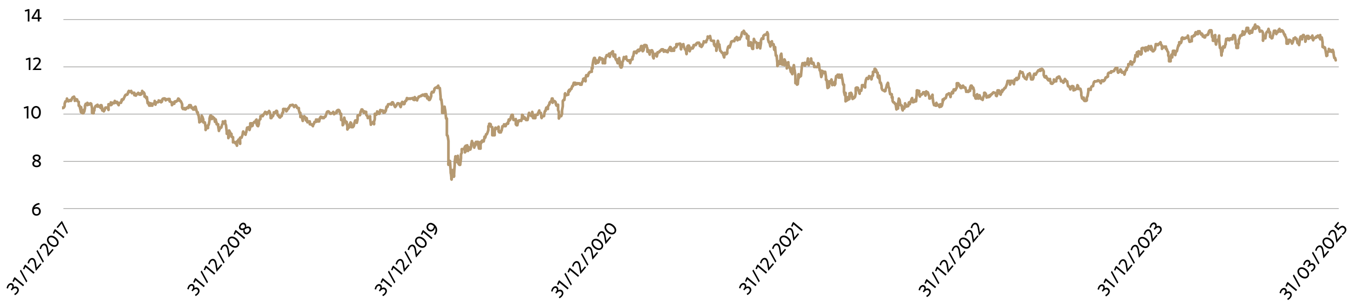
Europe	**49%**	Liquidity	**6%**
USA	**40%**	Rest of the World	**5%**

Distribution by megatrend



T1	**49%**	T3	**23%**
T2	**22%**	Liquidity	**6%**

NET ASSET VALUE TRENDS (€)



Data at close of day: 31/03/2025. 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 has not been immune to market movements, ending the first quarter with a profitability of 5.95% and -5.53% in the last 12 months. The portfolio has performed better than global equities thanks to its focus on the improvement of the quality of life —especially due to the investments in the healthcare sector— and decarbonisation —with our positions in the clean energy and industrial sector—. The fund's investment strategy, focused on the most significant megatrends, in addition to its balanced and diversified portfolio construction policy, have been key after this relatively improved performance.

A theme relevant to our strategy is the development of renewable energies. A theme that, since Donald Trump's assumption of office, has generated a lot of noise in the markets and the media. However, beyond the headlines and news, the sector's long-term fundamentals and the role played by clean energies in the future remain intact. First, we must not forget that the cost of energy is key in the era of artificial intelligence; proof of this is that the demand for electricity has increased again after 20 years of stagnation.

In this energy context, renewable energies remain the cheapest source of generation. Second, energy efficiency is even more important and we think that many industrial companies have much to contribute in this regard. One of them is Kingspan, which we have recently incorporate into the portfolio and that we explain in detail below.

Kingspan

Kingspan is a manufacturer and distributor of construction materials headquartered in Ireland and present in more than 80 countries. Approximately 80% of its operating profit comes from insulating panels and materials, a sector in which Kingspan is not only the global leader, but also the most innovative company.

Kingspan insulating panels are used mainly in the construction of commercial buildings. In recent decades, it has increased its market share to other materials thanks to its superior thermal and acoustic insulation capacity, its easy and quick installation, and its less need for manual labour. These characteristics ensure that, from an environmental viewpoint, Kingspan's panels contribute to energy savings both in the construction process and throughout the useful life of the buildings because of the lower energy consumption.

The company has leveraged the improved performance and greater attraction of its products to develop one of its main competitive strengths: its network of architects and engineers. Thanks to strong commercial and training efforts, these professionals know and prescribe Kingspan's products to end customers responsible for construction projects. With the aim of continuing to capitalise its network of prescribers, the company has expanded its offering through complementary businesses that make it possible to perform cross-selling with its insulating panels and materials.

These include raised floors, ceilings and smoke control systems.

Under the current management team, Kingspan has become consolidated as a clear exponent of how to compose capital and create value over time. In the last decade, it has multiplied its sales by almost five times, with an annual growth of more than 16%, maintaining moderate debt and slightly improving its margins and returns on the capital used. Moreover, more than two-thirds of this growth comes from acquisitions, an area in which Kingspan has positioned itself as one of the most outstanding companies in the sale and integration of other companies, as reflected by the improvement in its fundamentals despite the strong inorganic growth.

Kingspan is a good example of how to take advantage of short-term market volatility and dynamics, since the changes in the prices of raw materials can impact their quarterly results. However, the company is able to pass on price increases to its customers within a few weeks, while holding inventory of its raw materials for several months. This lag may have a short-term negative impact on both its margins and share price, but do not influence our long-term investment thesis.

The short-sighted view of the market, which we have called "quarterly capitalism" in the past, we have discussed on other occasions, has allowed us to acquire Kingspan with a significant discount with respect to its historical valuation. This is all the more striking considering that the company is probably facing the most promising scenario in its recent history, since to the low penetration of its panels in certain markets —20% in the USA compared to 70% in the United Kingdom— we must add the opportunity for growth in the new businesses it has acquired.

Unstoppable trends

Bestinver Megatendencias invests in well-positioned companies to benefit from three megatrends that will determine the development of our lifestyle in the coming decades: the improvement in people’s quality of life, the digitalisation and automation of companies, and the 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 on companies which have the ability to propose differential solution to the planet's great challenges —such as climate change, population ageing and the transition to a digitalised economy—. BESTINVER'S Investment team, by means of fundamental analysis, selects the companies that have the products, technologies, resources and competitive advantages required to become winners within each megatrend. Finally, it performs a detailed valuation of each to determine the price level at which they must be purchased to respect their safety margin and increase the potential return of the portfolio with each new incorporation.

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.

Thank you again for placing your trust in us. Yours sincerely,

The Investment Team.

Date: 31/03/2025. Source: BESTINVER

MAIN MOVEMENTS

Additions

KINGSPAN
UNILEVER

Disposals

SAINT GOBAIN
WEYERHAEUSER

Increases

ORACLE
SALESFORCE

Reductions

ALPHABET
ASML

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 Norteamerica, F.I	**-8.98%**	**22.84%**	**22.05%**

ANNUALISED RETURNS TABLE

	Launch
Bestinver Norteamerica, F.I (1)	**12.26%**

Figures at 31/03/2025

Past performance is no guarantee of future performance.

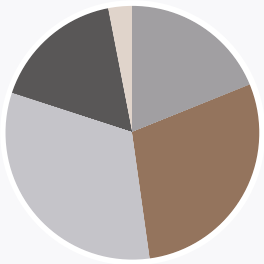
(1) Launch date: 10/10/2022

TOP POSITIONS

	% OF PORTFOLIO
MICROSOFT	6.61%
NVIDIA CORP	5.89%
AMAZON.COM INC	4.41%
APPLE INC	3.86%
META PLATFORMS INC-CLASS A	3.77%

DISTRIBUTION OF THE PORTFOLIO

Sectoral distribution



- Industrial **19%**
- Financial **17%**
- Consumer **29%**
- Liquidity **3%**
- Communication and Technology **32%**

NET ASSET VALUE TRENDS (€)

Fluctuations in net asset value (€)

Data at day-end 31/03/2025. Source: BESTINVER. Launch date 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.

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 Norteamérica recorded returns of -8.98% in the first quarter of 2025 and 12.26% since its launch. In this first quarter of the year, the US market has experienced moments of high volatility that have aroused the concern of many investors. For this reason, we want to focus this newsletter on three essential messages. First, regardless of the short-term noise, North America's structural advantages remain intact. Second, volatility periods in the stock market are normal and offer excellent opportunities to purchase at good prices. Third, North America is an ideal ecosystem for large businesses to continue to develop and generate good returns for their shareholders. We have full confidence in the region and in the fund's strategy.

Calm in the face of panic

Equities are the most profitable asset in the long term. In the last 223 years, the US stock market has generated an average annual return of 7% in real terms, i.e. discounting the effect of inflation. This implies doubling purchasing power approximately every 10 years. However, progress on this path has not been in a straight line. We would now like to share some significant historical statistics to contextualise the current movement of the US market and understand what to normally expect from it.

Before we indicated that the long-term profitability of the US stock market was 7% per annum in real terms. However, if we examine year-on-year returns, we will see that the results are much more volatile. Since the beginning of the 20th century, two out of every three years have ended with positive results and in one out of every three they have been negative. If we had to say which annual outcome was "normal" during this period, statistics show that in 70% of the years, the stock market ended with returns comprised between -10% and 30%. In other words, although profitability is the long-term characteristic of equities, volatility is its short-term characteristic.

Furthermore, the period initiated in 1980 was more bullish than the last 223 years. Specifically, of the 45 stock market years elapsed since then, 34 ended positively. However, it should be noted that, of those 34 years of gains, in half of them the stock markets experienced double-digit declines at some point during the year. That is, they suffered corrections of more than 10% that they recovered in a matter of months. The stock market's long-term upward trend is built on sharp drops and major upswings.

The best way to leverage the profitability of equities is to always maintain the capital invested. In this way, an investor who would have maintained their capital invested since the end of 2014 in the MSCI World, as a global stock market benchmark, would have obtained a nominal average annual return of 11%. However, this would be reduced to 6% per annum if the 10 best days of the global stock market were missed and to 3% if the best 20 were missed. Panic selling, making losses and losing recoveries is the worst thing an investor can do.

Since February 2025, the US stock market has suffered a correction of around 10%. Declines of this magnitude usually occur every 12 or 18 months without the fundamentals of the economy and markets changing one iota. In fact, in August 2024 the market suffered a decline of nearly 10% that it recovered in a matter of weeks.

Moreover, in the normal course of the stock markets, we can expect corrections of up to 20% every four or five years, as was the case in 2022. As historical statistics show, what is happening in US equities is absolutely normal.

In summary, we can say that, in order to obtain the high returns generated by equities, we must calmly assume short-term correction periods. We must consider it the price that must be paid for gains and corrections should be understood as part of the normal behaviour to be expected from equities. In terms of our strategy, what is really important is that the structural advantages of North America and companies' long-term fundamentals remain intact, and the only change this quarter is that their valuations are now more attractive than at the beginning of the year.

A lot of noise, but the structural advantages are maintained

The euphoria unleashed by Donald Trump's election victory has faded as the new administration has set out to do what it said it would do. Two issues have made the market particularly nervous: tariffs and fiscal adjustment.

As regards tariffs, Trump has implemented what he promised during the electoral campaign almost to the letter, albeit with the unorthodox staging to which he has accustomed us —and that we may have forgotten from his first term of office—. But, beyond his bullying tactics, there are arguments behind these tariffs. The main one is to equate the terms vis-à-vis with the main trading partners, given the obstacles that many American products encounter in the different regulations in destination countries and regions.

The second source of concern, fiscal adjustment, has received less media attention, but it is also behind the recent performance of stock markets. What we should understand in this regard is that these corrections are not due to the market thinking that it is not necessary for the USA to reduce its government spending, but rather because it fears that it will be done too quickly and plunge the country into a recession. Here we would like to share two reflections. The first is that we must take cooling warnings with caution because they are not always right —indeed, we are still waiting for the expected 2022 recession, which the market discounted as guaranteed—. The second is that US public finances need an adjustment to ensure the sustainability of the region's economic growth. In the long term, it is a necessary and positive policy.

In conclusion, the new administration is adopting drastic measures, some with negative effects in the short term and at a speed to which the markets are not accustomed. However, they all appear to be consistent with the electoral discourse and the long-term economic objective defended by Trump. Furthermore, positive measures such as corporate tax cuts and others with less imminent effects —but extraordinarily favourable in the medium term, such as deregulation— are still to be implemented. As a result, we confide in the dynamism of the US economy to quickly replace the public sector and return to a path of healthy growth

Volatility = Opportunity

As explained earlier, the corrections we have seen in the US stock market were caused by fear and not by a deterioration of fundamentals. This is an ideal environment for us to take out our shopping list and look for opportunities.

The technological sector has recorded its worst performance in recent months —which is not the first time in the last 10 years—, due to which we find several opportunities among its most representative companies. One of them is Nvidia, whose shares suffered a correction of more than 20% during the quarter and yet their profit estimates remain firmly confirmed. Consequently, we have increased our position with a more reinforced thesis thanks to the fact that the new products we expect from the company will further increase its competitive edge.

We also took advantage of the huge volatility caused by the tariff announcement and recession fears in the retail and consumer discretionary sector. Specifically, we purchased Burlington, a company focused on the *off-price* segment, which enjoys an excellent strategic position, a great management team and that, due to its business model, benefits from periods of economic uncertainty and deceleration. Another company we have incorporated is BBB, Mexico's only *hard discount*. We believe that, with its fantastic management team, it has a great opportunity for growth that could even be reinforced if the Mexican economy slows down.

Finally, in the last quarter of 2024 we mentioned that the healthcare sector was trading at very attractive valuations. Lowered expectations due to the Covid "hangover", China's deceleration and the fear of RFK's appointment as head of the US healthcare system has led this profitable and growing sector to very attractive levels. An industry that has experienced positive performance in recent months and that has contributed to the performance of the fund's portfolio thanks to some of our positions. One of them is Vertex, a case that we will explain in detail below.

Vertex

In the last quarter of 2024 we built up a position in Vertex Pharmaceuticals, a company specialising in the development of therapeutical solutions for rare diseases. Its strategy is based on a leadership position in the treatment of cystic fibrosis —a genetic disease that mainly affects the lungs and digestive system—, which endows it with the necessary resources to research new therapies in high-growth areas. With a first-class management team, innovative corporate culture and extraordinarily sound balance sheet, it has the necessary requirements to generate high returns within the healthcare sector.

At present, Vertex has seven approved drugs: five for treating cystic fibrosis, one for hereditary blood diseases —transfusion-dependent diseases such as falciform cells and beta thalassaemia— and another focused on pain management. The company has achieved leadership positions in various of these therapies thanks to an eminently innovative corporate culture, as revealed by an R&D budget that is 70% higher than the industry average and with three out of every five employees dedicated to research.

In addition, the company has a good opportunity for diversification and growth in the field of pain management in the US A. It is estimated that, each year, drugs for acute pain are prescribed to more than 80 million people in this country. To date, the existing treatments are very limited in terms of effectiveness and have severe side effects, include risk of addiction. In fact, the USA is the country with the highest rate of opiate addiction —compounds such as tramadol, oxycodone and hydrocodone— which are often prescribed to treat pain.

At the beginning of 2025, Vertex launched a non-opiate analgesic —called Journavx— for the treatment of acute postoperative pain that inhibits pain signalling, providing an alternative without the risk of addiction associated with opioids. Following approval by the US regulator, the company is in negotiations to ensure wide availability of the drug and to guarantee its reimbursement. Additionally, Journavx is undergoing very advanced clinical trials to expand its potential for treating chronic pain —diabetic neuropathy, lumbosacral radiculopathy, nerve compressions, etc.— which would give it a much broader scope than it has at present. If the company's prospects for these new applications materialise, they would represent a turning point in the history of pain management, in addition to helping to alleviate the country's severe opioid addiction crisis.

We believe that the potential of Vertex's portfolio of drugs under development is not reflected in its share price. In the case of Journavx, if its use is expanded, it could become the most widely used analgesic in US hospitals, since it would be the only alternative to traditional analgesics similar to ibuprofen —which have insufficient effectiveness in cases of severe pain— and opiates —which have a high risk of addiction—.

In conclusion, Vertex is an investment in value and growth. In terms of value, because its status as undisputed leader in the treatment of cystic fibrosis offers a stable, visible and profitable platform. In terms of growth, because, in relation to the previous point, the new compounds being developed may enable the company to continue to diversify its operations towards other therapeutical areas, such as the treatment of kidney diseases, specific diabetic conditions or chronic pain, with an enormous potential in the medium and long term. In our opinion, Vertex's strategic flexibility, the optionality offered by its research activity, the good cash-generating profile and the financial soundness of its balance sheet make the company one of the most attractive of its sector.

A region with great 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 heritage -rooted in the values of individualism, innovation and entrepreneurship- has created a meritocratic economic, legal and educational system that facilitates the generation and accumulation of wealth. In addition, 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 aims to benefit from these advantages, 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.

Thank you again for placing your trust in us. Yours sincerely,

The Investment Team.

DATE: 31/03/2025. SOURCE: BESTINVER

MAIN MOVEMENTS

Additions

BURLINGTON
BBB

Disposals

AMD
UNITY

Increases

NVIDIA
SEMPRA

Reductions

ALPHABET
ANHEUSER-BUSCH

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
Head of Iberian Equities

Javier Ortiz de Artiñano, CFA
Iberian Equities Analyst

León Izuzquiza
Iberian Equities Analyst

Gabriel Megías, CFA
Analista Renta Variable Iberia

ANNUAL RETURNS TABLE

	2025	2024	2023	2022	2021	2020
Bestinver Tordesillas	7.28%	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]	2.38%	3.98%	2.11%	2.65%	2.77%

Figures at 31/03/2025
Past performance is no guarantee of future performance.

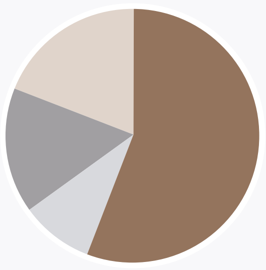
(1) Launch date: 09/03/2007

TOP POSITIONS

	% OF PORTFOLIO
ZEGONA COMMUNICATIONS PLC	8.77%
GRIFOLS SA	7.24%
INDRA SISTEMAS S.A.	5.95%
CAIXABANK	4.33%
BANCO SANTANDER SA	4.26%

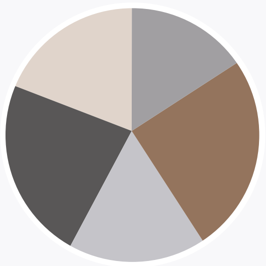
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



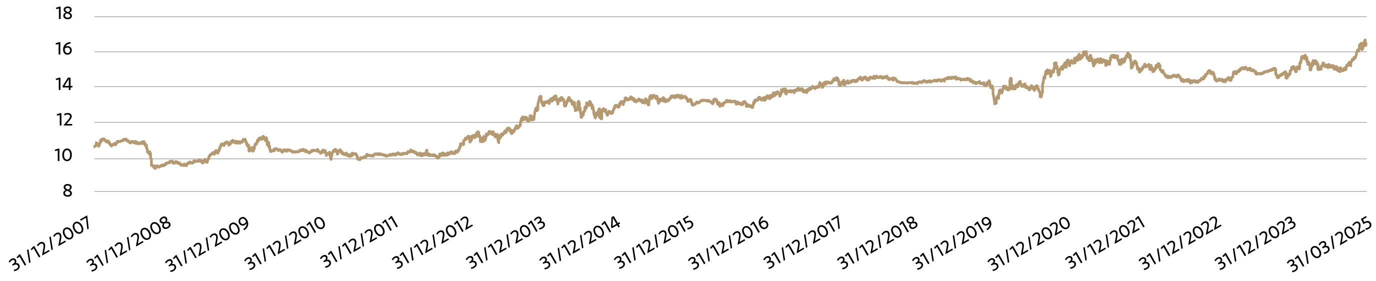
Spain	**56%**	Europe	**16%**
Portugal	**9%**	Liquidity	**19%**

Sectorial Distribution



Industrial	**16%**	Financial	**23%**
Consumer	**25%**	Liquidity	**19%**
Communication and Technology	**17%**		

NET ASSET VALUE TRENDS (€)



Data at close of day: 31/03/2025. 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,

2025 has got off to a good start for Iberian equities. Despite the volatility that has accompanied Trump's arrival at the White House and the uncertainty surrounding this tariff policies, our domestic market has experienced strong rises in this first quarter. Green has also extended to the main European markets where, despite the loss of momentum in economic growth in the second half of 2024 and the threat of a trade war, the foundations for recovery remain solid. The combination of rate cuts, improved real income and a manufacturing sector with little room for worsening have reinforced investor sentiment. These fundamental factors have found a major additional catalyst in the progress made in the negotiations to end the conflict in Ukraine and in the fiscal stimulus package announced by Germany.

These developments are clearly positive for Spain. The stimulus of domestic European demand and the relaxation of an overly cautious consumer after having been hit by successive crises in recent years should boost growth prospects in the region. It is also positive for small and medium-sized companies, which could lower their (excessively high) risk premium and benefit both from greater visibility in growth and the expected improvement in financing conditions.

We continue to believe that the best times for the Spanish stock market are yet to come. We believe that the valuation anomaly we have referred to over the last two years has been the main cause of the strong start in 2025. And beyond the foreseeable increase in corporate earnings, this valuation normalisation process still has a long way to go.

At the end of the quarter we raised market coverage ratios from 40% to 60%.

In doing so, the portfolio is more immune to possible market movements and is more dependent on the most idiosyncratic characteristics of our positions.

Thank you again for placing your trust in us. Yours sincerely,

The Investment Team.

Date: 31/03/2025. Source: BESTINVER

MAIN MOVEMENTS

Additions
HOTELBEDS

Disposals
AENA

Increases
INDITEX

Reductions
–

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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