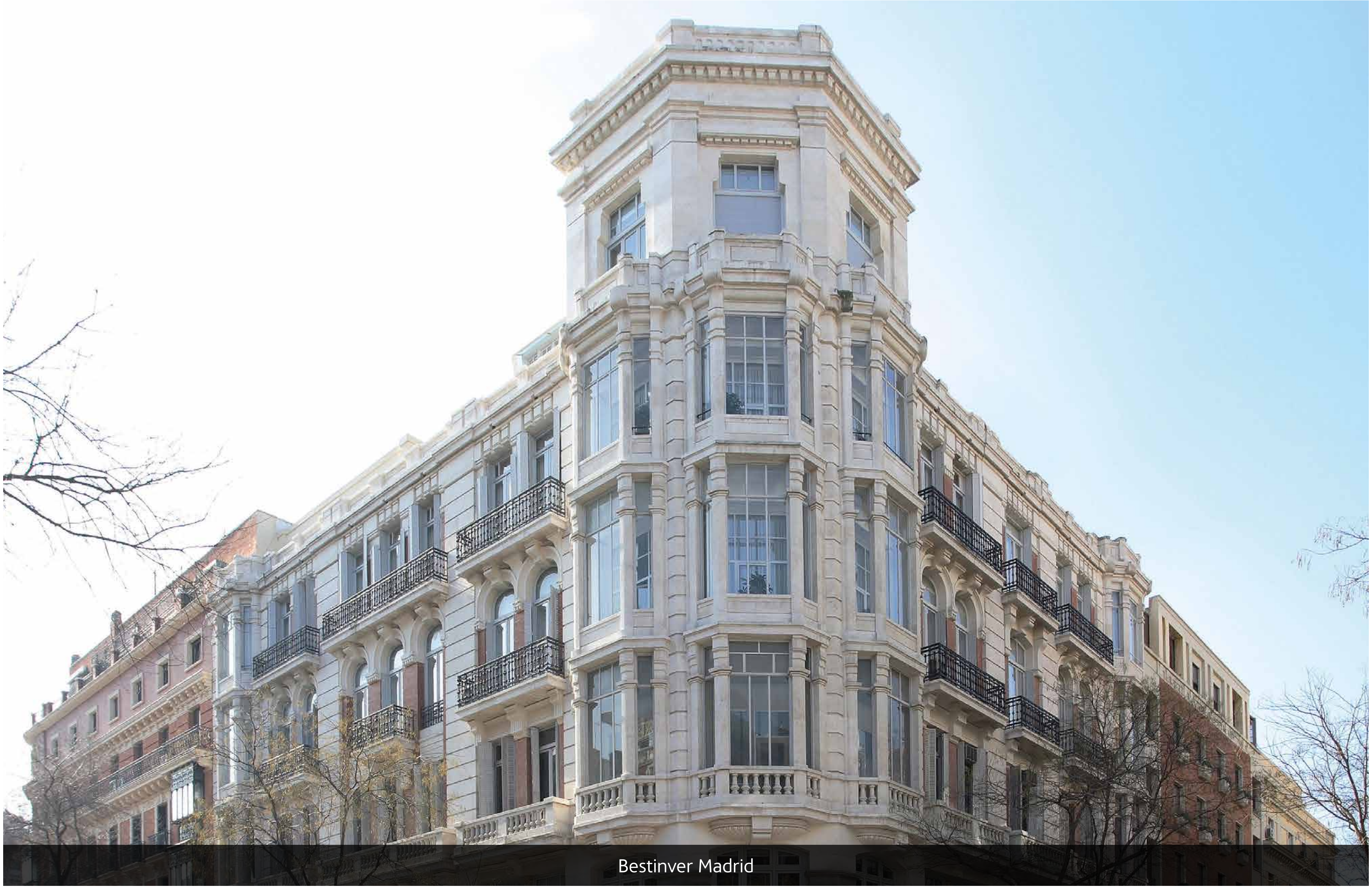
QUARTERLY LETTER

TO OUR INVESTORS

FIRST QUARTER 2022

BESTINVER
acciona



Bestinver Madrid

Dear investors,

The conflict in Ukraine and its possible consequences on the world economy were the protagonists of the quarter. Its impact has been felt on all types of assets. Equities closed the period with drops of 5% in the United States, 6.6% in Europe, 3.1% in Spain and 7.3% in emerging markets. Also, raw materials rose significantly, particularly energy and agricultural raw materials. Lastly, bonds declined in response to the expected acceleration of interest rate hikes in the current inflationary context.

Before the start of the hostilities, economic growth was recovering and we were beginning to see a decline in supply chain disruptions. The world was returning to normal. However, the Russian attack on Ukraine interrupted this trend and the reaction of the markets was understandably negative. In view of the severe drops in asset prices —or vertical rises in many raw materials— it is generally assumed that the conflict has put an end to the normalisation process. We believe that it has only slowed it down.

The context is difficult, but we must not forget that the world is already learning to co-exist with COVID-19 —which is mainly responsible for the economic imbalances in recent years—. In addition, the consequences of the war will eventually fade away, as has been the case in all conflicts in recent decades. Inflationary pressures have been exacerbated by the geopolitical environment, but we do not believe that these price levels are sustainable. Similarly, economic agents' confidence has been severely impacted. Despite everything, the underlying dynamics and inertia of the world's major economies remain strong.

Bestinver's philosophy

As explained by our managers in the comments on each fund, we believe that what happened in the first quarter of 2022 is a pause in the process of the return to normality. A pause that we must leverage.

In this situation, many investors seek new formulas to invest in times of war. In our opinion, however, there is no difference with respect to investing in times of peace. Environments change, but to generate good returns we must always do the same: understand what we are investing in and pay an adequate price for it.

That is why Bestinver's philosophy is founded on value investing based on fundamental analysis, risk management and a shared time horizon with our investors. It is to this philosophy that we dedicate this editorial.

Fundamental analysis

In order to know a company we must understand its business model, the value offered by its products, its competitive advantages, the expertise of its management team, its corporate culture, etc. The idea is to ascertain why a company will be profitable in the future and its capacity to address crises. At Bestinver, we obtain that knowledge using fundamental analysis. Studying it makes us think like entrepreneurs and focuses our attention on the causes that determine the long-term value of a business.

This knowledge allows us to analyse reality with perspective and, at times of widespread panic, helps us keep calm and act rationally.

During the first days of the Russian attack, fear gripped the market and the share prices of many companies plummeted. At Bestinver we are not experts in geopolitics or military strategy, we are investors. We do not try to imagine the future consequences arising from international politics, but rather focus only on the relationship between the price of an asset and its value. Thus, armed with the same fundamental analysis as always, we asked ourselves the questions that have helped us to invest in all the crises we have faced: What degree of exposure do companies have to the conflict? What resources do they have to overcome it? How will the war impact future years' profits? According to our analysis, the market exaggerated its reaction in many cases.

This approach, focused on the reality of business, allowed us to find good opportunities during the past quarter. We explain some of them in the comments on the management of our funds.

Risk management

At Bestinver, risk management has a single objective: to minimise the probability of suffering an unrecoverable loss. To this end, we begin with the right selection of values. Low-indebted companies, with business models protected by competitive advantages and with good management teams, meet the necessary conditions to survive any crisis. In addition, we are careful about the price we pay for them to avoid the danger of buying too expensively. Lastly, we structure the portfolios in a balanced manner so that no individual loss is unassumable for the strategy as a whole. Therefore, our risk management is based on the characteristics of the businesses, the value of the shares and the structure of the portfolios.

When war broke out in Ukraine, the share prices of our companies fell parallel to the market. This did not lead us to think that our risk management was failing. On the contrary, given the circumstances, losses were kept under control and within the recoverable limits for each strategy.

Furthermore, by knowing that the probability of unrecoverable loss was minimal, we were able to face the falls with determination and took advantage of the opportunities that arose out of panic. Risk management, contrary to what one might think, is not a defensive pillar of our philosophy, but rather is extraordinarily offensive. It is designed to win in the long term.

The time horizon shared with our investors

All investments always need time. In accordance with the asset invested in, it can be long (equities or infrastructures) or not so long (mixed fixed-income or in short-term fixed-income). What matters is that investors and managers get the maximum return from each strategy. That is what the shared time horizon is about: being aligned with the strategy and acting accordingly with the objectives we pursue.

Every investment requires necessary maturity periods. Nearly all of them consume time before giving the expected results. In some cases, we must wait for them to recover from a circumstantial loss before becoming profitable and, in others, we must wait for the magic of compound interest to act for the capital to grow exponentially. In all cases, the essential common denominator for investing properly is always the same: patience.

We estimated the importance of the current crisis for company profits in an investment horizon of three, five or more years and the impact is minimal in all cases. The amount of value that our companies will generate in the coming years far exceeds the possible short-term losses arising from the armed conflict. The declines caused by this type of events, those arising from an economic recession or those caused by a global pandemic have always represented good investment opportunities. They have all demonstrated the importance of the long term when managing our savings. The crisis caused by the Ukraine war should not be an exception.

Value investing

Circumstantial declines are good investment opportunities because assets become cheaper while they last. They usually happen when investors become concerned about the economic environment, flee from an unfashionable sector or are wary of the long-term profitability of a business. When these doubts are not well founded, pessimism drives the price of assets below their real value and allows us to purchase them cheaper.

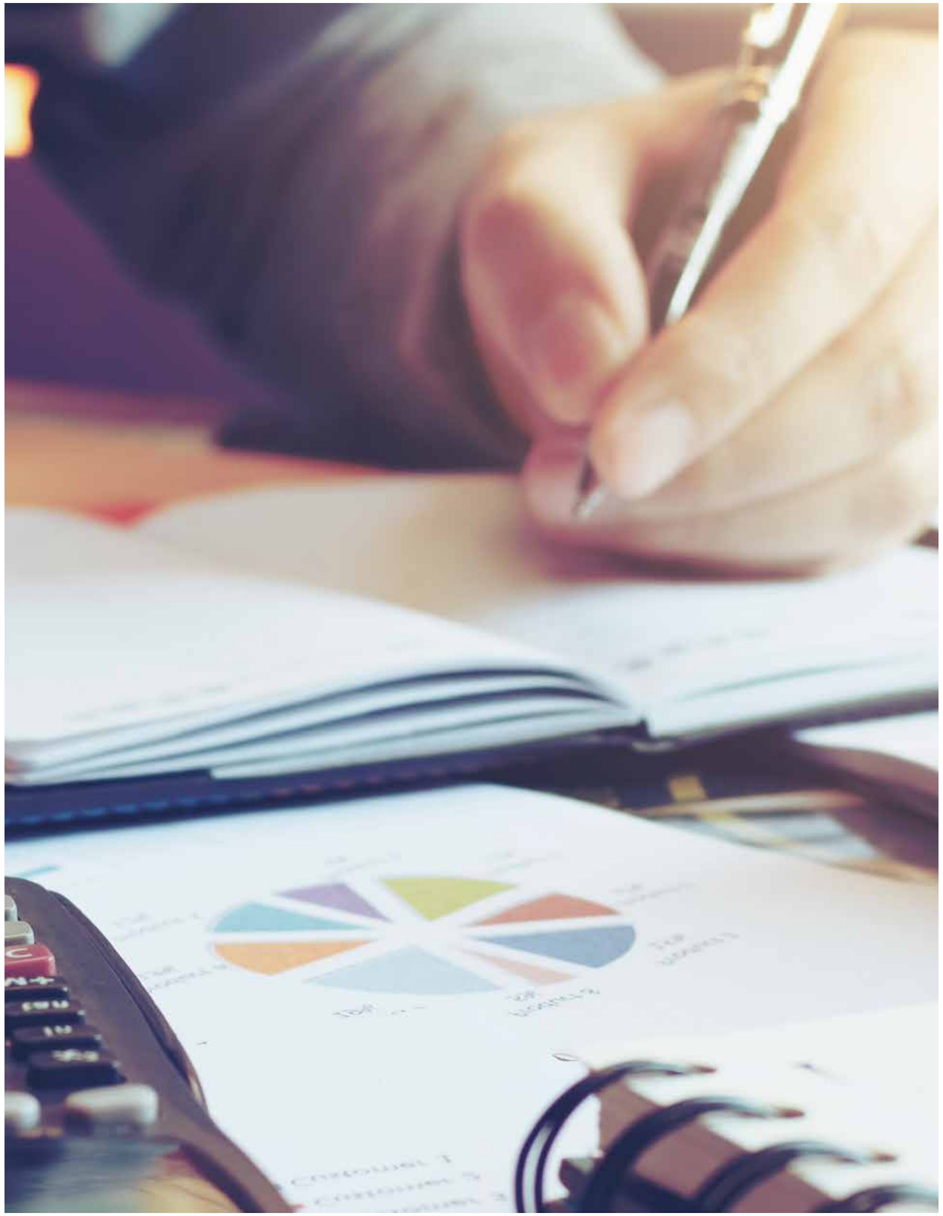
In order to purchase an asset for less than it is worth, we must contradict the market and challenge its pessimism. The conviction that this requires can only be achieved if we know the company well thanks to the fundamental analysis, if we have the security provided by adequate risk management and if we purchase it with the necessary time perspective. Value investing unites and gives consistency to the three pillars of our philosophy and is therefore at the centre of Bestinver's strategy.

The opportunity in our portfolios

As you can observe in the management comments following this editorial, Bestinver's philosophy is present in all our funds.

Such is the case of Bestinfond, Bestinver Internacional and Bestinver Bolsa. Our "flagship" funds have been taking advantage of the market's concerns to purchase good companies at excellent prices, the best possible combination to protect and grow our savings in the long term. Their portfolios are formed by companies in which our analysis has identified a substantial improvement in their generation of profit and their return and, however, are quoted at steeply discounted prices compared to their history and the market. But also by businesses that will benefit from higher interest rates. They are balanced portfolios that will generate high returns in the coming years due to the inseparable bond that exists between the price we pay and the value we receive when choosing the companies in which we invest.

Furthermore, a few months ago fundamental analysis allowed our international funds and Bestinver Grandes Compañías to purchase a good company that was perceived as mediocre by the market at extraordinary prices. As explained in its management comment, our analysis allowed us to



contradict the other investors, as it was understood to only be affected by circumstantial problems and was in the midst of a restructuring process. The result? A return higher than 80% with this investment in just over a year and a half. Such is the case of Bestinver Latam. In its comment, two investment cases that explain how fundamental analysis is used to identify opportunities in the fixed-income market are explained in detail.

Bestinver Latam is a good example of risk management. Despite the adverse climate of the region in 2020 and 2021, the fund kept its losses within the recoverable limits of the strategy. Thanks to the 18% return obtained in such a complex quarter as the current one, it recovered from most of those falls and is once again in a position to leverage the high potential offered by the region.

The long term is inherent to Bestinver, but has special relevance in Bestinver Megatendencias and in Bestinver Consumo Global. In the first case, the fund invests in three trends that will govern world development in the next decades: the improvement in the quality of life of people, the digitalisation and automation of companies and the decarbonisation of the economy. The Ukraine war has done nothing but accelerate this process. In the second case, the fund focuses on the winning companies of the 21st century. These businesses will continue to grow at very high rates over the next decades thanks to the enormous investment effort being made. When their investments mature, the true profit-generating capacity of these companies, which is currently hidden, will emerge. In both funds, the current quotation levels represent an excellent investment opportunity.

Bestinver's culture

The beginning of 2022 is proving complicated. However, the operational performance of our companies is good and their investment theses remain intact. Market declines have lowered valuations, improving the portfolio return profile. Throughout history, the best investments have always appeared, without exception, in pessimistic environments. Therefore, the current situation is the best to generate good returns in the coming years.

Bestinver's investment philosophy has been forged on the basis of experiences accumulated over more than three decades. It forms part of the corporate culture and remains therein as a guide over time. In the last 35 years, having firm principles such as those described in this editorial, forming part of a business group as solvent as Acciona and having investors aligned with our investment method has allowed us to gain a clear competitive advantage. Thanks to this advantage, we were able to transform the multiple periods of uncertainty we have experienced into good investment opportunities. The current period is no exception.

We conclude this editorial by expressing our solidarity with the Ukraine people and, as always, thank you for your trust.

Corporate Information

2022 marks our 35th anniversary. Throughout our history, we have learned that acquiring good businesses at good prices is the best formula for generating high returns in the long term and overcoming any type of crisis. The current crisis will be no exception.

In our 35 years we have experienced a multitude of declines. These are inherent to the stock markets. They are the price that must be paid to invest in equities, due to which we must accept them as normal. Not long ago, during the worst moments of 2020, Bestinfond fell 31% in one of the worst crises we can remember. Today, despite the tremendous human, social and economic impact of the COVID-19 pandemic, the losses it generated in our funds have been recovered. Thus, Bestinfond has rallied 60% since its all-time lows from 18 March to the close of the first quarter of 2022. The same happened in 2016 with Brexit, in 2011 with the European periphery crisis or in 2008 with the Great Financial Crisis. Significant falls occurred in all of them that put investors to the test. But we also generated high returns in them with their recovery.

This significant role played by patience and the long term is evident on observing that 13.04% of the annual return generated by Bestinfond since 1993. This has made it possible for half of the EUR 5,500 million managed by Bestinver to be accumulated capital gains of our investors.

Yours sincerely,
the Investment Team.
[redacted]

Bestinver in figures

50,000 investors trust in us

Independence: Acciona Group

We manage EUR 6,368 million

We are endorsed by several awards in recent years

Data at 31/03/2022. Source: Bestinver

Investment funds

Bestinver Barcelona

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.

FUND MANAGERS

Tomás Pintó
Head of International Equities

Jorge Fuentes
International Equities Manager

ANNUAL RETURNS TABLE

	2022	2021	2020	2019	2018	2017
Bestinfond	**-9.14%**	**13.70%**	**-3.83%**	**20.81%**	**-13.39%**	**11.58%**
Benchmark index*	-3.06%	31.07%	6.33%	30.02%	-5.30%	18.19%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	15 years	Launch
Bestinfond	**3.33%**	**1.43%**	**7.60%**	**4.66%**	**13.04%**
Benchmark index*	15.33%	11.23%	12.02%	6.63%	10.24%

TOP POSITIONS BY SECTOR

CONSUMPTION	% OF PORTFOLIO
HELLOFRESH	3.51%
GLAXOSMITHKLINE	3.15%
BOOKING HOLDINGS	2.65%

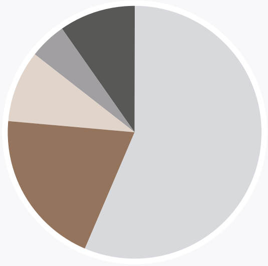
INDUSTRY	% OF PORTFOLIO
HARLEY-DAVIDSON	3.07%
STELLANTIS	2.98%
HOLCIM	2.83%

COMMUNICATION & TECHNOLOGY	% OF PORTFOLIO
SAMSUNG ELECTRONICS	3.71%
META PLATFORMS	3.32%
INFORMA	2.84%

FINANCIAL	% OF PORTFOLIO
BERKSHIRE HATHAWAY	3.56%
INTESA SANPAOLO	2.35%
MERLIN PROPERTIES	1.67%

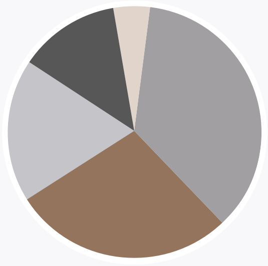
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



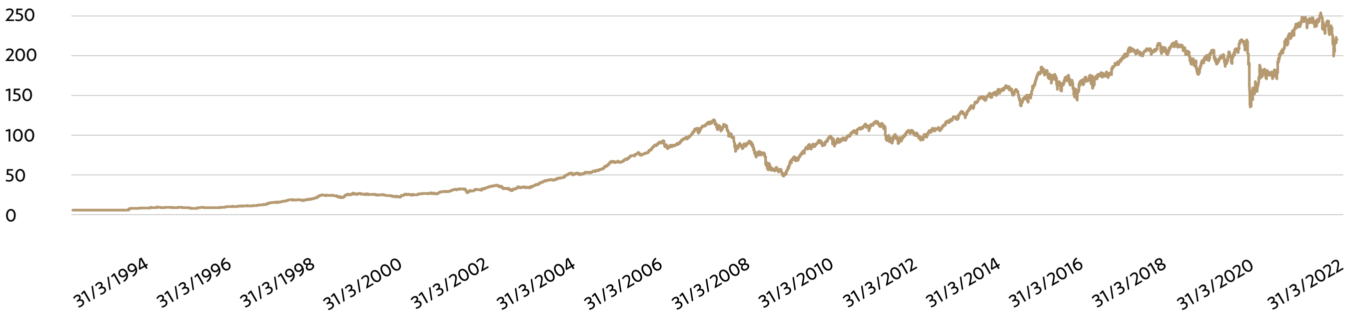
Europe	**56.7%**	Liquidity	**4.7%**
USA	**20.1%**	Rest of the World	**9.6%**
Iberia	**9.0%**		

Sectoral distribution



Industry	**37.5%**	Finance	**12.8%**
Consumer	**27.4%**	Liquidity	**4.7%**
Communication and Technology	**17.7%**		

NET ASSET VALUE TRENDS (€)



Data at close of day: 31/03/2022. Source: Bestinver. Periods longer than 1 year in annualised rate. Launch date: 13/01/1993. Since 01/01/2016, the benchmark includes net dividends.
*The index changes as of 05/09/2018 to MSCI World NR EUR. The historical performance data of the benchmark index have been calculated by reference to the performance of the index in force at the time.
The full prospectus, regular reports and KIID of the fund are available on the following websites: www.bestinver.es and www.cnmv.es

RISKS ASSOCIATED WITH THE INVESTMENT

It is an equity investment fund and as such may involve, inter alia, equity market risk, interest rate risk, currency risk, emerging markets risk, geographic or sectoral concentration risk and credit risk.
Past performance is no guarantee of future performance.

Lenin said that there are decades when nothing happens and there are weeks when decades happen. The quote is very hackneyed, we know, but coming from Lenin and in the current environment we cannot resist using it. It is true that the previous decade was not particularly calm, but what we have experienced in these last two years in general and during this quarter in particular looks like a (bad) science-fiction movie.

Our portfolio is prepared to buffer all types of vicissitudes, but it is mainly a portfolio that will benefit enormously from a reasonable return to normal. We use the word reasonable because the post-COVID-19 world is clearly not the world we were accustomed to before the outbreak of the pandemic, but it is by no means the world we currently live in. In this environment, Bestinfond closed the quarter with a return of -9.14%.

As mentioned in the editorial of this letter, we think long term, fundamentally analyse where the best market opportunities are and, with adequate risk management, invest in companies that will provide the best returns for our holders. A return that we have not been capable of offering in recent quarters, but which has not disappeared. It is hidden beneath the absolutely exceptional environment we are experiencing.

We do not live in the 1970s

And we say that we are experiencing an exceptional reality because it does not seem sustainable to us. Of course the situation is tremendously complicated, but we must not forget where we come from and, above all, where we are going. Putting some perspective on short-term noise is always interesting. In our current climate it is essential.

In this regard, it should be noted that we continue to observe a significant pent-up demand from consumers. A demand that cannot be met by the supply due to the restrictions required to control the pandemic. At the global level employment is being generated, wages are rising and business investment plans seem to endorse this constructive reality in the work environment.

Similarly, it should be noted that household balance sheets are the strongest in recent decades. Ten years ago -when we also had petrol prices of around USD 100- families were heavily indebted, there was no job creation and the wages of most workers not only did not rise, but rather fell. This renewed solvency provides a good buffer against the high inflationary pressures we are supporting and is a good backdrop in order not to be especially pessimistic about economic performance in the medium term.

The post-COVID-19 world is evidently a much less deflationary world before its appearance, but there is a huge gap between that and thinking that the near-double-digit inflations supported by Western economies are an enduring feature of the new reality. Not only that, but believing that from now on we are going to live in a stagflationary environment (absence of growth and high inflation) seems to us to confuse the economic structure of the 1970s with the current one.

But it does seem that we are not going to see negative rates again. It is even possible that countries' debt —which until recently many investors financed by paying interest instead of charging it— will be reduced. Something good must have higher inflation. Many of the analysts who until the day before yesterday were terrified by a permanent deflationary risk, are the same who now seem to be horrified at the risk of permanently high inflation. Aurea mediocritas!

Returning to the much talked-about stagflationary regime, Seth Klarman recently said that inflation has a clear psychological component. Therefore, it would be possible for a (unexpected) prolonged period of very high inflation to trigger a kind of self-fulfilling prophecy and end up cementing a regime of high and rising prices in the economy. To this end, a very significant change in inflation expectations would of course be required; but not only that, also the appearance of the famous "wage-price spiral" that occurred in the 1970s. We do not believe that the current economic structure promotes these dynamics.

In the 1970s, a 10% unemployment rate co-existed with a 10% wage increase. The 5% wage increases we see today are consistent with an unemployment of less than 4% and with an actual GDP growth of nearly 4%. The economy of the 1970s not only suffered shocks in raw material prices (like now), 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 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. In other words, if growth continues to be robust, the very high inflation we are enduring would take longer to correct (even if it ended up doing so). But if the economy slows down sharply, the ghost of inflation that has been haunting us of late will disappear just as quickly as it appeared a few months ago.

Where do we come from and where are we going?

It is important to focus on inflation for a few moments and study the dynamics that have led us to where we are today. It is quite clear that we can buy fewer things now with the euros we have in our pocket than before. Why is this happening? It is happening because the value of the things we want has increased with respect to our euros and/or also because the value of our euros has decreased with respect to what we want. It is difficult to determine who is more "guilty" of the dynamics we are describing, but what we can do is, on the one hand, analyse "the things we want" and, on the other, the "euros we have", and study the factors that affect them individually. This analysis is going to help us understand what has happened and, above all, what could happen from now on.

As regards the "things we want" (the goods or services we consume), inflation occurs because demand increases or, naturally, because supply decreases. Or worse, because both phenomena occur at the same time, which is exactly what has happened in recent years. Indeed, during the pandemic the demand for things has skyrocketed. This is the first recession that has not massively destroyed employment thanks to the tax policies implemented around the world. By way of example, such is the case of families in the USA, which have emerged from the crisis with much more money in the bank than before the crisis. The cause? The cheques initially sent by the Trump administration and subsequently by the Biden administration.

This tax stimulus has led to extremely vigorous consumption of late. More specifically, the consumption of goods (a computer, a washing machine, a car, etc.), which has completely displaced the consumption of services (a trip, a dinner, a concert, etc.), rendered impossible for many quarters due to the lockdowns. By definition, spending on goods is much more intensive in raw materials (steel, chips, energy, etc.) than spending on services, although nobody comments on this reality. In any case, as COVID-19 becomes diluted and tax policies become less expansive —or become contractive (for example, with tax rises)— the waters will return to their course. Not only in absolute terms (less consumption of things in general), but rather in relative terms (less consumption of goods compared to services). This trend we describe implies an undoubtedly "disinflationary" stimulus that we will begin to perceive in the not too distant future, no matter how hard it is to imagine today.

And what has happened on the supply side? Well, the supply of "things we want" has been unable to keep up with the demand, as we all know by now. The shutdown of factories around the world due to the lockdown policies has led us to experience a brutal shortage of all types of goods. All exacerbated by the development in recent decades of an inventory management strategy and a relocation of global production which has gone up in smoke because of the pandemic. Forever? No, by no means; although it is evident that the new reality will change the way in which we were accustomed to obtain supplies until recently.

In any case, what is important is to remember that the end of the restrictions of these last two years will mean that the supply will increase substantially (there are no companies that do not want to sell their products), supply chains will reposition themselves and the brutal shortage we are experiencing will be a bad memory from the past. It is taking longer than expected and the war is an undoubted delay in this normalisation, but the direction is, unequivocally, the right one.

And what about the other part of the equation, that of the "euros we have"? It is very similar: there is inflation when the supply of money increases or when the demand for preserving it (not spending it) decreases. What happened during the pandemic? At first, the demand for money was brutal (nobody spent a cent) and supply multiplied exponentially, with central banks injecting unprecedented liquidity and countries increasing their liabilities like never before. But shortly afterwards —especially since the arrival of the vaccines— that demand fell significantly. People began to spend freely without reducing the supply of money. On the contrary. As was to be expected, these ultra-expansive monetary policies have ended up causing very high inflation.

And what is going to happen from now on? It is not clear that the demand for preserving money will soar, although judging from the headlines we read on our phones every day and the pessimism in the air, we cannot rule out that this will happen. A potentially higher demand for not spending it would coincide —and this is certain— with a very sharp drop in the supply of money, since central banks are going to raise interest rates in a reasonably aggressive way in forthcoming quarters. Therefore, it seems evident that the excess liquidity we have had up until now is in sharp decline.

We conclude with our analysis. We have a scenario in which the demand for goods and services will slow down (higher demand for the former than for the latter), while their supply will increase substantially. Falling demand and rising supply, on paper, should be deflationary. And in terms of money? Three-quarters of the same: demand will rise and its supply is falling. The new monetary reality we are facing does not seem especially inflationary. Therefore, although the war has exacerbated the inflationary pressures we are suffering, undoubtedly what it has mainly done is delay an adjustment that was already taking place. An adjustment that will become much more visible as the quarters pass and the dynamics we have just described settle down. It is important to know where we come from, but it is much more important to know where we are going.

Optimistic and (a bit) stubborn

We tend to assess risk based on how we feel, not on what we think, but in the investment world many times we must stop and reflect. We do not want to seem naïve in our analysis. We are aware that we are living in difficult times, but being good managers means maintaining sufficient confidence to firmly believe in the investment theses we have developed. This does not mean not being sufficiently humble to continue learning and/or modifying our beliefs when the evidence changes.

Actively seeking different viewpoints other than ours is our daily fare. But, as mentioned earlier, being flexible does not mean that we should not be a bit stubborn when we are convinced of our approach. And stubborn does not mean obsessive. By doubling the dose of effort made in an investment thesis we do not obtain double returns. Much more can be obtained. Or also much less. Investing is like cooking: adding more ingredients will not make a dish tastier.

For some time now, not only is this longed-for return to normal not discounted from the price of many of our actions, but also a sine die extension of the current environment is projected. An environment which, in our opinion, is completely distorted by the impact of an unprecedented pandemic and now also exacerbated by an armed conflict which has broken out in the worst possible moment. We must be careful when extrapolating yesterday's logic.

In this regard, call us optimists (and a bit stubborn), but we continue to firmly believe that the world is going to be much more normal than it has been in the recent past. When this happens, the hidden value of many of the companies in our portfolio will be visible and we will be able to capitalise on the return we have been denied by the environment in recent months.

Changes in the portfolio

In this quarter we were given the opportunity to continue to increase the potential return of the portfolio while improving its balance and solvency. How did we do it? Mainly by purchasing more shares of companies whose value and share price have followed diverging paths, but also by making changes that have strengthened —even more so— the resilience of our strategy to address any type of eventuality. Lastly, we invested in two companies we have had in the back room for some time now and which replace others which currently have a less attractive security margin.

We sold our position in ABB. The Swiss company has provided fabulous returns (more than 70%) since its incorporation in our portfolio nearly three years ago, despite the fact that during that period there have been times when our losses exceeded 25%. Once again, the long term has demonstrated the value offered by the powerful pairing formed by fundamental analysis (with special mention in this regard to our analyst, Colin Gibson) and patience. We also sold our positions in Convatec and Siemens Energy. The opportunity cost of waiting for the restructuring processes under way to mature is very high in the current environment. Moreover considering the share price of many of our portfolio companies, in which we believe that the opportunity of unlocking their value is more immediate.

In the automotive sector, we sold Forvia (the former Faurecia) due to a risk management policy. The company has debt on its balance sheet arising from the recent acquisition of the German company Hella and has yet to reinforce its solvency through a capital increase. BMW and Stellantis, the recipients of the funds we obtained from the sale, have very large cash positions.

Nothing has changed in our sectoral thesis: we still believe that the earnings trajectory and cash generation will be much better than in recent years and the valuation multiple at which our companies are listed does not discount the structural improvement in its return or its greater solvency. Until this scenario is visible, our automobile manufacturers offer us greater returns (via dividends and repurchase of treasury shares) than the current high inflation rates.

We did something similar in the home food delivery sector. We sold JustEat to strengthen our investment in HelloFresh.

We still believe that the value of JustEat's assets is much higher than its stock market value, but we see a huge opportunity in the German company. It is a business that, despite its youth, generates huge amounts of cash, has a bomb-proof balance sheet (it has net cash) and is repurchasing treasury shares taking advantage of the discount on their valuation. A few months ago we believed that HelloFresh was going to provide double-digit returns for many years. At current prices, we still think the same, but we believe that the possibility of doubling our investment in a short period of time has increased significantly.

We have reduced our weighting in companies that have performed well in recent months. We are referring to names such as GSK or Berkshire Hathaway, inter alia. Buffett's company continues to record stellar performance. In this case, its operational performance coincides with its stock market revaluation, due to which it seems sensible to us to generate some cash and redirect our resources to companies in which these dynamics are not well reflected. It continues to be an anchor in our portfolio and one of Bestinfond's largest positions. It continues to offer us spectacular stability and optionality.

On the contrary, we increased our portfolio weighting in names such as Inditex, BP, Samsung and Booking, all companies you already know from the comments made in these letters in the past and in which we see a truly attractive opportunity for this and subsequent years.

We also purchased more shares of Meta Platforms (Facebook). The case of the American company deserves special attention. On 2 February, after publishing its 2021 fourth quarter results, its shares fell by 25%. What happened? First, it pointed to a certain cooling in the advertising budget of some of its advertisers which, due to tensions in their supply chains, are short on end products available for sale. Second, the company surprisingly estimated an adverse impact of USD 10,000 million in expected sales in 2022 (which, according to the consensus of the analysts, amounted to around USD 130,000 million) due to a change in the privacy policy imposed by Apple in the use of its applications. Not only that: the number of users did not grow in the quarter and its margins did not expand due to the heavy investment it continues to make to build its own server network and develop the Metaverse, the future form of interaction in the digital world in which the company sees a great opportunity for the future.

We do not like to think that the market is irrational. Some of these points we describe are not objectively good news. However, we do believe that it is somewhat myopic and that it is not properly understanding its real long-term implications. First, supply chains will end up balancing themselves out and advertisers will increase their advertising budgets when they re-establish their inventories. Second, Facebook has a R&D budget of USD 25,000 million and the necessary human capital to address the changes imposed by Apple. Their competitors do not have as many resources and, after having spoken extensively with many global players that operate in the digital advertising market, it cannot be ruled out that their long-term competitive position will be reinforced thanks to this short-term problem. Third, with nearly three billion users, the key is not in their growth, but rather in the capacity to monetise them in the future. Four, investments in a proprietary server network allow it not to depend on the cloud oligopoly being built by giants such as Amazon, Microsoft and Google. And as regards the Metaverse, Facebook's leadership at this time may give it a competitive advantage on this new advertising platform, which is capable of offering high value to advertisers in the future.

Furthermore, it is vital to remember that Facebook's business is still going strong. It has doubled its operating profit in the last three years, has net cash and continues to be led by its founder, Mark Zuckerberg, one of the best entrepreneurs and executives of the century despite being only 37 years old. Its operating margins exceed 40%, a good example of its astounding profitability, and has begun to repurchase shares taking advantage of the value they offer. All without forgetting the huge potential offered by the monetisation of WhatsApp, social trade on Instagram or the Metaverse itself which, as we explained in a post on our blog, could double its operating profit in the coming years.

Despite being one of the most profitable businesses we have ever analysed, it is listed with a PER of 14x the earnings we estimate for 2023 and of 12x for 2024. Numbers that include huge investments which not only do not currently generate results, but rather record losses and undermine the real profit that could be produced by the company if it was not thinking in the long term. A long term in which it is going to generate more value for its users, its customers and, of course, its shareholders. As you can see, spectacular valuations —more typical of an earthenware jug maker than of one of the best businesses in history— that we have leveraged to increase our position.

Lastly, as mentioned earlier, we have incorporated two new companies in our portfolio. One of them is an old acquaintance of this investment team: Sodexo. We are not going to explain the investment thesis of this family-owned business impacted by COVID-19 (it offers catering services to companies, universities and hospitals which have been closed for much longer than expected); however, we believe that, at current prices, it represents a magnificent opportunity to invest in a very profitable business, whose scale represents a very powerful competitive advantage that provides near-double-digit returns despite its purely defensive nature.

A necessary and sufficient condition

The main material from which good future returns are made is low share value. This happens when a company is not in vogue and investors are not interested because the recent past was unfavourable. Worse results than expected, an economic climate detrimental to the business, a change in the management team, etc., are some of the reasons why investors lose their patience and sell their shares in the belief that the future will always continue to be adverse. It is precisely in this environment in which the foundations of a bull market are laid. However, although low value is the necessary condition for obtaining good future returns, it is not sufficient for said returns to crystallise. That unfavourable environment that was detrimental to them needs to change. Patience is an essential requirement until that time comes.

The Bestinfond portfolio fulfils the first condition. We are owners of companies that are much more solvent than the indices, whose results will grow above average in the coming years and which are quoted at much more attractive valuations than the market. The foundations for obtaining good future returns are laid. Now, all that remains is for the negative dynamics that have affected many of them to change. The latest variants of the pandemic and the war have delayed a normalisation of the conditions we are sure will occur. At that moment in time, the quality of the businesses and the value of the Bestinfond portfolio companies will become visible and the market will offer us the return that we have not been capable of producing in the last quarters.

We take this opportunity to thank you once again for your trust.

Yours sincerely,
the Investment Team.

Date: 31/03/2022. Source: Bestinver

PORTFOLIO MOVEMENTS

Additions

SODEXO

Withdrawals

FAURECIA
VIA VAREJO
JUST EAT TAKEAWAY.COM
CONVATEC GROUP
SIEMENS ENERGY
ABB

Increases

BOOKING
BAYERISCHE MOTOREN WERKE
STELLANTIS
HELLOFRESH
META PLATFORMS
SAMSUNG
BP

Reductions

GLAXOSMITHKLINE
BERKSHIRE HATHAWAY
SAFRAN

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.

FUND MANAGERS

Tomás Pintó

Head of International Equities

Jorge Fuentes

International Equities Manager

ANNUAL RETURNS TABLE

	2022	2021	2020	2019	2018	2017
Bestinver Internacional	**-9.38 %**	**14.17%**	**-1.38%**	**23.34%**	**-14.15%**	**11.74%**
Benchmark index*	-3.06 %	31.07%	6.33%	30.02%	-3.67%	7.38%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	15 years	Launch
Bestinver Internacional	**4.71%**	**2.23%**	**8.13%**	**5.58%**	**8.93%**
Benchmark index*	15.33%	11.62%	12.08%	6.87%	5.48%

TOP POSITIONS BY SECTOR

CONSUMPTION	% OF PORTFOLIO
HELLOFRESH	3.88%
GLAXOSMITHKLINE	3.48%
BOOKING HOLDINGS	2.93%

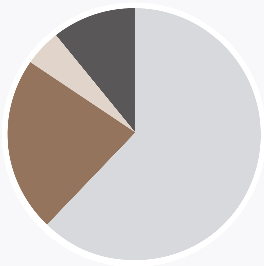
INDUSTRY	% OF PORTFOLIO
HARLEY DAVIDSON	3.41%
STELLANTIS	3.29%
HOLCIM	3.13%

COMMUNICATION & TECHNOLOGY	% OF PORTFOLIO
SAMSUNG ELECTRONICS	4.11%
META PLATFORMS	3.69%
INFORMA	3.17%

FINANCIAL	% OF PORTFOLIO
BERKSHIRE HATHAWAY	3.95%
INTESA SANPAOLO	2.61%
NORDEA BANK	1.63%

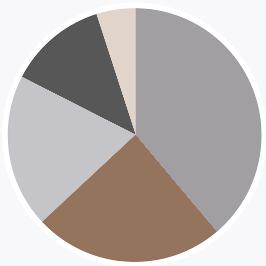
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



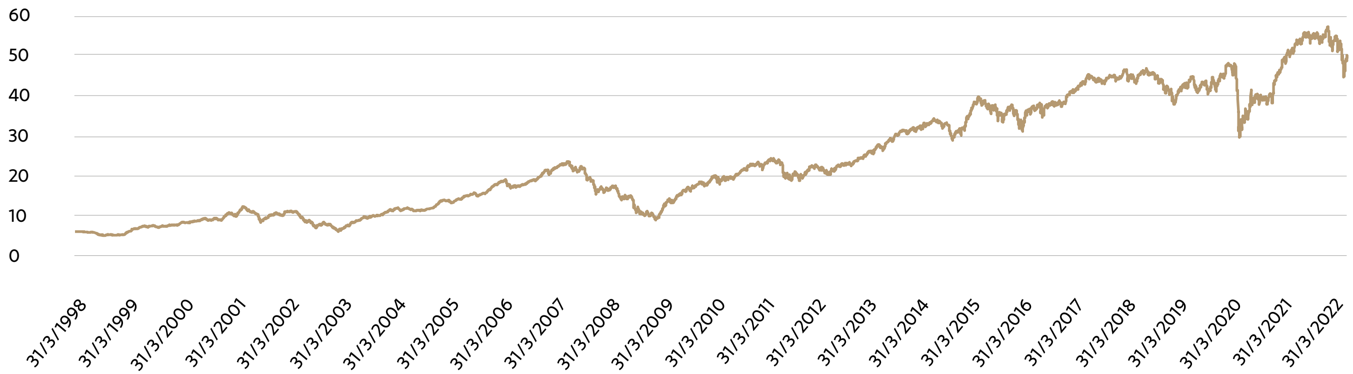
Europe	**62.4%**	Liquidity	**4.7%**
USA	**22.3%**	Rest of the World	**10.6%**

Sectoral distribution



Industry	**39.0%**	Finance	**12.4%**
Consumer	**24.0%**	Liquidity	**4.7%**
Communication and Technology	**19.5%**		

NET ASSET VALUE TRENDS (€)



Data at close of day: 31/03/2022. Source: Bestinver. Periods longer than 1 year in annualised rate. Launch date: 19/11/1997. Since 01/01/2016, the benchmark includes net dividends.
*The index changes as of 05/09/2018 to MSCI World NR EUR. The historical performance data of the benchmark index have been calculated by reference to the performance of the index in force at the time.
The full prospectus, regular reports and the KIID of the fund can be found on the following websites: www.bestinver.es and www.cnmv.es

RISKS ASSOCIATED WITH THE INVESTMENT

It is an equity investment fund and as such may involve, inter alia, equity market risk, interest rate risk, currency risk, emerging markets risk, geographic or sectoral concentration risk and credit risk.
Past performance is no guarantee of future performance.

Lenin said there are decades when nothing happens and there are weeks when decades happen. The quote is very hackneyed, we know, but coming from Lenin and in the current environment we cannot resist using it. It is true that the previous decade was not particularly calm, but what we have experienced in these last two years in general and during this quarter in particular looks like a (bad) science-fiction movie.

Our portfolio is prepared to buffer all types of vicissitudes, but it is mainly a portfolio that will benefit enormously from a reasonable return to normal. We use the word "reasonable" because the post-COVID-19 world is clearly not the world we were accustomed to before the outbreak of the pandemic, but it is by no means the world we currently live in. In this environment, Bestinver Internacional closed the quarter with a return of -9.38%.

As mentioned in the editorial of this letter, we think long term, fundamentally analyse where the best market opportunities are and, with an adequate risk management, invest in companies that will provide the best returns for our holders. A return that we have not been capable of offering in recent quarters, but which has not disappeared. It is hidden beneath the absolutely exceptional environment we are experiencing.

We do not live in the 1970s

And we say that we are experiencing an exceptional reality because it does not seem sustainable to us. Of course the situation is tremendously complicated, but we must not forget where we come from and, above all, where we are going. Putting some perspective on short-term noise is always interesting. In our current climate it is essential.

In this regard, it should be noted that we continue to observe a significant pent-up demand from consumers. A demand that cannot be met by the supply due to the restrictions required to control the pandemic. At the global level employment is being generated, wages are rising and business investment plans seem to endorse this constructive reality in the work environment.

Similarly, it should be noted that household balance sheets are the strongest in recent decades. Ten years ago -when we also had petrol prices of around USD 100- families were heavily indebted, there was no job creation and the wages of most workers not only did not rise, but rather fell. This renewed solvency provides a good buffer against the high inflationary pressures we are supporting and is a good backdrop in order not to be especially pessimistic about economic performance in the medium term.

The post-COVID-19 world is evidently a much less deflationary world before its appearance, but there is a huge gap between that and thinking that the near-double-digit inflations supported by Western economies are an enduring feature of the new reality. Not only that, but believing that we from now on we are going to live in a stagflationary environment (absence of growth and high inflation) seems to us to confuse the economic structure of the 1970s with the current one.

But it does seem that we are not going to see negative rates again. It is even possible that countries' debt —which until recently many investors financed by paying interest instead of charging it— will be reduced. Something good must have higher inflation. Many of the analysts who until the day before yesterday were terrified by a permanent deflationary risk, are the same who now seem to be horrified at the risk of permanently high inflation. Aurea mediocritas!

Returning to the much talked-about the stagflationary regime, Seth Klarman recently said that inflation has a clear psychological component.

Therefore, it would be possible for a (unexpected) prolonged period of very high inflation to trigger a kind of self-fulfilling prophecy and end up cementing a regime of high and rising prices in the economy. To this end, a very significant change in inflation expectations would of course be required, but not only that, also the appearance of the famous “wage-price spiral” that occurred in the 1970s. We do not believe that the current economic structure promotes these dynamics.

In the 1970s, a 10% unemployment rate co-existed with a 10% wage increase. The 5% wage increases we see today are consistent with an unemployment of less than 4% and with an actual GDP growth of nearly 4%. The economy of the 1970s not only suffered shocks in raw material prices (like now), 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 makes it much more likely for a higher inflation to “correct itself” as demand declines, business margins decrease and unemployment increases, instead of being “self-fulfilling” and become entrenched in the system, as was the case more than 40 years ago. In other words, if growth continues to be robust, the very high inflation we are enduring would take longer to correct (even if it ended up doing so). But if the economy slows down sharply, the ghost of inflation that has been haunting us of late will disappear just as quickly as it appeared a few months ago.

Where do we come from and where are we going?

It is important to focus on inflation for a few moments and study the dynamics that have led us to where we are today. It is quite clear that we can buy fewer things now with the euros we have in our pocket than before. Why is this happening? It is happening because the value of the things we want has increased with respect to our euros and/or also because the value of our euros has decreased with respect to want we want. It is difficult to determine who is more “guilty” of the dynamics we are describing, but what we can do is, on the one hand, analyse “the things we want” and, on the other, the “euros we have” and study the factors that affect them individually. This analysis is going to help us to understand what has happened and, above all, what could happen from now on.

As regards the “things we want” (the goods or services we consume), inflation occurs because the demand increases or naturally because the supply decreases. Or worse, because both phenomena occur at the same time, which is exactly what has happened in recent years. Indeed, during the pandemic the demand for things has skyrocketed. This is the first recession that has not massively destroyed employment thanks to the tax policies implemented throughout the world. By way of example, such is the case of families in the USA, which have emerged from the crisis with much more money in the bank than before the crisis. The cause? The cheques initially sent by the Trump administration and subsequently by the Biden administration.

This tax stimulus has led to extremely vigorous consumption in the recent past. More specifically, the consumption of goods (a computer, a washing machine, a car, etc.), which has completely displaced the consumption of services (a trip, a dinner, a concert, etc.), rendered impossible for many quarters due to the lockdowns. By definition, spending on goods is much more intensive in raw materials (steel, chips, energy, etc.) than spending on services, although nobody comments on this reality. In any case, as COVID-19 becomes diluted and tax policies become less expansive —or become contractive (for example, with tax rises)— the waters will return to their course. Not only in absolute terms (less consumption of things in general), but rather in relative terms (less consumption of goods compared to services). This trend we describe implies an undoubtedly "disinflationary" stimulus that we will begin to perceive in the not too distant future, no matter how hard it is to imagine today.

And what has happened on the supply side? Well, the supply of "things we want" has been unable to keep up with the demand, as we all know by now. The shutdown of factories around the world due to the lockdown policies has led us to experience a brutal shortage of all types of goods. All exacerbated by the development in recent decades of an inventory management strategy and a relocation of global production which has gone up in smoke because of the pandemic. Forever? No, by no means; although it is evident that the new reality will change the way in which we were accustomed to obtain supplies until recently.

In any case, what is important is to remember that the end of the restrictions of these last two years will mean that the supply will increase substantially (there are no companies that do not want to sell their products), supply chains will reposition themselves and the brutal shortage we are experiencing will be a bad memory from the past. It is taking longer than expected and the war is an undoubted delay in this normalisation, but the direction is, unequivocally, the right one.

And what about the other part of the equation, that of the "euros we have"? It is very similar: there is inflation when the supply of money increases or when the demand for preserving it (not spending it) decreases. What happened during the pandemic? At first, the demand for money was brutal (nobody spent a cent) and the supply multiplied exponentially, with central banks injecting unprecedented liquidity and countries increasing their liabilities like never before. But shortly afterwards —especially since the arrival of the vaccines— that demand fell significantly. People began to spend freely without reducing the supply of money. On the contrary. As was to be expected, these ultra-expansive monetary policies have ended up causing very high inflation.

And what is going to happen from now on? It is not clear that the demand for preserving money will soar, although judging from the headlines we read on our phones every day and the pessimism in the air, we cannot rule out that this will happen. A potential higher demand due to not spending it would coincide —and this is certain— with a very sharp drop in the supply of money, since central banks are going to raise interest rates in a reasonably aggressive way in forthcoming quarters. Therefore, it seems evident that the excess liquidity we have had up until now is in sharp decline.

We conclude with our analysis. We have a scenario in which the demand for goods and services will slow down (higher demand for the former than for the latter), while their supply will increase substantially. Falling demand and rising supply, on paper, should be deflationary. And in terms of money? Three-quarters of the same: demand will rise and supply is falling. We do not consider the new monetary reality we are facing especially inflationary either. Therefore, although the war has exacerbated the inflationary pressures we are suffering, undoubtedly what it has mainly done is delay an adjustment that was already taking place. An adjustment that will be much more visible as the quarters pass and the dynamics we have just described settle down. It is important to know where we come from, but it is much more important to know where we are going.

Optimistic and (a bit) stubborn

We tend to assess risk based on how we feel, not on what we think, but in the investment world many times we must stop and reflect. We do not want to seem naïve in our analysis. We are aware that we are living in difficult times, but being good managers means maintaining sufficient confidence to firmly believe in the investment theses on which we have worked. This does not mean not being sufficiently humble to continue learning and/or modifying our beliefs when the evidence changes.

Actively seeking different viewpoints other than ours is our daily fare. But, as mentioned earlier, being flexible does not mean that we should not be a bit stubborn when we have conviction in our approach. And stubborn does not mean obsessive. By doubling the dose of effort made in an investment thesis we do not obtain double returns. Much more can be obtained. Or also much less. Investing is like cooking: adding more ingredients will not make a dish tastier.

For some time now, not only is this longed-for return to normal not discounted from the price of many of our actions, but also a sine die extension of the current environment is projected. An environment which, in our opinion, is completely distorted by the impact of an unprecedented pandemic and now also exacerbated by an armed conflict which has broken out in the worst possible moment. We must be careful when extrapolating yesterday's logic.

In this regard, call us optimists (and a bit stubborn), but we continue to firmly believe that the world is going to be much more normal within a reasonable time period than it has been of late. When this happens, the hidden value of many of our portfolio companies will become visible and we can capitalise on the return we have been denied by the environment in recent months.

Changes in the portfolio

In this quarter we were given the opportunity to continue to increase the potential return of the portfolio while improving its balance and solvency. How did we do it? Mainly by purchasing more shares of companies whose value and share price have followed diverging paths, but also by making changes that have strengthened —even more so— the resilience of our strategy to address any type of eventuality. Lastly, we invested in two companies we have had in the back room for some time now and which replace others which currently have a less attractive security margin.

We sold our position in ABB. The Swiss company has provided fabulous returns (more than 70%) since its incorporation in our portfolio nearly three years ago, despite the fact that during that period there have been times when our losses exceeded 25%. The long term has demonstrated, once again, the value offered by the powerful pairing formed by fundamental analysis (with special mention in this regard to our analyst, Colin Gibson) and patience. We also sold our positions in Convatec and Siemens Energy. The opportunity cost of waiting for the restructuring processes under way to mature is very high in the current environment. Moreover considering the share price of many of our portfolio companies, in which we believe that the opportunity of unlocking their value is more immediate.

In the automotive sector, we sold Forvia (the former Faurecia) due to a risk management policy. The company has debt on its balance sheet arising from the recent acquisition of the German company Hella and has yet to reinforce its solvency through a capital increase. BMW and Stellantis, the recipients of the funds we obtained from the sale, have very large cash positions. Nothing has changed in our sectoral thesis: we still believe that the earnings trajectory and cash generation will be much better than in recent years and the valuation multiple at which our companies are listed does not discount the structural improvement in its return or its greater solvency. Until this scenario is visible, our automobile manufacturers offer us greater returns (via dividends and repurchase of treasury shares) than the current high inflation rates.

We did something similar in the home food delivery sector. We sold JustEat to strengthen our investment in HelloFresh.

We still believe that the value of JustEat's assets is much higher than their stock market value, but we see a huge opportunity in the German company. It is a business that, despite its youth, generates huge amounts of cash, has a bomb-proof balance sheet (it has net cash) and is repurchasing treasury shares taking advantage of the discount on their valuation. A few months ago we believed that HelloFresh was going to provide double-digit returns for many years. At current prices, we still think the same, but we believe that the possibility of doubling our investment in a short period of time has increased significantly.

We have reduced our weighting in companies that have performed well in recent months. We are referring to names such as GSK or Berkshire Hathaway, inter alia. Buffett's company continues to record stellar performance. In this case, its operating performance coincides with its stock market revaluation, due to which it seems sensible to us to generate some cash and redirect our resources to companies in which these dynamics are not well reflected. It remains an anchor in our portfolio and one of Bestinver Internacional's largest positions. It continues to offer us spectacular stability and optionality.

On the contrary, we increased our portfolio weighting in names such as BP, Samsung and Booking, all companies you already know from the comments made in these letters in the past and in which we see a truly attractive opportunity for this and subsequent years.

We also purchased more shares of Meta Platforms (Facebook). The case of the American company deserves special attention. On 2 February, after publishing its 2021 fourth quarter results, its shares fell by 25%. What happened? First, it pointed out a certain cooling in the advertising budget of some of its advertisers which, due to tensions in their supply chains, are short on end products available for sale. Second, the company surprisingly estimated an adverse impact of USD 10,000 million in its expected sales for 2022 (which, according to the consensus of the analysts, amounted to around USD 130,000 million) due to a change in the privacy policy imposed by Apple in the use of its applications. Not only that: the number of users did not grow in the quarter and its margins did not expand due to the heavy investment it continues to make to build its own server network and develop the Metaverse, the future form of interaction in the digital world in which the company sees a great opportunity for the future.

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Lastly, as mentioned earlier, we have incorporated two new companies in our portfolio. One of them is an old acquaintance of this investment team: Sodexo. In this letter we are not going to explain the investment thesis of this family-owned business impacted by COVID-19 (it offers catering services to companies, universities and hospitals which have been closed for much longer than expected); however, we believe that, at current prices, it represents a magnificent opportunity to invest in a very profitable business, whose scale is a very powerful competitive advantage that provides near-double-digit returns despite its purely defensive nature.

A necessary and sufficient condition

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Yours sincerely,
the Investment Team.

Date: 31/03/2022. Source: Bestinver

PORTFOLIO MOVEMENTS

Additions

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Withdrawals

FAURECIA
VIA VAREJO
JUST EAT TAKEAWAY.COM
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ABB

Increases

BOOKING
BAYERISCHE MOTOREN WERKE
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HELLOFRESH
META PLATFORMS
SAMSUNG
BP

Reductions

GLAXOSMITHKLINE
BERKSHIRE HATHAWAY
SAFRAN

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.

FUND MANAGERS

Ricardo Seixas
Head of Iberian Equities

Javier Ortiz de Artiñano
Analyst Iberian Equities

León Izuzquiza
Analyst Iberian Equities

Gabriel Megías
Analyst Iberian Equities

ANNUAL RETURNS TABLE

	2022	2021	2020	2019	2018	2017
Bestinver Bolsa	**-2.98%**	**16.97%**	**-14.01%**	**10.51%**	**-8.66%**	**10.36%**
Index (80% IGBM / 20% PSI)	-0.20%	10.08%	-5.20%	16.40%	-10.46%	13.12%

ANNUALISED RETURNS TABLE

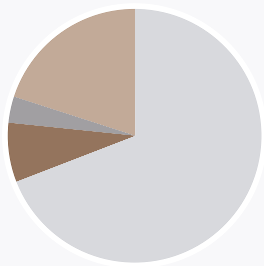
	3 years	5 years	10 years	15 years	Launch
Bestinver Bolsa	**0.86%**	**0.33%**	**6.23%**	**2.19%**	**9.21%**
Index (80% IGBM / 20% PSI)	3.48%	2.02%	4.04%	-1.69%	3.05%

TOP POSITIONS

	% OF PORTFOLIO
BANCO SANTANDER	6.45%
REPSOL	5.60%
BANKINTER	5.37%
GALP SGPS	5.09%
AMADEUS IT GROUP	4.82%

DISTRIBUTION OF THE PORTFOLIO

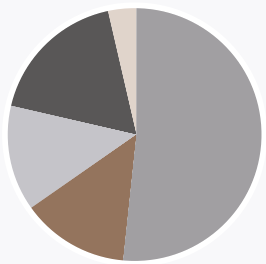
Geographical distribution



Spain **69.2%** Liquidity **3.0%**

Europe **7.5%** Portugal **19.9%**

Sectoral distribution

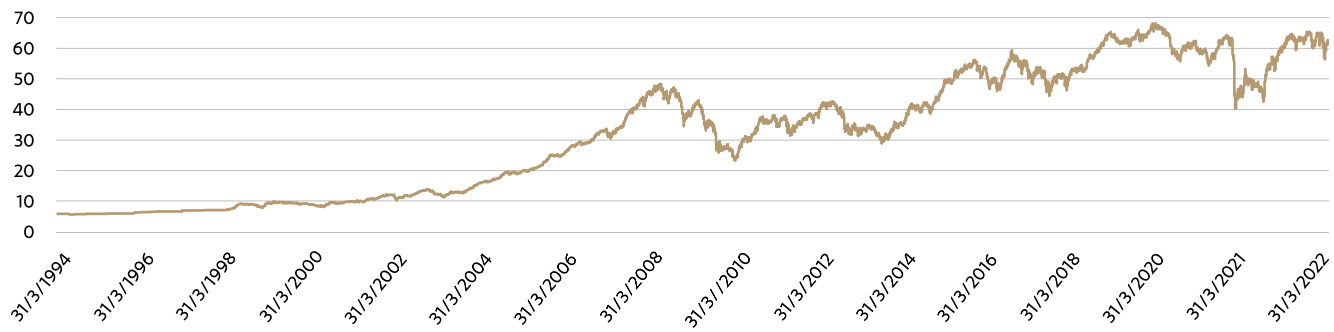


Industry **52.0%** Finance **18.0%**

Consumer **13.7%** Liquidity **3.4%**

Communication and Technology **13.3%**

NET ASSET VALUE TRENDS (€)



Data at close of day: 31/03/2022. Source: Bestinver. Periods longer than 1 year in annualised rate. Launch date: 28/06/1994. Since 01/01/2016, the benchmark includes net dividends.
The full prospectus, regular reports and the KIID of the fund can be found on the following websites: www.bestinver.es and www.cnmv.es

RISKS ASSOCIATED WITH THE INVESTMENT

It is an equity investment fund and as such may involve, inter alia, equity market risk, interest rate risk, currency risk, as well as geographic or sectoral concentration and credit risk.
Past performance is no guarantee of future performance.

The Spanish market has coped with the outbreak of the Ukraine war better than the other European indices. Although it lost up to 12% at the worst moment of the crisis, the Ibex35 closed the quarter with a loss of 3.07%. During the same period, Bestinver Bolsa obtained a negative return of 2.98%.

Since the summer of 2021 we have pointed out that the market was entering a more complex environment. We have explained that inflation and the imminent adjustments in the monetary policy could generate a sudden spike in volatility for which we must be prepared. Furthermore, the strong rise in corporate earnings and the attractive valuation of cyclical companies seemed enough to offset the uncertainty. That is why, since then, we maintained a high level of investment and a cyclical bias in the portfolio.

The outbreak of the Ukraine war significantly altered the environment, reducing growth estimates and increasing inflationary pressures. This mixture of lower growth and higher inflation has even further complicated the position of the central banks and has increased doubts about its monetary policies. In such binary environments as the current one, it is difficult to anticipate the course of the events and accurately measure their economic impact. However, as investors we must learn to live with a high level of uncertainty and to make decisions in difficult times.

In order to live with uncertainty we must keep a cool head. In this way, we can act with determination to take advantage of the opportunities that appear when markets move violently. This is exactly what we did in the first quarter of 2022. The local and first-hand knowledge we have of Iberian companies has allowed us to act methodically and logically in a generalised climate of fear.

During the first moments of the quarter we contextualised the macroeconomic situation with companies' operating environment, we have refined our profit estimates and have looked for inconsistencies between the price of the shares and the value of the companies. This allowed us to find excellent investment opportunities in the current environment. The main changes in the portfolio are detailed below.

Changes in the portfolio

We reduced our exposure to the industrial sector. Since 2020 we have maintained a positive attitude in industrial companies. Despite the procurement problems being experienced by supply chains and the high cost inflation due to the rising energy and raw material prices, the final demand seemed sufficiently strong to justify our positioning. Thanks to the strength of the demand, companies were capable of transferring the rises in costs to the selling prices of their products and, as a result, margins remained healthily high. It was to be expected that, once the imbalances caused by Covid in supply chains, cost pressures would abate and companies' margins could rise even more.

However, the Ukraine war and its consequences raise questions about our expectations of normalisation, expected by the second half of 2022. In our opinion, considering long-term investments does not imply stubbornness. If the events change, our expectations must adapt accordingly. This flexibility is key to investing in a market such as the Iberian market. To this end, we reduced the weighting in Acerinox and CIE

Automotive. In the first case, we perceived a relaxation in final demand and higher operating costs for the company. In the second case, the decline in automobile production levels will affect the company's cash generation.

We increased the weighting of banks. Despite the current market uncertainty, there are several reasons that make us think that the banking sector could perform well in the coming years. Its levels of capital are strong, the regulatory risk is contained, its measurements are extremely depressed and its remuneration —via dividends and repurchases— is attractive and lasting over time. In this regard, the European regulator has ruled out any limitation in dividends in response to the crisis in Ukraine. Its main risk is a specific economic cooling that will lower the demand for loans and increase the NPL ratio. But, even if this were the case, we believe that its impact on income statements would be offset by the rises in rates. With these premises, we have increased the weighting of Banco Santander and increased exposure in domestic banking through Caixabank and Unicaja, due to its sensitivity to rises in rates.

We also increased the weighting of the oil sector. In the last eight years, the sector has invested little in new capacity and, at the same time, the demand for energy has continued to rise. For these reasons, it seems likely that crude oil prices will remain above the levels at which they were quoted in the last decade. Despite the progress made in energy transition plans, fossil fuels continue to be essential for the functioning of the world and will continue to be in the coming years.

In the first quarter we increased our ownership interest in Galp. The company has a very healthy balance sheet in order to undertake its investments and withstand an eventual economic downturn. In addition, one of the remuneration policies is being carried out via the most generous dividends and share buybacks in its history. Our outlook on the price of crude oil, added to the attractive valuation at which it is quoted, justifies that it is one of the main positions of the fund.

Lastly, we also increased the weighting of companies with a more defensive profile. This segment has been underperforming since November 2021. For this reason, it is quoted at very favourable valuation levels. With these we also increased the resistance of the portfolio in the current climate of uncertainty. During the quarter, we initiated a position in Iberdrola and increased the weighting in Cellnex. Furthermore, we made profit on Rovi and Jeronimo Martins, given their good performance and more adjusted valuation levels.

The current environment is uncertain. The increase in the price of raw materials, inflationary pressures and the Ukraine war have affected investor sentiment. However, although the market likes to see everything white or black, our experience shows that what matters is nearly always in the greys. Ruling out a recession in the next quarters based on a level of growth as strong as before the war seems extremely premature to us. There is scope for the economy to absorb a certain slowdown without threatening the positive underlying strength of the markets. Therefore, despite the uncertainty, the fund's level of investment remained stable.

In the 30 years that we have been managing Iberian equities, we have faced very different situations and have experienced exceptional circumstances. The war being raged in Ukraine is one example. Unfortunately, it will not be the last. However, our duty as professional managers is to protect and increase the wealth you entrust us with in any scenario that may arise. You have entrusted us with the constant measurement of the evolution of the businesses, the context in which they operate and their valuation. In this way, we understand our fiduciary obligation to you in two mandates: control the risks assumed to protect your capital and make it grow taking advantage of investment opportunities when they arise. This is exactly what we are doing.

We take this opportunity to thank you once again for your trust.

Yours sincerely,
the Investment Team.

Date: 31/03/2022. Source: Bestinver

PORTFOLIO MOVEMENTS

Additions

IBERDROLA

Withdrawals

JERONIMO MARTINS

Increases

GALP
SANTANDER

Reductions

ACERINOX,
CIE AUTOMOTIVE

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 sound 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.

FUND MANAGERS

Tomás Pintó

Head of International Equities

Carlos Arenillas

Industry Analyst Large Companies Co-manager

Jorge Fuentes

International Equities Manager

ANNUAL RETURNS TABLE

	2022	2021	2020	2019	2018	2017
Bestinver Grandes Compañías	**-12.31 %**	**19.52%**	**12.66%**	**23.37%**	**-9.20%**	**10.85%**
Benchmark index*	-3.06 %	31.07%	6.33%	30.02%	-6.01%	17.82%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	Launch
Bestinver Grandes Compañías	**10.29%**	**6.68%**	**9.23%**	**9.49%**
Benchmark index*	15.33%	11.07%	11.63%	12.10%

TOP POSITIONS BY SECTOR

CONSUMPTION	% OF PORTFOLIO
PRADA	3.80%
BOOKING	3.78%
LVMH	3.67%

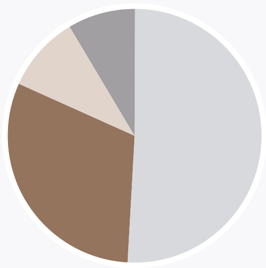
INDUSTRY	% OF PORTFOLIO
IMCD	4.06%
UNIVAR SOLUTIONS	3.71%
ATLAS COPCO AB-A SHS	2.93%

COMMUNICATION & TECHNOLOGY	% OF PORTFOLIO
WOLTERS KLUWER	4.18%
TEXAS INSTRUMENTS	4.17%
RELX PLC (GBP)	3.76%

HEALTHCARE	% OF PORTFOLIO
ROCHE HOLDING	4.62%
LABORATORIOS FARMAC. ROVI	4.07%
STRYKER	3.52%

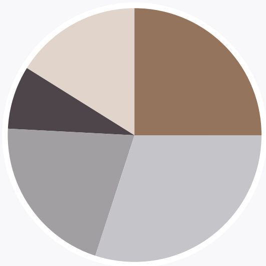
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



Europe	**51.1%**	Rest of the World	**9.8%**
USA	**30.7%**	Liquidity	**8.5%**

Sectoral distribution



Consumer	**25.0%**	Liquidity	**8.0%**
Communication and Technology	**30.0%**		
Industry	**21.0%**	Health	**16.0%**

NET ASSET VALUE TRENDS (€)

Data at close of day: 31/03/2022. Source: Bestinver. Periods longer than 1 year in annualised rate. Launch date: 16/12/2011. Since 01/01/2016, the benchmark includes net dividends.
*The index changes as of 05/09/2018 to MSCI World NR EUR. The historical performance data of the benchmark index were calculated taking as a reference that obtained by the index at any given time.
The full prospectus, regular reports and the KIID of the fund can be found on the following websites: www.bestinver.es and www.cnmv.es

RISKS ASSOCIATED WITH THE INVESTMENT

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Past performance is no guarantee of future performance.

The beginning of 2022 is proving complicated for Bestinver Grandes Compañías. We ended the first quarter with a return of -12.3%. Periods of short-term losses, such as the current one, are normal when investing in equities. Therefore, they are not representative in a long-term investment strategy such as that followed by the fund.

If we analyse the returns of Bestinver Grandes Compañías with greater perspective, we can see that it accumulates an annualised return of 10.4% in the last three years and of 9.6% since its beginnings more than a decade ago. In our opinion, the current context is difficult but does not compromise the fund's capacity to continue generating such high returns in the long term as those we have already accumulated.

Although in Bestinver we do not make macroeconomic predictions, we do not ignore the environment in which we invest. On the contrary, we study the different scenarios as they arise to determine their possible impacts on the portfolios. In recent years, we have been considering the sudden return of inflation due to the monetary policies implemented after the 2008 crisis. This consideration has been endorsed by the problems that the pandemic has caused in supply chains and, more recently, by the outbreak of war in Ukraine and the resurgence of coronavirus in China.

Bestinver Grandes Compañías invests in extraordinary companies which are quoted at reasonable valuations. Fundamental analysis allows us to identify businesses that have highly differentiated products and services. They can therefore charge the end customer the cost increases due to inflation. The price-setting capacity of our businesses is the best tool with which to protect capital from the erosion of inflation, without having to assume the high volatility inherent to raw materials. We cannot know whether the world economy is going to experience consistently high inflation but, if it does, we are ready to address it.

For the time being, most of our companies are managing to translate the cost increases to their selling prices. As usual, not all of them increase their prices at the same speed nor in the same amount. Some even opt for leveraging their strength and delay the increases to gain market share. We are well acquainted with the price-setting capacity of all of them and have no doubts about any of them. Consequently, we are ready to take advantage of the possible downgrades in their stock market prices it the market does not share our degree of conviction.

In addition to the impact that inflation may have on our companies' profit, we also need to understand how the rise in rates can influence the valuation of the shares. In general, interest rate hikes would adversely affect short-term asset prices. Additionally, after two decades without experiencing structural increases in rates, we cannot rule out that the new monetary system may give rise to a period of market uncertainty. However, in the medium and long term we believe that any contraction in valuations will be offset by the growth in profit we expect in our companies. If our theses remain stable, price reductions would be an excellent purchasing opportunity.

In recent years, the market has been hit by events of a macroeconomic, sanitary and geopolitical nature that fall outside the scope of fundamental analysis. In order to control their impact, we follow a very strict risk management policy which has been vindicated in each crisis experienced by the fund since its origin. In addition to the quality and strength of the businesses in which we invest, we have a balanced and well diversified portfolio structure at the geographical and sectoral level.

Our risk management is not aimed at insulating the fund from circumstantial falls in the prices of our companies, but rather its objective is to minimise the probability of suffering a material and unrecoverable loss of capital. Throughout the ten years of the fund's existence, risk management has enabled us to overcome each crisis and leverage the opportunities arising therefrom.

The long-term success of our strategy is based on the value that the companies in which we invest are capable of generating, in any environment and over time. Laboratorios Rovi, one of the main positions in the health sector, is a good example of this.

Rovi was floated shortly before the outbreak of the 2008 crisis. In its first years as a listed company, Spain suffered one of the worst economic crises in its history, even affecting such basic sectors as healthcare. Despite this, the company persisted in its innovation strategy and did not slacken its investment pace. It continued developing its manufacturing activity for third parties, signing collaboration agreements with large sector multinationals and strengthening its R&D to develop its own compounds. In those years, in addition to addressing a tightening of the regulation in Spain, it also had to overcome several inflationary periods in its main raw materials.

The environment was not an easy one. However, Rovi has been capable of generating value through effort, entrepreneurial spirit and respect for the interests of its shareholders, employees and customers. Indeed, in the first quarter it achieved a major milestone with the approval of its drug Okedi® by the European Medicines Agency for use in schizophrenia patients. It should be noted that it is the first approved compound which has been developed using Rovi's proprietary ISM® technology This milestone, in addition to being great news for its shareholders, demonstrates the importance of investing in extraordinary companies capable of generating long-term value, even in the most difficult circumstances.

Univar: the path to becoming an extraordinary company

We are also owners of Univar, which is a company that benefits from the inflationary environment of raw materials. It is the largest chemical product distribution company in the United

States and the second-largest in Europe. Its business model is simple: it acts as a nexus between large chemical product manufacturers, such as Dow Chemical or Solvay, and the thousands of small companies that need them for their production processes. The key to their value proposition is in their logistic infrastructure and in the capillarity of their salesforce. Producers use it to efficiently reach thousands of small customers which, due to their small size, fall outside of their direct scope. Furthermore, customers use it to manage their orders and to outsource such complex activities as the storage of chemical products, their mix and packaging.

Univar is listed in the United States and we discovered it by analysing its main European competitors (Brenntag, IMCD and Azelis). The 30%-40% discount at which it was quoted with respect to Brenntag caught our attention. At first, it seemed justified due to its smaller growth and to having 20% lower margins. However, we know the sector and know that, properly managed, these companies can become extraordinary thanks to their high-growth and high-return profile. In addition, the structure of the sector is very favourable: it is an oligopoly with high entry barriers, imposed by the logistics network, by regulatory requirements and by the existence of a close customer-supplier relationship.

Thus, we embarked on a detailed study of Univar's internal governance in order to understand the reasons for its worse performance. We realised that in 2019 it acquired Nexeo, a competitor, to consolidate its market position and merge its logistics networks. In 2020, a new CFO specialised in restructuring joined the company and, shortly afterwards, invested nearly USD 3 million of

PORTFOLIO MOVEMENTS

Additions

—

Withdrawals

CONVATEC
PINDUODUO
ADIDAS
NORVARTIS

Increases

IMCD
HELLOFRESH
DELIVERY HERO
CARL ZEISS

Reductions

TSMC

his personal estate in the company's shares. After several meetings with the management team, we understood the optimisation and efficiency strategy and, above all, the alignment of their interests with ours. In November 2020, when the share price was below USD 18, we began to build the position in the company. At those levels, its valuation was an estimated 9x PER in 2022 and offered a return on free cash flow of 11%.

During those two years, the management team restructured the company, harmonised the IT systems, organised the warehouse network and disposed of non-priority assets. Slowly but surely, its margins have caught up with those of its competitors even though, in our opinion, it still needs another 18 or 24 months to reach its full potential. Meanwhile, we are already seeing the results of this strategy. Thanks to the rise in prices of raw materials and adequate cost control, the company's operating profit in 2021 was 85% higher than that projected by the consensus when we invested. We hope this situation continues in the coming months. Even so, the price per share stood at around USD 33. At the current prices it continues to have attractive valuations: estimated 13x PER in 2022 and return on free cash flow of 9%.

Although we manage the portfolio on a long-term basis, we are closely monitoring the current complex situation. The possible ramifications of the geopolitical situation and the reactions of the central banks to the rise in inflation oblige us to exercise caution.

Therefore, we reduced our exposure to TSMC, since the company's production bases are located in Taiwan. We also took the opportunity to sell some underperforming positions, as in the case of Adidas, Novartis, Convatec and Pinduoduo. We reinvested this capital in portfolio companies such as Carl Zeiss, Delivery Hero, HelloFresh and IMCD, whose weighting we had reduced last year due to their less attractive valuations. Taking advantage of the falls suffered by these companies in recent months, we were able to recompose these positions at very advantageous prices.

It is a pleasure to announce that Jorge Fuentes, co-manager of Bestinfond and Bestinver Internacional, among other funds, has joined the management team of Bestinver Grandes Compañías.

We take our leave thanking you once again for your trust.

Yours sincerely,
the Investment Team.

Date: 31/03/2022. Source: Bestinver

Bestinver Latam

The fund invests primarily in Brazil, Mexico, Chile, Colombia and Peru with the objective of achieving the best long-term returns by following the three pillars of our investment philosophy: proprietary fundamental analysis, appropriate risk management and a shared time horizon between investors and managers.
The strategy follows the same investment process as our other international equity funds and focuses primarily on the economic and digital transformation of these countries, the growth of their middle classes and the evolution and development of their consumer ecosystem. This ecosystem is increasingly diverse and includes a large number of verticals such as traditional consumer business, e-commerce, payments, financial technology, software, mobility, education, healthcare, entertainment, video games and media.
The fund seeks to invest in attractive, well-managed business models with high appreciation potential. Overall, the fund will have a bias towards mid-cap companies with domestic exposure. The strategy is intended to be very different from indices and other investment alternatives in the region, which are heavily exposed to commodities, infrastructure and banks.

FUND MANAGERS

Ignacio Arnau
Bestinver Latam Manager

Pablo Ortea
Bestinver Latam Analyst

ANNUAL RETURNS TABLE

	2022	2021	2020	2019	2018
Bestinver Latam FI	**18.03%**	**-16.77%**	**-6.91%**	**—**	**—**
Bestinver Latin America SICAV	**17.05%**	**-16.75%**	**-6.02%**	**32.67%**	**-0.05%**
SP LATIN AMERICA 40NR	32.86%	-6.44%	-18.82%	—	—

ANNUALISED RETURNS TABLE

	3 years	Launch
Bestinver Latam FI	**2.45%**	**0.94%**
Bestinver Latin America SICAV	**2.60%**	**6.74%**
SP LATIN AMERICA 40NR	2.01%	1.18%

TOP POSITIONS BY SECTOR

CONSUMPTION	% OF PORTFOLIO
HYPERMARCAS	4.45%
SENDAS DISTRIBUIDORA	3.83%
ARCOS DORADOS HOLDINGS	3.49%

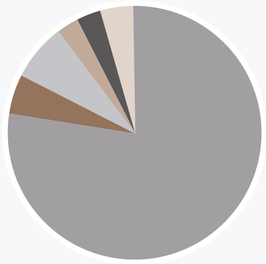
INDUSTRY	% OF PORTFOLIO
COMPANHIA DE LOCACAO	4.16%
QUIMICA Y MINERA DE CHILE	3.89%
ADECOAGRO	2.88%

COMMUNICATION & TECHNOLOGY	% OF PORTFOLIO
LOCAWEB SERVICOS DE INTERNET	4.99%
ARCO PLATFORM LTD - CLASS A	4.19%
VTEX -CLASS A	3.26%

FINANCIAL	% OF PORTFOLIO
IGUATEMI EMP DE SHOPPING	4.16%
PAGSEGURO DIGITAL	3.89%
MRV ENGENHARIA E PARTICIPACOES	2.88%

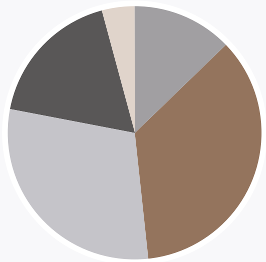
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



Brazil	**78.0%**	Peru	**3.0%**
Mexico	**5.0%**	Colombia	**3.0%**
Chile	**7.0%**	Liquidity	**4.0%**

Sectoral distribution

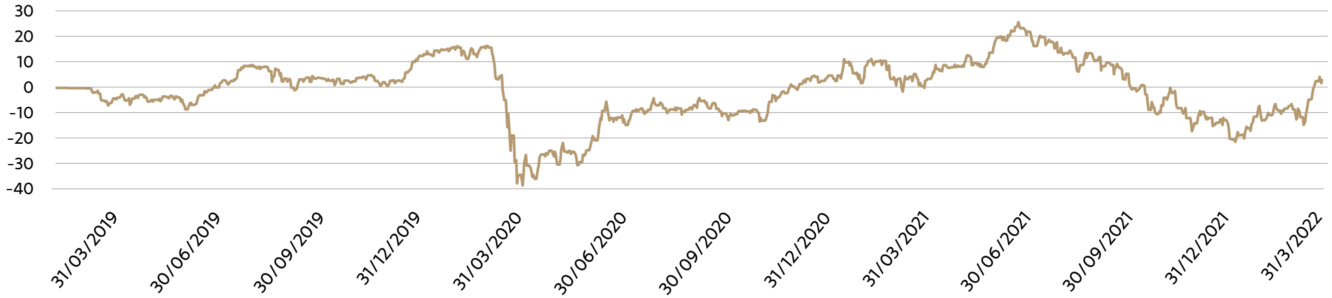


Industry	**13.0%**	Finance	**18.0%**
Consumer	**36.0%**	Liquidity	**4.0%**
Communication and Technology	**30.0%**		

NET ASSET VALUE TRENDS (€)

BESTINVER LATIN AMERICA SICAV

BESTINVER LATAM FI



Data at close of day: 31/03/2022. Source Bestinver. Launch date Bestinver Latam FI 18/01/2019. Launch date Bestinver Latin America SICAV 05/07/2017. You can find the full prospectus, periodic reports and KIID of the Bestinver Latam FI fund on the following websites: www.bestinver.es and www.cnmv.es.
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

It is an equity investment fund and, as such, may involve, inter alia, equity market risk in terms of interest rate, exchange rate, investment in emerging countries, geographical or sectoral concentration, credit risk, liquidity risk as well as the use of financial derivative instruments.
Past performance is no guarantee of future performance.

In the first quarter of 2022, LatAm markets recorded very positive results. This allowed them to recover nearly all the losses suffered in 2020 and 2021. The top performer was Brazil, which rose (in euros) 38% and returned to pre-COVID-19 levels. Chile, Peru and Colombia followed with rises of close to 30%. Lastly, Mexico, which was the top-performing country in 2021, also rose, although a modest 10%.

The region's currencies rose significantly against the euro. The Brazilian real led the rises with a revaluation of 20%, followed by the Chilean peso with 12%, the Colombian peso with 11%, the Peruvian sol with 10% and, lastly, the Mexican peso with 5%.

The evolution of the different sectors continued their disparate behaviour in the region throughout the quarter. The most highly favoured were the energy and raw materials sectors, while the technology and consumer discretionary sectors continued to perform more weakly. Thus, the former were revalued by 16% and 3%, respectively, in 2021 and the latter were devalued by 68% and 56%, respectively, during the same period. This trend continued in this quarter, although with lower inertia.

In this scenario of great recovery of Latin American markets, our fund rose by 18% (Lux Sicav) in the quarter. If we analyse our results in the long term, the return of Bestinver LATAM continues to be higher than that of the region during its launch in July 2017.

Keys to the major recovery of LatAm markets

In the current context of accelerating global inflation rates, we could say that the recovery of the Latin American markets is based on the rise in prices of materials as a result of the Ukraine war... and this would be true, although only partially. This would be what Howard Marks defines as "first level thinking".

Latin America is very rich in raw materials. The region has the largest copper producers in the world, such as Chile and Peru, major oil producers such as Brazil, Colombia and Mexico, the second-largest producer of iron ore which is Brazil or the second-largest producer of lithium which is Chile. At the same time, Brazil is one of the largest farms in the world and one of the world's largest producers of meat, chicken, soybean and sugar.

The rise in the prices of all these raw materials is, without a doubt, a major catalyst for the balances of payments of these countries, helps to sustain the value of their currencies and accelerates their social and economic transformation processes. But we must not forget that, locally, these rises also generate sharp increases in inflation that affect consumers and undermine their spending power. Despite this, we think that the net result is still positive.

In addition to these first-level factors, there are many others that explain the recovery we are experiencing:

1. The decrease in the political uncertainty of several of these countries and the ensuing reduction in the perception of risk it entailed. Lula, in Brazil, has gone from being considered a radical to be being perceived as a moderate candidate. Castillo, in Peru, is demonstrating great inability to govern and unite majorities in congress to implement his most radical proposals. Boric, in Chile, has presented the best cabinet that could be expected.

2. The historically low stock exchange and currency valuations, both absolute and relative.

3. The lowest participation levels of Latin American assets within the composition of global investment portfolios in history.

4. The great work done by the central banks during the Covid crisis and ensuing inflationary pressure.

5. For the first time in the history of the Brazilian Central Bank, independent since 2021, it is leading the rise in global rates. The markets are already thinking about the pace of rate cuts in the country.

6. The increase in the perception of regulatory risk in China and cancellation of the Russian market have generated uncertainty among investors in emerging and global markets.

If we put all these factors together we can understand why Latin America has reappeared on global investors' radar with intensity after nearly a decade of oblivion.

At Bestinver LatAm we have stayed on the course set since we launched the fund. We remain focused on technological and digital transformation, on the evolution of the consumer ecosystem and on the growth of the middle classes.

Our approach adds a structural growth component to the region's long-term investment proposal, which extends the duration and sustainability of our investments. The aim of the fund is to invest in companies with strong secular growth rates and with high-quality business models that are profitable, have sectoral leadership positions, are sustainable and are managed by excellent capital allocators that apply high governance standards. These characteristics allow our companies to grow throughout the cycle and enable them to cope with inflationary periods such as the current one with solvency.

This is what differentiates us from most of the investment proposals in the region and their indices. Bestinver LatAm's proposal is strategic and sustainable for any global investment portfolio. It is not a tactical or opportunistic approach.

Main Changes in the Portfolio

In this quarter we have not made significant changes in the portfolio beyond some adjustments arising from the evolution of prices and our companies' theses. Specifically, we increased our position in Locaweb, PagSeguro, Vtex and Globant, while we reduced it in Asai, AdecoAgro, Concha y Toro and Hypera.

We are still immersed in a scenario of high macroeconomic and geopolitical uncertainty, in which the disciplined implementation of our process and the risk management of the portfolio are vital.

Our "motto" in this environment remains the same: reduce the idiosyncratic risk of the fund while increasing its level of quality, liquidity and long-term revaluation potential. All without detracting from the objective of maintaining or increasing the asymmetric profile of a well-balanced and diversified portfolio.

A region full of opportunities: very good companies at very good prices

Our portfolio has 37 companies which are, in our opinion, the best opportunities in the region. At geographical level, Brazil accounts for 78% of exposure due to being the country in which we find the largest number of investments that meet our criteria. The next country in the portfolio is Chile, with a weighting of 5%. At sectoral level, Consumer (which accounts for 33% of the portfolio) and Media & Technology (which accounts for another 33%) continue to be the sectors to which we have the greatest exposure. Lastly, we ended the quarter with a cash level of 5%.

We remain convinced of our capacity to generate high absolute and relative returns in a region full of opportunities. The excellent quality of our portfolio companies and the great potential of their business models make us optimistic about the future. The dynamism we are seeing in recent years in Latin America, especially in Brazil, and the attractive valuations we are currently finding form a very good basis for generating high returns over the coming years.

We take this opportunity to thank you once again for your trust

Yours sincerely,
The Investment Team.

Date: 31/03/2022. Source: Bestinver

PORTFOLIO MOVEMENTS

Additions

–

Withdrawals

–

Increases

LOCAWEB
PAGSEGURO
VTEX
GLOBANT

Reductions

ASAI
ADECOAGRO
CONCHA Y TORO
HYPERA

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 objective of the fund is to achieve long-term performance 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, whose investment universe is smaller 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.

FUND MANAGERS

Jaime Ramos, CFA
Bestinver Megatendencias
Manager

Raquel Martínez, CFA
Bestinver Megatendencias
Analyst

ANNUAL RETURNS TABLE

	2022	2021	2020	2019	2018
Bestinver Megatendencias	**-9.87%**	**13.55%**	**11.53%**	**19.30%**	**-13.35%**
Benchmark index*	-8.26%	23.34%	-3.21%	28.20%	-12.03%

ANNUALISED RETURNS TABLE

	3 years	Launch
Bestinver Megatendencias	**6.92%**	**4.03%**
Benchmark index*	7.77%	4.37%

TOP POSITIONS BY MEGATREND

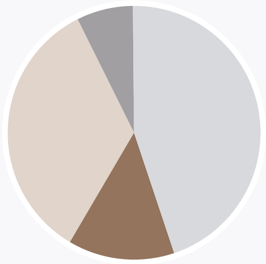
T1	32.10%
MOWI ASA	3.81%
ACCELL GROUP	3.65%
DANAHER CORP	3.38%

T2	18.05%
TAIWAN SEMICONDUCTORS-SP ADR	4.40%
SAMSUNG ELECTRONICS CO	3.02%
KLA CORP	2.17%

T3	43.00%
EDP RENOVAVEIS	4.74%
STORA ENSO R	4.16%
LINDE	3.52%

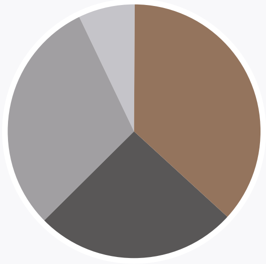
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



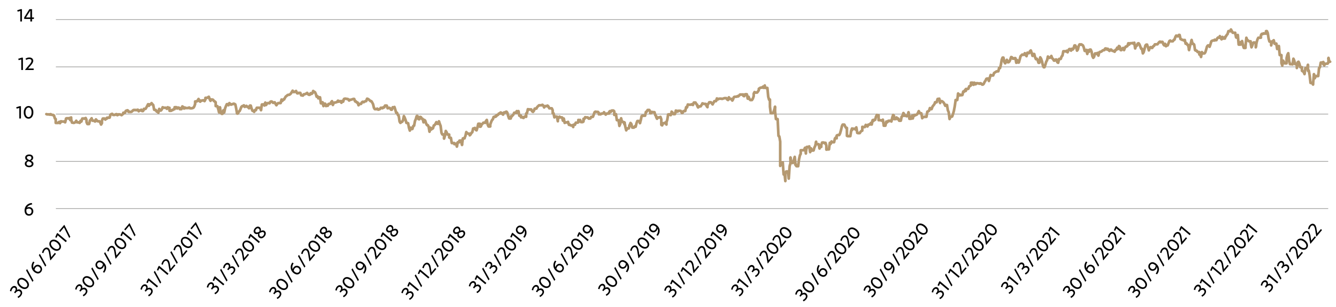
Europe	**45.2%**	USA	**34.3%**
Rest of the World	**13.5%**	Liquidity	**7.0%**

Sectoral distribution



Improved quality of life	**36.8%**
Digitalisation and automation	**25.9%**
Decarbonisation of the Economy	**30.3%**
Liquidity	**7.0%**

NET ASSET VALUE TRENDS (€)



Data at close of day: 31/03/2022. Source: Bestinver. Launch date: 16/06/2017. Periods longer than 1 year in annualised rate.
*The fund takes the Euro Stoxx 50 Net Return EUR until 18/03/2022 as a benchmark index, which changes to the MSCI WORLD NET TR EUR. The historical profitability data of the benchmark index were calculated taking as a reference that obtained by the index in force at any given time.
The full prospectus, regular reports and the KIID of the fund can be found on the following websites: www.bestinver.es and www.cnmv.es

RISKS ASSOCIATED WITH THE INVESTMENT

It is an equity investment fund and as such may involve, inter alia, equity market risk, interest rate risk, foreign exchange risk, investment risk in emerging countries, credit risk, liquidity risk, as well as risk arising from the use of financial derivative instruments. Sustainability risk.
Past performance is no guarantee of future performance.

2022 has gotten off to an eventful start. The declines experienced at the beginning of the year affected both fixed-income and floating-rate assets. Inflation, not so transitional as expected, remained the main focus of attention and has led central banks to accelerate the pace of rate hikes.

In February we witnessed, with great desolation, Russia's attack on Ukraine. The prices of energy and other raw materials reacted with very sharp rises. These drastically impacted inflation, the competitiveness of companies and global growth. Due to the side effects of the war, the markets underwent extreme volatility. During the first days of the attack, the market stopped being rational and emotions and news dominated the movements of each day.

In this environment, Bestinver Megatendencias closed the quarter with a return of -9.87%.

All for Renewables

The described events did not leave the renewable energy sector, in which we have significant exposure, unmoved. Its companies, after the drops in the first part of the quarter, rebounded in February with double-digit returns spurred by the foreseeable acceleration of the energy transition as a result of the Ukraine war.

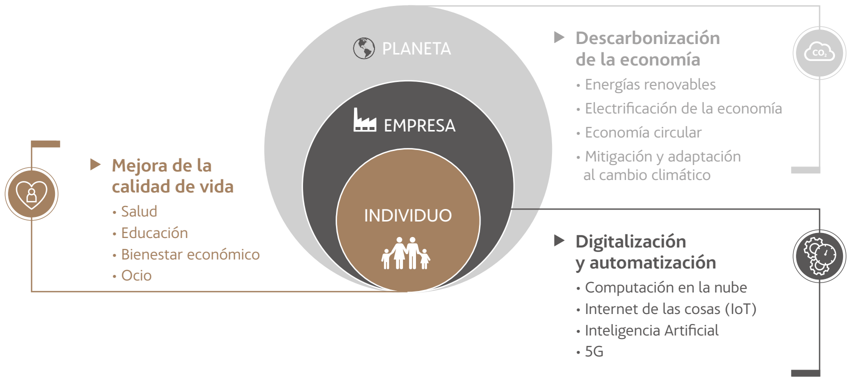
The European Commission has created a Plan (REPowerEU) to increase the resilience of the EU's energy system by driving energy efficiency and extending renewable energy quotas. The aim of this plan is to prepare for Europe's energy independence and establishes the end of the use of Russian fossil fuels by 2030. It also includes an aid package for the Member States to alleviate the pressure exerted by the increase in energy costs in the most affected sectors.

The European Commission considers dependence on Russian fossil fuels a threat to European political interests. Russia accounts for 45% of gas imports, 27% of oil imports and 46% of coal imports. In this way, the Commission establishes the objectives of the European Green Deal as a priority to guarantee the geopolitical survival of the Union. Bestinver Megatendencias is positioned to leverage this ambitious plan.

A change is a challenge, but always for the better

The fund invests in companies exposed to three megatrends that will underpin the development of our lifestyle in the coming decades. These are: the improved quality of life of people, the digitalisation and automation of companies, and the decarbonisation of the economy.

The improvement in the quality of life of individuals and its impact on consumer habits has special relevance in sectors such as healthcare, education, economic well-being or leisure. Companies are adapting to the new habits by investing in their digitalisation and automation in order to be more sustainable and efficient. The new practices and habits of companies and individuals drive the decarbonisation of the economy, the adoption of sustainable production processes and better management of natural resources. These are necessary to address the biggest problem faced by the planet: climate change.



These three megatrends have global scope, which is why we made changes in the fund's prospectus in mid-March. Thanks to this change, Bestinver Megatendencias changes from a European fund to a global fund. The expansion of the universe gives us access to a larger number of companies that will allow us to strengthen the thematic positioning and improve the portfolio's risk-return trade-off. This new global scope implies a change in the fund's benchmark index: hereinafter it will be the MSCI World Net Total Return.

Furthermore, we also reinforced the strategy's ASG credentials. We added a series of filters and exclusions that make it possible to rule out those companies whose business model does not imply an improvement in sustainability and in the implementation of ASG Best Practices. Additionally, we require that at least 50% of the portfolio companies have the highest Bestinver ASG internal ratings (i.e. Gold or Green ratings). With these two changes, we significantly improved the fund analysis and decision-making process.

Different universe, same philosophy

Bestinver Megatrends applies Bestinver's investment philosophy to an investment universe that will experience high growth in the coming decades.

Bestinver's traditional long-term vision is especially important in this case, since our aim is to obtain returns on economic, social and political trends that will have an intergenerational impact. Long-term vision is essential to estimate the future projections of these trends and be able to leverage them with our investments.

Despite the huge interest in the three megatrends explained above, not all the companies are equally capable of leveraging them. The fundamental analysis allows us to select those which have the most adequate products, technologies, knowledge, corporate culture, competitive advantages, balance sheet strength and management teams. By analysing these factors we can estimate the value of each company. We only purchase them if the price of their shares is lower. Value investing is at the centre of Bestinver's investment philosophy and, consequently, also that of Bestinver Megatendencias.

In addition to having a very strict investment selection methodology, we need to have a resistant portfolio to achieve the fund's strategic objectives. Investing in high-growth trends through high-quality companies and paying advantageous prices for them are good tools for limiting the risks assumed. Based on this selection of values, we structure the portfolio to ensure that it has a balanced and diversified profile. This guarantees that no possible individual loss is unassumable for the portfolio as a whole.

Risk management is not aimed at eliminating circumstantial losses, but rather permanent losses. Equities are volatile and temporary losses must be treated as normal. As long-term investors, we know that we are not going to be capable of obtaining the returns we pursue at all times. In these periods of decline, risk management provides the necessary confidence to withstand short-term losses in a disciplined way and, moreover, allows us to leverage the excellent opportunities that accompany pessimism with conviction.

New developments in the portfolio

The first quarter of 2022 was marked by fear and pessimism. This has allowed us to find and leverage extraordinarily attractive investment opportunities that would have seemed unthinkable weeks ago. The purchase of companies such as IQVIA —which engages in the research and development of the pharmaceutical sector—, Fanuc —leader in industrial robotisation—, Trimble —which focuses on the digitalisation of the construction sector— and Carrier Global —leader in sustainable climate control— are just some examples.

Carrier Global was a part of United Technologies until April 2020, date on which it was listed separately after being divided through a spin-off. The company is a provider of building climate control and cooling technologies. These are responsible for 40% of greenhouse gas emissions. Therefore, in order to be able to meet the decarbonisation objectives established by institutional programmes such as the EU Green Deal, it is essential for residential and non-residential buildings to be more sustainable. Carrier is geared to become one of the great beneficiaries of the demand for next-generation climate control systems boosted by this type of regulations.

After the separation of United Technologies, Carrier implemented a series of measures to improve its margins and growth profile. These measures have three linchpins: first, increase its productivity by 2%-3% through process automation. This will allow it to improve its margins at a rate of 50 basis points per year. Second, boost the demand for its sustainable products for smart buildings. This will allow it to increase its sales at rates of 6%-8% per year. Third, generate value with a capital allocation strategy capable of reinforcing its long-term competitive advantages.

To this end, in addition to selling non-strategic assets, it acquired the holding of its partner Toshiba in the joint venture Toshiba Carrier. Through this transaction, Carrier has gained access to cutting-edge technological capabilities and has increased its distribution capacity in Europe and Asia. All achieved without increasing the company's indebtedness.

Carrier is a company capable of making its profit grow above average thanks to regulatory pressure, increased margins and strategic agreements. In addition, the growth of maintenance services in its business mix allows it to further increase its profitability and obtain more stable and predictable results. In our opinion, the company's strengths are not reflected in its share value.

The acquisition of the North American company Carrier has allowed us to reinforce the portfolio's exposure to the decarbonisation of the economy and to the digitalisation and automation of companies. In addition, this company has enabled us to increase the fund's expected return. All this was made possible by the change in the prospectus explained above.

Changes in the team

Coinciding with the changes in the prospectus, Álvaro Llanza decided to leave the co-management of the fund to dedicate himself to other projects at

PORTFOLIO MOVEMENTS

Additions

IQVIA
CARRIER GLOBAL
ALLEGION
MEDTRONIC

Withdrawals

ACCELL
ALSTOM
SIEMENS ENERGY
VEOLIA

Increases

CELLNEX
MOWI
SAMSUNG

Reductions

STORA ENSO
SAINT GOBAIN
TSMC

Bestinver. We would like to thank Álvaro for his help in the creation of the strategy and time dedicated to his recent repositioning and transition. Jaime Ramos, with whom Álvaro has co-managed the fund for the last six months, will become the lead manager of Bestinver Megatendencias and Raquel Martínez will continue to be its reference analyst. In addition, the fund's analysis capacity will continue to be supported by the structure of Bestinver's investment team. Jaime Ramos has more than 20 years' experience in the investment sector. He has worked at leading international asset management companies, managing global equity funds focused on ASG and on the climate transition.

We take this opportunity to thank you once again for your trust.

Yours sincerely,
the Investment Team.

Date: 31/03/2022. Source: Bestinver

Bestinver Tordesillas FIL

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.

FUND MANAGERS

Ricardo Seixas
Head of Iberian Equities

Javier Ortiz de Artiñano
Analyst Iberian Equities

León Izuzquiza
Analyst Iberian Equities

Gabriel Megías
Analyst Iberian Equities

ANNUAL RETURNS TABLE

	2022	2021	2020	2019	2018	2017
Bestinver Tordesillas	-3.11%	5.88%	4.30%	0.03%	0.01%	7.30%

ANNUALISED RETURNS TABLE

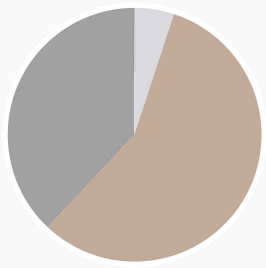
	3 years	5 years	10 years	15 years	Launch
Bestinver Tordesillas	2.06%	2.21%	4.00%	2.80%	2.84%

TOP POSITIONS

CONSUMPTION	% OF PORTFOLIO
IBERDROLA	5.86%
REPSOL	4.58%
FOMENTO DE CONSTRUC Y CONTRA	3.80%
AMADEUS IT GROUP	3.51%
FERROVIAL SA	3.46%

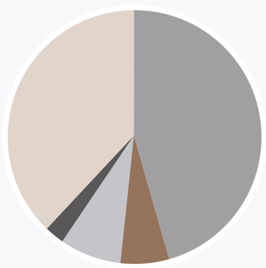
DISTRIBUTION OF THE PORTFOLIO

Geographical distribution



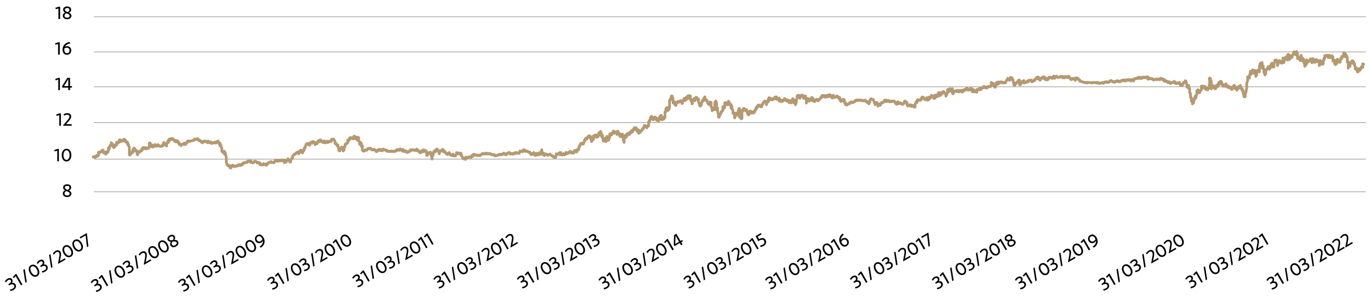
Europe	**5.1%**	Liquidity	**37.8%**
Iberia	**57.1%**		

Sectoral distribution



Industry	**45.4%**	Finance	**2.5%**
Consumer	**6.2%**	Liquidity	**37.8%**
Communication and Technology	**7.5%**		

NET ASSET VALUE TRENDS (€)



Data at close of day: 31/03/2022. Source: Bestinver. Periods longer than 1 year in annualised rate. Launch date: 27/02/2007. The full prospectus, regular reports and the KIID of the fund can be found on the following websites: www.bestinver.es and www.cnmv.es

BESTINVER TORDESILLAS, FIL is a hedge fund and, as such, is a product of greater complexity and risk. Weekly liquidity. Minimum investment EUR 100,000. The investments of the hedge fund may involve equity market risk, interest rate risk, foreign exchange risk, counterparty risk, investment risk in emerging countries and geographical or sectoral concentration risk.

RISKS ASSOCIATED WITH THE INVESTMENT

It is a hedge fund and, as such, is a more complex and risky product. Weekly liquidity. Minimum investment EUR 100,000. The investments of the hedge fund may involve equity market risk, interest rate risk, foreign exchange risk, counterparty risk, as well as geographic or sectoral concentration.

Past performance is no guarantee of future performance.

The Bestinver Tordesillas hedge fund closed the first quarter of 2022 with a return of -3.11%.

Since the summer we have been pointing out that the market was entering a more complex environment. We explained that inflation and the imminent adjustments in monetary policy would lead to a spike in volatility. However, economic growth, strong evolution of corporate earnings and the attractive valuation of cyclical companies seemed sufficient to offset interest rate uncertainty. For this reason, we maintained a high level of investment and a cyclical bias in the portfolio.

The outbreak of the Ukraine war significantly altered the environment, reducing growth estimates and increasing inflationary pressures. This mixture of lower growth and higher inflation has further complicated —if possible— the position of the central banks. In such binary environments, it is difficult to anticipate the course of the events and accurately measure their economic impact. We must learn to live with a higher level of uncertainty.

In order to live with uncertainty we must keep a cool head. In this way, we can act with determination to take advantage of the opportunities that appear when prices move violently. This is exactly what we did in the first quarter of 2022. The local and first-hand knowledge we have of Iberian companies has allowed us to act methodically and logically in a generalised climate of fear. In the worst moments of the quarter we contextualised the economic and political situation with the companies' operating environment, adjusted performance estimates and sought inconsistencies between market price and company value. This allowed us to find excellent investment opportunities in the current environment.

At Bestinver Tordesillas, as in the previous quarter, we continued to reduce the risk assumed by the strategy. Thus, the average net exposure of the fund is 38%. As regards the composition of the portfolio, we modified the cyclical profile of the portfolio by reducing the weighting of the industrial sector and increasing that of the oil, banking and defensive sectors.

The current environment is uncertain. The increase in the price of raw materials, inflationary pressures and the Ukraine war have affected investor sentiment. However, although the market likes to see everything white or black, our experience shows that what matters is nearly always in the greys. Ruling out a recession in the next quarters based on a level and rate of growth as strong as before the war seems extremely premature to us. There is scope for the economy to absorb a certain slowdown without threatening the positive underlying growth maintained by the markets. Therefore, despite the uncertainty, the fund's level of investment remained stable.

In the 30 years that we have been managing Iberian equities, we have faced very different situations and have experienced exceptional situations. The war being raged in Ukraine is one example. Unfortunately, it will not be the last. However, our duty as professional managers is to protect and increase the wealth you entrust us with in any scenario that may arise in the markets. You have entrusted us with the constant measurement of the evolution of the businesses, the context in which they operate and their valuation. In this way, we understand our fiduciary obligation to you in two mandates: controlling the risks

PORTFOLIO MOVEMENTS

Additions

IBERDROLA

Withdrawals

JERONIMO MARTINS

Increases

FERROVIAL

Reductions

ACERINOX,
CIE AUTOMOTIVE

assumed to protect your capital and make it grow taking advantage of investment opportunities when they arise. This is exactly what we are doing.

We take this opportunity to thank you once again for your trust.

Yours sincerely,
the Investment Team.

Date: 31/03/2022. Source: Bestinver

Alternative investments

Punta Palmeras Wind Farm

Bestinver Infra FCR

Bestinver Infra is a venture capital fund that gives its holders access to direct investment in mature, operational and high-quality infrastructure assets, and offers an alternative investment product for investors to diversify their portfolios.

It has a target size of EUR 300 million, with a duration of eight years from the Fund's final closing date (distributed over an investment period of two years and six years of operation and divestment).

The Fund is managed by Bestinver and led by Francisco del Pozo, who has more than 20 years' experience in the development, design, construction, operation and financing of infrastructure. Francisco leads a first-class team made up of eight professionals with extensive experience, recently joined by Juan Alcalá as Investment Manager. Both Juan Alcalá and Nicolás Corral, both Investment Managers of the Fund, have extensive professional experience in the development, investment and management of infrastructure assets.

The Fund is managed following the three pillars of the investment philosophy of all the funds managed by Bestinver: fundamental analysis of the investments, adequate risk management and a shared time horizon between investors and managers.

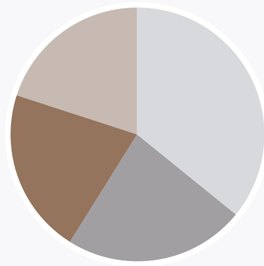
FUND MANAGERS

Francisco del Pozo

Director of
Infrastructure Funds

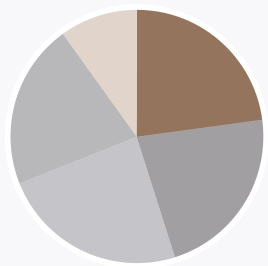
DISTRIBUTION OF THE TARGET PORTFOLIO

Geographical distribution



Europe	36%	Latin America	20%
North America	21%	International	23%

Sectoral distribution



Energy	23%	Telecom	21%
Transport	22%	Water	10%
Social	24%		

Why invest in infrastructure?

Infrastructure assets encompass multiple sectors. They generally provide essential public services and are systems and networks that enable the movement or storage of goods, water, energy, data and people. They offer their investors unique opportunities for participating in real assets that are essential to the economic activity and prosperity the countries or regions where they are located. They also generate opportunities for improving the living conditions of the communities and natural environments where they are located.

Given their essentiality for the economy, investments in infrastructures usually provide stable and secure cash flows, long investment periods and protection against inflation and downward economic cycles. Additionally, they offer unique economic advantages thanks to the long-term contracts and standards, regulations or entry barriers that sustain them.

Our objective is to create a mature and operational asset portfolio, diversified by geographic region, sector and degree of asset maturity, with a low correlation between the different investments.

This investment strategy has qualities that make it resilient in most situations and macroeconomic environments, and very adequate for a wide variety of investment profiles. Additionally, in the current economic context it is being confirmed as a very adequate form of diversification. Thus, during this past year of high inflation, we are observing how real assets, particularly infrastructure assets, offer protection against this risk, since many of them have automated tariff updating mechanisms linked to changes in the Consumer Price Index.

Progress of the Fund

At the end of January 2022, the Fund closed for the third time at EUR 31 million. Additionally, in the first quarter of 2022, the commercial team achieved additional commitments amounting to EUR 17 million, having a total of EUR 175 million committed at 31 March 2022. This accounts for 58% of the Fund's target size.

We hope to continue to raise capital at a good pace and close the marketing of the Fund before the end of 2022.

Two of the four assets have already distributed dividends to their shareholders. Therefore, despite its short life since its creation, the Fund has already made two distributions to its holders, demonstrating the high quality of its assets, in addition to the management team's ability to find assets in operation with the capacity to distribute an attractive annual dividend and a strong cash generation profile. We hope to make a new distribution of dividends to the holders by the middle of 2022.

Current Fund Portfolio

During the first year, we invested 38% of the total target size in four assets, which imply interests in Acciona Energía Internacional ("AEI"), in Autovía de los Viñedos, in Hospital del Norte[1], and in Hospital de Can Misses[2].

With these investments, Bestinver Infra is now present in three sectors —renewable energy, transport and social infrastructure— and in 12

[1] Concessionaire of Hospital del Norte and the respective operating company.
[2] Concessionaire of Hospital de Can Misses and the respective operating company.

countries, giving the Fund a global and sectorally diversified nature from the outset. This quick start will provide a shorter than usual investment period for our investors and demonstrate the Fund's unique process for attracting opportunities.

Investment opportunities

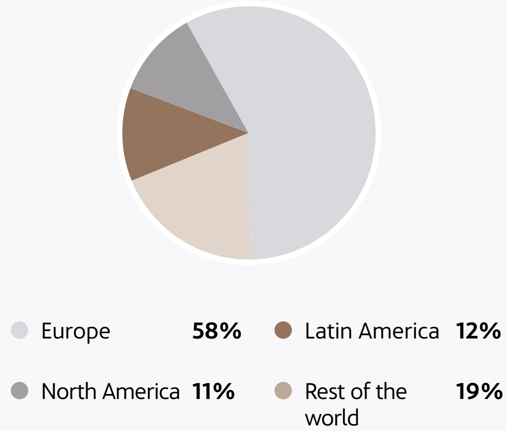
As regards new investment opportunities, we are currently at an advanced stage of negotiations to incorporate an asset consisting of the operation of a university in Latin America to the Fund's portfolio and are participating in several binding bidding procedures for the potential acquisition of transport assets in Europe.

The Fund's management team has demonstrated differential business development capacity and is focused on maximising investment opportunities over the next two years.

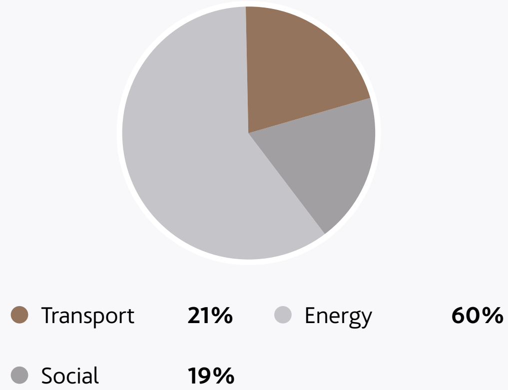
We maintain excellent and very strong commercial relationships with the key stakeholders of the sector worldwide (industrial, infrastructure and venture capital funds and investment banks), which is allowing us to maintain a sufficient opportunity creation level with respect to our ultimate goal of creating a portfolio with mature, operational assets that will ensure recurring distributions of dividends for the Fund's investors.

It should be noted that we apply Bestinver's responsible investment principles and policies in all investment and asset management processes. We seek to invest in and manage sustainable and transformative infrastructures that are capable of generating a positive impact on the environment, the communities and society in general, supporting and accompanying the assets in our portfolio in their development towards a more responsible model.

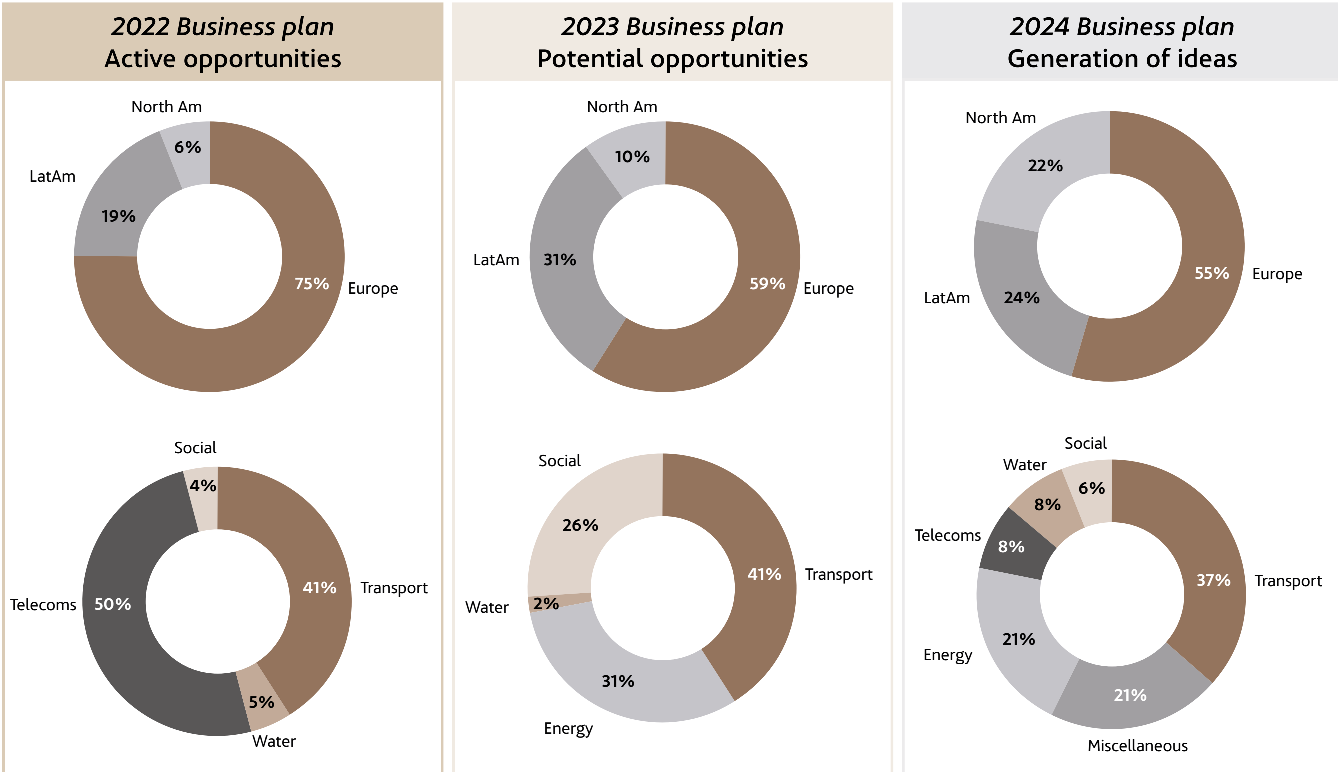
Geographical distribution of the current portfolio



Sectoral distribution of the current portfolio

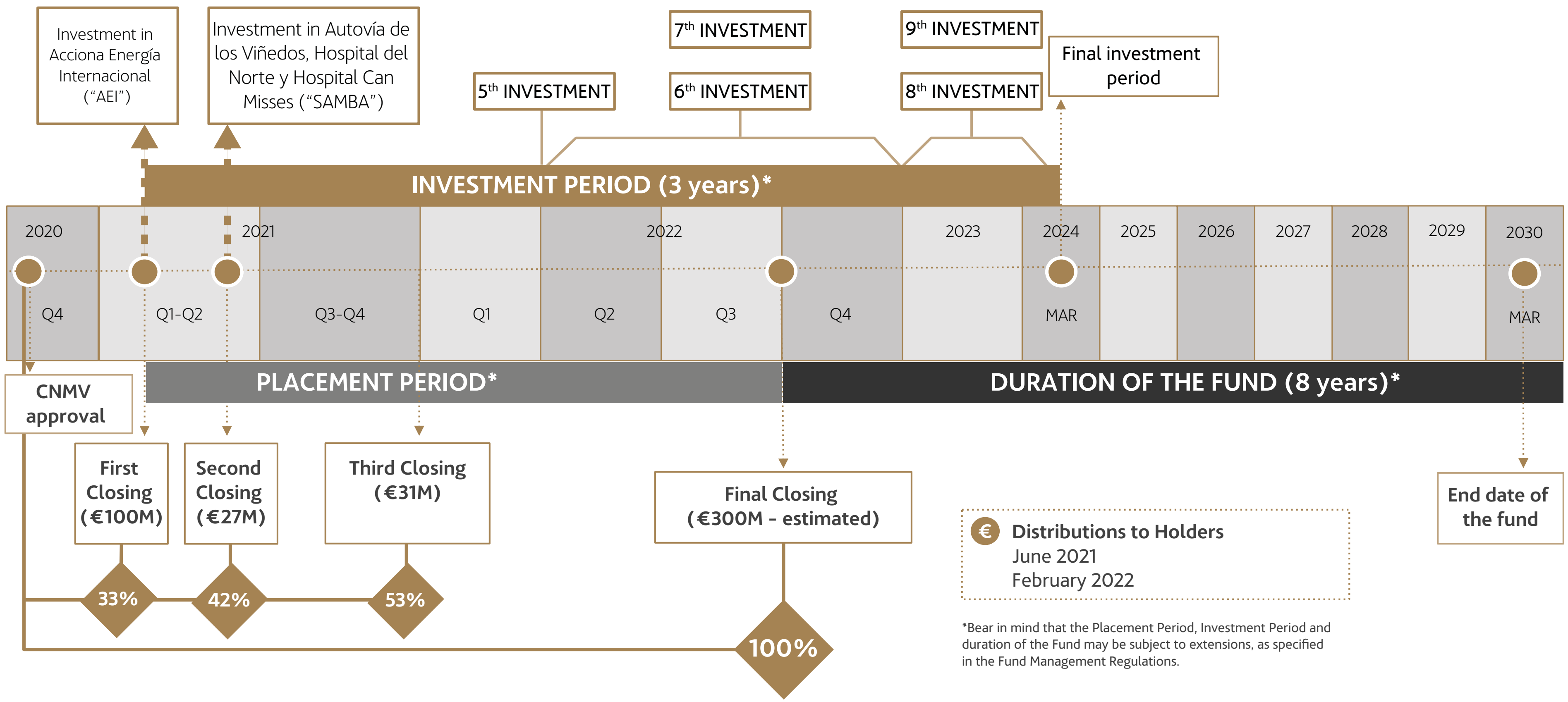


Planning of investment opportunities by geographical region and sector



We expect to keep up the good pace of opportunity generation and development in the coming months, and to purchase assets representing 30% of the Fund's value over the course of 2022.

Main milestones of the first year of the fund and timeline



Product of higher complexity and risk aimed mainly at professional investors. The minimum investment commitment is EUR 100,000 to be held for a period of 8 years extendible to 10 years. Investment in this fund may involve substantial and illiquid risks.

OFFICES

Madrid
C. Juan de Mena, 8
planta 1
28014 Madrid

Barcelona
C. Diputació, 246
planta 3
08007 Barcelona

Valencia
C. Moratín 17
planta 2
46002 Valencia

Bilbao
C. Gran Vía 58
planta 4
48011 Bilbao

Pamplona
Avda. Carlos III El noble, 13-15
planta 2
31002 Pamplona

Seville
C.Fernández y
González 2,
41001 Seville

A Coruña
Pl. de Mina 1,
planta 4
15004 A Coruña

Leon
Avda. Padre Isla, 2
planta 1
24002 Leon

Teléfono 900 878 280

www.bestinver.es

bestinver@bestinver.es

linkedin.com/company/bestinver

youtube.com/bestinverAM

@bestinver

facebook.com/Bestinver

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