QUARTERLY NEWSLETTER

TO OUR INVESTORS

SECOND QUARTER 2024

BESTINVER
acciona

BESTINVER Madrid

Mark Giacopazzi, CIO - Chief Investment Officer of BESTINVER

Dear Investor,

During the first half of 2024, our funds have continued the good performance with which they ended last year. Moreover, the markets have benefited from a favourable environment thanks to the normalisation of monetary policy, resilient economic activity and the strength of business profits. Behind these headlines, however, there are important details that should be highlighted.

The first is that markets are rediscovering that they are able to live with interest rates close to 5%. These rates may seem abnormally high compared to what we have seen over the last ten years. However, if we look back over the history of monetary policy, we can see that the real anomaly was zero rates. In fact, current levels are similar to those in the decades before the 2008 crisis, when the economy was growing without fear of deflation and investors were rewarded for their savings with good returns. Therefore, the re-emergence of inflation and the end of zero rates seem to us to be significant steps in the return to normality and mark the beginning of a more sustainable period in the markets.

Secondly, the road to normalisation has been tested several times in the last two years and, on each occasion, the test was passed with flying colours. We are referring to the resurgence of inflation, the most aggressive rate hike in four decades, geopolitical tension in Ukraine, the regional bank crisis in the US or the collapse of Credit Suisse in Europe. All of these were events that would otherwise have created serious problems, but which, this time around, have been resolved without the economy going into recession. This is a demonstration of resilience that we must not overlook.

Third, in the face of this strength, it is understandable that central banks are more reluctant to lower rates than was assumed at the beginning of the year. This reticence has been welcomed by the markets, which see it as confirmation that the economy is doing well. In addition, corporate profits have continued to grow and, together with a healthy labour market and high levels of private sector solvency, have created a very positive environment for companies. But for which companies, exactly?

For the market, the main beneficiaries of this process are the larger companies with more weight in the indices. This has led to an extreme concentration of positions, which in the US and its seven largest companies[(1)], has reached unprecedented levels. To give a few representative figures, these

(1) Apple, Microsoft, Alphabet, Amazon, NVIDIA, Meta and Tesla.

companies account for more than half of the gains in the US stock market so far this year, their combined capitalisation is ten times higher than Spanish GDP and their weighting in the indices is the highest in history.

Clearly, as investors, we cannot ignore the importance of these seven companies —indeed, we are shareholders in some of them in some of our funds— but neither should we forget the existence of all the others. The excessive attention that the largest companies are receiving has meant that a significant part of the market has been completely neglected. This part is full of good businesses which, thanks to this lack of attention, are trading at very attractive valuations that our funds are quick to take advantage of. Precisely, the fourth relevant factor that we would like to highlight is that such a dichotomous context as the current one is particularly favourable for the active value management that we apply at BESTINVER.

Finally, focusing our outlook, the environment remains favourable for equities. Good corporate fundamentals, low private sector indebtedness and reasonable valuations are usually a positive mix for stock markets. In the short term, we do not rule out some slowdown in the economy. But if necessary, for the first time in a decade, central banks can rely on the support of monetary policy to soften the effects of the cycle and help the markets. Another event to monitor due to its potential implications at European level is the consequences of the electoral process in France. Although our companies have shown a greater capacity to weather periods of uncertainty than their competitors, political uncertainty often generates price movements that we must take advantage of. However, beyond strictly cyclical considerations, the long-term outlook seems clear to us.

Concerning our portfolios, the rotation we explained in previous quarters continues to bear fruit and to expand potentials. During the first half of 2024, funds such as Bestinver Internacional, Bestinfond or Bestinver Norteamérica have achieved cumulative returns of 11.1%, 9.8% y 17.4%, respectively. In fixed income, Bestinver Corto Plazo and Bestinver Renta ended the first half with gains of 1.9% and 2.9%, respectively. As our managers explain in their quarterly newsletters, the quality of the businesses in the portfolio and their valuations should be sufficient for this positive performance to continue over the next few years. In addition to the major headlines that have accompanied us in this half-year, the details we have highlighted in this statement also point in the same direction.

Thank you again for placing your trust in us.

Yours sincerely,

Mark Giacopazzi
[redacted]

BESTINVER in figures

46,000 investors trust us

We manage EUR 6,525 million

Independence: Acciona Group

We have been endorsed by various awards in recent years

Data at 30/06/2024. Source: BESTINVER

Investment Funds

BESTINVER Barcelona

Bestinfond

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

MANAGEMENT TEAM

Tomás Pintó
Head of International Equities

Jorge Fuentes
International Equities Manager

ANNUAL RETURNS TABLE

	2024	2023	2022	2021	2020	2019
Bestinfond	9.77%	25.27%	-16.98%	13.70%	-3.83%	20.81%

ANNUALISED RETURNS TABLE

	1 year	3 years	5 years	10 years	15 years	Launch
Bestinfond (1)	17.84%	3.65%	6.62%	5.52%	9.42%	12.87%

Data at 30/06/2024
Past performance is no guarantee of future performance.

(1) Launch date: 13/01/1993

TOP POSITIONS

	% OF PORTFOLIO
BERKSHIRE HATHAWAY INC-CL B	3.08%
SHELL PLC	2.88%
HOLCIM LTD	2.87%
HEINEKEN NV	2.87%
PHILIPS ELECTRONICS NV	2.76%

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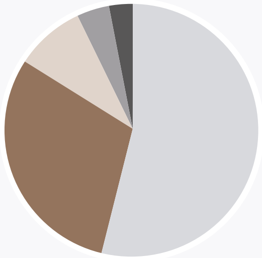
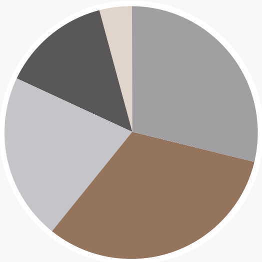
PORTFOLIO DISTRIBUTION

Geographical distribution



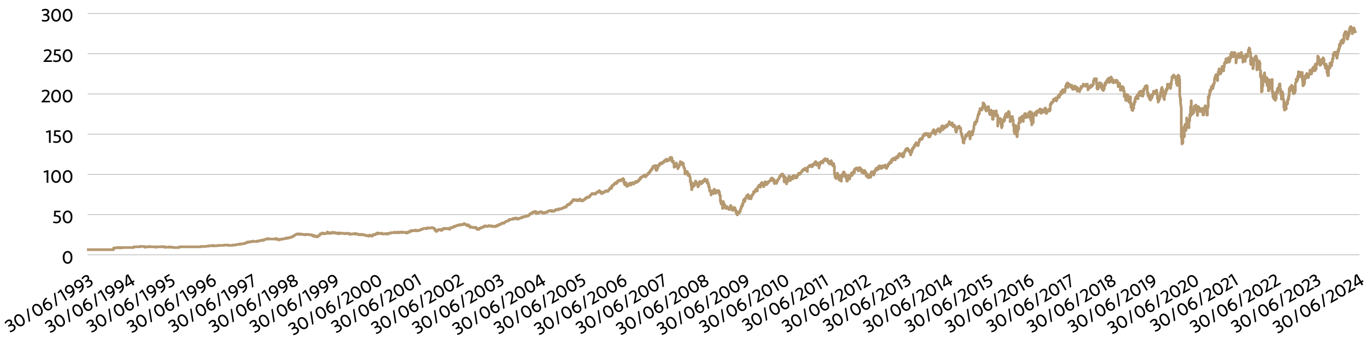
- Europe **54%**
- USA **30%**
- Iberia **9%**
- Liquidity **4%**
- Rest of the World **3%**

Sectoral distribution



- Industrial **29%**
- Consumer **32%**
- Communication & Technology **21%**
- Financial **14%**
- Liquidity **4%**

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 30/06/24. Source: BESTINVER. Periods exceeding 1 year at annualised rate. Launch date: 13/01/1993.

RISKS ASSOCIATED WITH THE INVESTMENT

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

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Dear Investor,

Bestinfond ended the quarter with a virtually flat performance, with a cumulative return for the first half-year of 9.8%.

During the quarter, the portfolio consolidated the good revaluations achieved in the first half of the year. This performance can be described as satisfactory, given that it has taken place in a less constructive environment than the markets were discounting at the beginning of the year.

The number and size of interest rate cuts anticipated by investors have moderated markedly in recent months. It is true that inflation has continued to fall at global level, but the reductions have been smaller than expected by market consensus which, moreover, has observed how the expected recovery of part of the economy that is still quite depressed (the manufacturing sector) has not materialised.

Despite this change in scenario, the portfolio has shown considerable strength. Its good performance in a less favourable economic environment highlights the value of an investment strategy based on balance, discipline in valuations, and active risk management. Not forgetting patience, of course. The indispensable element of any investment. The best medicine against panic and market excesses and the necessary ingredient for value and price to converge.

We have a well diversified portfolio, both by geography and by business type, comprising good companies trading at a significant discount to their fundamental value. This combination of factors does not guarantee results in the short term, but in the long term it should continue to provide good risk-adjusted returns for Bestinfond unitholders.

Flexibility to take advantage of opportunities

The reality is that little has changed in the last three months. It is true that we have not seen the expected rebound in the manufacturing sector, hampered by the lack of momentum in the Chinese economy and the persistently strong consumer demand for services. Similarly, construction, capital goods investment and other activities whose dynamism depends on financing costs continue to show clear weaknesses.

We live in a macro reality that is not likely to change substantially until central banks reverse their monetary policies more decisively. An unlikely scenario for now, as global unemployment remains at historic lows, wages continue to grow above inflation and there has been no visible slowdown in economic growth, despite the geopolitical tensions that remain present in many parts of the world.

What might happen next? It is impossible to know. Perhaps the slight deterioration we have noted recently in the US macro data will intensify, and interest rates will continue to fall in the coming quarters. Nor can it be ruled out, once the high levels of inventories that have weighed so heavily on industrial output in the last year and a half have been digested, that we are witnessing a cyclical reacceleration of the economy. In this scenario, monetary restrictions would be necessary for longer.

Central banks signalled the end of the monetary tightening cycle at the end of last year, but linked possible rate cuts to incoming data. This policy is

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unpredictable by definition and continues to make the market, obsessed with macroeconomics, swing from enthusiasm to despair with each development that is published.

It seems clear, therefore, that the high degree of uncertainty about the economy will remain present in the markets in the coming months. The lingering hangover from the events of recent years, the difficult balancing act of divergent fiscal and monetary policies and the US elections just around the corner require a high degree of flexibility. With what aim? To seize the opportunities that might arise in the coming months. We believe that our portfolio fits in well with the plan explained above.

More growth and more solvency at a discount

What is really important to keep in mind is that the long-term performance of our fund will not be determined by the economy's performance in the coming quarters. As investors, the question we must ask ourselves is whether the valuations of our portfolio companies offer a large enough safety margin to act as a buffer against a significant macroeconomic downturn.

Or, to put it another way, whether the return we will obtain in the long term adequately compensates for the risk we are incurring by investing now.

In our case, we believe the answer is a resounding yes. Bestinfond trades at a 50% discount to the world's major indices, has a financial strength which is unattainable for the average businesses listed on them and the earnings growth we project for our companies is much higher than what analyst consensus forecasts for the indices over the next few years.

Bestinfond – Operational Performance

YoY GROWTH	2022A	2023A	2024E	2025E
Analysis Sales per share	29.0% 34.0%	2.3% 4.5%	8.2%	7.3%
EBIT EBIT per share	24.7% 27.0%	-3.2% -0.6%	30.2%	17.7%
Normalised Net Profit Normalised Net P. per share	22.0% 25.1%	1.8% 3.6%	20.3%	14.0%
Normalised FCF Normalised FCF per share	25% 28%	1.8% 3.3%	24.1%	18.7%
OTHER METRICS	**2022A**	**2023A**	**2024E**	**2025E**
Net Cash/Capitalisation (%) Dividends + Share Repurchases	20.0% 4.5%	11.0% 3.0%	12.3% 3.1%	15.3% 3.3%

Source: *BESTINVER.*

(1) (1) Estimates based on BESTINVER's own analysis and valuation models. This is not a guarantee of profitability; it is an estimate subject to possible variations. Estimates are projected assuming a similar context to the current one.

(2) (2) RISKS ASSOCIATED WITH THE INVESTMENT: Investments may involve the following risks: liquidity risk, valuation risk, sustainability risk, country risk, currency risk, concentration risk, inflation risk, counterparty risk and interest rate risk. Detailed information on investment risks can be found on the following pages of this document. The full prospectuses, regular reports, pension scheme KPD and fund KIID are available on the following websites: www.bestinver.es and www.cnmv.es. Investment in this fund is not suitable for time horizons shorter than 5 years. Past performance is no guarantee of future performance.

You know that in the investment team we analyse Bestinfond as if it were a company. A sort of holding company owning profitable, well-funded businesses, run by people we admire, and trading below their fundamental value. How do we do it? We account in aggregate for the sales generated by all our companies adjusted for their weight in the portfolio, the margins those sales produce and the cash flow they earn after investing in everything necessary to maintain and grow their (our) businesses. Within this analytical framework, we present each year's operating results achieved by "our company" and our projections of those results for the coming years.

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As we just mentioned, the earnings growth we project for Bestinfond over the next two years is much higher than what analysts are forecasting for the major global indices. This growth represents a clear acceleration compared to 2023, which was hampered by the sharp nominal slowdown that occurred in the global economy but, above all, by the very demanding basis of comparison with an absolutely outstanding 2022, when "our company's" earnings grew by about 30%.

We project revenue growth of 8.3% this year and 7.4% next year. Thanks to efficient cost control and the operational improvements we envisage, profits should improve by 20% in 2024 and 14% in 2025, and cash flow, with the investment cycle having matured in many of our companies, should grow by 24.1% and 18.6% respectively. This increased capital generation will allow us to further strengthen our solvency (we have a net cash position representing around 12% of the market value of our companies), continue paying dividends and buy back our own shares.

It is important to note than more than two thirds of our companies are repurchasing shares, an unprecedented percentage in BESTINVER's 35-year history. If this buyback policy continues in the coming years, we will obviously have less net cash on the balance sheet but the earnings growth we have just discussed will be higher when adjusted for the lower number of outstanding shares.

The future outlook is reasonably good for our company in terms of profit generation. This does not guarantee results in the short term (we all remember 2022), but in the long-term profitability often smiles on owners of shares in profitable companies run by managers focused on value creation, which have bomb-proof solvency and are trading below their fundamental value.

Balanced portfolio, concentration and risk management

The right balance between stability and performance is the objective we pursue when constructing the Bestinfond portfolio. A fund that invests a certain percentage of its assets in companies that grow independently of the economic cycle and are not very capital intensive, and whose results are reasonably predictable. These shares provide us with the stability and recurrence necessary to be able to undertake riskier investments that should potentially be more profitable.

We are talking about companies with higher operating leverage and which are therefore more exposed to the economic cycle or commodity prices, to give two examples, as well as businesses that are struggling temporarily and which the market has penalised for some reason: an investment cycle that has dragged down their performance, an unforeseen change in the management team, or results below market expectations. Companies with below-par performance in the stock market which have always been uncomfortable to buy, as the volatility of the portfolio increases, there is no guarantee of good short-term returns, and inexperienced investors may end up selling the fund at the worst possible moment. This is the price we have to pay for the long-term performance of the portfolio.

We do our best to have a strategy in place with a broad degree of diversification, with the right proportion of what we call "stay rich" companies and "get rich" companies. We are never going to gamble on a particular sector no matter how cheap it may seem to us. We do not want our performance to depend on interest rate levels, commodity prices or economic performance in the coming quarters. Obviously, all these factors can influence the daily net asset value, but we try to ensure that

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the risks we incur to achieve our profitability targets are limited and well diversified.

There is a school of thought within the management world that does not believe in the value of diversification. One of the most common arguments put forward by advocates of concentrated portfolios is that the level of knowledge and analysis that can be gained by devoting our full attention to 10 companies cannot be replicated with a portfolio of 50 companies. It is an approach with which we sympathise (the real risk is not knowing what you are investing in), but knowledge cannot reduce the unpredictability of the investment world. There is a distinction to be made between confidence in your abilities and risk management.

All investment requires analysis and conviction, but also a keen awareness of the risks inevitably incurred in making projections about the future. Investors tend to overestimate how much we know and underestimate what we cannot know. Concentration is dependent on our confidence in our forecasting skills. Diversification is the result of wanting to reduce the impact of unpredictability. The former consists of knowing what will happen in the future. The latter is to assume that we do not know what will happen in the future.

Does less concentration mean that we are foregoing higher returns? Maybe, but our goal is to get the best possible return, on a risk-adjusted basis. If not, why not invest only in the sector with the most upside? Or better still, in a few stocks, the cheapest in that sector? That is not our way of doing things. Sensible investment is not to predict a single outcome and try to maximise returns if it materialises. It's about making sure you are in the right position if it doesn't happen. A highly concentrated investment strategy involves betting that we will be right, but makes us extremely vulnerable if we are wrong.

Philips

As mentioned above, we are seeking opportunities in companies whose results are affected by dynamics that we consider temporary, but whose share prices have discounted a lasting impact that we regard as highly unlikely. Names that are unfashionable among investors and therefore trade at contracted multiples, an essential ingredient for safe and profitable investments. Our investment in Philips, which we will update in this newsletter, fits perfectly into the pattern we have just described.

BESTINVER's investment in Philips is very peculiar because of a situation that has rarely arisen in our professional careers. We are referring to the fact that, during the months we were building our position in the market, we had a company in the portfolio (Exor) that was doing exactly the same. An amusing anecdote that we learned a little less than a year ago now, when the Agnelli family holding company announced that it had bought a 15% stake in Philips. This is intended as a long-term acquisition which results from the holding company's objective of increasing its presence in the health care sector and which will give the Italian group a seat on the board, making it the *de facto* main shareholder of the Dutch multinational.

We hold John Elkann, the grandson of Giovanni Agnelli and current CEO of Exor, in high esteem. In our view, it is one of the best capital allocators of recent times. The return he has achieved for his shareholders can only be described as spectacular. Since 2009 he has achieved growth in the value of the company's assets at a compound rate of 20%. We believe that a few months ago, Exor saw the same as we did in Philips. On the one hand, a technological and industrial capacity that is difficult to replicate in an undoubtedly attractive sector in the long term. And on the other, a very

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complicated economic situation that enabled it to buy a holding at a very steep discount to the true value of its business.

The Dutch giant, after more than a decade of business restructuring, has become a major player in the design, manufacture and marketing of high value-added healthcare equipment. We are talking about diagnostic imaging equipment, critical care equipment in hospitals or software solutions for remote patient monitoring. The company operates in an oligopolistic sector with only three global players (Siemens, GE and Philips itself), where technological development and the range of equipment already in place provide a significant barrier to entry against new competitors. In addition, the sector has two powerful tailwinds: the improved productivity that this type of equipment brings to hospitals and, of course, demographics.

We started buying Philips shares in early 2023, after the stock had fallen 75% from the peaks reached in April 2021. The recall of thousands of sleep apnoea respirators due to a manufacturing defect that could cause health risks had led to investors stampeding out of the Dutch company. The market cannot stand events of this kind because of the uncertainty generated by their possible consequences, in this case the costs of recall and replacement of new equipment, but, above all, the compensation payable to the people affected.

It made no difference that this division accounted for only 13% of the group's revenues or that the business was recovering from a pandemic that had profoundly altered the functioning of hospitals (absence of diagnostic tests, surgeries, etc.) or the supply of materials (chips) for manufacturing its equipment. Philips' valuation multiple discounted a very dark future for the business and a balance sheet at risk due to its having to face potentially very high compensation payments.

Our work since the end of 2022 has always had one objective: to determine whether, at the prices at which we could become Philips shareholders, the worst-case scenario was already discounted. After a few months of analysis, we came to the conclusion that with a little perspective and assuming there would be a few bumps along the way, we could acquire a holding in a leading company in a very interesting sector at a valuation that would potentially allow us to double our money within three to five years.

In recent times, some of the market's many doubts have been dispelled and Philips shares have responded with significant gains (since our purchase we have made gains of around 50%). The most relevant was revealed this quarter, when the company announced that it had reached an agreement worth EUR 1 billion to cover all claims in the USA for personal damage that might have been caused by its devices.

On the day of the announcement, which coincided with the release of the first quarter results, Philips shares ended the day 30% up. This was a sign of the very negative consensus estimates which, in many cases, discounted a capital increase which would have been tremendously dilutive for the company's shareholders.

This agreement covers the most important part of the compensation that the company has to face after it reached an agreement in 2023 to settle the class action lawsuits, this time for the monetary losses derived from the acquisition of its devices. The decision of the US Department of Justice is still pending. The possible fine should not represent a significant amount but, in the worst case, it could mean the removal of Roy Jakobs as CEO, since at the time he was responsible for the division that caused all these lawsuits. We do not believe his departure is likely, but it is a possible scenario.

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We respect the work Jakobs has done over this difficult period. We would like to see him remain in his post, but the major restructuring announced in recent times is underway and operationally the worst is over. We have every confidence in the board's ability to find a reliable replacement, should the Department of Justice trigger a change in the group's management. Moreover, the current CFO, an executive for whom we have no great admiration, will be leaving the company in the coming months. We have the feeling that Exor's arrival on the board has played a role in this decision.

As we said, the business is moving in the right direction and despite the significant rise in the quarter, Philips shares remain highly undervalued. Many investors may not be interested until outstanding compensation payments are quantified, or they may need more visibility on changes in the management team. We still think it is a very interesting idea, taking into account the valuation of its shares, the growth and quality of the business and the Dutch company's potential for improvement in both margins and cash conversion in the coming years.

With our normalised figures, we believe Philips is worth 50% more that its current stock market value. A target price that does not differ greatly from the one we had in mind a year and a half ago, when we took advantage of market panic to buy a good business at an extraordinary price. One of those occasions that you can take advantage of when you have a balanced portfolio and a first class team of analysts, a defined working method and of course patience, the key ingredient of any value investment.

Portfolio movements

The overall figures for our shares have reflected good returns for the portfolio for several months, although the dispersion among returns continues to be considerable. There are companies whose fundamental value is being recognised by the market which coexist with others that continue to trade at a major discount to their valuations. This dynamic is excellent news for Bestinfond's unitholders. Why do we say this? Because in our line of work, dispersion means opportunity.

As mentioned above, many of our companies have enjoyed remarkable revaluations. They would not be in the portfolio if we did not continue to believe that they offer value. Their multiples remain consistent with annual double-digit long-term returns, but our safety margin has undoubtedly shrunk. Their relative significance in the portfolio has also been reduced. This set of companies includes names like Rolls Royce, Pandora or Holcim, to name a few.

We have reduced our holding in Samsung Electronics. The company is struggling to produce the memory chips most commonly used in graphics processing units (GPU) for artificial intelligence. Similarly, the chip manufacturing division continues to fail to win new contracts and to achieve acceptable profitability in its operations. Finally, changes have been announced in the semiconductor division management team that we do not fully understand. Following our analysis team's visit to Korea, we have decided to recycle that capital into other names in the semiconductor equipment value chain.

We do not want to lose exposure to a cycle of recovery in volumes and prices in the sector that may be surprisingly strong in the coming years.

We have sold our remaining shares in Informa. The recovery of the business after Covid can be considered complete and new strategic initiatives are starting to bear fruit. New products contribute to more balanced growth and

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better geographical diversification. The management team has done all the right things over the last few years, returning capital to shareholders and undertaking complementary acquisitions without apparently overpaying for them. All these fundamentals are much better recognised in its share price after growth of close to 50% in the last year and a half.

Similarly, we have taken advantage of the strong performance of Inpost, a Polish logistics company in which we have been investing since 2021, to sell the small position we had in our portfolio. Although the operational performance of the business remains impeccable, the current valuation leaves us with very little safety margin.

We have increased our stake in oil companies Shell and BP. The crude oil price discounted in their valuations does not seem sustainable in the medium term. They are much better companies than in the past, even if their valuation ratios do not reflect this, and their management teams have understood the importance of being disciplined with the return required on their investments. They are selling their less profitable assets and the renewed strength of their balance sheets allows them to reward their shareholders sustainably with returns (between dividends and buybacks) close to double digits.

We have continued to build our position in Expedia, a company we explained in the previous quarterly newsletter, and have increased our exposure to companies in the healthcare sector such as Elevance Health (which we also explained in the first quarter newsletter) or GSK. Defensive companies do not have much "momentum" in the stock market, but the case of pharmaceuticals deserves special mention due to the wild divergence in valuation that exists between those with anti-obesity drugs on the market (Novo Nordisk and Elli Lilly) and the rest of the global companies in the sector. In some respects, this disparity is reminiscent of Tesla and the traditional car manufacturers in 2021, when Elon Musk's company was worth more than double all European, Korean and American manufacturers combined on the stock market.

Jerónimo Martins, Europe's best supermarket chain

We are adding new companies to the portfolio. One of them is Jerónimo Martins, a family business that BESTINVER knows well and which represents a good hedge if food inflation goes up again. We believe that the current valuation of its shares does not adequately reflect the growth of the business, the strength of its balance sheet, or the quality of the management team.

The situation in which the company finds itself has changed considerably in the last two years. At the beginning of 2023 in Poland, which accounts for 90% of its valuation, the sector enjoyed a best-case scenario of high food inflation and contained cost inflation. An extraordinarily favourable situation that resulted in a valuation that was too high for an unsustainably good situation.

Since then, the Polish market has experienced a perfect storm for food retail chains: food inflation has plummeted from 24% to 0.3% in just twelve months, minimum wages in the country have increased by 18% in 2024 and shop rentals have been adjusted upwards to reflect an inflation level of 12%. All this has led to a sharp contraction in Jeronimo's margins and its share price has fallen more than 30% to EUR 18. We have taken advantage of these prices of to start building our position.

The Polish market continues to face enormous difficulties, with a generalised price war among the main players in the sector as they try to compensate for

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weak volumes. However, the economy remains on a strong growth trend, consumer confidence is at its highest point in years and we believe that the sharp increase in wages will sooner or later translate into improved volumes and a less competitive environment.

Biedronka, the Polish supermarket chain owned by Jerónimo, is the absolute market leader with a market share close to 30%. The group continues to successfully implement a long-term strategy focused on improving its competitive position, thereby displacing players with less scale and worse managers (in the first quarter of the year, it increased its share by 70 basis points).

We have been able to invest in Jerónimo Martins at less than 13 times next year's expected earnings, a year that we believe is more representative of the business's normalised profitability after the margin investments they are making this year. This multiple is not adjusted for the net cash on the balance sheet (equivalent to 9% of its market capitalisation) nor for the losses in Colombia, a market with high growth potential where they continue to invest to reach the necessary scale. We do not recall having seen such a valuation in over a decade, which discounts a deterioration in margins and profitability that we do not expect to be lasting for what is, in our opinion, the best company in the industry in Europe.

We would like to thank you for your trust and wish you an excellent summer.

Yours sincerely,

The Investment Team.

Date: 30/06/2024. Source: BESTINVER

MAIN MOVEMENTS

Additions

JERONIMO MARTINS

Disposals

INFORMA PLC
INPOST SA
BBVA

Increases

ELEVANCE HEALTH INC
EXPEDIA GROUP INC
SHELL PLC
BP PLC
GSK PLC

Reductions

SAMSUNG ELECTRONICS
PANDORA A S
STELLANTIS N.V.
ROLLS ROYCE HOLDINGS
SILTRONIC AG

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Bestinver Internacional

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

MANAGEMENT TEAM

Tomás Pintó
Head of International Equities

Jorge Fuentes
International Equities Manager

ANNUAL RETURNS TABLE

	2024	2023	2022	2021	2020	2019
Bestinver Internacional	11.05%	24.62%	-17.85%	14.17%	-1.38%	23.34%

ANNUALISED RETURNS TABLE

	1 year	3 years	5 years	10 years	15 years	Launch
Bestinver Internacional [1]	18.49%	3.45%	7.31%	6.17%	10.42%	9.07%

Data at 30/06/2024
Past performance is no guarantee of future performance.

(1) Launch date: 19/11/1997

TOP POSITIONS

	% OF PORTFOLIO
BERKSHIRE HATHAWAY INC-CL B	3.33%
SHELL PLC	3.19%
HEINEKEN NV	3.18%
HOLCIM LTD	3.17%
PHILIPS ELECTRONICS NV	3.04%

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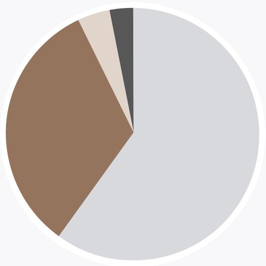
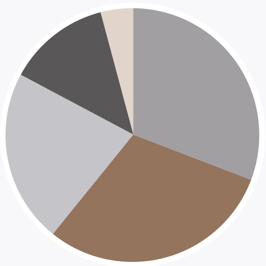
PORTFOLIO DISTRIBUTION

Geographical distribution



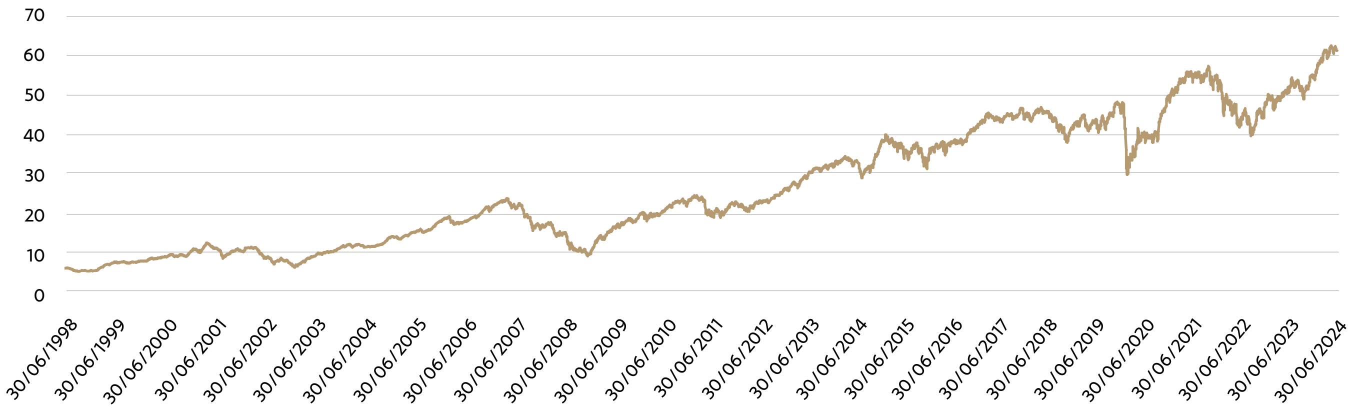
Europe	**60%**	Liquidity	**4%**
USA	**33%**	Rest of the World	**3%**

Sectoral distribution



Industrial	**31%**	Financial	**13%**
Consumer	**30%**	Liquidity	**4%**
Communication & Technology	**22%**		

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 30/06/24. Source: BESTINVER. Periods exceeding 1 year at annualised rate. Launch date: 19/11/1997.

RISKS ASSOCIATED WITH THE INVESTMENT

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

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

Past performance is no guarantee of future performance.

The fund's full prospectus, regular reports and KIID can be found on the following websites www.bestinver.es and www.cnmv.es

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MANAGEMENT ASSESSMENT

Dear Investor,

Bestinver Internacional ended the quarter with a virtually flat performance, with a cumulative return for the first half-year of 9.8%.

During the quarter, the portfolio consolidated the good revaluations achieved in the first half of the year. This performance can be described as satisfactory, given that it has taken place in a less constructive environment than the markets were discounting at the beginning of the year.

The number and size of interest rate cuts anticipated by investors have moderated markedly in recent months. It is true that inflation has continued to fall at global level, but the reductions have been smaller than expected by market consensus which, moreover, has observed how the expected recovery of part of the economy that is still quite depressed (the manufacturing sector) has not materialised.

Despite this change in scenario, the portfolio has shown considerable strength. Its good performance in a less favourable economic environment highlights the value of an investment strategy based on balance, discipline in valuations, and active risk management. Not forgetting patience, of course. The indispensable element of any investment. The best medicine against panic and market excesses and the necessary ingredient for value and price to converge.

We have a well-diversified portfolio, both by geography and by business type, comprising good companies trading at a significant discount to their fundamental value. This combination of factors does not guarantee results in the short term, but in the long term it should continue to provide good risk-adjusted returns for Bestinver Internacional unitholders.

Flexibility to take advantage of opportunities

The reality is that little has changed in the last three months. It is true that we have not seen the expected rebound in the manufacturing sector, hampered by the lack of momentum in the Chinese economy and the persistently strong consumer demand for services. Similarly, construction, capital goods investment and other activities whose dynamism depends on financing costs continue to show clear weaknesses.

We live in a macro reality that is not likely to change substantially until central banks reverse their monetary policies more decisively. An unlikely scenario for now, as global unemployment remains at historic lows, wages continue to grow above inflation and there has been no visible slowdown in economic growth, despite the geopolitical tensions that remain present in many parts of the world.

What might happen next? It is impossible to know. Perhaps the slight deterioration we have noted recently in the US macro data will intensify, and interest rates will continue to fall in the coming quarters. Nor can it be ruled out, once the high levels of inventories that have weighed so heavily on industrial output in the last year and a half have been digested, that we are witnessing a cyclical reacceleration of the economy. In this scenario, monetary restrictions would be necessary for longer.

Central banks signalled the end of the monetary tightening cycle at the end of last year, but linked possible rate cuts to incoming data. This policy is

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unpredictable by definition and continues to make the market, obsessed with macroeconomics, swing from enthusiasm to despair with each development that is published.

It seems clear, therefore, that the high degree of uncertainty about the economy will remain present in the markets in the coming months. The lingering hangover from the events of recent years, the difficult balancing act of divergent fiscal and monetary policies and the US elections just around the corner require a high degree of flexibility. With what aim? To seize the opportunities that might arise in the coming months. We believe that our portfolio fits in well with the plan explained above.

More growth and more solvency at a discount

What is really important to keep in mind is that the long-term performance of our fund will not be determined by the economy's performance in the coming quarters. As investors, the question we must ask ourselves is whether the valuations of our portfolio companies offer a large enough safety margin to act as a buffer against a significant macroeconomic downturn. Or, to put it another way, whether the return we will obtain in the long term adequately compensates for the risk we are incurring by investing now.

In our case, we believe the answer is a resounding yes. Bestinver Internacional trades at a 50% discount to the world's major indices, has a financial strength which is unattainable for the average businesses listed on them and the earnings growth we project for our companies is much higher than what analyst consensus forecasts for the indices over the next few years.

Bestinver Internacional – Operating performance

YoY GROWTH	2022A	2023A	2024E	2025E
Analysis Sales per share	30.0% 35.0%	2.4% 4.6%	8.3%	7.4%
EBIT EBIT per share	24.9% 27.2%	-3.0% -0.4%	30.0%	17.9%
Normalised Net Profit Normalised Net P. per share	22.2% 25.1%	2.0% 3.8%	20.2%	14.4%
Normalised FCF Normalised FCF per share	26% 29%	1.9% 3.4%	24.0%	18.8%
OTHER METRICS	**2022A**	**2023A**	**2024E**	**2025E**
Net Cash/Capitalisation (%) Dividends + Share Repurchases	21.0% 4.7%	12.0% 3.1%	12.5% 3.2%	15.6% 3.4%

Source: *BESTINVER.*

(1) Estimates based on BESTINVER's own analysis and valuation models. This is not a guarantee of profitability; it is an estimate subject to possible variations. Estimates are projected assuming a similar context to the current one.

(2) RISKS ASSOCIATED WITH THE INVESTMENT: Investments may involve the following risks: liquidity risk, valuation risk, sustainability risk, country risk, currency risk, concentration risk, inflation risk, counterparty risk and interest rate risk. Detailed information on investment risks can be found on the following pages of this document. The full prospectuses, regular reports, pension scheme KPD and fund KIID are available on the following websites: www.bestinver.es and www.cnmv.es. Investment in this fund is not suitable for time horizons shorter than 5 years. Past performance is no guarantee of future performance.

You know that in the investment team we analyse Bestinver Internacional as if it were a company. A sort of holding company owning profitable, well-funded businesses, run by people we admire, and trading below their fundamental value. How do we do it? We account in aggregate for the sales generated by all our companies adjusted for their weight in the portfolio, the margins those sales produce and the cash flow they earn after investing in everything necessary to maintain and grow their (our) businesses. Within this analytical framework, we present each year's operating results achieved by "our company" and our projections of those results for the coming years.

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As we just mentioned, the earnings growth we project for Bestinver Internacional over the next two years is much higher than what analysts are forecasting for the major global indices. This growth represents a clear acceleration compared to 2023, which was hampered by the sharp nominal slowdown that occurred in the global economy but, above all, by the very demanding basis of comparison with an absolutely outstanding 2022, when "our company's" earnings grew by about 30%.

We project revenue growth of 8.3% this year and 7.4% next year. Thanks to efficient cost control and the operational improvements we envisage, profits should improve by 20% in 2024 and 14% in 2025, and cash flow, with the investment cycle having matured in many of our companies, should grow by 24.1% and 18.6% respectively. This increased capital generation will allow us to further strengthen our solvency (we have a net cash position representing around 12% of the market value of our companies), continue paying dividends and buy back our own shares.

It is important to note than more than two thirds of our companies are repurchasing shares, an unprecedented percentage in BESTINVER's 35-year history. If this buyback policy continues in the coming years, we will obviously have less net cash on the balance sheet but the earnings growth we have just discussed will be higher when adjusted for the lower number of outstanding shares.

The future outlook is reasonably good for our company in terms of profit generation. This does not guarantee results in the short term (we all remember 2022), but in the long-term profitability often smiles on owners of shares in profitable companies run by managers focused on value creation, which have bomb-proof solvency and are trading below their fundamental value.

Balanced portfolio, concentration and risk management

The right balance between stability and performance is the objective we pursue when constructing the Bestinver Internacional portfolio. A fund that invests a certain percentage of its assets in companies that grow independently of the economic cycle and are not very capital intensive, and whose results are reasonably predictable. These shares provide us with the stability and recurrence necessary to be able to undertake riskier investments that should potentially be more profitable.

We are talking about companies with higher operating leverage and which are therefore more exposed to the economic cycle or commodity prices, to give two examples, as well as businesses that are struggling temporarily and which the market has penalised for some reason: an investment cycle that has dragged down their performance, an unforeseen change in the management team, or results below market expectations. Companies with below-par performance in the stock market which have always been uncomfortable to buy, as the volatility of the portfolio increases, there is no guarantee of good short-term returns, and inexperienced investors may end up selling the fund at the worst possible moment. This is the price we have to pay for the long-term performance of the portfolio.

We do our best to have a strategy in place with a broad degree of diversification, with the right proportion of what we call "stay rich" companies and "get rich" companies. We are never going to gamble on a particular sector no matter how cheap it may seem to us. We do not want our performance to depend on interest rate levels, commodity prices or economic performance in the coming quarters. Obviously, all these factors can influence the daily net asset value, but we try to ensure that the risks we incur to achieve our profitability targets are limited and well diversified.

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There is a school of thought within the management world that does not believe in the value of diversification. One of the most common arguments put forward by advocates of concentrated portfolios is that the level of knowledge and analysis that can be gained by devoting our full attention to 10 companies cannot be replicated with a portfolio of 50 companies. It is an approach with which we sympathise (the real risk is not knowing what you are investing in), but knowledge cannot reduce the unpredictability of the investment world. There is a distinction to be made between confidence in your abilities and risk management.

All investment requires analysis and conviction, but also a keen awareness of the risks inevitably incurred in making projections about the future. Investors tend to overestimate how much we know and underestimate what we cannot know. Concentration is dependent on our confidence in our forecasting skills. Diversification is the result of wanting to reduce the impact of unpredictability. The former consists of knowing what will happen in the future. The latter is to assume that we do not know what will happen in the future.

Does less concentration mean that we are foregoing higher returns? Maybe, but our goal is to get the best possible return, on a risk-adjusted basis. If not, why not invest only in the sector with the most upside? Or better still, in a few securities, the cheapest in that sector? That is not our way of doing things. Sensible investment is not to predict a single outcome and try to maximise returns if it materialises. It's about making sure you are in the right position if it doesn't happen. A highly concentrated investment strategy involves betting that we will be right, but makes us extremely vulnerable if we are wrong.

Philips

As mentioned above, we are seeking opportunities in companies whose results are affected by dynamics that we consider temporary, but whose share prices have discounted a lasting impact that we regard as highly unlikely. Names that are unfashionable among investors and therefore trade at contracted multiples, an essential ingredient for safe and profitable investments. Our investment in Philips, which we will update in this newsletter, fits perfectly into the pattern we have just described.

BESTINVER's investment in Philips is very peculiar because of a situation that has rarely arisen in our professional careers. We are referring to the fact that, during the months we were building our position in the market, we had a company in the portfolio (Exor) that was doing exactly the same. An amusing anecdote that we learned a little less than a year ago now, when the Agnelli family holding company announced that it had bought a 15% stake in Philips. This is intended as a long-term acquisition which results from the holding company's objective of increasing its presence in the health care sector and which will give the Italian group a seat on the board, making it the *de facto* main shareholder of the Dutch multinational.

We hold John Elkann, the grandson of Giovanni Agnelli and current CEO of Exor, in high esteem. In our view, it is one of the best capital allocators of recent times. The return he has achieved for his shareholders can only be described as spectacular. Since 2009 he has achieved growth in the value of the company's assets at a compound rate of 20%. We believe that a few months ago, Exor saw the same as we did in Philips. On the one hand, a technological and industrial capacity that is difficult to replicate in an undoubtedly attractive sector in the long term. And on the other, a very complicated economic situation that enabled it to buy a holding at a very steep discount to the true value of its business.

The Dutch giant, after more than a decade of business restructuring, has become a major player in the design, manufacture and marketing of high

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value-added healthcare equipment. We are talking about diagnostic imaging equipment, critical care equipment in hospitals or software solutions for remote patient monitoring. The company operates in an oligopolistic sector with only three global players (Siemens, GE and Philips itself), where technological development and the range of equipment already in place provide a significant barrier to entry against new competitors. In addition, the sector has two powerful tailwinds: the improved productivity that this type of equipment brings to hospitals and, of course, demographics.

We started buying Philips shares in early 2023, after the stock had fallen 75% from the peaks reached in April 2021. The recall of thousands of sleep apnoea respirators due to a manufacturing defect that could cause health risks had led to investors stampeding out of the Dutch company.

The market cannot stand events of this kind because of the uncertainty generated by their possible consequences, in this case the costs of recall and replacement of new equipment, but, above all, the compensation payable to the people affected.

It made no difference that this division accounted for only 13% of the group's revenues or that the business was recovering from a pandemic that had profoundly altered the functioning of hospitals (absence of diagnostic tests, surgeries, etc.) or the supply of materials (chips) for manufacturing its equipment. Philips' valuation multiple discounted a very dark future for the business and a balance sheet at risk due to its having to face potentially very high compensation payments.

Our work since the end of 2022 has always had one objective: to determine whether, at the prices at which we could become Philips shareholders, the worst-case scenario was already discounted. After a few months of analysis, we came to the conclusion that with a little perspective and assuming there would be a few bumps along the way, we could acquire a holding in a leading company in a very interesting sector at a valuation that would potentially allow us to double our money within three to five years.

In recent times, some of the market's many doubts have been dispelled and Philips shares have responded with significant gains (since our purchase we have made gains of around 50%). The most relevant was revealed this quarter, when the company announced that it had reached an agreement worth EUR 1 billion to cover all claims in the USA for personal damage that might have been caused by its devices.

On the day of the announcement, which coincided with the release of the first quarter results, Philips shares ended the day 30% up. This was a sign of the very negative consensus estimates which, in many cases, discounted a capital increase which would have been tremendously dilutive for the company's shareholders.

This agreement covers the most important part of the compensation that the company has to face after it reached an agreement in 2023 to settle the class action lawsuits, this time for the monetary losses derived from the acquisition of its devices. The decision of the US Department of Justice is still pending. The possible fine should not represent a significant amount but, in the worst case, it could mean the removal of Roy Jakobs as CEO, since at the time he was responsible for the division that caused all these lawsuits.

We do not believe his departure is likely, but it is a possible scenario. The current CFO, an executive for whom we have no great admiration, will be leaving the company in the coming months. We have the feeling that Exor's arrival on the board has played a role in this decision. We respect the work

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Jakobs has done over this difficult period. We would like to see him remain in his post, but the major restructuring announced in recent times is underway and operationally the worst is over. We have every confidence in the board's ability to find a reliable replacement, should the Department of Justice trigger a change in the group's management.

As we said, the business is moving in the right direction and despite the significant rise in the quarter, Philips shares remain highly undervalued. Many investors may not be interested until outstanding compensation payments are quantified, or they may need more visibility on changes in the management team. We still think it is a very interesting idea, taking into account the valuation of its shares, the growth and quality of the business and the Dutch company's potential for improvement in both margins and cash conversion in the coming years.

With our normalised figures, we believe Philips is worth 50% more that its current stock market value. A target price that does not differ greatly from the one we had in mind a year and a half ago, when we took advantage of market panic to buy a good business at an extraordinary price. One of those occasions that you can take advantage of when you have a balanced portfolio and a first class team of analysts, a defined working method and of course patience, the key ingredient of any value investment.

Portfolio movements

The overall figures for our shares have reflected good returns for the portfolio for several months, although the dispersion among returns continues to be considerable. There are companies whose fundamental value is being recognised by the market, which coexist with others that continue to trade at a major discount to their valuations. This dynamic is excellent news for Bestinver Internacional's unitholders. Why do we say this? Because in our line of work, dispersion means opportunity.

As mentioned above, many of our companies have enjoyed remarkable revaluations. They would not be in the portfolio if we did not continue to believe that they offer value. Their multiples remain consistent with annual double-digit long-term returns, but our safety margin has undoubtedly shrunk. Their relative significance in the portfolio has also been reduced. This set of companies includes names like Rolls Royce, Pandora or Holcim, to name a few.

We have reduced our holding in Samsung Electronics. The company is struggling to produce the memory chips most commonly used in graphics processing units (GPU) for artificial intelligence. Similarly, the chip manufacturing division continues to fail to win new contracts and to achieve acceptable profitability in its operations. Finally, changes have been announced in the semiconductor division management team that we do not fully understand. Following our analysis team's visit to Korea, we have decided to recycle that capital into other names in the semiconductor equipment value chain. We do not want to lose exposure to a cycle of recovery in volumes and prices in the sector that may be surprisingly strong in the coming years.

We have sold our remaining shares in Informa. The recovery of the business after Covid can be considered complete and new strategic initiatives are starting to bear fruit. New products contribute to more balanced growth and better geographical diversification. The management team has done all the right things over the last few years, returning capital to shareholders and undertaking complementary acquisitions without apparently overpaying for them. All these fundamentals are much better recognised in its share price after growth of close to 50% in the last year and a half.

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Similarly, we have taken advantage of the strong performance of Inpost, a Polish logistics company in which we have been investing since 2021, to sell the small position we had in our portfolio. Although the operational performance of the business remains impeccable, the current valuation leaves us with very little safety margin.

We have increased our stake in oil companies Shell and BP. The crude oil price discounted in their valuations does not seem sustainable in the medium term. They are much better companies than in the past, even if their valuation ratios do not reflect this, and their management teams have understood the importance of being disciplined with the return required on their investments. They are selling their less profitable assets and the renewed strength of their balance sheets allows them to reward their shareholders sustainably with returns (between dividends and buybacks) close to double digits.

We have continued to build our position in Expedia, a company we explained in the previous quarterly newsletter, and have increased our exposure to companies in the healthcare sector such as Elevance Health (which we also explained in the first quarter newsletter) or GSK. Defensive companies do not have much "momentum" in the stock market, but the case of pharmaceuticals deserves special mention due to the wild divergence in valuation that exists between those with anti-obesity drugs on the market (Novo Nordisk and Elli Lilly) and the rest of the global companies in the sector. This disparity, in some respects, reminds us of the case of Tesla and the traditional car manufacturers in 2021, when Elon Musk's company was worth more than twice as much on the stock market as all the European, Korean and American manufacturers combined.

We would like to thank you for your trust and wish you an excellent summer.

Yours sincerely,

The Investment Team.

Date: 30/06/24. Source: BESTINVER

MAIN MOVEMENTS

Inflows

–

Outflows

INFORMA PLC
INPOST SA

Increases

ELEVANCE HEALTH INC
EXPEDIA GROUP INC
SHELL PLC
BP PLC
GSK PLC

Reductions

SAMSUNG ELECTRONICS
PANDORA A S
STELLANTIS N.V.
ROLLS ROYCE HOLDINGS
SILTRONIC AG

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Bestinver Bolsa

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

MANAGEMENT TEAM

Ricardo Seixas
Head of Iberian Equities

Javier Ortiz de Artiñano
Iberian Equities Analyst

León Izuzquiza
Iberian Equities Analyst

Gabriel Megías
Iberian Equities Analyst

ANNUAL RETURNS TABLE

	2024	2023	2022	2021	2020	2019
Bestinver Bolsa	3.30%	25.62%	-6.43%	16.97%	-14.01%	10.51%

ANNUALISED RETURNS TABLE

	1 year	3 years	5 years	10 years	15 years	Launch
Bestinver Bolsa (1)	11.09%	7.46%	5.75%	3.48%	6.47%	9.32%

Data at 30/06/2024
Past performance is no guarantee of future performance.

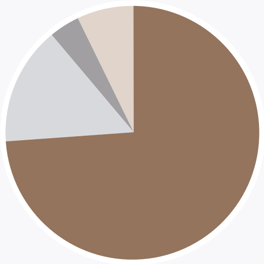
(1) Launch date: 01/12/1997

TOP POSITIONS

	% OF PORTFOLIO
BANCO SANTANDER SA	7.53%
INDUSTRIA DE DISENO TEXTIL	5.65%
CAIXABANK	5.62%
INDRA SISTEMAS S.A.	5.54%
REPSOL	5.53%

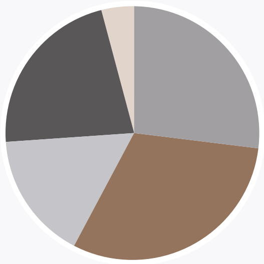
PORTFOLIO DISTRIBUTION

Geographical distribution



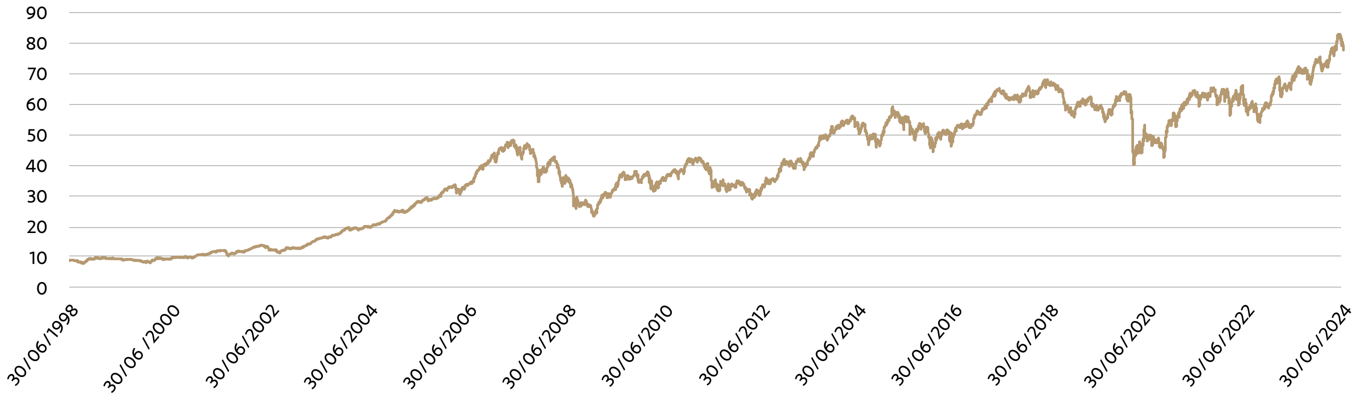
Spain	**74%**	Liquidity	**4%**
Portugal	**15%**	Europe	**7%**

Sectoral distribution



Industrial	**27%**	Financial	**22%**
Consumer	**31%**	Liquidity	**4%**
Communication & Technology	**16%**		

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 30/06/24. Source: BESTINVER. Periods exceeding 1 year at annualised rate. Launch date: 01/12/1997.

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MANAGEMENT ASSESSMENT

Dear Investor,

We have reached the halfway point in the year and the positive start in the markets continues to consolidate. In the previous quarter, we highlighted the notable concentration of returns in big companies in the main indices. In the second quarter, we have seen that this good stock market performance has spread to other market segments.

The main trends that we have stressed in recent months remained relatively stable. Economic activity data in Europe continues to bring surprises on the upside and, after a positive corporate earnings season, earnings estimates are being adjusted accordingly.

On a domestic level, the Spanish economy once again led growth in the region in the first part of the year and estimates for 2024 are already above 2%. The imminent easing of financing conditions due to lower interest rates in the eurozone, the improvement in the export sector, the strength of employment and the boost to consumers' disposable income from lower inflation rates should consolidate the improved economic outlook in the coming quarters. In addition, we are beginning to notice the first signs of credit recovery. This improvement, together with the revival of business investment, which has been stagnant in recent years, should further support the cyclical recovery we are experiencing.

In this newsletter we would like to comment on two of our positions: Jerónimo Martins and Almirall.

Jerónimo Martins

During the quarter, we initiated a position in Portugal's Jerónimo Martins, a company we know well and in which we have previously been shareholders with excellent results.

The company's situation has changed considerably since we sold our holding at the beginning of 2023. At that time, in Poland, which accounts for 90% of Jerónimo's valuation, the sector enjoyed a best-case scenario of high food inflation and contained cost inflation. This extraordinarily favourable situation resulted in excessive euphoria over its shares. Consequently, we decided to sell faced by what we regarded as an excessively high valuation in an unsustainably good situation.

Since then, the Polish market has experienced a perfect storm for a food retail chain: food inflation has plummeted from 24% to 0.3% in just twelve months, minimum wages in the country have increased by 18% in 2024 and shop rentals have been adjusted upwards to reflect an inflation level of 12%. All this has led to a severe contraction in the company's margins and its share price has fallen more than 30% to EUR 18. We have taken advantage of these prices of to start building our new position in Jerónimo.

Currently, the market continues to face difficulties with a generalised price war to compensate for the weakness in volumes. However, the Polish economy remains on a strong growth trend, consumer confidence is at its highest point in years and we believe that, due to strong wage growth, we will again see higher food volumes and a better competitive situation.

Meanwhile, Biedronka, the Polish chain owned by Jerónimo Martins and the absolute market leader with a market share of close to 30%, continues to implement a strategy focused on gaining more market share and improving its competitive position. We consider that in the long term, this will be a winning strategy. In addition, the company has a net cash position of more than EUR 1.1 billion, equivalent to 9% of its market capitalisation, which provides us with considerable financial security for the coming months.

In terms of valuation, we have been able to invest in Jeronimo Martins at less than 13 times expected profits for 2025, a year which we consider to be more representative because of the margin investments they are making this year. This multiple is not adjusted for the company's net cash or the losses in Colombia, a market with high growth potential where they continue to reinvest in order to reach the necessary scale. It has been a long time since we have seen such a valuation of Jerónimo Martins, at a time, moreover, when its competitive position is stronger than ever. We believe that the current weakness in Poland and the market's future extrapolation of this situation have provided us with a great investment opportunity.

Almirall

Almirall is a Spanish pharmaceutical company controlled by the Gallardo family, with a global presence and more than 80 years' history. The company's biggest milestone in recent times was the sale of its respiratory franchise to AstraZeneca in 2014 for EUR 1.6 billion, after which it decided to specialise in the dermatology segment.

The road since then has not been easy. Almirall reinvested the funds by acquiring a number of companies and product rights, without fortune in many cases. At the same time, continuous changes in management and deteriorating profitability have been a constant feature in recent years. However, the arrival of Carlos Gallardo as CEO at the end of 2022 and the capital increase announced last summer have, in our opinion, marked a turning point.

In the medium term, the main pillar of Almirall's thesis relates to the launch of a promising biologic drug for the treatment of atopic dermatitis: Ebglyss. This is an inflammatory skin disease that is estimated to affect about 4% of the European population. Clinical studies have confirmed the product's strength in terms of efficacy, tolerability and convenience, and it is estimated that sales exceeding EUR 450 million can be achieved in the coming years. Launched earlier this year in Germany, preliminary indications of the product's reception are encouraging and it is expected that the roll-out of the product will continue over the coming quarters in the other European markets.

We that believe the launch of Egblyss is transformational for the company. In this respect, revenues and cash generation over the next five years will have little to do with its recent performance. We have met numerous times with the CEO and other Almirall executives over the past 18 months and we believe they have a very clear roadmap. The company needs stability to market a product that will be key in the future and they want to leave behind the period of strategic uncertainty and risky large-scale acquisitions.

If, as we expect, Almirall is able to double its sales and operating profit in the next few years, there will be time to resume our existential discussions about the scale of the business and possible business combinations to drive value creation. Until then, the focus should be solely on execution.

Finally, the congestion caused by electoral processes and the impact of varying fiscal messages on bond markets could reactivate volatility in the second part of the year. However, we believe that the undercurrent in terms of corporate growth and profits remains positive, and therefore the normalisation of valuations in the Iberian universe is expected to continue. We would like to thank you for your trust and wish you an excellent summer.

Yours sincerely,

The Investment Team.

Date: 30/06/24. Source: BESTINVER

MAIN MOVEMENTS

Additions

JERÓNIMO MARTINS

Disposals

ACERINOX

Increases

ALMIRALL

Reductions

BBVA

Bestinver Grandes Compañías

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

MANAGEMENT TEAM

Tomás Pintó
Head of International Equities

Jorge Fuentes
International Equities Manager

ANNUAL RETURNS TABLE

	2024	2023	2022	2021	2020	2019
Bestinver Grandes Compañías	7.62%	24.57%	-22.55%	19.52%	12.66%	23.37%

ANNUALISED RETURNS TABLE

	1 year	3 years	5 years	10 years	Launch
Bestinver Grandes Compañías [1]	12.33%	2.44%	8.87%	6.70%	9.19%

Data at 30/06/2024
Past performance is no guarantee of future performance.

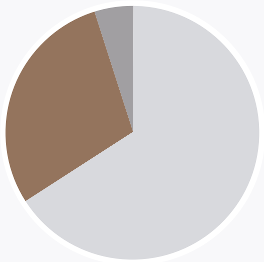
(1) Launch date: 16/12/2011

TOP POSITIONS

	% OF PORTFOLIO
ASML HOLDING NV	3.58%
DEUTSCHE BOERSE AG	3.41%
HEINEKEN NV	3.41%
BOOKING HOLDINGS	2.89%
ROCHE HOLDING AG	2.84%

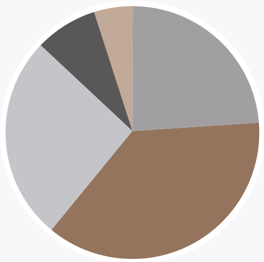
PORTFOLIO DISTRIBUTION

Geographical distribution



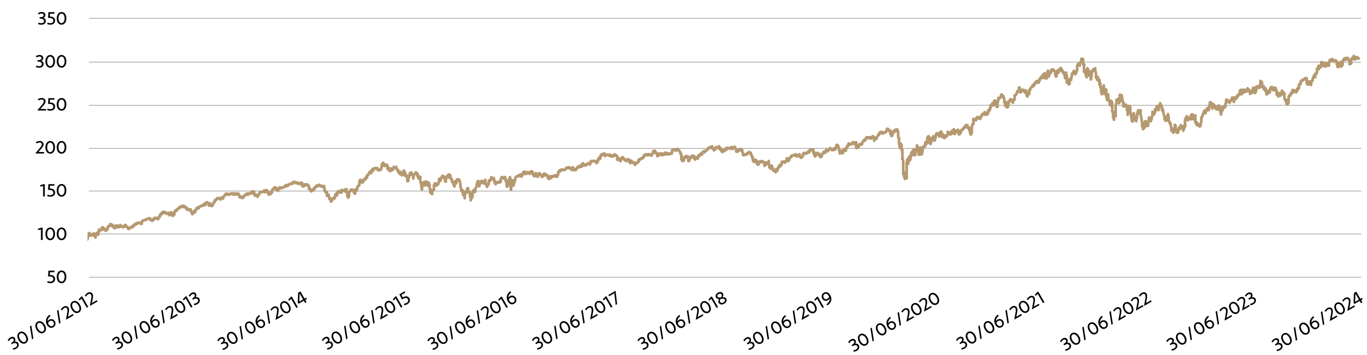
- Europe **66%**
- Liquidity **5%**
- USA **29%**

Sectoral distribution



- Industrial **24%**
- Financial **8%**
- Consumer **37%**
- Liquidity **5%**
- Communication & Technology **26%**

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 30/06/24. Source: BESTINVER. Periods exceeding 1 year at annualised rate. Launch date: 16/12/2011.

RISKS ASSOCIATED WITH THE INVESTMENT

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

Dear Investor,

Bestinver Grandes Compañías ended the quarter with a return of -0.3%, with a cumulative return in the first half of the year of 7.6%.

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

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

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

The myopia of valuation multiples

Valuation multiples are abbreviations used by investors to estimate the value of a company relative to its financial results. Consider the most famous of all, the P/E ratio, a measure of how much investors are willing to pay for the profits a company generates. It is calculated by dividing its market value (a price that should reflect the present value of the business's expected future profits) by the profits that the company generates today. You don't have to be a genius to realise that the P/E compares a numerator that represents the long term with a denominator that takes into account only the short term.

This myopia or apparent weakness in valuation multiples explains why they tend to move in the opposite direction to companies' earnings cycle. Investors are willing to pay a lower multiple on abnormally high earnings and a higher multiple for cyclically depressed earnings. We have all heard at some time that the average stock-market P/E over the last 100 years is 15 times. This figure is obtained by averaging the low multiples (10 times) of peak earnings in the business cycle and the high multiples (20 times) of trough earnings in the business cycle.

In today's markets valuations do not correct excesses, they enhance them

The problem is that we live in a somewhat peculiar stock-market environment in which the role of valuation has changed. It has gone from being a counter-cyclical element in stock performance to a fully pro-cyclical component.

Every day we can see how companies' good results are rewarded with gains which, in many cases, expand the valuation of their shares to a point that compromises their future profitability. The opposite is also true. Worse than expected results are punished with a contraction of valuation multiples consistent with what should be excellent future returns (or the permanent operational deterioration of the company in question). In today's markets valuations do not correct excesses, they enhance them.

The problem is that not many people care about this. We believe that this dynamic has much to do with the enormous popularity in today's markets of passive investing in general and the "momentum" factor in particular, a strategy based on extrapolation of the recent past (of a company's performance or share price) that does not worry about valuations and is not intimidated by a possible reversal of the existing trend, but rather encourages it.

In short, the flows we see in the markets today have a significant impact on valuations, but valuations do not have a significant impact on flows. How long will this last? We cannot know, but we believe that the current dynamics are dangerous for investors who are passively exposed to markets. However, it is providing an excellent opportunity for those of us who invest in quality companies but care about valuation, i.e. the investors of Bestinver Grandes Compañías.

We think long term, but not so long term

A good company is not necessarily a good investment. You will have heard it said many times that you have to differentiate between companies, which may be great, and their actions, which may not be so great. The reason? Its valuation.

A company is considered extraordinary if it has a business in which it is able to reinvest large amounts of capital profitably over a long period of time. It is the mix of reinvestment, profitability and timing that enables its profits to grow on a compound basis. However, they do not always translate into greater wealth for its shareholders. If its valuation is too high, it might cannibalise all the value generated by the company, however good it is.

At Bestinver Grandes Compañías we are not willing to buy a company at P/E 50, no matter how extraordinary it may seem. Projecting a business's results over 10-20 years and that its growth will take charge of deflating the multiple is not in line with our investment philosophy. There are quality investors who have no issues in this respect. We do. We are value investors who think long term, but not so long term.

When you buy a good business at P/E 50 and something goes wrong, the probability of that multiple being reduced to P/E 25 is very high, which would result in a 50% drop in the shares of the company in question. A decline of this magnitude in a share at P/E 18 means that its valuation is reduced to P/E 9. Good businesses do not usually trade at such depressed multiples and if they do, they don't last long in the markets.

Not always Coca Cola

The objective of our fund is very simple: to generate good long-term returns without taking too much risk. The fact that it is simple does not mean it is easy. On the contrary, it is a tremendously complicated objective because the universe of companies in which we invest is finite by nature. Even more so if we demand a good safety margin to include them in the portfolio.

We choose companies that are well managed and that earn a good return on capital because they are usually good long-term investments. Unlike many of our competitors, however, we care a great deal about valuation. In other words, at Bestinver Grandes Compañías we invest in the highest quality cheap companies to be found in the market.

There are numerous examples that show that a good company is not always a good investment. One of them is Coca-Cola. Between 1998 and 2009 its sales almost doubled and its net profit multiplied almost two and a half times. Despite this, its share price fell by close to 60%. What happened? Warren Buffett, in his 2003 shareholder letter, put it very well:

"We own pieces of excellent businesses (...) but their current prices reflect their excellence. (...) Unfortunately, I made a big mistake in not selling several of our larger holdings during The Great [technology] Bubble. If these stocks are fully priced now, you may wonder what I was thinking four years ago when their intrinsic value was lower and their prices far higher".

We have recently written a blog post on the Coca Cola case which I invite you to read. It is entertaining, informative and perfectly captures our investment philosophy.

A strategy with two safety margins

At BESTINVER we continue to believe that the basic mathematics of long-term investing cannot be changed. If prevailing fashions have raised (or lowered) share prices in a way that is not supported by the fundamentals, future returns will be better for shares in undervalued companies and worse for those of overvalued companies.

The reason is very simple: the return we obtain as shareholders of a listed company depends solely on two factors: the performance of the business we own and the valuation of its shares. In other words, our wealth will be conditional on the company's performance as from the time of purchase and the share valuation at the time of purchase.

Our strategy operates in a grey area in which, fortunately, we do not have much company and which represents the union of quality investment with value investment. This is a very interesting combination for long-term savers in listed companies, since this strategy should give us excellent risk-adjusted returns. Why? Because we operate with two safety margins: the quality of the businesses in which we invest and the protection we obtain through the valuation.

We know that high quality companies are often not the cheapest on the market, while many cheap companies are not usually high quality. We also know that investment success comes not from buying good things, but from buying things the right way. Our fund seeks to do both at the same time: to buy good things and additionally to buy them well, i.e. to buy them cheap.

Portfolio movements

Dispersion is the word that best defines the stock market performance of many of our companies in recent months. Some have rebounded impressively while others have slipped significantly. This dynamic is excellent news for those of us who are unitholders in Bestinver Grandes Compañías. Why do we say this? Because in our line of work, dispersion means opportunity.

As we mentioned at the beginning of this newsletter, many of our companies have had fantastic revaluations. They would not be in the portfolio if we did not continue to believe that they offer value. Their multiples remain consistent with annual double-digit long-term returns, but our safety margin has undoubtedly shrunk. Their relative significance in the portfolio has also been reduced. Within this group of fantastic but now less cheap companies, we can find names such as Alphabet, Fuchs, Amazon, Ferguson or Assa Abloy, to name a few.

We also continue to buy stocks of companies in which the market price and the fundamental value of their businesses diverge sharply. This is the case of Salesforce, Booking or Elevance, to name a few.

Jerónimo Martins, Europe's best supermarket chain

We are adding new companies to the portfolio. One of them is Jerónimo Martins, a family business that BESTINVER knows well and which represents a good hedge if food inflation goes up again. We believe that the current valuation of its shares does not adequately reflect the growth of the business, the strength of its balance sheet, or the quality of the management team.

The situation in which the company finds itself has changed considerably in the last two years. At the beginning of 2023 in Poland, which accounts for 90% of its valuation, the sector enjoyed a best-case scenario of high food inflation and contained cost inflation. An extraordinarily favourable situation that resulted in a valuation that was too high for an unsustainably good situation.

Since then, the Polish market has experienced a perfect storm for food retail chains: food inflation has plummeted from 24% to 0.3% in just twelve months, minimum wages in the country have increased by 18% in 2024 and shop rentals have been adjusted upwards to reflect an inflation level of 12%. All this has led to a decent contraction in Jeronimo's margins and its share price has fallen more than 30% to EUR 18. We have taken advantage of these prices of to start building our position.

The Polish market continues to face enormous difficulties, with a generalised price war among the main players in the sector as they try to compensate for weak volumes. However, the economy remains on a strong growth trend, consumer confidence is at its highest point in years and we believe that the sharp increase in wages will sooner or later translate into improved volumes and a less competitive environment.

Biedronka, the Polish supermarket chain owned by Jerónimo, is the absolute market leader with a market share close to 30%. The group continues to successfully implement a long-term strategy focused on improving its competitive position, thereby displacing players with less scale and worse managers (in the first quarter of the year, it increased its share by 70 basis points).

We have been able to invest in Jerónimo Martins at less than 13 times next year's expected earnings, a year that we believe is more representative of the business's normalised profitability after the margin investments they are making this year. This multiple is not adjusted for the net cash on the balance sheet (equivalent to 9% of its market capitalisation) nor for the losses in Colombia, a market with high growth potential where they continue to invest to reach the necessary scale. We do not recall having seen such a valuation in over a decade, which discounts a deterioration in margins and profitability that we do not expect to be lasting for what is, in our opinion, the best company in the industry in Europe.

We would like to thank you for your trust and wish you an excellent summer.

Yours sincerely,

The Investment Team.

Date: 30/06/24. Source: BESTINVER

MAIN MOVEMENTS

Additions

DISNEY
ELEVANCE HEALTH

Disposals

—

Increases

—

Reductions

IFF
BUREAU VERITAS
META

Bestinver Latam

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

MANAGEMENT TEAM

Ignacio Arnau
Bestinver Latam Manager

Pablo Ortea
Bestinver Latam Analyst

ANNUAL RETURNS TABLE

	2024	2023	2022	2021	2020	2019
Bestinver Latam FI (1)	-10.92%	22.26%	-12.71%	-16.77%	-6.91%	12.66%
Class R Bestinver SICAV - Latin America (2)	-11.17%	21.45%	-13.03%	-16.75%	-6.02%	32.67%

ANNUALISED RETURNS TABLE

	1 year	3 years	5 years	Launch
Bestinver Latam FI (1)	-6.82%	-11.70%	-3.86%	-3.07%
Class R Bestinver SICAV - Latin America (2)	-8.51%	-12.60%	-4.25%	1.27%

Data at 30/06/2024
Past performance is no guarantee of future performance.

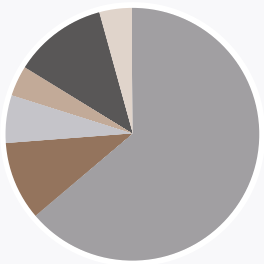
(1) Launch date: 18/01/2019
(2) Launch date: 05/07/2017

TOP POSITIONS

	% OF PORTFOLIO
VTEX -CLASS A	5.99%
MERCADOLIBRE INC US	5.37%
EMBRAER SA-SPON ADR	5.33%
HAPVIDA PARTICIPACOES E INVERSIONES	4.53%
LOCAWEB SERVICOS DE INTERNET	4.25%

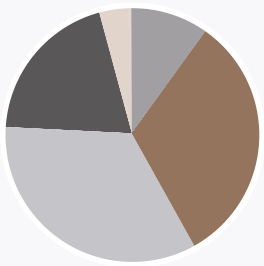
PORTFOLIO DISTRIBUTION

Geographical distribution



Brazil	**64%**	Peru	**4%**
Mexico	**10%**	Latam	**12%**
Chile	**6%**	Liquidity	**4%**

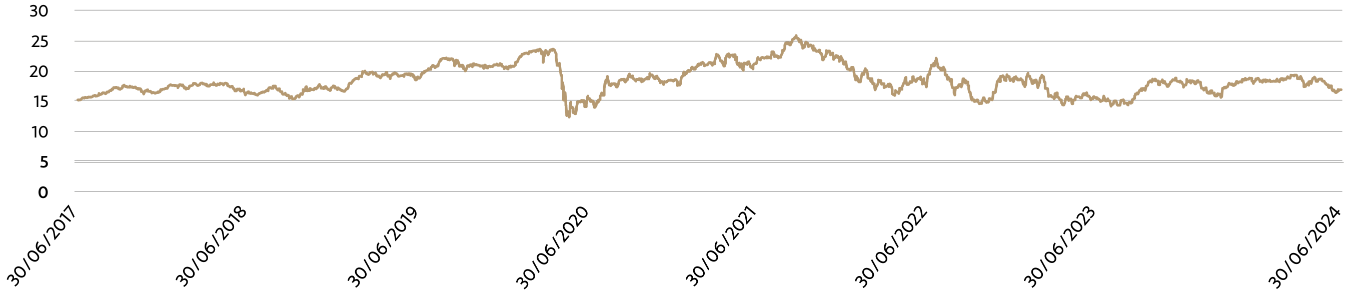
Sectoral distribution



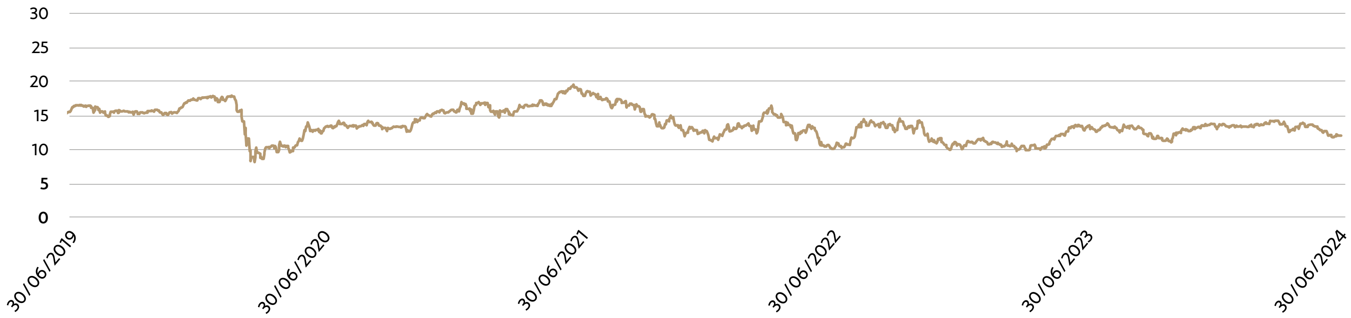
Industrial	**10%**	Financial	**20%**
Consumer	**32%**	Liquidity	**4%**
Media & Tech	**34%**		

FLUCTUATIONS IN NET ASSET VALUE (€)

BESTINVER LATIN AMERICA SICAV



BESTINVER LATAM FI



Day close data: 30/06/24. Source BESTINVER. Launch date Bestinver Latam FI 18/01/2019. Lauch date Bestinver Latin America SICAV clase R 05/07/2017. Bestinver Latin America belongs to Bestinver SICAV (registered in Luxembourg). It is not registered with the CNMV and is therefore not marketed in Spain.

RISKS ASSOCIATED WITH THE INVESTMENT

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

MANAGEMENT ASSESSMENT

Dear Investor,

During the second quarter of 2024, Brazil and Mexico, the two main Latin American stock exchanges, fell (in euro) by 12.4% and 17%, respectively. These declines have undermined the performance of our strategy, resulting in a 12.3% fall. Although both adjustments were caused by specific and idiosyncratic issues in these two countries, they have led to a deterioration in investor sentiment that has affected all local assets, particularly their currencies: the Brazilian real has depreciated by 9.7%, while the Mexican peso has lost 9%. From our viewpoint, these are two transitory and manageable political events which will nevertheless have an impact on the socio-political and macroeconomic normalisation process in the region.

In this quarterly newsletter we will explain our views on the main events that have taken place in the region. We will present the theses behind the latest additions to the portfolio in detail in future newsletters. As may be observed, behind the short-term political noise, the region continues to offer companies with high quality businesses at very attractive valuations.

Mexico: the election results matter

On 2 June, presidential and legislative elections were held in Mexico. Although there were no surprises in the final result, as it was known that Claudia Sheinbaum and the Morena-led coalition would be the winners, the electoral support they managed to bring together was totally unexpected.

Mexico's new president won by more than 30 points and the coalition led by Morena and sponsored by López Obrador, Mexico's outgoing president, won the two-thirds supermajority in congress needed to be able to change and pass constitutional laws.

This huge popular mandate changes the status quo in Mexico. The people have signed a blank cheque for the new administration and the new congress which will fill the country's next political and economic cycle with uncertainty. This new paradigm is what the market has to digest in order to adjust asset prices to the new expectations. But based on what? Information is insufficient. What the market does know is that great uncertainty can lead to extreme price movements and its first reaction has been to sell, big time. The Mexican peso, one of the strongest emerging currencies in recent years, depreciated by 10% in just one week.

The market does not like blank cheques. Such overwhelming political power as Mexico now has increases the risk of deterioration among its institutions, of its becoming a country without checks and balances or a division of powers. This is the major risk perceived by the market: the risk of institutional deterioration that may lead to less transparency, higher corruption and a relaxation of fiscal responsibility. The key to Mexico's future development will be how Claudia Sheinbaum and the Morena-led coalition administer the near-absolute power that the Mexican people have handed to them.

For now, in the month since the election victory all the gestures and headlines from the new president-elect point to continuity, institutional respect and fiscal consolidation. These messages have been confirmed by the appointment of key members of the new government with technocratic profiles, highly experienced, respected and valued by social and economic players. As a result, prices have started to recover. The coming months, with the inauguration of the new congress in September and the new president in October, will be crucial for the country's future. Important decisions will have to be taken, such as the presentation of the 2025 budget or the appointment of new judges to the Supreme Court. These will define the new administration's commitment, style and method of government.

Brazil: a market with three protagonists

Unlike in Mexico, where we can point to a specific event as a trigger for the market slump, in the case of Brazil it is not so easy to identify a single catalyst.

In Brazil, the declines have been caused by the occurrence of several simultaneous events, which under normal conditions would not have had major repercussions. It has been the confluence of rates above 10% with the expectation of "higher rates for longer" from the Federal Reserve in a context of high political and fiscal tension at local level that has led to the continued deterioration in recent months. The macroeconomic picture in Brazil is still good, with inflation levels under 4%, unemployment at 7%, growth expectations above 2% and a strong trade balance. However, the environment is becoming increasingly challenging, particularly with regard to inflation expectations. It is characterised by three major players: the Central Bank of Brazil, President Lula da Silva, and the Federal Reserve.

On the one hand, there is the Central Bank of Brazil, a truly independent entity that is the anchor of monetary orthodoxy and one of the benchmarks of the country's institutional robustness. In mid-April, it took the decision to lower rates by 25 basis points. That was to be expected, so there were no surprises.

But the decision was not unanimous. The four governors appointed by the new government in the last two years voted for a 50 basis point cut. The market interpreted the lack of unanimity as a "them against us" statement that could put an end to independence, the monetary anchor and institutional robustness. This is the state of anxiety and drama prevailing in Faria Lima, the Brazilian Wall Street. The central bank governors are academics and, even if their vote was entirely legitimate, they made the mistake of not understanding the mood and expectations of their creditors and the image that their decision would offer. They took note, however, acknowledged their mistake and at the next meeting took the unanimous decision to leave rates at 10.25%. Brazil's central bank made an unforced error, which it took responsibility for and has since corrected, but the market has yet to reward it.

Additionally, we have President Lula da Silva who, ignoring a market demanding austerity, is still willing to spend more than he collects to pay for his political programme. The finance minister has proposed a tax reform that can generate a lot of value in the future and is working with congress and the senate to increase the country's revenue-raising capacity. But specific agreements are not forthcoming and investors are calling for spending restraint until revenues are increased. Lula has ignored this demand, and in the meantime the market is unforgiving. This struggle is at the epicentre of political and economic tension in Brazil. Unlike in Mexico, the adjustment has not been rapid, but it has been very violent. In the face of government inaction to reduce spending, the real has fallen 9% in the quarter and 12% so far this year.

Finally, beyond Brazil, it is worth noting the role of the US Federal Reserve. The Fed is the elephant in the room when it comes to investing in emerging markets. All central banks are obliged to keep an eye on the Federal Reserve. In financial markets everything is relative, and the centre is occupied by the dollar. Therefore, as we have explained in our recent newsletters, one of the key items in the macroeconomic normalisation process is the commencement of rates cuts in the US. During this quarter we have continued to receive reports from North America of very persistent inflation and a strong economy which are delaying the need for potential rates reductions. We think it is worth remembering that we started the year with expectations of seven 25 basis point cuts by the Federal Reserve and so far there have been none. Only one or two are now expected in 2024. However, once that process begins, the remaining central banks will be able to resume their reduction processes without putting their currencies at risk.

Although the situation is uncertain, we reckon that the market reaction has been greatly exaggerated. It should be borne in mind that the delay in the rates cut keeps real rates above 6% —one of the highest in the world— making local flows into equities difficult. In particular, the level of stock market investment by Brazilians is at an all-time low of 8%. This lack of interest in equities has meant that our companies —and most of our universe— are very attractively valued. In addition, in recent weeks there has been talk about spending reduction programmes both in government and in congress and the zero deficit and 3% inflation targets are being reaffirmed. These are all signs that should calm market anxiety.

We have always explained the management of Bestinver LATAM within a long-term investment philosophy and a process based on knowledge and analysis of each company, explaining the prevailing issues affecting the fund but giving them a secondary role due to their temporary nature. On this occasion, the reaction of the markets to these conjunctural issues, particularly in Brazil, has been of such a magnitude that our investment universe and portfolio have been pushed to valuation levels we have not seen since events such as the Covid crisis or the recession years of 2014.

Our portfolio is made up of the best companies in the segments of the economy in which we invest. These are companies that generate cash flow, with high growth rates, resilient margins and low debt levels, and consistently excellent operating performance. Despite this, macro factors have weighed too heavily on share prices, leading to a huge disconnect between corporate reality and share prices.

Valuations matter, positioning matters and investor sentiment matters. When these three factors come together at historic lows for cyclical reasons, we know it is time to buy.

Main portfolio movements

There has been very little movement in the portfolio over the quarter. Most noteworthy were the exits of Arcos Dorados and GrupoGPS, two extraordinary companies that have provided us with excellent returns after achieving their appreciation potentials. On the additions side, we have incorporated the Brazilian fintech Inter&Co.

Bestinver Latam ended the quarter with a liquidity level of 3.6% and a portfolio of 37 companies, representing the best investment opportunities in the region. In geographical terms, Brazil represents 63.5% of the portfolio, followed by LatAm—as we call our pan-Latin American group of companies— with 12.5%, and Mexico with 10%. On a sectoral level, technology and consumer continue to predominate at 35% and 32% respectively.

A region full of opportunities

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

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

We would like to thank you for your trust and wish you an excellent summer.

Yours sincerely,

The Investment Team.

Date: 30/06/24. Source: BESTINVER

MAIN MOVEMENTS

Additions

INTER & CO

Disposals

ARCOS DORADOS
GRUPO GPS

Increases

SMARTFIT
VIVARA

Reductions

EMBRAER
PAGS

Bestinver Megatendencias

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

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

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

MANAGEMENT TEAM

Jaime Ramos, CFA
Bestinver Megatendencias
Manager

Raquel Martínez, CFA
Bestinver Megatendencias
Analyst

ANNUAL RETURNS TABLE

	2024	2023	2022	2021	2020	2019
Bestinver Megatendencias	11.42%	16.02%	-23.10%	13.55%	11.53%	19.30%

ANNUALISED RETURNS TABLE

	1 year	3 years	5 years	Launch
Bestinver Megatendencias (1)	13.98%	0.99%	6.17%	4.17%

Data at 30/06/2024
Past performance is no guarantee of future performance.

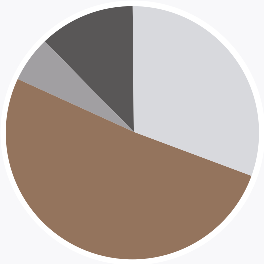
(1) Launch date: 16/06/2017

TOP POSITIONS

	% OF PORTFOLIO
TAIWAN SEMICONDUCTORS-SP ADR	4.79%
MICROSOFT	4.60%
NVIDIA CORP	4.38%
ROCHE HOLDING AG	3.80%
SSE PLC	3.60%

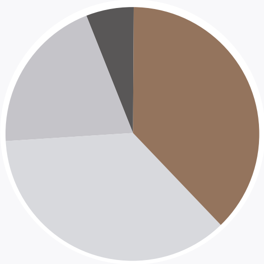
PORTFOLIO DISTRIBUTION

Geographical distribution



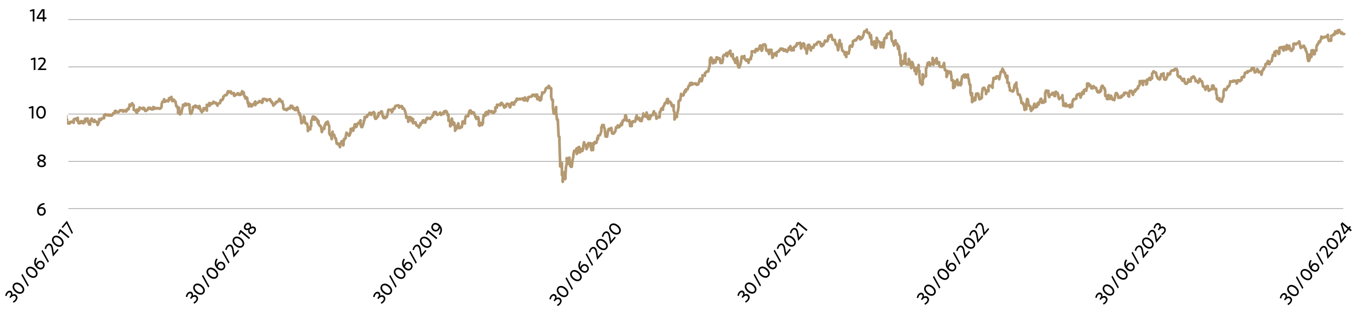
Europe	**31%**	Liquidity	**6%**
USA	**51%**	Rest of the World	**12%**

Distribution by megatrend



T1	**38%**	T3	**20%**
T2	**36%**	Liquidity	**6%**

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 30/06/24. Source: BESTINVER. Launch date: 16/6/2017. Periods exceeding 1 year at annualised rate.

RISKS ASSOCIATED WITH THE INVESTMENT

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

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

Past performance is no guarantee of future performance.

The fund's full prospectus, regular reports and KIID can be found on the following websites www.bestinver.es and www.cnmv.es

Dear Investor,

Bestinver Megatendencias has continued its strong performance during the latter part of 2023 and the first quarter of 2024. Developments in artificial intelligence and its applications, institutional support for renewable energy and advances in critical sectors such as healthcare are significantly benefiting many of our companies. Following the sharp interest rate hikes by central banks, the current economic normalisation process is a very positive environment for the development of the megatrends in which we invest, and this is being reflected in the fund's performance. In this context, Bestinver Megatendencias ended the second quarter with a return of 2.4% and 11.42% for the first half of 2024.

Zoetis – Animal Health

One of the megatrends in which the fund invests is improving quality of life. This covers all our holdings in the healthcare sector, but in its broadest definition: including both human and animal health. In this quarter we would like to present the enormous potential of the animal pharmaceuticals market by explaining our investment in Zoetis.

The animal pharmaceutical industry is divided into two main segments: pets (dogs, cats, horses, etc.) and livestock. In our view, the former segment has more attractive fundamentals due to its greater resilience in downturns and higher growth prospects. According to our estimates, the pet animal segment will grow at rates of 6% to 8% compared to 2% to 3% for livestock animals. This increased potential is supported by important sociological changes that have occurred in families in recent years.

Numerous studies have shown that the role of pets within families is nowadays much more relevant than in previous decades.

This is especially pronounced in the younger strata of society. As industry data shows, since the Covid pandemic there has been a strong increase in pet adoption globally, and between 40% and 50% of new pet owners are from the younger generations, mainly Millennials and Generation Z. These generations are more willing to spend a greater part of the household budget on pet health and welfare than previous generations, creating an interesting virtuous circle in the sector: increased spending on preventive medicine and vaccines has lengthened the life expectancy of pets and hence the spectrum of research into new therapies and animal medicalisation has widened. We believe that these new habits among the new generations are structural and lay the foundations for high growth in the coming years.

In addition, it is important to highlight some differences in the functioning of the animal pharmaceuticals industry compared to the human pharmaceuticals industry, which makes it a very attractive sector. Firstly, the time needed to develop a medicinal product is significantly shorter and the cost is much lower. Secondly, the presence of generics is smaller because in this market there is no public institution that supports part of the cost of medicines, as is the case with the Social Security administration in the human pharmaceutical industry. Finally, the discount offered by generics compared with brand-name drugs is very small. These characteristics have caused the animal pharmaceuticals sector to become extremely concentrated. Its four largest companies —some of which are private or are part of large pharmaceutical groups— have a combined market share of 65%.

Having analysed the entire industry in detail, the fund has initiated a position in Zoetis, which, with a 23% share, is the leading company in the sector. It is also the company with the largest exposure to the pet segment which accounts for 65% of its revenues, expected to grow to 70% by 2027. It is the industry leader in terms of R&D investment, launching a total of 15 blockbusters in recent years and pioneering the application of Monoclonal Antibody therapies —mAB— in animals. The company has a large advantage over its competitors in the study of these therapies and has a very attractive pipeline in underdeveloped areas with great potential, such as cardiovascular, renal and oncology treatments. Over the past few years this leadership has allowed it to create markets that did not previously exist, such as the dermatology area in which the company has a 95% market share, or to revolutionise existing markets such as osteoarthritis pain, where it has also positioned itself as the biggest player.

Since its market flotation in 2013, Zoetis' sales have grown 300 basis points above the industry average, achieved profit growth rates of 13% per annum and maintained the best margins in the industry – 70% gross margin and 40% operating margin. In the process, it has generated extremely high rates of return to reinvest in its own business and distribute to its shareholders. All this, with one of the strongest balance sheets in the industry, giving it a strategic flexibility that its main competitors lack.

Recently, its shares have given us the opportunity to acquire a stake in the company due to two factors that we consider to be cyclical. Firstly, Zoetis has received criticism and negative publicity in newspapers and social media following the launch of one of its flagship products for the treatment of osteoarthritis pain in the US —released three years earlier in Europe— which was accused of having caused the death of some pets. However, the company has responded successfully, demonstrating its safety and efficacy in clinical trials run prior to its approval. Secondly, the market has shown some concern about the upcoming launch of drugs by its competitors. For us, however, competition through R&D investment is the day-to-day business of the industry and in addition Zoetis has the biggest advantages to keep winning the race for innovation and grow ahead of the market.

At Bestinver Megatendencias, we have seen that the company clearly fits into the life quality improvement trend and we have taken advantage of the adjustment to its shares to acquire a position at very attractive prices.

Unstoppable trends

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

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

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

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

We would like to thank you for your trust and wish you an excellent summer.

Yours sincerely,

The Investment Team.

Date: 30/06/24. Source: BESTINVER

MAIN MOVEMENTS

Additions

ZOETIS
MERCADOLIBRE

Disposals

AKER CARBON CAPTURE
JDE PEETS

Increases

GERRESHEIMER

Reductions

MICRON

Bestinver Tordesillas F.I.L.

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

MANAGEMENT TEAM

Ricardo Seixas
Head of Iberian Equities

Javier Ortiz de Artiñano
Iberian Equities Analyst

León Izuzquiza
Iberian Equities Analyst

Gabriel Megías
Iberian Equities Analyst

ANNUAL RETURNS TABLE

	2024	2023	2022	2021	2020	2019
Bestinver Tordesillas	-0.54%	4.82%	-8.68%	5.88%	4.30%	0.03%

ANNUALISED RETURNS TABLE

	1 year	3 years	5 years	10 years	15 years	Launch
Bestinver Tordesillas [(1)]	0.85%	-1.16%	0.83%	1.39%	2.87%	2.37%

Data at 30/06/2024
Past performance is no guarantee of future performance.

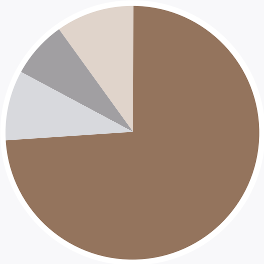
(1) Launch date: 09/03/2007

TOP POSITIONS

	% OF PORTFOLIO
INDUSTRIA DE DISENO TEXTIL	5.69%
BANCO SANTANDER SA	5.47%
REPSOL	5.42%
INDRA SISTEMAS S.A.	5.32%
CAIXABANK	4.66%

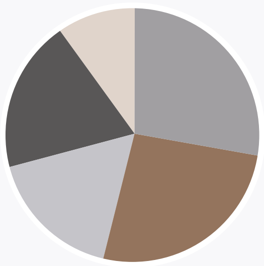
PORTFOLIO DISTRIBUTION

Geographical distribution



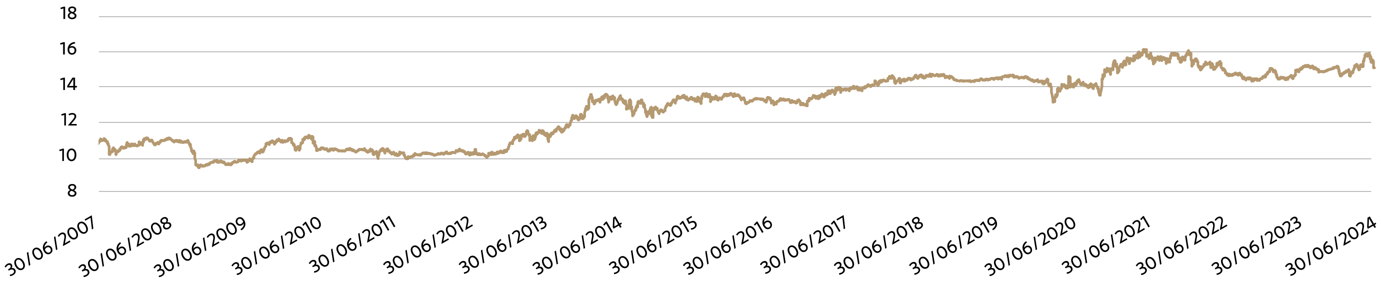
- Spain **74%**
- Europe **7%**
- Portugal **9%**
- Liquidity **10%**

Sectoral distribution



- Industrial **28%**
- Financial **19%**
- Consumer **26%**
- Liquidity **10%**
- Communication & Technology **17%**

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 30/06/24. Source: BESTINVER. Periods exceeding 1 year at annualised rate. Launch date: 09/3/2007.
Bestinver Tordesillas FIL is a hedge fund and therefore involves a high level of complexity and risk. Daily liquidity. Minimum investment EUR 100,000.

RISKS ASSOCIATED WITH THE INVESTMENT

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

MANAGEMENT ASSESSMENT

Dear Investor,

We have reached the halfway point in the year and the positive start in the markets continues to consolidate. In the previous quarter, we highlighted the notable concentration of returns in big companies in the main indices. In this quarter, we have seen that this good stock market performance has spread to other market segments.

The main trends that we have highlighted in recent months have remained relatively stable. Economic activity data in Europe continues to bring surprises on the upside and, after a positive corporate earnings season, earnings estimates are being adjusted accordingly.

On a domestic level, the Spanish economy once again led growth in the region in the first part of the year and estimates for 2024 are already above 2%. The imminent easing of financing conditions due to lower interest rates in the eurozone, the improvement in the export sector, the strength of employment and the boost to consumers' disposable income from lower inflation rates should consolidate the improved economic outlook in the coming quarters. Moreover, we are beginning to see the first signs of a credit recovery. This improvement, together with the revival of business investment, which has been stagnant in recent years, should further support the cyclical recovery we are experiencing.

Finally, the congestion caused by electoral processes and the impact of varying fiscal messages on bond markets could reactivate volatility in the second part of the year. However, we believe that the undercurrent in terms of corporate growth and profits remains positive, and therefore the normalisation of valuations in the Iberian universe is expected to continue.

We would like to thank you for your trust and wish you an excellent summer.

Yours sincerely,

The Investment Team

Date: 30/06/24. Source: BESTINVER

MAIN MOVEMENTS

Additions

JERONIMO MARTINS

Disposals

ACERINOX

Increases

ALMIRALL

Reductions

BBVA

Risks associated with the investments

Market risk

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

Currency risk

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

Concentration risk

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

Counterparty risk

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

Country risk

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

Interest rate risk

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

Inflation risk

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

Credit risk

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

Valuation risk

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

Liquidity risk

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

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

Derivative risk

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

Sustainability risk

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

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