QUARTERLY NEWSLETTER

TO OUR INVESTOR

THIRD QUARTER 2023

BESTINVER
acciona

Bestinver Madrid

Mark Giacopazzi, CIO - Chief Investment Officer of BESTINVER

Dear Investor:

A resilient economy and strong corporate earnings have kept markets calm for most of the third quarter. However, in the final stretch increasing crude oil prices caused indices such as MSCI World and MSCI Europe to end the quarter with falls of -0.39% and -2.84%, respectively. These falls have provided us with the opportunity to buy some of the companies on our radar at significant discounts to their true value and thereby increase the long-term potential of our portfolios. Having completed this period, Bestinver's equity funds have accumulated a weighted return of 17.7% so far this year, while fixed income funds achieved a figure of 3.2%.

As in previous quarters, the private sector has continued to shore up global economic activity. After a decade of deleveraging, corporations and households have kept healthy balance sheets, thanks to which they are able to weather —at least for the time being— the impact of rising interest rates. Together with strong employment, this solvency has helped to keep consumption and demand for services at high enough levels to offset the negative repercussions of China's economic downturn on the global manufacturing sector. As a result, regions in which the importance of the services sector is relatively high, such as the US and Southern Europe, have maintained a much higher level of dynamism than others with greater dependence on the industrial sector, such as Germany and Northern European countries. In overall terms, although the economy cannot be said to be buoyant, its resilience has been an undeniable source of pleasant surprises for investors in recent months.

However, this resilience is not the only factor that has surprised the market: persistent inflation has had an unexpected leading role in the last part of the quarter. Inflation has continued to moderate but at a slower pace than expected, partly due to the recent rebound in energy costs. This situation has forced the Federal Reserve to reiterate its willingness to keep rates high for longer, triggering an adjustment in both bonds and equities. The markets did not like the Fed's announcement, regardless of its cause. For us, however, the cause does matter. If this is because the economy remains strong, companies are making money and workers are keeping their jobs, inflation and high rates do not seem so bad to us. As with everything in the markets, the interpretation of reality depends on the time frame invested in and for our time frame, which is long term, it is certainly best if the economy, businesses and families are doing well. If this is the scenario we are entering, our companies will be able to cope with the negative side effects of a healthy and strong environment.

Uneven economic growth, persistent inflation and the announcement of high rates for a longer period have not affected all companies in the same way. During the quarter there has been considerable disparity in stocks' performance, with double-digit rises and falls for many of them, creating the ideal environment for the type of active management we believe in at Bestinver. As we explain in the individual fund newsletters, this disparity has allowed us to realise gains on shares that have risen the highest and reinvest them in shares that have fallen below their true value. The cases of Exor and Whirlpool, which we explain in the Bestinver Internacional and Bestinver Norteamérica, reports, respectively, are good examples of this. We have also encountered fine opportunities in fixed income which, with an expected return or portfolio IRR as high as 4.3% in Bestinver Corto Plazo, 6.5% in Bestinver Renta and .7% en Bestinver Deuda Corporativa, continue to be excellent alternatives for short and medium term investors.

Although the quarter has been challenging, we should not ignore the positive economic dynamics from which our funds will continue to benefit: inflation remains on track, the rate hike cycle is nearing its end, the manufacturing sector is showing signs of improvement, private sector balance sheets remain healthy, corporate earnings continue their unexpected climb and our companies' valuations are at very attractive levels. The world economy is continuing the process of monetary normalisation that began last year, leaving behind a decade of zero interest rates. This process is necessary and will have positive effects in the medium and long term, although in the short term it may lead to some bouts of market instability. These bouts, as has been the case in the latter part of the quarter, will afford us the opportunity to continue to buy solid businesses at attractive valuations.

On a different matter, we are very pleased to announce that we have now registered our first Private Equity fund —Bestinver Private Equity Fund, PEF— which completes our alternative investment offering together with Blackrock, the best possible partner worldwide. We have also recently launched the BESTINVER educatio, programme, the result of BESTINVER's commitment to disseminating and promoting financial literacy. BESTINVER educatio is a programme aimed at anyone interested in improving their financial education, starting with the basics and moving up to advanced subjects which will be taught by our team of experts. To participate in the programme, simply download the BESTINVER educatio mobile app. We hope you find it interesting.

I wish to conclude by inviting you to read the management commentaries on each fund that follow this statement. They explain the managers' expectations for the coming years, the investment cases of some of their companies and the main movements occurring in the portfolios in recent months.

Thank you for your trust.

Mark Giacopazzi

Bestinver in figures

46,000 investors trust us

Independence: Acciona Group

We manage EUR 5,736 billion

We have been endorsed by various awards in recent years

Data at 30/09/23. 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

	2023	2022	2021	2020	2019	2018
Bestinfond	**17.96%**	**-16.98%**	**13.70%**	**-3.83%**	**20.81%**	**-13.39%**
MSCI World NET TR EUR	12.00%	-12.78%	31.07%	6.33%	30.02%	-5.30%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	15 years	Launch
Bestinfond	**10.18%**	**2.69%**	**5.19%**	**8.03%**	**12.64%**
MSCI World NET TR EUR	11.83%	9.26%	10.09%	8.76%	9.74%

Data 30/09/2023
Past performance is no guarantee of future performance.

TOP POSITIONS BY SECTOR

CONSUMER	% OF PORTFOLIO
HELLOFRESH	3.25%
GSK PLC	2.61%
HEINEKEN	2.47%

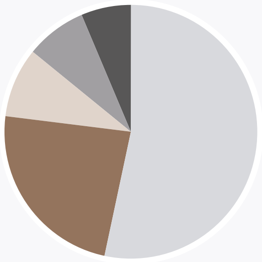
INDUSTRIAL	% OF PORTFOLIO
HARLEY DAVIDSON	2.82%
HOLCIM	2.31%
BMW	1.91%

COMMUNICATION AND TECHNOLOGY	% OF PORTFOLIO
SAMSUNG ELECTRONICS	2.82%
META PLATFORMS	2.34%
COGNIZANT TECH	1.76%

FINANCIAL	% OF PORTFOLIO
BERSKHIRE HATHAWAY	2.76%
BNP PARIBAS	2.45%
ING GROUP	1.81%

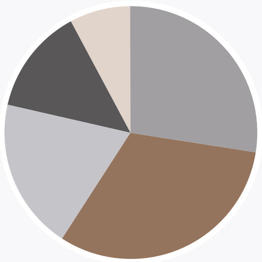
PORTFOLIO DISTRIBUTION

Geographical distribution



- Europe 53.50%
- Liquidity 7.74%
- US 23.48%
- Rest of the world 6.32%
- Iberia 8.96%

Sectorial distribution



- Industrial 27.63%
- Financial 13.60%
- Consumer 31.58%
- Liquidity 7.74%
- Communication and Technology 19.45%

FLUCTUATIONS IN NET ASSET VALUE (€)

Day close data: 30/9/2023. Source: Bestinver. Periods exceeding 1 year at annualised rate. Launch date: 13/01/1993. Since 01/01/2016, the benchmark index includes net dividends.

*The index changed after 05/09/2018 to MSCI World NR EUR. The historical performance data of the benchmark index have been calculated by reference to the performance of the index in force at the time.

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

RISKS ASSOCIATED WITH THE INVESTMENT

This is an equity investment fund and may therefore involve, among others, equity market risk, interest rate risk, currency risk, emerging markets risk, geographic or sectoral concentration risk and credit risk.
Past performance is no guarantee of future performance.

Dear Investor,

Bestinfond ended the quarter with a return of +1.1%, bringing its cumulative annual return to 18.0%.

With the arrival of autumn, a reasonably quiet summer period has come to an end. There have been no major shocks on the macroeconomic front: the companies' results have continued their upward trend and the fund's net asset value, after a very positive first half of the year, has consolidated those gains. However, this relative calm, which came to be a little unsettling during the first part of the summer, overshadows a reality which is much more nuanced that it appears at first glance.

Dispersion means opportunity

In the field of statistics, there is a term that perfectly describes the groundswell we see in the markets today: dispersion. This concept refers to how a set of values is statistically distributed, reflecting their variability or their distance from the mean value. What does this mean? It means, for example, that in a survey to find out how many German cars are owned by ten families living in a building, it is interesting to know the mean (in this case, one per floor). But if we want to draw relevant conclusions from the sample, it is even more interesting to know that one of these families has three BMWs for everyday use and seven Porsches in the garage because, in addition to being millionaires, they are also collectors of vintage cars.

This example is an exaggeration, but understanding the concept of dispersion is very useful in explaining how we have managed the fund in recent months.

As mentioned above, although profitability is positive and on the surface it looks as if not much has happened, the reality is that many of our shares have bounced back sharply while others have fallen considerably. To give a foretaste of what we have done in this respect, although you will already have guessed it, we have reduced our investment in the former and increased it in the latter.

Being able to buy (or sell) companies whose prices diverge from the fundamental valuation of their businesses is exactly what we do. That is why we believe that today's market dynamics are excellent news for Bestinfond's unitholders. Why do we say this? Because in our line of work, dispersion means opportunity.

A (still) decoupled world offering good investment opportunities

There are many factors that can explain the differences between the price and value of the companies we analyse or hold in our portfolio at a given time. In recent times there has been one recurring theme: the obsession of a large part of the market with the economic situation and its impact on companies' short-term results.

This should come as no surprise. We are emerging from a period in which macroeconomics and geopolitics have dictated much of equity performance. These factors do not change overnight, particularly when the process of reconstructing the imbalances that have plagued us since the pandemic is not happening as fast as we would all like.

It is understandable, therefore, that the stock market performance of many companies is still influenced by the statements of some central bank or the latest economic data. Beyond the headlines, we believe that there are certain dynamics in the current economic cycle that have a deeper impact. One of the most striking is the evident global disconnection between the manufacturing sector cycle and the services sector cycle: the former is in obvious contraction and the latter in persistent (and surprising) expansion. We find this decoupling interesting, not only because it explains the differentials in economic growth in many countries but also because it is behind the stock market losses of some companies which, with sufficient care and patience, may become good long-term investments for our unitholders.

The cycle of interest rate hikes is coming to an end

As mentioned above, the impact of this divergence on countries' economies is significant. Thus, while the United States —an economy in which the services sector represents 70% of GDP— continues to surprise with its dynamism (despite the brush with a new financial crisis last spring), Europe is hardly growing at all and China is showing a weakness that nobody expected at the beginning of the year. The case of Europe is paradigmatic, as it clearly reveals the contrasts referred to above. While countries such as Spain, with an economy closely linked to tourism and services, recorded reasonably good levels of business activity, Germany, with greater dependence on the industrial sector and a high level of exports to China, is in recession.

This gap between the manufacturing and services sectors and its possible short and medium-term consequences were discussed in our last quarterly newsletter. The good news is that to date, the slowdown in the former sector has not had a major impact on employment. The less good news is that its recovery, expected in the coming quarters, is starting to be reflected in oil prices and hence in forecasts of further rate rises that will be needed to control inflation. In this respect, the market is discounting further tightening by the Fed while the possibility that rates have peaked in Europe is becoming increasingly widely accepted in the consensus among analysts.

In our view, it is becoming increasingly clear that inflation is on the right track and the interest rate hike cycle is coming to an end. A less dynamic services sector, a scenario that may become more visible in the coming quarters, should dispel the doubts that still persist in part of the market as to how restrictive monetary policy should be in this economic cycle.

Beyond short-term speculation, however, it is necessary to put things into perspective. A reasonable return to normality is not to expect a return to zero rates, just as it was not the case last year to assume that double-digit inflation figures were sustainable in the long run. We do not believe that an additional 25 or 50 basis points of monetary "tightening" is really relevant to drastically divert the course of an economy in the medium term. Nor are they likely to alter the positive returns we expect from the portfolio in the coming years.

Our scenario has not varied and our plan remains unchanged

Our baseline scenario remains the same as the one described to you in recent times. It envisages a reasonable return to normality in the developed economies, at different paces and on a non-linear basis, which would be explained by the complete normalisation of production chains and, above all, by the inevitable impact that the monetary policies implemented by central banks in the last year and a half will have (and are having) on consumption and investment. This tightening, in our view, does not mean that we are heading for a deep recession. Why do we say this? For many reasons, but the main one continues to be the solvency built up over the last decade by households and businesses, without forgetting how well capitalised the financial sector is.

And just as our perspective on the economy has not changed, neither has the way we manage our portfolio. We are still interested in buying good companies, run by people we admire and, above all, at good prices. This plan requires an intensive analysis process to help us determine how much we want to pay for them, so that we can build a safety margin into our valuation in case something does not go as expected.

Fortunately, we have a top-class group of professionals that enables us to gain an in-depth knowledge of the business models we are analysing (their competitive position, the profitability and growth they can enjoy in the long term, etc.) and thus estimate how much a company is essentially worth. When things got difficult last year, this approach gave us the confidence we needed not to sell fabulous companies at historically low valuations.

However, this process is only the first part of the plan. In order to achieve the objective we are pursuing through this strategy, which is to obtain good long-term returns on our savings, there is one additional ingredient that is absolutely necessary: patience.

Warren Buffett said that the stock market is a device that transfers money from the pockets of the impatient to the pockets of the patient. The validity of the quote by the great American investor is confirmed by the performance of our fund over the last twelve months. A result that would have been impossible without the experience of investors who, fortunately, have already seen a few stock market cycles in Bestinver's 35-year history.

Philips

At Bestinfond we aim to buy great businesses at great prices. Even decent businesses at extraordinary prices. Unfortunately, this is only possible when things are not going well. It happens, for example, in times of crisis when investors are overly concerned about the economy. Also when they have doubts about the long-term profitability of a business or distrust the reliability of a company's management team. In such circumstances, the market projects current events onto the future, permanently. Sometimes this makes sense, but most times the opposite is true. When these doubts are not well founded, pessimism drives share prices below their real value and allows us to buy them cheaply. We believe that our investment in Philips fits perfectly into the pattern we have just described.

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 (MRI machines, cardiac monitors, catheters for non-invasive surgery, etc.). This is an oligopolistic sector, with only three global competitors, where the necessary technological capabilities and the equipment base already in place are a significant barrier to entry vis-à-vis the competition. This sector also features the demographics and cost savings that diagnostic equipment brings to hospitals as evident tailwinds.

Just over two years ago (June 2021), Philips announced a recall of thousands of sleep apnoea respirators (a division that accounts for only 13% of the group's revenues) due to a manufacturing defect that could cause health risks. The foam used to reduce the noise of the device could deteriorate in very hot conditions or through the use of ozone or other cleaning methods not recommended by Philips itself. If this occurred, certain particles could be inhaled by the person using the device, potentially causing injuries ranging from simple headaches to cancerous diseases.

The announcement, one of those events that the market hates because of the uncertainty generated by the possible consequences (recall and replacement costs for new equipment, potential compensation for those affected, etc.), coincided with a difficult period in the sector. The pandemic had completely disrupted the functioning of hospitals (diagnostic tests, surgeries, etc.), the production of equipment was affected by the shortage of materials (chips) and well-known supply problems (freight rates) made it very difficult to market them. In short, the business's profitability was not exactly optimal.

All these events had, just a year ago, caused Philips shares to fall by a total of 75% from the maximum levels reached in April 2021. The obvious uncertainties facing the company had erased from investors' minds the improvement that the end of the pandemic would bring to the profitability of its core business.

The starting point seemed very interesting. Fundamentals were improving and the multiple at which the shares were trading was very attractive. The impact on the balance sheet of potential compensation payments remained to be assessed, as did its competitive position following the departure of the former CEO and the obvious distraction caused by the respirator issue. We had to determine whether, at the prices at which we could become Philips shareholders, the worst-case scenario was already discounted.

Accordingly, we got down to the job and after a few months of hard work we came to the conclusion that, with a bit of perspective and assuming there would be a few bumps along the way, we could buy a company which was a leader in a sector with obvious long-term advantages. Most importantly, we could do so at a valuation that would potentially allow us to double our money within three to five years. The rest is history. Earlier this year, Bestinfond unitholders became Philips shareholders.

Exor

The great investment manager David Swensen, head of investments at the prestigious Yale University until his death last year, said that value investing is uncomfortable by definition, as the most attractive opportunities are often hidden in places that can become terrifying.

Having read a multitude of reports on the potential compensation to be paid to Philips and having discussed the investment case with a number of experts, we understood that most investors were horrified by the idea of investing in Philips. As a brief foretaste of the news revealed below, we may tell you that Exor was not among them.

Exor is an old acquaintance of Bestinfond unitholders. At the end of 2020, just a few months after this team took over management of the fund, the Agnelli family's holding company returned to our portfolio. We liked their assets (mainly Stellantis, Ferrari and CNH). We felt they were impeccably managed and, above all, we were delighted to be able to buy them at a discount of around 40% of their net asset value, which is how they were trading at the time. Despite the fantastic revaluation over the past three years, the discount at which they are quoted has not fallen by a single cent. We are happy Exor shareholders and still find the valuation exceptionally attractive. This view is shared by our sister fund Bestinver Grandes Compañías, which has just added it to its portfolio (you can read the Exor thesis in more detail in its newsletter for the preceding quarter).

There are times when our working methodology is backed by one of the companies we own receiving a takeover bid from a competitor or a private equity fund (Univar was the latest). On other occasions, it happens that a large investor detects value in one of the companies we hold in our portfolio, as was the case with Bayer a few months ago. This is exactly what happened on 14 August, when Exor announced that it had bought a 15% holding in Philips. This is 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 Agnelli family a seat on the board, making it the *de facto* main shareholder of the Dutch company.

John Elkan, grandson of Giovanni Agnelli and current CEO of Exor, is one of the best capital allocators we have known in recent times.

The return he has achieved for its shareholders can only be described as spectacular: since 2009, he has grown the value of the company's assets at a compound rate of 20%. We believe that Exor has seen the same as us in Philips. On the one hand, a technological and industrial capacity that is difficult to replicate in a very attractive sector in the long term. 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.

Portfolio movements

In this quarter we have again had the chance to continue enhancing the fund's potential, while improving its balance.

To use the same footballing metaphor that we mentioned in the last annual investor conference, we might say that the squad of companies that makes up Bestinfond comprises goal-scoring strikers who help the team in defence. And by central defenders who score goals when they go up for corners. A good combination that does not guarantee results in the short term, but which shoul be very competitive in the matches to be played in the financial markets in the future.

As we mentioned above, many of our companies have shown fantastic appreciations in recent months. They would not be in the fund 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 group of companies includes names like Inditex, Meta, Booking, Informa, Rolls Royce or Berkshire Hathaway.

We have changed the weighting of our positions in the oil industry. For a start, we have reduced the relative importance of the integrated oil firms BP and Shell, as the long-term oil price discounted in their valuations does not reflect the opportunity existing only a few quarters ago. We have acted similarly by selling part of our position in TechnipFMC. We continue to believe that the current cycle favours oil equipment and service companies. The lack of investment over the last five years, together with the stability in oil prices that results from having OPEC as a marginal producer in the market (compared to shale producers in the previous cycle), provides the sector with levels of visibility and profitability unseen in the last ten years. After TechnipFMC's 70% rally so far this year, this new reality is much more accurately reflected in its valuation. In contrast, this is not the case with Vallourec, where we have continued to raise our positions. We believe that there is a very significant divergence between its share price and the fundamental value of the company following the restructuring of its business, the reduction in the debt on its balance sheet, and the cash generation capacity of its assets in the coming years.

We have fully divested our remaining interests in HSBC, Prosus and Konecranes. The resulting cash has been recycled by buying some names that make the fund more robust without sacrificing its appreciation potential. These are companies that are considered as defensive, since their business does not depend on the economic cycle, but which have a clearly offensive role within the portfolio thanks to the discount in their valuations. Heineken is one of them, as is the Brazilian cash & carry supermarket company Sendas Distribuidora, an old acquaintance that has returned to the portfolio.

Finally, the volatility in recent months has allowed us to start buying shares in three new companies. All of them are leaders in their respective sectors and are trading at valuations that should generate major gains in the coming years. As is the case with Philips in this quarterly newsletter, we will tell you about them in more detail once they gain greater weight within the portfolio.

Value investing: the heart of Bestinver's strategy

The environment remains challenging but we must recall that to buy an asset for less than its value, you have to go against the market. Challenging its pessimism. The conviction that this requires can only be achieved if you know the company well thanks to a fundamental analysis, if you have the security that comes with appropriate risk management and if you buy with the necessary time perspective. Value investing unites and brings consistency to the three cornerstones of our philosophy and is therefore at the heart of Bestinver's strategy.

Thank you for your trust in us.

Yours sincerely,

The Investment Team.

Date: 30/9/2023. Source: Bestinver

MAIN MOVEMENTS

Additions

–

Disposals

KONECRANES
PROSUS
HSBC

Increases

SENDAS
HEINEKEN
VALLOUREC
PHILIPS

Reductions

INDITEX
BOOKING
INFORMA
ROLLS ROYCE
FTI TECHNIP

Bestinver Internacional

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MANAGEMENT TEAM

Tomás Pintó
Head of International Equities

Jorge Fuentes
International Equities Manager

ANNUAL RETURNS TABLE

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Bestinver Internacional	**17.94%**	**-17.85%**	**14.17%**	**-1.38%**	**23.34%**	**-14.15%**
MSCI World Net TR EUR	12.00%	-12.78%	31.07%	6.33%	30.02%	-3.67%

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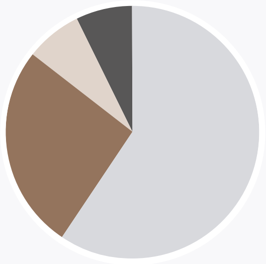
< GO TO CIO'S STATEMENT

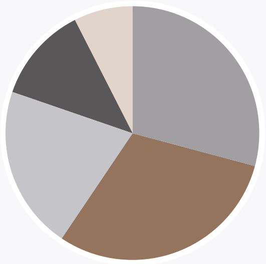
PORTFOLIO DISTRIBUTION

Geographical distribution



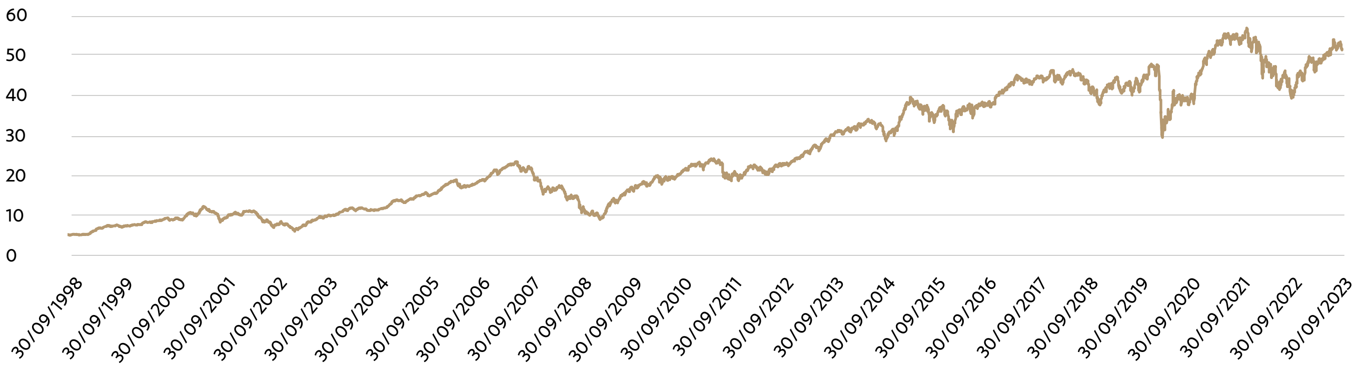
Europe	**59.45%**	Liquidity	**7.41%**
US	**26.12%**	Rest of the world	**7.02%**

Sectorial distribution



Industrial	**29.28%**	Financial	**12.21%**
Consumer	**30.44%**	Liquidity	**7.41%**
Communication and Technology	**20.66%**		

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 30/9/2023. Source: Bestinver. Periods exceeding 1 year at annualised rate. Launch date: 19/11/1997. Since 01/01/2016, the benchmark index includes net dividends.
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< GO TO CIO'S STATEMENT

Dear Investor,

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This example is an exaggeration, but understanding the concept of dispersion is very useful in explaining how we have managed the fund in recent months.

As mentioned above, although profitability is positive And on the surface it looks as if not much has happened, the reality is that many of our shares have bounced back sharply while others have fallen considerably. To give a foretaste of what we have done in this respect, although you will already have guessed it, we have reduced our investment in the former and increased it in the latter.

Being able to buy (or sell) companies whose prices diverge from the fundamental valuation of their businesses is exactly what we do. That is why we believe that today's market dynamics are excellent news for Bestinver Internacional's unitholders. Why do we say this? Because in our line of work, dispersion means opportunity.

A (still) decoupled world offering good investment opportunities

There are many factors that can explain the differences between the price and value of the companies we analyse or hold in our portfolio at a given time. In recent times there has been one recurring theme: the obsession of a large part of the market with the economic situation and its impact on companies' short-term results. This should come as no surprise. We are emerging from a period in which macroeconomics and geopolitics have dictated much of equity performance. These factors do not change overnight, particularly when the process of reconstructing the imbalances that have plagued us since the pandemic is not happening as fast as we would all like.

It is understandable, therefore, that the stock market performance of many companies is still influenced by the statements of some central bank or the latest economic data. Beyond the headlines, we believe that there are certain dynamics in the current economic cycle that have a deeper impact.

< GO TO CIO'S STATEMENT

One of the most striking is the evident global disconnection between the manufacturing sector cycle and the services sector cycle: the former is in obvious contraction and the latter in persistent (and surprising) expansion. We find this decoupling interesting, not only because it explains the differentials in economic growth in many countries but also because it is behind the stock market losses of some companies which, with sufficient care and patience, may become good long-term investments for our unitholders.

The cycle of interest rate hikes is coming to an end

As mentioned above, the impact of this divergence on countries' economies is significant. Thus, while the United States —an economy in which the services sector represents 70% of GDP— continues to surprise with its dynamism (despite the brush with a new financial crisis last spring), Europe is hardly growing at all and China is showing a weakness that nobody expected at the beginning of the year. The case of Europe is paradigmatic, as it clearly reveals the contrasts referred to above. While countries such as Spain, with an economy closely linked to tourism and services, recorded reasonably good levels of business activity, Germany, with greater dependence on the industrial sector and a high level of exports to China, is in recession.

This gap between the manufacturing and services sectors and its possible short and medium-term consequences were discussed in our last quarterly newsletter. The good news is that to date, the slowdown in the former sector has not had a major impact on employment. The less good news is that its recovery, expected in the coming quarters, is starting to be reflected in oil prices and hence in forecasts of further rate rises that will be needed to control inflation. In this respect, the market is discounting further tightening by the Fed, while the possibility that rates have peaked in Europe is becoming increasingly widely accepted in the consensus among analysts. In our view, it is becoming increasingly clear that inflation is on the right track and the interest rate hike cycle is coming to an end. A less dynamic services sector, a scenario that may become more visible in the coming quarters, should clear up any doubts that still persist in some parts of the market as to how restrictive monetary policy should be in this economic cycle.

Beyond short-term speculation, however, it is necessary to put things into perspective. A reasonable return to normality is not to expect a return to zero rates, just as it was not the case last year to assume that double-digit inflation figures were sustainable in the long run. We do not believe that an additional 25 or 50 basis points of monetary "tightening" is really relevant to drastically divert the course of an economy in the medium term. Nor are they likely to alter the positive returns we expect from the portfolio in the coming years.

Our scenario has not varied and our plan remains unchangedo

Our baseline scenario remains the same as the one described to you in recent times. This envisages a reasonable return to normality in developed economies, at different rates and on a non-linear basis, which would be explained by the complete normalisation of production chains and, above all, by the inevitable impact that the monetary policies implemented by central banks in the last year and a half will have (and are having) on consumption and investment. This tightening, in our view, does not mean that we are heading for a deep recession. Why do we say this? For many reasons, but the main one continues to be the solvency built up over the last decade by households and companies, not to mention how well capitalised the financial sector is. And just as our perspective on the economy has not changed, neither has the way we manage our portfolio. We are still interested in buying good companies, run by people we admire and, above all, at good prices. This plan requires an intensive analysis process to help us determine how

< GO TO CIO'S STATEMENT

much we want to pay for them, so that we can build a safety margin into our valuation in case something does not go as expected.

Y al igual que nuestra perspectiva sobre la economía no ha cambiado, tampoco lo ha hecho nuestra forma de gestionar la cartera. Seguimos interesados en comprar buenas empresas, gestionadas por gente que admiramos y, sobre todo, hacerlo a buenos precios. Este plan requiere un intenso proceso de análisis que nos ayuda a determinar cuánto queremos pagar por ellas, de forma que podamos incorporar un margen de seguridad en nuestra valoración por si algo no sale como esperábamos.

Fortunately, we have a top-class group of professionals that enables us to gain an in-depth knowledge of the business models we are analysing (their competitive position, the profitability and growth they can enjoy in the long term, etc.) and thus estimate how much a company is essentially worth. When things got difficult last year, this approach gave us the confidence we needed not to sell fabulous companies at historically low valuations.

However, this process is only the first part of the plan. In order to achieve the objective we are pursuing through this strategy, which is to obtain good long-term returns on our savings, there is one additional ingredient that is absolutely necessary: patience.

Warren Buffett said that the stock market is a device that transfers money from the pockets of the impatient to the pockets of the patient. The validity of the quote by the great American investor is confirmed by the performance of our fund over the last twelve months. A result that would have been impossible without the experience of investors who, fortunately, have already seen a few stock market cycles in Bestinver's 35-year history.

Philips

At Bestinver Internacional we aim to buy great businesses at great prices. Even decent businesses at extraordinary prices. Unfortunately, this is only possible when things are not going well. It happens, for example, in times of crisis when investors are overly concerned about the economy. Also when they have doubts about the long-term profitability of a business or distrust the reliability of a company's management team. In such circumstances, the market projects current events onto the future, permanently. Sometimes this makes sense, but most of the time the opposite is true. When these doubts are not well founded, pessimism drives share prices below their real value and allows us to buy them cheaply. We believe that our investment in Philips fits perfectly into the pattern we have just described.

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 (MRI machines, cardiac monitors, catheters for non-invasive surgery, etc.). This is an oligopolistic sector, with only three global competitors, where the necessary technological capabilities and the equipment base already in place are a significant barrier to entry vis-à-vis the competition. This sector also features the demographics and cost savings that diagnostic equipment brings to hospitals as evident tailwinds.

Just over two years ago (June 2021), Philips announced a recall of thousands of sleep apnoea respirators (a division that accounts for only 13% of the group's revenues) due to a manufacturing defect that could cause health risks. The foam used to reduce the noise of the device could deteriorate in very hot conditions or through the use of ozone or other cleaning methods not recommended by Philips itself. If this occurred, certain particles could be

< GO TO CIO'S STATEMENT

inhaled by the person using the device, potentially causing injuries ranging from simple headaches to cancerous diseases.

The announcement, one of those events that the market hates because of the uncertainty generated by the possible consequences (recall and replacement costs for new equipment, potential compensation for those affected, etc.), coincided with a difficult period in the sector. The pandemic had completely disrupted the functioning of hospitals (diagnostic tests, surgeries, etc.), the production of equipment was affected by the shortage of materials (chips) and well-known supply problems (freight rates) made it very difficult to market them. In short, the business's profitability was not exactly optimal.

All these events had, just a year ago, caused Philips shares to fall by a total of 75% from the maximum levels reached in April 2021. The obvious uncertainties facing the company had erased from investors' minds the improvement that the end of the pandemic would bring to the profitability of its core business.

The starting point seemed very interesting. Fundamentals were improving and the multiple at which the shares were trading was very attractive. The impact on the balance sheet of potential compensation payments remained to be assessed, as did its competitive position following the departure of the former CEO and the obvious distraction caused by the respirator issue. We had to determine whether, at the prices at which we could become Philips shareholders, the worst-case scenario was already discounted.

Accordingly, we got down to the job and after a few months of hard work we came to the conclusion that, with a bit of perspective and assuming there would be a few bumps along the way, we could buy a company which was a leader in a sector with obvious long-term advantages. Most importantly, we could do so at a valuation that would potentially allow us to double our money within three to five years. The rest is history. Earlier this year, Bestinver Internacional unitholders became Philips shareholders

Exor

The great investment manager David Swensen, head of investments at the prestigious Yale University until his death last year, said that value investing is uncomfortable by definition, as the most attractive opportunities are often hidden in places that can become terrifying.

Having read a multitude of reports on the potential compensation to be paid to Philips and having discussed the investment case with a number of experts, we understood that most investors were horrified by the idea of investing in Philips. As a brief foretaste of the news revealed below, we may tell you that Exor was not among them.

Exor is an old acquaintance of Bestinver Internacional unitholders. At the end of 2020, just a few months after this team took over management of the fund, the Agnelli family's holding company returned to our portfolio. We liked their assets (mainly Stellantis, Ferrari and CNH). We felt they were impeccably managed and, above all, we were delighted to be able to buy them at a discount of around 40% of their net asset value, which is how they were trading at the time. Despite the fantastic revaluation over the past three years, the discount at which they are quoted has not fallen by a single cent. We are happy Exor shareholders and still find the valuation exceptionally attractive. This view is shared by our sister fund Bestinver Grandes Compañías, which has just added it to its portfolio (you can read the Exor thesis in more detail in its newsletter for the preceding quarter).

< GO TO CIO'S STATEMENT

There are times when our working methodology is backed by one of the companies we own receiving a takeover bid from a competitor or a private equity fund (Univar was the latest) On other occasions, it happens that a large investor detects value in one of the companies we hold in our portfolio, as was the case with Bayer a few months ago. This is exactly what happened on 14 August, when Exor announced that it had bought a 15% holding in Philips. This is 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 Agnelli family a seat on the board, making it the de facto main shareholder of the Dutch company.

John Elkan, grandson of Giovanni Agnelli and current CEO of Exor, is one of the best capital allocators we have known in recent times. The return he has achieved for its shareholders can only be described as spectacular: since 2009, he has grown the value of the company's assets at a compound rate of 20%. We believe that Exor has seen the same as us in Philips. On the one hand, a technological and industrial capacity that is difficult to replicate in a very attractive sector in the long term. 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.

Portfolio movements

In this quarter we have again had the chance to continue enhancing the fund's potential, while improving its balance.

To use the same footballing metaphor that we mentioned in the last annual investor conference, we might say that the squad of companies that makes up Bestinfond comprises goal-scoring strikers who help the team in defence. And by central defenders who score goals when they go up for corners. A good combination that does not guarantee results in the short term but which should be very competitive in the matches to be played in the financial markets in the future.

As we mentioned above, many of our companies have shown fantastic appreciations in recent months. They would not be in the fund 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 group of companies includes names like Meta, Booking, Informa, Rolls Royce or Berkshire Hathaway.

We have fully divested our remaining interests in HSBC, Prosus and Konecranes. The resulting cash has been recycled by buying some names that make the fund more robust without sacrificing its appreciation potential. These are companies that are considered as defensive, since their business does not depend on the economic cycle, but which have a clearly offensive role within the portfolio thanks to the discount in their valuations. Heineken is one of them, as is the Brazilian cash & carry supermarket company Sendas Distribuidora, an old acquaintance that has returned to the portfolio.

Finally, the volatility in recent months has allowed us to start buying shares in three new companies. All of them are leaders in their respective sectors and are trading at valuations that should generate major gains in the coming years. As is the case with Philips in this quarterly newsletter, we will tell you about them in more detail once they gain greater weight within the portfolio.

Value investing: the heart of Bestinver's strategy

The environment remains challenging but we must recall that to buy an asset for less than its value, you have to go against the market. Challenging

< GO TO CIO'S STATEMENT

its pessimism. The conviction that this requires can only be achieved if you know the company well thanks to a fundamental analysis, if you have the security offered by appropriate risk management and if you buy with the necessary time perspective. Value investing units and brings consistency to the three cornerstones of our philosophy and is therefore at the heart of Bestinver's strategy.

Thank you for your trust in us.

Yours sincerely,

The Investment Team.

Date: 30/9/2023. Source: Bestinver

MAIN MOVEMENTS

Additions

–

Disposals

KONECRANES
PROSUS
HSBC

Increases

SENDAS
HEINEKEN
VALLOUREC
PHILIPS

Reductions

BOOKING
INFORMA
ROLLS ROYCE
FTI TECHNIP

< GO TO CIO'S STATEMENT

Bestinver Bolsa

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

MANAGEMENT TEAM

Ricardo Seixas
Head of Iberian Equities

Javier Ortiz de Artiñano
Iberian Equities Analyst

León Izuzquiza
Iberian Equities Analyst

Gabriel Megías
Iberian Equities Analyst

ANNUAL RETURNS TABLE

	2023	2022	2021	2020	2019	2018
Bestinver Bolsa	**19.10%**	**-6.43%**	**16.97%**	**-14.01%**	**10.51%**	**-8.66%**
Índice (80% IGBM / 20% PSI)	13.87%	0.70%	10.08%	-5.20%	16.40%	-10.46%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	15 years	Launch
Bestinver Bolsa	**15.52%**	**2.07%**	**4.53%**	**5.37%**	**9.24%**
Índice (80% IGBM / 20% PSI)	15.92%	4.73%	3.91%	1.50%	3.43%

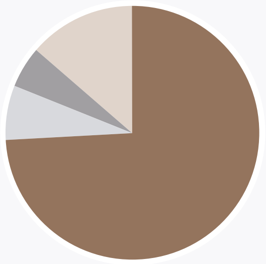
Data 30/09/2023
Past performance is no guarantee of future performance.

TOP POSITIONS

TOP 5	% OF PORTFOLIO
BBVA	9.72%
SANTANDER	9.37%
REPSOL	6.69%
GRIFOLS	6.59%
COCA COLA EUROP	5.47%

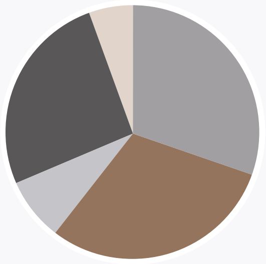
PORTFOLIO DISTRIBUTION

Geographical distribution



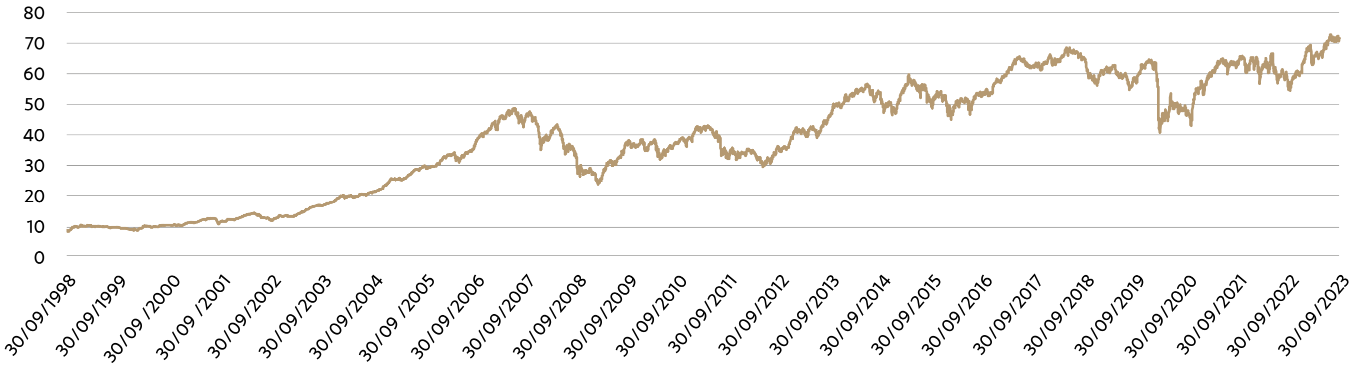
Spain	**74.36%**	Liquidity	**5.34%**
Portugal	**6.78%**	Rest of the world	**13.51%**

Sectorial distribution



Industrial	**30.46%**	Financial	**26.04%**
Consumer	**30.18%**	Liquidity	**5.34%**
Communication and Technology	**7.98%**		

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 30/9/2023. Source: Bestinver. Periods exceeding 1 year at annualised rate. Launch date: 28/06/1994. Since 01/01/2016, the benchmark index includes net dividends.
The fund's full prospectus, regular reports and KIID can be found on the following websites www.bestinver.es and www.cnmv.es

RISKS ASSOCIATED WITH THE INVESTMENT

This is an equity investment fund and may therefore involve, among others, equity market risk, interest rate risk, currency risk, geographic or sectoral concentration risk and credit risk.
Past performance is no guarantee of future performance.

MANAGEMENT ASSESSMENT

Dear Investor

The Spanish stock market outperformed most of its European neighbours during the third quarter of 2023. Its main benchmark index, the IBEX35, has again been a leader in the region with a year-to-date gain of +12.6%.

These are uncertain times and it is not easy to identify the specific reasons for the weakness of stock markets over the last two months. However, if we were to name investors' main concerns, the list would be headed by the latest rise in oil prices and long-term US interest rates, the apparent slowdown in the euro zone over the summer, which is particularly palpable in Germany, and the drag on global growth caused by the persistent weakness of the Chinese economy. This is happening in an environment in which central banks are beginning to hint at the end of interest rate rises, while warning that they will keep rates high for a lot longer than the markets seem to want.

The Iberian market is not unaffected by all these factors. However, after almost 30 years investing exclusively in this investment universe and as specialists in the region, we believe that both the Iberian economy and stock markets are showing the strengths needed to navigate the current environment of uncertainty which have not been seen for a long time. The fundamentals in Iberia are radically different to those we suffered at the beginning of the last decade, when the excesses of the European periphery were at the epicentre of all problems. At present there are no signs of major imbalances in the real estate sector, households and businesses have very healthy balance sheets, banks are well capitalised and the expected fiscal adjustment is not comparable to the dogma of fiscal consolidation that underpinned European political consensus after the great financial crisis of 2008. If we combine these ingredients with valuations that reflect a significant discount, a market composition with some sensitivity to high interest rates and growth estimates that are more benign than most eurozone economies, the Iberian market seems like a good hunting ground for ideas for the coming years.

During the quarter we have not made any major changes to the fund and the adjustments we have made have had a common theme: improving the liquidity profile of the shares making up the portfolio and reaping profits in companies that have performed very strongly in recent months. We have added Iberdrola and have increased our holdings in Técnicas Reunidas and BBVA. In contrast, we have divested CIE and reduced our stake in Inditex and CaixaBank.

In this newsletter we would like to update the Técnicas Reunidas investment thesis, a new position we have built between the second and third quarters of this year. The company is a historic player in the Iberian stock market that some will remember for the many joys it brought in the distant past, but others for issues in the more recent past that have left its shares trading at rock bottom levels.

Técnicas is an engineering company that mainly designs and builds petrochemical plants. One of the peculiarities of this industry is that engineering projects with a lump-sum price have a very asymmetric profitability curve: if there are no setbacks, the initially agreed margin is the maximum profit that can be obtained, but if execution issues arise, the potential loss can be enormous. Técnicas had numerous problems in recent years that impacted its profits and cash generation so severely that its balance sheet could not stand the pressure. In 2022 it had to resort to help from the SEPI and in July 2023 to that of its own shareholders, who injected capital worth EUR 490 million into the company. After some difficult years that have taken a toll on its confidence, the main doubts now focus on the deterioration of its franchise, its capacity to win new contracts and the persistence of enforcement issues.

However, in order-book terms the investment cycle for the type of projects in which Técnicas is normally involved is going through a very buoyant phase. The messages from operators across the energy value chain are also very positive. In this favourable context, Técnicas has won major projects in recent months and has shown its confidence in being able to exceed analyst consensus on estimated order intake in the medium term. If we take into account execution risks, the rebalancing of supply and demand in favour of engineering companies, the reduction of risk in contracts due to open price structures and the use of pre-engineering phases to mitigate future problems, we believe that the frequency and size of potential contingencies should be substantially reduced.

Concerning its valuation, if we simply apply a multiple to the profit generated on the implementation of the projects being obtained, the resulting valuations would be extraordinary. Even on relatively conservative assumptions for order intake, margin and multiple, we would still obtain valuations that are attractive enough to justify our investment. Why are its shares so cheap? Because the market has still not given the management team the benefit of the doubt and needs the good performance to last over various quarters in order to forget the problems of the past. It is here we believe that order tailwinds and lower execution risk will help to change the perception of the new Técnicas in the future and, gradually, its price to converge towards its value.

Técnicas Reunidas is a good example of our investment selection approach, which is to buy companies with improving fundamentals at atypically low valuations. In our view, by applying the right investment criteria in a cyclically winning market such as the Iberian market, we can expect to keep generating good returns in the long term.

Thank you for your trust in us.

Yours sincerely,

The Investment Team.

Date: 30/9/2023. Source: Bestinver

MAIN MOVEMENTS

Additions

IBERDROLA

Disposals

CIE AUTOMOTIVE

Increases

BBVA
TÉCNICAS REUNIDAS

Reductions

INDITEX
CAIXABANK

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

	2023	2022	2021	2020	2019	2018
Bestinver Grandes Compañías	**16.90%**	**-22.55%**	**19.52%**	**12.66%**	**23.37%**	**-9.20%**
MSCI World Net TR EUR	12.00%	-12.78%	31.07%	6.33%	30.02%	-6.01%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	Launch
Bestinver Grandes Compañías	**6.11%**	**6.24%**	**6.55%**	**8.53%**
MSCI World Net TR EUR	11.83%	9.26%	9.73%	10.55%

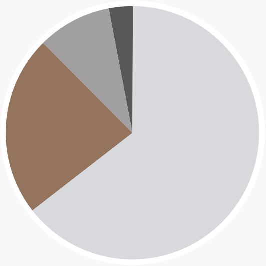
Data 30/09/2023
Past performance is no guarantee of future performance.

TOP POSITIONS

TOP 5	% OF PORTFOLIO
DEUTSCHE BOERSE AG	3.54%
RECKITT BENCKISER GROUP PLC	3.41%
HEINEKEN NV	3.18%
ROCHE HOLDING AG	3.11%
SAMSUNG ELECTRONICS CO (KRW)	3.03%

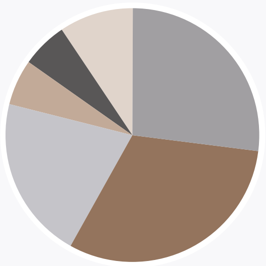
PORTFOLIO DISTRIBUTION

Geographical distribution



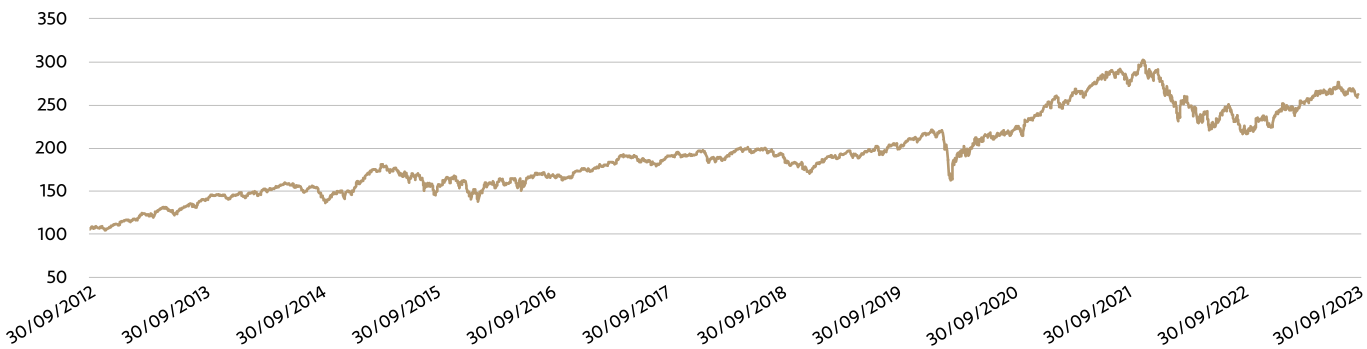
Europe	64.64%	Liquidity	9.42%
US	22.92%	Rest of the world	3.02%

Sectorial distribution



Industrial	27.20%	Financial	5.64%
Consumer	31.04%	Liquidity	9.42%
Communication and Technology	20.84%		
Health	5.86%		

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 30/09/23. Source: Bestinver. Periods exceeding 1 year at annualised rate. Launch date: 16/12/2011. Since 01/01/2016, the benchmark index includes net dividends.
*The index changed after 05/09/2018 to MSCI World NR EUR. The historical performance data of the benchmark index have been calculated by reference to the performance of the index in force at the time.
The fund's full prospectus, regular reports and KIID can be found on the following websites www.bestinver.es and www.cnmv.es

ISKS ASSOCIATED WITH THE INVESTMENT

This is an equity investment fund and may therefore involve, among others, equity market risk, interest rate risk, currency risk, emerging markets risk, geographic or sectoral concentration risk and credit risk.
Past performance is no guarantee of future performance.

Dear Investor,

Bestinver Grandes Compañías ended the quarter with a return of -2%, bringing its cumulative return for the year to 16.9%.

The recently ended summer season has not been particularly good for our companies' share prices. We have no complaints in operational terms since, in general, they have continued to do what we expected: sell more, protect their margins, invest in the business, and with any surplus funds (which they have), pay us back via dividends and/or by buying back their own shares. So what has happened? What has happened is that the valuation multiple at which they are quoted has contracted. In other words, the market demands a higher return on the profits they will be able to generate in the future.

The economy is doing better than expected

Why did this happen? For two main reasons, one absolute, the other relative, although both have a common denominator: a stronger economic environment than was assumed a few months ago.

Before continuing with the reasons for the "not great" performance of Bestinver Grandes Compañías shares (it would be unfair to describe it as bad, particularly after the good return accumulated so far this year), we should devote a few words to the context in which this has occurred.

We continue to enjoy a combination of factors that work wonders for demand in the services sector. We are talking about an extremely solid labour market, a (still) very expansionary fiscal policy and a level of solvency among business players unknown in the last decade. A few observers believe that we are in the last act of this virtuous circle. This might be so, although considering its poor performance, the bond market does not seem to agree.

Perhaps fixed income investors are waiting for China to wake up from its slumber in the coming months. Or perhaps they foresee that the expected recovery of the manufacturing sector, which in fact is starting to be reflected in oil prices, will re-invigorate the economy. We cannot know, but what is clear is that there has been a significant upward adjustment in interest rate curves and accordingly in the cost of capital in the markets.

A share is like a very long-term bond

We have not forgotten the two reasons why our stocks have done "not well" in recent times, but in order to understand them better we first need to explain the effect that interest rates have on an asset's valuation.

Conceptually, higher interest rates make assets less valuable. To understand why this is so, the first step is to explain the time value of money. A euro received in a year's time is worth less than a euro received today, because during those twelve months I can earn a return by investing it (opportunity cost) and also because in that time who knows what might happen (risk). This is pure common sense, even if negative rates mean that this concept does not quite apply.

The second is to understand that a company is worth the free cash flow or dividends it is able to generate over its lifetime, discounted at an interest rate or a cost of capital that should include a number of variables:

levels of growth and inflation that we consider suitable, inherent risk of investing in a business, etc. From this viewpoint, equities are not very different from fixed income securities. A share would be like a very long term bond since in theory we will receive "coupons" for many years, as many as the company exists.

As mentioned above, higher interest rates make assets worth less. However, this effect is not the same for all asset classes. The longer their duration, i.e. the more euros I will receive in the future (cash flows, dividends, coupons), the greater the negative impact of this higher discount rate on their valuation.

In absolute and relative terms

Having understood these two concepts, we can now explain the two reasons (absolute and relative) for the not-great performance of our actions.

In absolute terms, higher bond yields have given listed companies a fabulous competitor in terms of profitability. The adjustment to their shares, as occurs with bonds, has taken place with lower quoted prices which, inexorably, represent higher returns in the future.

Relatively speaking, companies that are reasonably stable, that grow independently of the economic cycle and whose results are predictable (the type of companies in which our fund invests) have, by definition, a longer duration than those with more erratic businesses, which are more dependent on the economic cycle and whose long-term results are not as visible.

Low duration sectors such as oil, banking and construction materials, to give a few examples, have performed much better relatively than our portfolio in recent months. This is understandable. A better economic scenario has caused rates to rise (and bond prices to fall) and investors have understandably bought in cyclical and low duration sectors, selling those considered defensive and long duration.

The reason for the rise is what matters

All this is a rather simple, but correct, description of what has happened. But there are some questions we need to ask ourselves at this point. These are somewhat theoretical reflections, but interesting nonetheless.

The first is that if bond yields have risen because the economy is doing better than expected (in the US) or is set to reaccelerate (in Europe and China), does it make sense for stocks to fall? The point concerning the higher discount rate we understand and accept. But what about companies' performance? They should also grow more than expected, right?

And if higher growth implies higher inflation in the future and thus a higher "structural" discount rate (the pessimists' argument), it is worth remembering that equities represent a very reasonable hedge against inflation. When you own a company, you receive "nominal" cash flows that grow over time as prices in the economy rise.

It is the "micro" duration that matters

As for the second question, concerning the type of companies to choose in a high-rate environment, we know that the concept of duration referred to above is important. But there is another duration, one that is not "macro" but "micro", which is more important for long-term investors in listed companies.

We say this because not many companies are able to increase their returns (the sparks they strike from their assets) commensurate with the rise in the cost of capital in an economy affected by structurally higher rates. A good combination of "spark and asset" has a lot to do with the duration we are referring to: the duration of their business, i.e. of their product and their customers.

As long-term shareholders, we like to own assets that are "efficient" in generating sales. They are efficient because they do not wear out, they do not need to be replaced, or because if they do wear out, the reinvestment that must be made to maintain them does not require much capital. This has a lot to do with the longevity of the life cycle of the goods they produce, i.e. how long that product is relevant to customers. This relevance will depend on aspects such as the competition it faces, the elasticity of its demand, its technological obsolescence, etc. In this respect, the longer our product lasts, the better.

As far as customers are concerned, their duration refers to how and when they purchase the product our company sells. A subscription contract, which gives you great stability for long-term business planning, is not the same as a discretionary consumer good, which is a more sporadic purchase. Nor is it a consumable good the same as a lasting good. These peculiarities affect production lead times and, consequently, investment and financing needs. The customer cycle of a product will therefore depend on the recurrence of its sales. In this case, the shorter the duration, the better.

We must remember that we are using these concepts in a general manner and that, of course, there are hundreds of nuances that can be expressed, but in general we will seek companies with a long product cycle and a short customer cycle, as such companies a) do not usually need to reinvest large amounts of capital in the business and b) the frequency or periodicity of their sales allows them to adapt their activity to the pace dictated by the economy.

We have just described, in overall terms, the type of company in which Bestinver Grandes Compañías invests. Consider now whether such businesses fare well or poorly in the face of rising interest rates in the economy, for whatever reason.

Pavlov's dog

We do not want to give the impression that nothing is going on. Higher rates will eventually have an impact on consumption and investment and thus on the economy and asset prices. The prices of some of our shares have already fallen. Consequently, their future returns have risen which is not bad news for those of us who are long-term investors in the fund, particularly if the price decrease that has occurred is not entirely justified.

We say this, because when one looks at what has happened in the markets in recent times one gets the impression that a good number of investors have become Pavlov's dogs.

The Russian scientist Pavlov's classical conditioning discovery established that if an unconditioned stimulus produces a known effect (e.g. food, which causes dogs to salivate) and is repeatedly associated with a neutral stimulus (e.g. the ringing of a bell), the neutral stimulus will produce effects identical to those of the unconditioned stimulus (the sound of the bell will make the dog salivate, even if there is no food).

It seems clear that a bell has been rung in the markets (interest rate hike) and many investors have started to salivate by selling stocks. Particularly those in companies with a certain profile that are perceived as bonds due to the visibility offered by their coupons, i.e. their results in this case. We are not sure that the reaction to the stimulus is appropriate.

As we have explained, a rise in interest rates has an obvious impact on asset values, but this impact should not be disassociated from the reason why rates have risen. Not all assets have fixed coupons. Of course, companies' results are not. Companies are living beings, they adapt to the environment (they pass on prices, cut costs, invest, improve processes, etc.). In short, their profits grow with the economy and also with inflation.

As for what type of company to own in a scenario of rising capital costs in the economy, it will depend on how profitable its assets are and how much it costs to replace them. In our case, we invest in businesses that have a lasting competitive advantage and a high-recurrence product. They are companies that can grow while protecting their margins and an asset that does not need to be constantly replenished. The rising cost of capital matters, but it matters much less when you do not need capital or have plenty of it.

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 Grande Compañías. 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 group of fantastic but not so cheap companies includes such names as Inditex, Meta and Legrand, to name a few.

We have invested more heavily in companies where we continue to observe an interesting divergence between the price at which they are trading and their fundamental value. This differential can be explained by reasons that we consider to be circumstantial rather than structural. This is the case of companies such as Roche, Heineken, Reckitt or Exor, among others. While we are on the subject, make sure you read the commentary of our sister funds Bestinver Internacional or Bestinfond to find out what happened with Exor this summer.

Finally, we would like to announce that we have been able to add two new companies to the portfolio at very attractive valuations. These are fabulous businesses, impeccably managed and with bomb-proof balance sheets. They are clear beneficiaries of the current environment (better than expected growth and rising interest rates) and if things get less rosy in the coming quarters, neither their activity nor their multiple should suffer. Quite the opposite. We will share their investment theses with you in future newsletters.

We wish to conclude by reminding you that at Bestinver Grandes Compañías, we are value investors in search of extraordinary businesses. We buy cheap shares in the highest quality companies in the world. The volatility of the last few months has again provided us with an opportunity to continue to build a low-risk portfolio which should provide us with excellent returns in the future.

Thank you for your trust in us.

Yours sincerely,

The Investment Team

Date: 30/9/2023. Source: Bestinver

MAIN MOVEMENTS

Additions

—

Disposals

—

Increases

ROCHE
HEINEKEN
RECKITT
EXOR

Reductions

BOOKING
META
INDITEX

Bestinver Latam

The fund invests primarily in Brazil, Mexico, Chile, Colombia and Peru with the aim of achieving optimal long-term returns by applying the three cornerstones of our investment philosophy: our own fundamental analysis, appropriate risk management and a time horizon shared by investors and managers.
The strategy follows the same investment process as our other international equity funds, focusing primarily on these countries' economic and digital transformation, the growth of their middle classes and the evolution and development of their consumer ecosystem. This ecosystem is increasingly diverse and includes numerous verticals such as traditional consumer businesses, e-commerce, payments, financial technology, software, mobility, education, health, entertainment, video games and media.
The fund seeks to invest in attractive, well-managed business models with high growth potential. In general terms, the fund leans towards mid-cap companies with domestic exposure. The purpose of the fund's strategy is to differ considerably from the indices and other investment alternatives in the region, which are heavily exposed to commodities, infrastructure and banks.

MANAGEMENT TEAM

Ignacio Arnau
Bestinver Latam Manager

Pablo Ortea
Bestinver Latam Analyst

ANNUAL RETURNS TABLES

	2023	2022	2021	2020	2019	2018
Bestinver Latam FI	**12.54%**	**-13.20%**	**-16.77%**	**-6.91%**	**12.66%**	**—**
Bestinver Latin America SICAV	**11.63%**	**-13.03%**	**-16.75%**	**-6.02%**	**32.67%**	**-0.05%**
SP LATIN AMERICA 40NR	15.21%	17.88%	-6.44%	-18.82%	2.90%	-1.69

ANNUALISED RETURNS TABLE

	3 years	5 years	Launch
Bestinver Latam FI	**-1.30%**	**—**	**-3.33%**
Bestinver Latin America SICAV	**-1.45%**	**1.15 %%**	**1.98%**
SP LATIN AMERICA 40NR	19.76%	3.84%	3.70%

Data 30/09/2023
Past performance is no guarantee of future performance.

TOP POSITIONS BY SECTOR

CONSUMER	% OF PORTFOLIO
MERCADOLIBRE INC US	5.38%
HAPVIDA PARTICIPACOES E INVERSIONES	4.57%
FOMENTO ECONOMICO MEXICA-UBD	4.34%

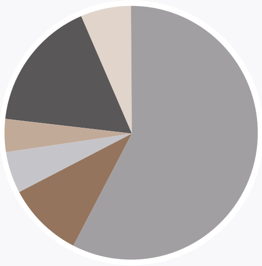
INDUSTRIAL	% OF PORTFOLIO
LOCALIZA RENT A CAR	3.65%
EMBRAER SA-SPON ADR	3.00%
GPS PARTICIPACOES E EMPREEND	2.40%

COMMUNICATION AND TECHNOLOGY	% OF PORTFOLIO
LOCAWEB SERVICOS DE INTERNET	5.19%
VTEX -CLASS A	3.86%
TOTVS ON	3.40%

FINANCIAL	% OF PORTFOLIO
XP INC - CLASS A	3.44%
IGUATEMI EMP DE SHOPPING NUEVO	2.95%
MRV ENGENHARIA E PARTICIPACOES	2.72%

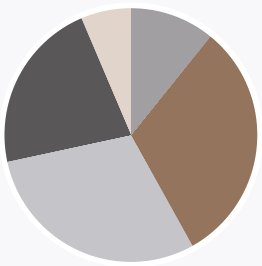
PORTFOLIO DISTRIBUTION

Geographical distribution



Brasil	**58%**	Perú	**4%**
Mexico	**9,5%**	Latam	**16,7%**
Chile	**5,5%**	Liquidity	**6,3%**

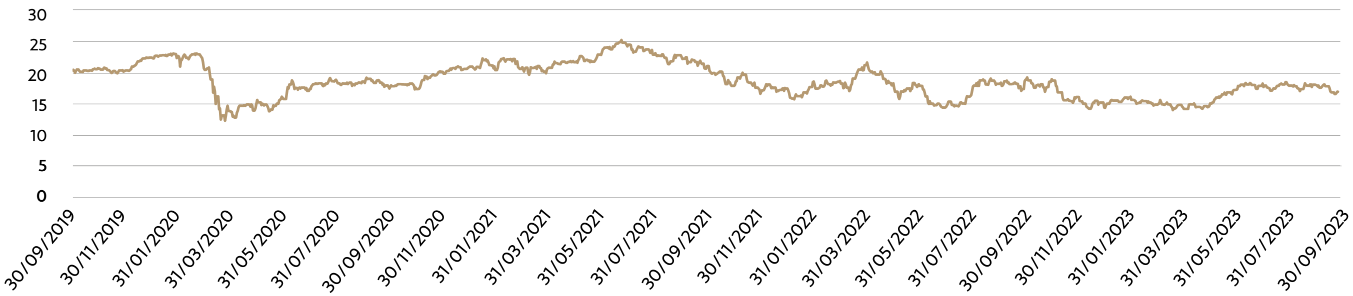
Sectorial distribution



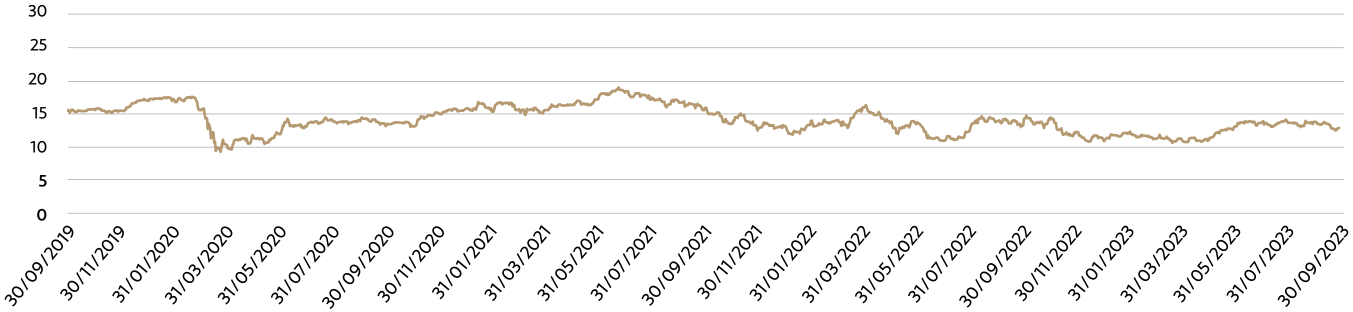
Industrial	**11%**	Financial	**22%**
Consumer	**31,2%**	Liquidity	**6,3%**
Communication and Technology	**29,5%**		

FLUCTUATIONS IN NET ASSET VALUE (€)

BESTINVER LATIN AMERICA SICAV



BESTINVER LATAM FI



Day close data: 30/9/2023. Source Bestinver. Launch date Bestinver Latam FI 18/01/2019. Lauch date Bestinver Latin America SICAV clase R 05/07/2017. The Bestinver Latam FI fund's full prospectus, regular reports and KIID can be found on the following websites www.bestinver.es and www.cnmv.es.
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

This is an equity investment fund and therefore may involve, among others, equity market risk, interest rate risk, currency risk, risk due to investment in emerging countries and geographical or sectoral concentration, credit risk and liquidity risk, as well as risk due to the use of financial derivatives.
Past performance is no guarantee of future performance.

MANAGEMENT ASSESSMENT

Dear Investor,

The Latin American market[1] ended the third quarter of 2023 with a decline in euros of 5.3%. As with other regions, the period was characterised by high dispersion among returns on a geographical and sectoral level. Geographically, the 7.3% fall in the Chilean stock market and the 8.4% and 1.7% rises in Colombia and Peru contrasted with the 2% to 3% decreases in the Mexican and Brazilian markets. This dispersion was even more extreme on a sectoral level, with rises of 15% in the energy sector compared with falls of 16% and 27% in the customer and technology sectors, respectively. In this context, Bestinver Latam (lux) dropped 5.3% in the quarter for a cumulative return of 11.6% so far this year.

The Federal Reserve: a bull in a china shop

After a first half-quarter in which markets remained calm, the second half has been distinguished by a general increase in uncertainty following the Federal Reserve's comments reiterating its readiness to keep rates high for longer. This uncertainty, exacerbated by the 35% rise in oil prices, has negatively impacted assets that are most sensitive to interest rate rises.

This situation has also affected the strategy followed by the fund. In previous newsletters we have explained that Bestinver Latam is focused on Latin America's economic and digital transformation, the growth of its middle classes and the development of its consumer ecosystem. This strategic approach focuses a large part of the portfolio towards consumer and technology-related sectors, which inevitably form the backbone of our investment universe and the Fund. As noted above, these sectors suffered double-digit declines in the second half of the quarter which, although mitigated by our risk management, had an impact on profitability.

This reaction, though somewhat disproportionate in our view, does not surprise us. This is not the first time our quarterly newsletter mentions the level of anxiety and uncertainty present in the markets, the erratic liquidity levels and the sudden, synchronised jolts we sometimes have to endure. We must be prepared for them and treat them as an opportunity.

In the longer term, the Latin American economy is continuing with its process of macroeconomic and socio-political normalisation, as is evidenced by the interest rate cuts by the central banks of Brazil, Chile and Peru. However, the region is not isolated from the rest of the world and the major macro movements in the US and China have a strong influence on day-to-day events in the Latin American market, as was the case in the third quarter. These two countries are also undergoing their own normalisation processes, though at different stages, and as those of us who have been investing in Latam for some time are aware, these paths can be longer and more intense than many investors would wish.

Main portfolio movements

The third quarter was marked by high levels of volatility and dispersion in asset performance. As a result, we have been more active than in previous periods, rotating and recalibrating the portfolio as stock prices have fluctuated. Among the main movements, it is worth highlighting the slight reduction in exposures among companies in our Top 10, such as Mercadolibre, XP, Globant, DLocal, Locaweb and Localiza, and the increased

[1] S&P Latin America 40 TR

investment in smaller companies such as Smart Fit, Assaí Atacadista and Totvs. We have also reinstated the Mexican logistics asset company Fibra Macquarie in the portfolio. Finally, this has been a period of intense corporate activity. Two of our portfolio investments have been the object of takeover bids and therefore we are no longer shareholders in Arco Plataforma, a digital education company in Brazil, or the Peruvian consumer business Alicorp.

One of the biggest movements during the quarter was the increase in the relative importance of the Brazilian software company Totvs, in which we have held shares since 2019. It had previously formed part of the portfolio Top 10, but following the extraordinary performance of its shares we decided to reduce its weight in order to invest in other cheaper companies. Now, however, its valuation is again sufficiently attractive to take up an important position in the fund.

Totvs is the Brazilian SAP but focused on small and medium-sized companies. It is the largest corporate software provider in the country, so large that more than half of Brazil's workers are registered

in its human resources module. The company has three divisions: Management, which is focused on ERP services, human resources management, tax, etc.; Biz Performance, for digital marketing, e-commerce, UX, etc.; and TechFin, devoted to B2B lending. The Management division is the most relevant, with 70% of the company's sales. Although this is the most mature part of its business, it is growing at rates of 16% with negligible churn, well above the 10% growth rate

for ERP 8% for the IT services industry. This growth is based on the increasing need of Brazilian companies to digitise in order to increase their productivity as the country grows. Totvs offers its customers a single technology solutions provider, meaning that, in addition to its high profile, the potential for cross-selling with the Performance division is enormous. With respect to the TechFin division, Totvs recently acquired Supplier, a platform providing credit between large corporations and their suppliers, and is putting together a good business, albeit with greater exposure to the economic cycle. It has recently entered into a joint venture agreement with Banco Itaú —probably one of the best emerging market banks in the world— for which it has paid BRL 450 million plus a further 450 million in earn-outs for half of the joint venture, as well as injecting 200 million in capital and committing itself to providing cheap and unlimited funding for the business. A business in which Itaú has placed its best executives, with a mandate to disrupt the country's financial services industry. The potential offered by Totvs at these prices is therefore very significant.

At the end of the quarter, the fund recorded a liquidity level of 6.2% and had 38 companies. In our view, these are the best investment opportunities in the region. In geographical terms, Brazil represents 58% of the portfolio, followed by LatAm —as we call our pan-Latin American group of companies— with 17%, and Mexico with 10%. On a sectoral level, consumer and technology continue to predominate at 31% and 30% 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 those of a region full of opportunities. 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 committed to generating shareholder value and applying high standards of governance. Our strategy makes use of the volatility that affects the region from time to time to buy these businesses at attractive valuations, patiently waiting for their share prices to fall 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 the region. According to our estimates, the portfolio offers high appreciation potential which will continue to increase as the process of economic normalisation explained in this newsletter takes hold.

Thank you for your trust in us.

Yours sincerely,

The Investment Team

Date: 30/9/2023. Source: Bestinver

MAIN MOVEMENTS

Additions

FIBRA MACQUARIE

Disposals

ARCO PLATAFORMA
ALICORP

Increases

TOTVS
SMARTFIT
SENDAS

Reductions

XP
DLOCAL
LOCAWEB
LOCALIZA

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

	2023	2022	2021	2020	2019	2018
Bestinver Megatendencias	**8.57%**	**-23.10%**	**13.55%**	**11.53%**	**19.30%**	**-13.35%**
MSCI WORLD NET TR EUR*	12.00%	-17.46%	23.34%	-3.21%	28.20%	-12.03%

ANNUALISED RETURNS TABLE

	3 years	5 years	Launch
Bestinver Megatendencias	**1.81%**	**1.91%**	**1.81%**
MSCI WORLD NET TR EUR*	3.44%	4.61%	8.30%

Data 30/09/2023

Past performance is no guarantee of future performance.

* The fund's benchmark index was the Euro Stoxx 50 Net Return EUR until 18/03/2022, and thereafter the MSCI WORLD NET TR EUR.

TOP POSITIONS BY SECTOR

T1	**46.60%**
MOWI ASA	3.50%
ERSTE GROUP BANK AG	3.20%
BAUSCH + LOMB CORP	3.10%

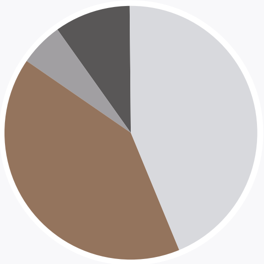
T2	**25.00%**
MICROSOFT	3.80%
ALPHABET INC-CL A	3.10%
MICRON TECHNOLOGY INC	2.50%

T3	**22.90%**
OPDENERGY	3.30%
INDUSTRIE DE NORA	2.50%
CARRIER GLOBAL CORP	2.30%

LIQUIDITY	**5.59%**

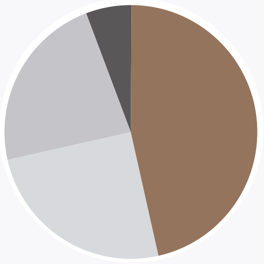
PORTFOLIO DISTRIBUTION

Geographical distribution



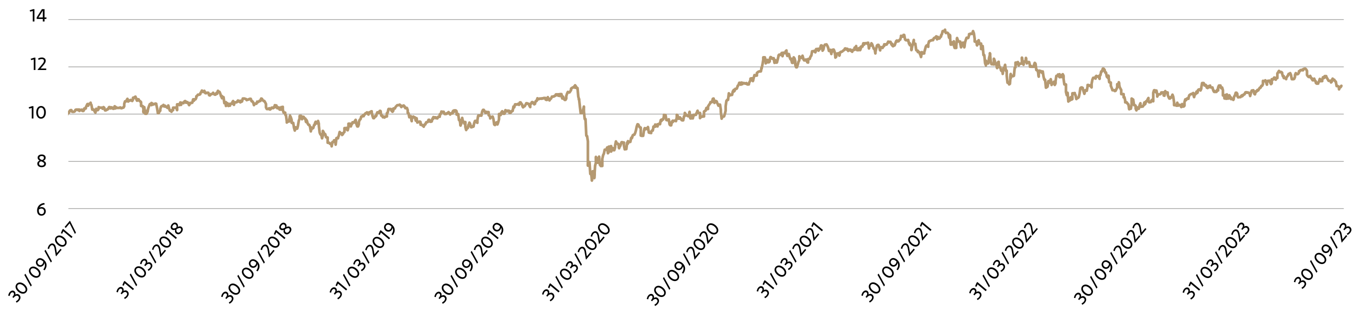
Europe	**44.13%**	Liquidity	**5.59%**
US	**40.70%**	Rest of the world	**9.58%**

Distribution by megatrend



T1	**46.60%**	T3	**22.90%**
T2	**25%**	Liquidez	**5.59%**

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 30/9/2023. Source: Bestinver. Launch date: 16/06/2017. Periods exceeding 1 year at annualised rate.
*The fund's benchmark index since 18/03 has been the MSCI WORLD NET TR EUR. Previously, it was Euro Stoxx 50 Net Return. The fund's full prospectus, regular reports and KIID can be found on the following websites www.bestinver.es and www.cnmv.es

RISKS ASSOCIATED WITH THE INVESTMENT

This is an equity investment fund and therefore may involve, among others, equity market risk, interest rate risk, currency risk, risk due to investment in emerging countries, credit risk and liquidity risk, as well as risk due to the use of financial derivatives. Sustainability risk.
Past performance is no guarantee of future performance.

Dear Investor,

The major Western economies have been more resilient than expected over the summer period, anchoring inflation at high levels and forcing the Federal Reserve to reiterate its willingness to keep rates high for longer. This announcement led to an increase in stock market volatility that we have harnessed to make changes to the fund's portfolio and increase its long-term potential. Bestinver Megatendencias ended the third quarter of 2023 with a return of -4.3%, giving a cumulative year-to-date gain of 8.6%.

A difficult environment

As in previous quarters, the private sector has shored up global economic activity. After a decade of deleveraging, the solvency of companies and households has enabled them to dodge the impact of interest rate hikes and, together with strong employment and rising wages, has held up demand for services and strong consumption. This strength contrasts with the ongoing difficulties in the manufacturing sector, still weighed down by the problems in China. Inflation has been more persistent than expected due to the resilience of business activity and, more recently, the surge in oil prices. Overall, the macro balance for the quarter reflects a global economy that continues to offer positive surprises and a Federal Reserve that has reiterated its willingness to keep rates high for longer.

Focusing on the megatrends in which the fund invests, over the last three years the environment has not been favourable for renewable energies, one of the most relevant in our universe. The rise in raw materials prices has led to a 15-20% increase in project costs, undermining their profitability and bringing growth to a halt from which it has not yet recovered. Lower yields have coincided with the most aggressive change in monetary policy in more than forty years, raising interest rates from 0.25% to 5.5%. This increase has had a negative impact on the value of many renewable projects for two reasons: first, because it requires a higher rate to discount the cash flows they generate, and second, because it makes the debt that funds them more expensive. As a result of this perfect storm, since the end of 2020 the S&P Global Clean Energy sector index has fallen by -54% compared with a +12% rise in MSCI World.

Despite these declines, however, the long-term outlook for the sector has improved considerably and support for renewables and energy self-sufficiency has never been more widespread. During these two years, the US has whole-heartedly joined the race to decarbonise its economy through the tax incentives provided in its Inflation Reduction Act (IRA). In addition, Europe's dependence on Russian gas and the geopolitical risk it poses have led the EU to commit to achieving a 42.5% rate of internal energy production from renewable sources.

As a foretaste of what we expect to happen globally, it is worth noting the high demand for renewables in the US which has led power generation companies to enter into power purchase agreements (PPAs) at prices around 85% higher than three years ago. This will result in attractive cash flows for the next 10 or 20 years, linked to inflation and with high visibility levels. The high demand for renewables is not only driven by electricity demand itself but also by a private sector that is more committed than ever to the sustainability of its operations, which has motivated many companies to set zero emissions —or even net negative emissions— targets for the coming years.

The Bestinver Megatendencias portfolio is positioned to take advantage of the positive environment we expect for the renewable sector over the long term, but also to benefit from two dynamics that may have a more immediate positive impact: the normalisation of commodity prices and the approaching end of the interest rate hike cycle.

Opportunities in the renewables sector

The major losses accumulated by the renewables sector over the last few years have led it to trade at low valuations that do not reflect the fundamentals explained above. The low profitability period that the industry is going through has led companies to be much more selective with the projects they are undertaking and we therefore believe that their profitability may be close to a turning point. In other words, they could reach a period that would be the opposite of the perfect storm, with an explosion in demand for renewable energy, projects with very strong fundamentals and lower interest rates to discount the flows they produce. These prospects have led us to strengthen our positions in companies such as EDPR and Vestas and, at the end of the quarter, to acquire a holding in Orsted.

Orsted is a Danish company, the largest developer of offshore wind farms in the world and one of the leaders in the renewables sector thanks to its 15GWh plus installed capacity. At the end of August it announced a provision of DKK 16 billion, equivalent to 6% of its market capitalisation, in its US projects due to supply chain issues, lower than expected tax incentives, and the rapid rise in interest rates. This caused a disproportionate slide in its share price of -29%. According to our estimates, following this adjustment the company's valuation only reflects the value of projects that are in operation. In other words, all the growth it generates over the next few years will be additional value for its shareholders. And for the reasons explained above, this growth is expected to be significant over the coming decade.

Unstoppable trends

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

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

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

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

Thank you again for placing your trust in us.

Yours sincerely,

The Investment Team

Date: 30/9/2023. Source: Bestinver

MAIN MOVEMENTS

Additions

BUNZL PLC
ORSTED A/S

Disposals

OPDENERGY

Increases

SOITEC

Reductions

SAINT GOBAIN
ARCH CAPITAL GROUP

Bestinver Tordesillas FIL

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

MANAGEMENT TEAM

Ricardo Seixas
Head of Iberian Equities

Javier Ortiz de Artiñano
Iberian Equities Analyst

León Izuzquiza
Iberian Equities Analyst

Gabriel Megías
Iberian Equities Analyst

ANNUAL RETURNS TABLE

	2023	2022	2021	2020	2019	2018
Bestinver Tordesillas	3.57%	-8.68%	5.88%	4.30%	0.03%	0.01%

ANNUALISED RETURNS TABLE

	3 years	5 years	10 years	15 years	Launch
Bestinver Tordesillas	2.39%	0.42%	2.47%	2.48%	2.43%

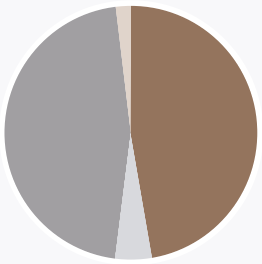
Data 30/09/2023
Past performance is no guarantee of future performance.

TOP POSITIONS

	% OF PORTFOLIO
IBERDROLA	5.98%
INDITEX	5.61%
BBVA	5.23%
SANTANDER	5.02%
REPSOL	3.61%

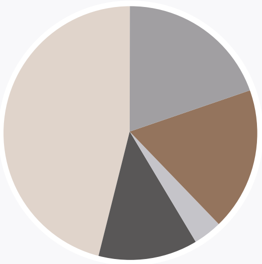
PORTFOLIO DISTRIBUTION

Geographical distribution



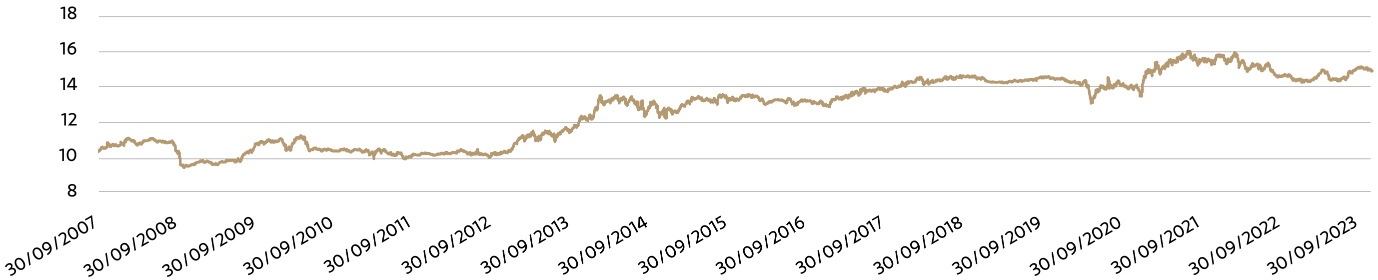
Spain	**47.40%**	Liquidity	**46%**
Rest of the world	**4.77%**	Portugal	**1.83%**

Sectorial distribution



Industrial	**19.96%**	Financial	**12.55%**
Consumer	**17.94%**	Liquidity	**46%**
Communication and Technology	**3.55%**		

FLUCTUATIONS IN NET ASSET VALUE (€)



Day close data: 30/09/23. Source: Bestinver. Periods exceeding 1 year at annualised rate. Launch date: 27/02/2007. The fund's full prospectus, regular reports and KIID can be found on the following websites www.bestinver.es and www.cnmv.es
BESTINVER TORDESILLAS, FIL is a hedge fund and therefore involves a high level of complexity and risk. Daily liquidity. Minimum investment EUR 100,000. The FIL's investments may involve equity market risk, interest rate risk, currency risk, counterparty risk, emerging markets risk, and geographic or sectoral concentration risk.

RISKS ASSOCIATED WITH THE INVESTMENT

This is a hedge fund and therefore involves a high level of complexity and risk. Daily liquidity. Minimum investment EUR 100,000. Its investments may involve equity market risk, interest rate risk, currency risk, counterparty risk and geographic or sectoral concentration risk, as well as risk due to the use of derivative instruments.
Past performance is no guarantee of future performance.

MANAGEMENT ASSESSMENT

Dear Investor,

The Spanish stock market outperformed most of its European neighbours during the third quarter of 2023. Its main benchmark index, the IBEX35, has again been a leader in the region with a year-to-date gain of +12.6%.

These are uncertain times and it is not easy to identify the specific reasons for the weakness of stock markets over the last two months. However, if we were to name investors' main concerns, the list would be headed by the latest rise in oil prices and long-term US interest rates, the apparent slowdown in the euro zone over the summer, which is particularly palpable in Germany, and the drag on global growth caused by the persistent weakness of the Chinese economy. This is happening in an environment in which Central Banks are beginning to hint at the end of interest rate rises, while warning that they will keep rates high for a lot longer than the markets seem to want.

The Iberian market is not unaffected by all these factors. However, after almost 30 years investing exclusively in this investment universe and as specialists in the region, we believe that both the Iberian economy and stock markets are showing the strengths needed to navigate the current environment of uncertainty which have not been seen for a long time.

The fundamentals in Iberia are radically different to those we suffered at the beginning of the last decade, when the excesses of the

European periphery were at the epicentre of all problems. At present there are no signs of major imbalances in the real estate sector, households and businesses have very healthy balance sheets, banks are well capitalised and the expected fiscal adjustment is not comparable to the dogma of fiscal consolidation that underpinned European political consensus after the great financial crisis of 2008. If we combine these ingredients with valuations that reflect a major discount, a market composition with some sensitivity to high interest rates and growth estimates that are more benign than in most euro area economies, the Iberian market seems like a good hunting ground for ideas for the coming years.

During the quarter we have not made any major changes to the fund and the adjustments we have made have had a common theme: improving the liquidity profile of the shares making up the portfolio and reaping profits in companies that have performed very strongly in recent months. We have therefore increased our stake in Iberdrola, divested Opde and cut back in CaixaBank.

At Bestinver Tordesillas, given the fund's commitment to controlling volatility, we keep exposure levels low until we have a clear picture of the investment environment. The average net exposure in the period was around 30%.

In terms of portfolio construction we continue to apply the usual recipe, which is to buy companies whose fundamentals are improving at valuations that are atypically low. In our view, by applying the right investment criteria in a cyclically winning market such as the Iberian market, we can expect to keep generating good returns in the long term.

Thank you again for placing your trust in us.

Yours sincerely,

The Investment Team.

MAIN MOVEMENTS

Additions

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Disposals

OPDENERGY

Increases

IBERDROLA

Reductions

CAIXABANK

Alternative investments

Parque Eólico Punta Palmeras

Bestinver Infra FCR

Bestinver Infra is a venture capital fund that provides its unitholders with access to direct investment in high quality, mature and operational infrastructure assets and offers an alternative investment product for investors seeking to diversify their portfolios with exposure to real assets. The Fund invests in energy, transport, social infrastructure, water and telecommunications assets. The target regions for investment are Europe, North America and Latin America. Bestinver Infra's size is EUR 300 million and it was formed for a duration of eight years starting in September 2022, with an investment period of three years from the initial closing date. The Fund applies Bestinver's responsible investment principles and policies in all investment and asset management processes. Bestinver Infra seeks to invest in and manage transformative infrastructures that generate positive impacts on the environment, communities and society.

FUND MANAGER

Francisco del Pozo

Head of Infrastructure Funds

FUND CAPITAL

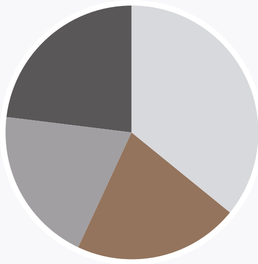
TOTAL COMMITMENT	EUR 300 million
INVESTED/COMMITTED CAPITAL	EUR 256 million

ASSETS UNDER MANAGEMENT AND COMMITTED INVESTMENTS

ACCIONA ENERGÍA INTERNACIONAL
HOSPITAL DEL NORTE
AUTOVÍA DE LOS VIÑEDOS
HOSPITAL DE CAN MISSES
AUTOPISTA DEL SOL
UNIVERSIDAD SAN LUIS POTOSÍ
AUTOPISTA N6
CIRCUITO VIAL 3
ACTIVO DE INFRASESTRUCUTRA SOCIAL EN ESTADOS UNIDOS

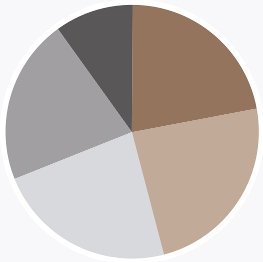
DISTRIBUTION OF THE TARGET PORTFOLIO

Geographical distribution



Europe	36%	Latin America	20%
North America	21%	Rest of the world	23%

Sectoral distribution



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

Why invest in infrastructure?

Infrastructure assets provide essential and necessary services in any market situation. They comprise facilities, equipment and technical resources that enable a variety of activities to be performed, such as transporting people and transporting or storing goods, water, energy and data. They offer their investors unique opportunities to acquire an interest in real assets, which are fundamental to the economic activity and progress of the countries or regions in which they are located.

Given their essential character for the economy, infrastructure investments provide stable flows, long investment periods and protection against inflation and adverse economic cycles. These characteristics are supported by long-term contracts and the rules, regulations or barriers to entry that they involve.

This investment strategy has qualities that make it resilient to most macroeconomic environments and suited to wide range of investment profiles. Moreover, in the current economic context this investment strategy is an excellent tool for diversification. Over the last year, with such high inflation rates, we have been able to corroborate the protection provided by infrastructure assets against this risk, as many of them have automatic tariff updating mechanisms linked to changes in the Consumer Price Index.

Additionally, in the current economic environment in which interbank interest rates have risen sharply, this has entailed a negative but limited impact on our portfolio as many of the assets are protected through fixed interest rates.

Our aim is to generate stable long-term returns for our investors, with recurring payments, through a portfolio of assets diversified by geography, type of infrastructure and degree of development, with the aim of achieving a low correlation among the various investments and thereby optimising the Fund's exposure to the sector.

Fund performance: commitments, marketing and distributions

On 28 February 2023, the Fund's final closing date, the placement period ended and the maximum investment commitment target of EUR 300 million, from over 700 investors, was reached.

The Fund has already made several payments to unitholders since its formation, having distributed a total of around 10% calculated on the basis of its current size. It should be noted that these payments were generated by the assets currently in the portfolio, without the Fund being fully invested. This reflects the high quality of the portfolio assets, which can withstand varying economic environments, and the ability of the management team to find stable assets capable of generating cash flow.

Fund's current portfolio

In 2021, we invested around 40% of the total target size in four assets, including holdings in Acciona Energía Internacional, Autovía de los Viñedos, Hospital del Norte and Hospital de Can Misses.

During 2022, the Fund closed the acquisition of a minority stake in the concessionaire that manages the Autopista del Sol, motorway between Malaga, Estepona and Guadiaro, as a result of which the Fund had invested around 50% of its target sized.

In early 2023, we closed and paid in the capital for the acquisition of the concessionaire that operates the Universidad Politécnica de San Luis Potosí in

Mexico. At the end of September 2023, we closed and paid for the acquisition of an interest in the concessionaire and operator of the N6 motorway in Ireland. The motorway is part of a strategic corridor between the capital of Ireland (Dublin) and one of Ireland's most populous cities (Galway) and has been in operation for over 12 years, with approximately 14 years remaining in the concession term.

Meanwhile, we are still waiting to close two investments that we have committed to. The first is a 50% interest in the concessionaire and operator of the Circuito Vial Tres motorway in operation in Uruguay. The second is a 100% interest in a social infrastructure asset in the United States.

Following these investments, Bestinver Infra will have a presence in three sectors —renewable energy, transport and social infrastructure— in 13 countries and will have invested or committed around 90% of its capital. The Fund is clearly global in character and is sectorally diversified.

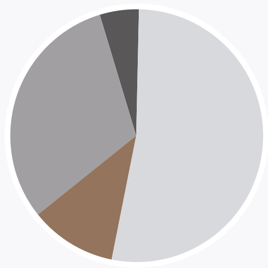
New Investment Opportunities

During the third quarter of 2023 we looked into a number of acquisitions of transport, energy and social infrastructure assets in Europe, Latin America and North America. In particular, we have analysed a social asset in North America and a portfolio of renewable energy assets in Europe.

The capacity of Bestinver Infra's investment team to generate opportunities is based on their knowledge of the market and the relevant assets, and on their excellent relations with the main groups in the industry worldwide (infrastructure funds, industrial groups and investment banks).

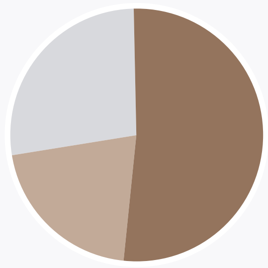
This enables us to access numerous transactions in order to build a portfolio of quality assets with a good cash generation capacity and recurring dividend payments.

Geographical distribution of the current portfolio*



Europe **53%**
Latin America **31%**
North America **11%**
Rest of the world **5%**

Sectoral distribution of the current protfolio*



Transport **52%**
Energy **27%**
Social **21%**

* Includes committed capital

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46002 Valencia

Bilbao
C. Gran Vía 58
planta 4
48011 Bilbao

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