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 *(These notes are to the best of my recollection and trusty ink pen. Discrepancies are due to my error in understanding & transcribing.)*

**Fransisco Garcia Parames, Bestinver Asset Management (Spain) – Two Decades of Finding European Value'**

*Fransisco is Managing Director at Bestinver.*

* Keys
	1. Companies with
		+ High ROIC
		+ Sustainable
		+ Correct attitude with cash flow
	2. Austrian School of Economics
		+ Economic general structure
		+ Human behavior
		+ Euphoria & panic
		+ Non predictable consequences in stocks
	3. Good profits due to
		+ Share structure (family owned)
		+ Type of shares
		+ Geographical reasons (shareholders in different zones)
		+ Long term (impatient markets)
		+ Small caps (unnoticed)
		+ Asset organization (holdings)
	4. Time
		+ Patience
		+ Psychological preparation
		+ Client education
* Austrian concepts
	+ Markets never in equilibrium
	+ Growth from division of labor and savings to finance
	+ Government manipulation of interest rates leads to bubbles
	+ Natural state of economy is deflation (more goods with same money)
	+ Lack of anchor currency
* General
	+ Profit from growth in China is sustainable
	+ Avoid countries not dealing with overinvestment
	+ Most probable outcome is inflation
	+ Avoid monetary investments - depreciation
	+ Own real assets equities, commodities, real estate)
* Economic scenario
	+ Est. GDP growth in China 2012 7x higher (+599) than potential combination in southern Europe countries (-89)
* How China grows
	+ Average growth 4% 90'-08'
	+ Growth due to internal development
	+ Exports net of imports now little to economic growth (1% in 2011)
	+ Despite surge in investment, capital stock per capita not even 15% of Korea
	+ Outside of state owned (30% of economy), world's most flexible and dynamic market
		- China's rail network is less than U.S. in 1880
	+ High savings rate
	+ Financial system has little borrowing
		- Loans/Deposits 0.66 (Spain 1.40)
		- In China bank crisis 2000 it was 0.90
		- Reasonable interest rates (mortgage 6% & 13% of all loans)
			* Borrowing from bank to buy land not allowed
* Europe vs. USA
	+ Europe less efficient
	+ Less developed financial culture
	+ Fewer value investors
	+ Significant public family owned companies
	+ Long term view (80% of Bestinver Investments)
	+ Organic growth & productive M&A
* Ex. BMW Prefererd

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* + Ord. Shares P/FCF 5.8x 4.1x 5.7x
	+ Prf. Shares P/FCF 3.0x 1.5x 1.5x
	+ 2013
		- Norm operating profit 8.2%
		- Company guidance 8%-10%
	+ Why Preferred?
		- No liquidity, no voting rights
		- Employee incentives through preferred
		- Slightly higher dividend
		- Average discount of 5 largest German stocks with dual share 4%
* Ex. EXOR
	+ Controlled by Agnelli Family (Fiat founder)

 Market (Euros) Bestinver Est. (Euros)

* Share Pr. 31.3 46.2
* Fiat Ind'l. 2.9B 4.6B
* Fiat Auto 1.6B 3.5B
* SGS 1.7B 1.7B
* Cush & Wake 417M 417M
* Alpitour 240M 240M
* Seq. 59M 59M
* Net Debt 201M 201M
* Total 7.1 10.5B
* Q&A
	+ China Investments?
		- Only (2) small ones currently
	1. Spanish Bonds?
		+ Bestinver not in bonds