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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