

Monthly Bulletin February 2025

World stock markets showed very different performances: Europe mostly positive, while the US markets moved downwards. The Nasdaq even declined by more than 3%. Investment fund Hoofbosch closed the reporting month up 0.74%. Zelensky, Gaza, NATO and the quarrel in the 'Oval Office' dominated the news. The Swiss franc rose slightly against the euro and the US dollar remained virtually unchanged. Long-term interest rates fell in both Europe and the US.

Visit to Switzerland

'The Swiss economy is the only thing that works as it should in Europe: a machine that always runs on time, a country that runs its affairs in a systematic way, without unnecessary flair or enthusiasm, but with thoughtful efficiency.'

Quote attributed to the Dutch writer Godfried Bomans (1913-1971)

Last week we traveled to Switzerland for a few days to visit Sonova and Lindt. Furthermore, our colleague Edin Mujagic gave a keynote speech for the Dutch Business Round Table Zurich. Afterwards we were able to meet a large number of Dutch entrepreneurs, as well as the Dutch ambassador in Switzerland. Without exception, the entrepreneurs are full of praise for the Swiss business climate: 'The people here are highly educated and work 42 to 43 hours a week (the Dutch average is 31 hours). The tax authorities approach companies with suggestions to pay less tax. Permits etc. are often arranged by the canton over a cup of coffee. In other words: the authorities work side by side with the entrepreneur in Switzerland and not, as it sometimes seems in the Netherlands, against the entrepreneur.' We also heard that more and more companies are moving to Switzerland: 'Companies never leave Switzerland. They all come here.' For example, we heard that the German STIHL, like Miele, is leaving Germany to produce its chainsaws in Switzerland: "What seems nonsensical at first glance has a simple reason: the total costs here are lower than in Germany. Although Swiss workers earn more, the levies and energy costs are clearly lower. Another reason for STIHL's departure is the demand of the IG Metall trade union for a 32-hour working week, with full pay. STIHL is a German legend. For almost 100 years, the company has stood for quality and innovation."

Switzerland and the trade war

'Switzerland is neutral, but they have everything in place to participate everywhere, if they wanted to.'

Quote attributed to Godfried Bomans

Tensions between the US and the EU are increasing. Trump is putting pressure on the EU and threatens to introduce high import tariffs. The French Minister of Economic Affairs, Eric Lombard, already responded by saying that the EU "will do the same" if the statements of the American president become reality. According to Swiss President Karin Keller-Sutter, however, Switzerland should not have to suffer the consequences of the upcoming trade war between the US and the EU: "Based on the current information I have, there will be no impact on Switzerland," Keller-Sutter said. Switzerland is determined to avoid the consequences from the measures that Washington and Brussels could take in the imminent trade war at all costs. The Dutch ambassador to Switzerland, Karin Mössenlecher, reported to us that there are top-level consultations between Switzerland and the Trump team. As previously reported, Switzerland abolished import tariffs on practically all industrial goods last year and is a major buyer of American weapons systems. For example, Switzerland has ordered 36 F-35 aircraft, with a total value of about 6 billion Swiss francs. The first fighter jets are expected to be delivered between 2027 and 2030. This is an important step for Switzerland as the country seeks to ensure its airspace and long-term safety. Especially in light of the changing geopolitical situation in Europe. The choice of the F-35 is also a strategic decision. With this, Switzerland aligns with NATO standards, although the country is not a member of the military alliance.

Lindt

Last week we also had the opportunity to visit the 'Lindt Home of Chocolate Museum' in Kilchberg. This impressive museum is located on Lindt's factory site and opened in 2020. The goal was to be able to welcome about 800 visitors every day, but that got a bit out of hand. We have spoken to people from Lindt and heard that the number of visitors is now 3,600 daily (tickets from €19). This is the absolute maximum for the time being and hundreds of people are disappointed every day. Booking well in advance is therefore advisable. We find the number of visitors interesting. Lindt has previously indicated that this number (all nationalities) is an indication of Lindt's brand awareness in the world. There is a strong correlation between it and the revenue development of Lindt worldwide. We also obtained an unexpected insight: Lindt has been applying AI for years in the optimal production and packaging of their products.

Sonova

During our trip we also had a meeting with Sonova. This is one of the leading companies in hearing aids, hearing rehabilitation, and implants. In the Netherlands, Sonova owns Schoonenberg audiologists. The company is best known for its Phonak and Sennheiser brands. At the end of last year, Sonova launched the world's first hearing aid (the Phonak Infineo) with an AI chip for sound processing (price approximately EUR 4,000). This chip filters out all unwanted noises. Can competitors do this too? No. According to Sonova, there is a wide and deep moat around the company: 'No one can do what we can, not even Apple, Meta, Alphabet, etc. It is the combination of hardware and software. We started this 8 years ago. We do not expect serious competition in this area within 5 years. The interest of hearing care professionals in the US, for example, exceeds all expectations.' It is therefore not surprising that Sonova was recently named Switzerland's most innovative company. The assemblage of the equipment takes place in the region where the very expensive watches are also manufactured: "This is apparently a Swiss specialty." Sonova is laconic about Trump's import tariffs: 'Much of our production (Sonova has factories in Switzerland, the US, Germany and China) is flexible and 'easy' to transfer from one country to another. The recent introduction of glasses with integrated hearing aids by EssilorLuxottica, Ray-Ban's parent company, is emphatically not seen as a threat: "This is old wine in new bottles. We launched glasses with an integrated hearing aid (VisatonSuper) on the market as early as 1967. It does not work optimally. Not even this new product.' Interesting trends for hearing aids include the aging population, the fact that young people are used to walking with earphones in and large-scale hearing damage due to visiting festivals and/or listening to 'loud' music through headphones. In the very long term (10 to 20 years), Sonova is thinking of fully autonomous equipment: 'By that time, hearing care professionals will no longer play a role in setting up equipment. This will then happen automatically. The question of whether the sale of the Schoonenberg chain, for example, is being considered in that context was left unanswered. Sonova's share price fell by 9%.

Air Products

Air Products reported a 1% increase in earnings per share over the past quarter at the beginning of the month. That was more or less in line with expectations. More striking was the vote at the shareholders' meeting that took place recently. At the initiative of an activist investor, part of the board (including the CEO) was voted out. We felt that the objections of the dissident shareholders were already largely outdated and found the company's financial performance to be good with an EBITDA margin of 40% and, no less importantly, a dividend that has been increasing for 42 years. As a long-term investor, we are convinced of the vision that has made Air Products the market leader in (green) hydrogen. In the meantime, the new management has scrapped three investment

projects in the US. We are keeping a close eye on this. What are we focusing on? We would like a clear plan for capital allocation: how much is invested (and what are the requirements that must be met before decisions are taken), how is Air Product managing the debt on its (healthy) balance sheet and what can we expect in terms of dividend policy and share buybacks. Moreover, we think it is important to see what, in addition to the announced cancellations, will be done differently in green hydrogen and CO2 storage. For the time being, the company maintains the previously announced outlook for the current financial year. After rising significantly ahead of the vote, the stock fell 6% in February.

Nestlé

'Nestlé, the company that basically makes everything you can eat and drink, is a Swiss company that knows everything except how to make a good chocolate.'

Quote attributed to Godfried Bomans

The market was eagerly awaiting the annual figures of Nestlé, known for brands such as Nespresso, KitKat and Maggi. Would the influence of the new CEO already be visible? Laurent Freixe, who unexpectedly replaced Mark Schneider in August, had indicated a new direction at the Capital Markets Day in November, in which cost savings and efficiency play an important role. The effect was indeed clear. In 2024, the company achieved CHF 1.2 billion in savings (0.7 billion of this was related to Freixe's initiatives). Almost half of the 1.2 billion was achieved by changing the recipe of products, the rest was thanks to a different approach in logistics and the smarter use of technology. This led to a 2.2% increase in revenue while earnings per share increased by 2.5%. In our opinion, that is quite an achievement in a year in which Nestlé had to deal with an accumulation of challenges. There were problems in the supply chain of the health food division, the prices of coffee and cocoa soared, there was upward pressure on wages almost everywhere and consumers became a lot more cautious. According to Nestlé, the latter has now stabilized. An important factor in future cost savings is the plan to increase central sourcing of ingredients from 50% to 80% of the total. For 2025, a higher turnover is expected, but a slightly decreasing margin due to costs incurred to set up the new organizational structure. All figures for 2024 have been adjusted for exchange rate effects. Finally, regarding the above quote: We have previously spoken with Nestlé about the standard of Lindt chocolate versus that of Nestlé. In that conversation, Nestlé openly admitted that they cannot match the quality of Lindt: 'They achieve singular excellence, we (Nestlé) are the largest (producer of chocolate), Lindt is the best.' Nestlé shares rose 13% in February.

Vopak

Rotterdam-based Vopak, a storage company for gas, oil, chemicals and biofuels, reported a slight increase in earnings per share (adjusted for one-off charges), despite marginally lower sales. The occupancy rate rose to 93%. There are plenty of opportunities for growth, especially in the field of gas, industry and bioenergy. The strong cash flow and healthy balance sheet offer ample room to respond to this. In addition, Vopak announced that it will buy back shares for an amount of 100 million euros next year (an average of almost 10,000 shares per day) and increase the dividend by 10 cents to €1.60 per share. The stock fell sharply after the results were announced, as investors found the growth prospects given by the (always cautious) management disappointing. Later in the month, the price picked up a bit, to close 7% lower on balance.

'Eternal Peace'

'I am convinced that peace comprises less than a tenth of a war budget. What couldn't we do with that money?'

Erasmus (From: Handbook of a Christian Soldier, 1503)

A few days in Switzerland is a good reason to immerse yourself in Swiss history again. For example, you discover that Switzerland has no generals in peacetime but chooses them when war breaks out. The Netherlands has, according to hearsay, more than a hundred generals, admirals, rear admirals, commanders and commodores in active service. And furthermore, you just stumble upon an interesting event. In 1515, France recaptured Milan from the Swiss by surprise. Europe held its breath and expected the seemingly invincible Swiss army to retake Milan. A bloody battle seemed imminent. But what did the Swiss do? To everyone's surprise, they did not go to war but sat down with the French and concluded 'The Eternal Peace' in 1516.

The treaty had the following provisions (this for inspiration):

1. Neutrality: Switzerland would no longer interfere in the military conflicts of other European countries.
2. Protecting Swiss independence: France recognized the independence of the Swiss cantons and promised not to attack their territory.
3. Mutual defence: In case of an attack from outside, both countries would help each other.

This treaty immediately put an end to the Swiss role as a military power in European politics. Whether the Swiss were inspired by Erasmus remains unclear. However, it was precisely in this period that Erasmus published "Querela Pacis" (The Lamentation of

Peace). A coincidence? In it, he described his aversion to war and violence, while advocating dialogue and peaceful negotiations: 'War is the mother of misery, the bringer of death and destruction, the destroyer of cities and countries.' Erasmus would settle permanently in Switzerland in 1521: 'In the Netherlands there is more respect for public drunkenness than for erudition.'

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