

# Monthly Bulletin May 2025

Most stock markets moved upward during the month. Investment fund Hoofbosch rose by 3.48% to end at €243.94. Inflation in the US fell more than expected. According to the Federal Reserve, it came in at 2.1% on an annual basis in April. The US trade deficit in goods narrowed considerably, mainly because imports fell due to new import duties. The dollar and Swiss franc closed the month almost unchanged. Furthermore, the interest rate (10 years) in the US rose to 4.8%. In the Netherlands and Germany, interest rates rose to 2.73% and 2.53% respectively. In a world full of volatility and worry, one beacon of calm and solidity stands out: Switzerland! Therefore, we present you with a slightly longer edition this month with special attention to the alpine superpower.

## Switzerland

The most recent figures show the Swiss economy grew by a robust 2.2% in the 1st quarter of 2025, compared to the same period last year. Exports in particular, as usual, had an important share in the growth. Switzerland is one of the smallest countries in Europe and at the same time densely populated. For many foreigners, it is a place that is mainly associated with picturesque mountain villages. Behind these snowy vistas, however, lies one of the world's most successful money machines. Switzerland scores high on numerous rankings. For example, on education, innovativeness, competitiveness, reliability, prosperity and pension reserves. Furthermore, the country has a strong currency and an outstanding work ethic. In a referendum in 2012, more than two-thirds of the population voted against an increase in the number of vacation days and an average work week of 42 to 43 hours is quite normal. It goes without saying that this is considerably shorter in the rest of Europe. Finally, the Swiss groups Novartis, Roche and Nestlé are among the largest companies in Europe in terms of value. This says a lot about the relative success of Switzerland (eight million inhabitants) compared to, for example, Germany (84 million inhabitants). In terms of the average value of listed companies, Germany ranks second in Europe, with €4.8 billion. 'Tiny' Switzerland is at the top with €8.8 billion. That Switzerland has been one of the best investment countries over the past century is no surprise. We are confident it will continue to excel in the coming decades. About 40% of our managed assets are invested in Switzerland – a conscious decision we're very comfortable with.

## *Switzerland and trains*

Since April 29 of this year, Switzerland has not allowed German international trains to travel beyond Basel, the first station on Swiss territory. Previously, German trains continued to Zurich, but Deutsche Bahn trains are struggling with structural delays, which is disrupting Swiss train traffic. The proverbial German *pünktlichkeit* and *gründlichkeit* apparently do not apply to the German railways. In contrast, in Switzerland, a delay between Basel and Zurich is likely to make the evening news and is officially classified as “chaos.”

## *Switzerland and honesty*

Switzerland was in the news positively on several fronts in May. One of the most striking reports was the publication of an international study on integrity: in 355 major cities in 40 countries, wallets were left on the street to measure how many of them would be returned. Switzerland came out best, with 80% of wallets recovered, followed by the Netherlands and the Nordic countries, which achieved similar scores.

## *Switzerland as the safest country*

In the face of global tensions, rankings of the safest countries are also increasingly appearing – just in case. In the top spot: Switzerland again. The country owes this position not only to its long-term neutrality, but also to its excellent preparations for emergencies. Switzerland has a well-functioning defence, a mountainous landscape that is difficult to access, and an impressive civil protection infrastructure. Every city has bunkers that can withstand nuclear and chemical attacks, and almost every building has a bomb shelter. Finally, since World War I, Switzerland has built up strategic food stocks, including coffee, to prepare for possible shortages due to war, natural disasters or epidemics. The organization *Réservesuisse*, responsible for the strategic reserves, points out the positive effects of coffee on mental health and the level of antioxidants.

## *Switzerland and the gold reserve*

Switzerland also offers economic stability. With 115.19 grams of gold per capita, it has the largest gold reserve in the world. And while lost items are commonly returned, one thing that doesn't reappear is inflation. In April, Swiss inflation fell to 0%. In the Netherlands,

on the other hand, inflation rose to 4.1%. Dutch inflation has been on the high side for years.

## *Switzerland and a small government*

Rising prices are often attributed to external factors, such as high wages, war or energy prices. But structural inflation is usually not caused by oil sheiks, wars or trade unions, but by an expanding government. Since 2018, the number of civil servants in the Netherlands has increased by almost 40%. Wage costs rose from approximately 8.5 billion to almost 15 billion euros: an increase of about 70%. At the same time, more and more contract workers are being hired. By 2024, all ministries will have hired more external workers than budgeted in advance. Switzerland shows a different picture: as a percentage of GDP, it has the smallest civil service in Europe (11.7% compared to 22.1% on average in the EU and 26.3% in the Netherlands), and, according to research, also the most efficient.

## *Swiss interest rates*

With low inflation, rates in Switzerland have also fallen further. Interest rates on government bonds with maturities of up to five years are negative; The ten-year loan rate is only 0.25%. The central bank is about to cut interest rates from 0.25% to 0%, and negative rates are not out of the question in the near future. This offers a significant advantage for Swiss companies, especially compared to other Western countries where the ten-year rate is between 2.5% and 5%.

## *Switzerland and Moody's*

Since last month, Switzerland, together with the Netherlands, belongs to a select group of countries with the highest creditworthiness. The United States has disappeared from that list after a downgrade by Moody's, the third major credit rating agency to do so. This downgrade is attributed to the policies of President Donald Trump, which led to many reflections on the alleged demise of the US dollar as the world reserve currency. We think that is exaggerated. The strength of American democracy lies, among other things, in its robust system of checks and balances – the countervailing forces that are supposed to prevent abuse of power. Or, as Sir Isaac Newton put it: for every action there is an equal, opposite reaction. That reaction now seems to be underway in the US. The budget that causes rising deficits was passed by just one vote in the House of Representatives – and only because a Democrat had died the day before. In the Senate, there does not seem to be a majority for this policy. Meanwhile, more and more American courts are also rejecting Trump's presidential decisions. Newton's third law also appears to apply to politics.

## *Nestlé*

Last month, The Financial Times gave an interesting insight into Nestlé's lackluster results for 2024. These led to the then CEO having to leave his post in August. The new CEO, Nestlé veteran Laurent Freixe, stated in an interview that the acquisitions in the field of supplements and allergy medicines, with which his predecessor had tried to diversify, had weakened the fabric of the company. Schneider, the previous CEO, also lived up to his name by cutting the business quite ruthlessly, without regard for corporate culture. Freixe argues that mergers and acquisitions are never the solution. Food and beverages (coffee, milk, etc.), the traditional Nestlé business, are increasingly being offered by lower-cost competitors, but Freixe believes that Nestlé can continue to be successful if it uses economies of scale (it is the largest food company in the world) and can bring new products to market quickly. An example of innovative power are the protein meals that are aimed at, among other things, users of anti-obesity drugs who want to eat healthier. Freixe also said that Nestlé is very much aligned with the mission of the new US Secretary of Health, Robert Kennedy, to make food healthier. We are following the implementation of the plans with interest. The share ended the month under review unchanged.

## *Buffett and Nestlé*

After studying Berkshire's most recent shareholders' meeting, we consider it entirely possible that Buffett will borrow Swiss francs this year (at an interest rate of less than 1%) and use these funds to buy Swiss shares. An obvious candidate is Nestlé, with an attractive dividend yield of 3.5%. The currency risk for Berkshire is negligible in this construction. If Berkshire actually takes a stake in Nestlé, it will also indirectly acquire a position in L'Oréal - cosmetics, a favorite sector of Buffett - since Nestlé owns about 20% of this company. Buffett once said of Nestlé: 'I'm a big fan of Nestlé, because it's a great company with a strong portfolio of brands.'

## *Shell*

Shell published robust quarterly figures. Profit came in at \$5.6 billion, significantly higher than markets had expected. At the shareholders' meeting, there was a discussion about Shell's plan to develop into the leading player in the field of gas over the coming decades. Shell points out that liquefied gas (LNG) will play a crucial role as an interim solution in the energy transition. In the future, LNG will increasingly be transformed into a zero-emission liquefied synthetic gas, Shell said at the recent Capital Markets Day. Shell also expects that Europe will need more LNG now that the supply of gas from Russia ends. Furthermore, the demand here will increase to meet the sustainability goals now that solar and wind energy,

hydrogen and heat pumps are not yet sufficiently effective. Shell's financial discipline has meant that the company can continue with the investment program even in the current period of relatively low oil prices. Finally, Shell announced a share buyback program for the fourteenth consecutive time. This quarter, it is \$3.5 billion. This is in addition to the dividend yield of 4.2%. The stock closed 1% higher.

## *Sonova*

Sonova published excellent results for the financial year March 2024 – March 2025, with all business units showing good growth. The company indicated that it expects a strong performance in the next twelve months as well, due to increasing demand and higher market share. Management said that the company is likely to be relatively unaffected by the proposed trade tariffs (if they go ahead), as hearing aids are essential to health. For example, there is an increasing amount of research that identifies declining hearing as a risk factor for dementia. If the brain receives less input, it starts to deteriorate. On October 1, the current CEO Arnd Kaldowski will hand over to Eric Bernard, former CEO of hearing company WS. Kaldowski has been in post for eight years. The stock closed 2% higher.

## *Wolters Kluwer*

Last month, we took an initial position in a prominent AI player, Wolters Kluwer. This Dutch company supports professionals worldwide in the Healthcare, Tax and Legal Services, Governance, Risk and Compliance sectors. It does so through its own software that customers integrate into their business processes in the cloud. Meanwhile, 90% of the turnover is digital. We have been following Wolters Kluwer for decades and expect that the broad application of artificial intelligence (AI) will accelerate growth. The company, founded in 1836, has a strong market position ('wide and deep moat'), is financially sound and pays out an increasing dividend every year. With this share, we are also gaining additional exposure to the growth of the middle class. For example, more and more hospitals are emerging in emerging markets, where doctors and nurses need quick support in making diagnoses and determining treatment methods. In developed markets, on the other hand, we are seeing a staff shortage in healthcare, partly due to an aging population. Wolters Kluwer's digital help is also very welcome there. What particularly appeals to us is that Wolters Kluwer's solutions are difficult to replace. The software is deeply integrated into customers' workflows. In addition, the sales team continues to actively support customers, even after the purchase. More than 80% of the turnover comes from subscription services. The company distinguishes itself from competitors who are less advanced with AI. In May, Wolters Kluwer shares rose by 1%.

## Galapagos

Biotech company Galapagos unexpectedly announced that the previously announced split of the company will not take place. In January, the plan was presented with great enthusiasm, and during the presentation of the quarterly figures it was confirmed that everything was going according to plan. But now it appears that there are too many practical problems and that there are too many questions from the American stock market watchdog SEC. That is a painful turn of events for CEO Paul Stoffels, who is now handing over his position to Henry Gosebruch. The new CEO immediately faces a major challenge: how to turn around the serious undervaluation of the share? Galapagos' market capitalization is currently around €1.5 billion, while there is €3 billion in cash. Because of this large gap, we are holding on to this 'special' for the time being. Galapagos closed up 7%.

## ProQR

The 'special' ProQR (biotechnology) is our smallest stake, accounting for less than half a percent of the portfolio. This means that we own less than 1% of the company. Eli Lilly is ProQR's largest shareholder with approximately 13%, followed by Van Herk from Rotterdam with an interest of approximately 11%. The latter spoke out in a public letter against the reappointment of CEO De Boer and Non-Executive Director Shannon for a new term until 2029. He called the company's performance very disappointing: "We are convinced of the value of ProQR's technology (RNA editing), but disappointed in the speed of action." Your fund managers do not agree. We are in frequent contact with ProQR and have every confidence in CEO Daniel de Boer. Finally, we firmly believe that an open declaration of war in the event of discontent is usually the least attractive option. ProQR closed unchanged.

## Buffett

Warren Buffett will step down as CEO of Berkshire Hathaway at the end of 2025. After almost sixty years, the now 94-year-old investment legend says goodbye to the investment empire that he has built. Nicknamed the 'Oracle of Omaha', Buffett achieved exceptional returns in his impressive career and inspired generations of investors with his philosophy of 'value investing'. Greg Abel, currently vice chairman, will take over at the conglomerate that has stakes in dozens of companies, including heavyweights such as Apple and Coca-Cola. Buffett's departure unmistakably marks the end of an era. The fund managers of Hoofbosch also consider themselves to be students of Warren Buffett - although we perhaps see ourselves even more emphatically as followers of Peter Lynch,

author of One Up on Wall Street, among others. Since Buffett's announced departure, Berkshire Hathaway shares have fallen, while the broader market has actually risen in value. For example, Berkshire still has a significant stake in Apple, with a value of about \$60 billion. This stake of 300 million shares makes Apple the largest equity position in Berkshire Hathaway's portfolio. Apple's share price has fallen by 20% this year. All this means that the 'Buffett premium' seems to be slowly disappearing from the stock. Investors are apparently increasingly seeing Berkshire as an 'ordinary' - and in our opinion heavily priced - stock.

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