

Monthly Bulletin May 2024

May was a positive month for most stock markets. Investment fund Hoofbosch closed the reporting month 1,82% higher at €255,32, an all-time high. The exchange rates of the dollar and the Swiss franc remained virtually unchanged. Remarks from New York Fed Chairman John Williams, confidant of Fed Chair Jerome Powell, reassured markets. According to Williams, inflation in the United States will cool down in the second half of the year and move closer to the Federal Reserve's 2.0% target next year.

Annual General Meeting

We look back with pleasure on the annual general meeting of Hoofbosch. Guest speaker Prof. Dr. Jaap van Duijn (former chief investment officer of Robeco, among others) gave a fascinating speech about his book 'History of the Westland' and answered a wide range of questions from participants afterwards. Around 70 people were present. The slides of the presentation are available to participants upon request.

The Duke of Alba also resided in Brussels

As is well known, the Netherlands, together with Sweden and Denmark, is one of the largest net contributors (as a percentage of GDP) to the EU. Member states' contribution to the EU budget is partly related to VAT revenue per member state. This VAT contribution is one of the four main sources of revenue for the EU budget, alongside a range of levies. This VAT evokes a comparison with the Tenth Penny of Alba (1507 – 1582). The Duke of Alba was sent to the Netherlands by Philip II of Spain to suppress the revolt against Spanish rule. He resided in Brussels and introduced strict measures to raise enough money and suppress the rebellion. This included the following taxes in particular: The Tenth Penny: A 10% tax on all goods sold, both movable and immovable. A very unpopular measure because it placed a heavy burden on trade and the economy. The Twentieth Penny: A 5% tax on real estate at each sale. The Hundredth Penny: This was a one-time tax of 1% on all wealth. How easy can taxation be? These taxes were highly controversial and contributed to growing discontent and resistance to Spanish rule. They amplified economic pressure on the Dutch population and trading classes, and eventually led to the Dutch Revolt, also known as the Eighty Years' War. The high costs and heavy taxes under

Alba's rule in Brussels were seen as one of the many abuses that the Dutch wanted to end by breaking away from the Spanish crown. This is where the comparison with the EU ends...

Tax morality

The foregoing suggests that the Dutch have an aversion to the tax authorities. Nothing could be further from the truth. Scandinavia (Sweden, Denmark, Norway, Finland) and the Netherlands are known for their high tax morale. The Vikings, who have also settled en masse in the Netherlands in the past, were apparently less barbaric than what we learned at school. Even in the 17th century, tax collection in the Republic of the United Netherlands was generally not met with massive resistance. In those days, some Dutch taxpayers even declared an income that was too high out of love for their fatherland. They would add a note at the bottom of their tax declaration reading 'Out of affection' with the fatherland. We hope Mr Van Rij, the Dutch minister for Taxation, will take note. In 'decent' Germany, on the other hand, there is still an extensive black money circuit. Here paying with cash is much more common than in the Netherlands, there is not even a legal maximum. Staff in German supermarkets will accept 200-euro notes without batting an eyelid.

Cosmetics

L'Oréal has been in our portfolio for many years now and it goes without saying that we keep an eye on the entire sector. In that context, it is interesting to look at the figures on the Dutch market for 2023 that were reported recently. According to various studies, Dutch people spent over €3 billion on personal care products in 2023, an average of €167 per person per year. A growth of almost 10% compared to 2022. Make up, skincare, and fragrances all grew significantly. It is also a fact that young consumers in particular buy fragrances that are recommended by influencers, without first smelling them themselves. Key trends include affordable alternatives to premium products and relatively high spending on personal care among men and people over the age of 50. The influence of the pandemic, economic uncertainty and the purchasing power of the younger generation are seen as the main reasons for these developments.

Geberit

In the first quarter of 2024, Geberit sold slightly fewer sanitary products than in the same quarter of the previous year. Turnover was mainly hampered by the strong Swiss franc. The profit margin decreased slightly but remained at a high level. Although demand and associated sales volumes continued to decline in the first quarter, there was a positive

impact from the rebuilding of stocks by wholesale clients. In Europe (90% of turnover) sales declined. In Asia/Pacific, the U.S. and the Middle East/Africa, on the other hand, sales increased. Net profit fell 11.4% to 190 million Swiss francs. The interest rate cuts that have already been implemented and those that are expected to follow, as well as the structural trend towards high-quality sanitary standards, should provide a positive boost to demand despite the generally negative outlook for the European construction sector. As far as these sanitary standards are concerned, Geberit sees the whole world, except for the Benelux, Germany, Scandinavia and Japan, as highly underdeveloped (resulting in potentially enormous growth opportunities). We see Geberit as a quasi-monopolist with little competition. In other words: Geberit is the Microsoft of sanitary systems for us. Geberit's share price rose by 12% in May.

Lonza

In the first quarter of 2024, Lonza reported slightly disappointing figures. The reaction on the stock market was not too bad, especially considering the earlier price explosion; Lonza stock is up nearly 40% this year. The company is a global supplier of chemical and biotechnology products to the pharmaceutical and healthcare sectors worldwide and has been in our portfolio for years. The good news was that Lonza has revised its medium-term growth forecast to 12-15% for 2024-2028. Despite the slightly disappointing start to the year, Lonza is well-positioned for growth in 2024, supported by new initiatives and improved operational efficiency. The company is progressive and innovative, as demonstrated by experiments conducted on board the ISS spacecraft to study the effects of microgravity on cells. This innovative strength, combined with the substantial product portfolio, makes Lonza a valuable long-term investment in our view. Lonza fell 4% in May.

Nestlé

Nestlé is the world's largest food company, but over the past five years its stock performance has been disappointing. Nestlé trades at about 19 times expected earnings of \$5.50 per share in 2024, which is only slightly higher than European competitors Unilever and Danone, and in line with Mondelez International. But when adjusted for its 20% stake in French cosmetics company L'Oréal, its effective price-to-earnings ratio is closer to 15. Nestlé operates in nearly 190 countries and generates about 40% of its revenue in emerging markets, where increasing prosperity and populations offer opportunities for growth. The company is also focusing on higher-margin premium products, which now account for more than a third of sales. As part of this strategy Nestlé is targeting the ageing population. This could compensate for the fact that birth rates are declining, which in turn will affect the sales figures for baby food. For Hoofbosch, Nestlé is a solid long-term investment and offers a good total return: A safe dividend of 3%, an annual share buyback program and a listing in the world's most successful currency, the

Swiss franc. In June we will visit Nestlé in Vevey (Switzerland). Nestlé shares rose 5% in May.

Novo Nordisk

Novo Nordisk reported a 22% rise in revenues and a 28% increase in profit for the first quarter. The outlook for the full year of 2024 was revised upwards. The company also realised important milestones in the process to get the active ingredient Semaglutide approved for kidney patients. Wegovy was approved in the U.S. for reducing the risk of cardiovascular disease in people who are severely overweight. In the EU, there is a proposal to approve Awiqli, an insulin preparation that people with diabetes only need to use once a week. Novo Nordisk shares rose 6% in May.

Roche

Roche has presented the first data from its recently acquired anti-obesity candidate CT-388. Treatment with this drug led to an average weight loss of 18.8% after six weeks. However, these are still very early clinical data, as they come from a phase I study in which tolerability is initially being tested. Roche acquired the candidate as part of its multibillion-dollar acquisition of U.S. company Carmot Therapeutics in early December 2023. With the acquisition, Roche has acquired several product candidates that can be used to treat obesity in patients with and without diabetes. We also know that Roche is betting big on AI (artificial intelligence). With a research budget of approximately CHF 14 billion (more than the entire country of the Netherlands spends on research), we expect a stream of new breakthrough medicines from the Roche laboratories. Roche shares rose 4% in May.

Shell

Shell reported a quarterly profit that was 20% higher than analysts had expected. It also announced a new share buyback program worth \$3.5 billion. The market is putting pressure on the company to increase its dividend and share buyback program even further in light of its sizeable cash flow. CEO Wael Sawan rejected this idea, explaining that current distributions to shareholders are already at the upper limits of Shell's financial framework. The latter stipulates that distributions to shareholders will be 30-40% of cash flow over a cycle. He added that Shell is thinking ahead and wants to ensure that it can still buy back shares at a price of 50. Debt was reduced by \$3 billion to \$43.5 billion in the first quarter, helping Shell to meet its target of maintaining a credit rating of AA. The oil major was also in the news because of a proposal from 27 major shareholders, who together own 2.5% of the company. They called for even more ambitious climate

targets. At the shareholders' meeting, the proposal received only 18.6% of the vote, compared to 20% for a similar motion last year. Hoofbosch also voted against this plan. We support the company's updated targets that were presented earlier this year. These include a new goal to reduce scope 3 emissions (caused by customers using Shell products and a key component of total emissions) by 15-20% by 2030. Shell shares (ex-dividend) rose 2% in May.

Sonova

The provider of advanced hearing solutions is benefiting from the global aging population. Hearing loss often increases with age. In addition to natural ageing, genetic factors, medical conditions, but especially exposure to noise throughout life can be important causes. In the 2023/2024 financial year, the Sonova Group reported revenue of CHF 3,626 million, representing a decrease of 3% in Swiss francs. It was a tale of two halves: the first was marked by temporary operational challenges and the non-renewal of an important contract with a US customer, while the second half showed an acceleration in growth. This rebound was driven by a positive market reaction to the expansion of the Phonak Lumity platform. This is a technology platform that is used in hearing aids and is intended to provide a better hearing experience. Good news was that despite this cost increase, operating profit increased by 4.4% to CHF 771.4 million. Gross profit benefited from previous price increases that Sonova was able to implement as market leader. This is a positive development that supports the stock selection in the Hoofbosch philosophy. The company, present in more than 100 countries, posted organic growth of 1.6%, while acquisitions also contributed 1.6% to total revenue growth. Strong growth was seen in Europe, the Middle East and Africa (EMEA). The United States showed modest growth. The Asia-Pacific (APAC) region performed surprisingly well with a growth of 7.1%, mainly due to acquisitions and growth in Japan. Looking ahead to the 2024/2025 financial year, Sonova, which acquired Sennheiser's consumer arm in 2021, expects further sales growth of 6-9% and a 7-11% increase in net profit. Of course we will be monitoring this closely, with a particular focus on the groundbreaking Phonak Lyric hearing aid. This is the world's first and only 100% invisible hearing aid that can be worn continuously. The industry is already talking about a revolutionary solution. Sonova shares rose 12% in May.

HQ

Nieuwe Gracht 23
2011 NC Haarlem
(023) 202 1881

Office Rotterdam

Marie van Eijdsen-Vinkstraat
299
3066 JB Rotterdam
(010) 751 2881



