

Monthly Bulletin November 2024

Most stock markets closed the reporting month slightly higher. Investment fund Hoofbosch rose 1.4% to €250.49. The US elections dominated the news and caused a temporary jubilation on US markets after the results. As a matter of fact, stock markets have almost always made gains between the elections and inauguration day in the past 50 years, except during recessions. In addition, the dollar strengthened, which had a positive effect on the Hoofbosch portfolio. We saw notable price increases in our portfolio in US equities, such as Air Products (+11%), Paccar (+16%) and Procter & Gamble (+12%).

New Golden Age

Trump seems to plan to run the US as a commercial company, with constitutional mandates and military power. He even speaks of a new golden age. Perhaps the Netherlands with its East India Company (VOC) in the 17th century serves as an example. Either way, the Republicans, which are seen as business-friendly will not only be allowed to provide the President, but also managed to win a majority in the Senate and retain the majority in the House of Representatives. This increases the chance of effective policy in the coming years. This means that the new European Commissioners, whose nominations were somewhat overshadowed by the focus on the appointments in the second Trump cabinet, have their work cut out for them.

Trump's plans

According to the unsurpassed Jelle Zijlstra (former Dutch Finance Minister and President of the Dutch central bank from 1967 to 1981), there is always one main culprit when it comes to inflation: the government. With that in mind, one can identify at least four financial-economic areas where significant policy changes are possible next year:

1. President-elect Trump has repeatedly indicated that there will be a confrontation with the Fed. The fight against inflation will then be jeopardized and that could cause nervousness on financial markets.

2. He has asked Elon Musk to take a critical look at US government spending. A leaner government ultimately leads to lower inflation (similar to the Swiss model).
3. He also proposes extensive tax cuts. What the ultimate effect on the US budget deficit will be remains to be seen. This may affect the Fed's room for manoeuvre. The bank lowered its rates in November and strongly hinted that a new cut is also to be expected in December. But if the room to cut interest rates shrinks subsequently, that could increase tensions between Trump and the Fed and risk higher inflation.
4. Finally, Trump threatens to introduce or (in some cases) increase import duties on products from abroad, which could also take inflation in the US to a higher level in 2025.

Scott Bessent

The good news is that the nomination of Scott Bessent, a very well-known name in financial markets, as Minister of Finance has been well received. Interest rates in the US fell slightly after the announcement was made. Bessent has already said that he is in favour of a gradual introduction of import duties if they were to be put in place. It is not certain that it will actually happen, many political analysts argue that Trump's threats mainly serve to create an advantageous position to cut a deal with other countries. If it does, it is not necessarily a major issue for the business world, including a large part of the Hoofbosch portfolio.

Import tariffs

As mentioned above, Trump has repeatedly said that he intends to increase import tariffs. He mentioned, among other things, a significant increase in tariffs on Chinese imports and tariffs of 25% on Canadian and Mexican imports if these countries do not stop the flow of migrants and drugs entering the US. We suspect that the tariffs are part of Trump's negotiating tactics. He also mentioned a uniform rate between 10 and 20% for the rest of the world. In response, there are indications from other countries that they may also introduce or increase tariffs on imports from America. To assess the possible consequences of a potential new trade war it is interesting to look at the previous period. The tariff rhetoric during Trump's first term only caused mild market movements. Global stock markets reacted neutrally overall, as broad economic growth and low inflation mitigated the impact at the time.

Import tariffs and the Hoofbosch portfolio

Based on previous discussions with companies and information from annual reports and websites, we anticipate that the impact on our shares will also be limited this time. In this context it is interesting that Switzerland applies a zero tariff for the import of industrial goods. That is an ideal starting position for the Swiss for possible negotiations with Trump. Furthermore, most Hoofbosch companies produce their products in the country where they are sold. To get the picture as clear as possible, we have contacted every company in which we invest with regard to this subject. The reactions make us optimistic. A few examples: The high-quality sanitary ware from Geberit, is produced in the EU for the European market, in Asia for the countries there and in America for the USA. For Air Products, the main input is gas, which is usually sourced locally, as well as the electricity required. We also noticed that companies in which we invest are in the process of anticipating all conceivable scenarios. They do this by ensuring flexibility in the supply chain and by preparing to move production if necessary. A number of companies also indicated that they expect to pass on any tariffs to the customer. This confirms that Trump's plan could potentially lead to higher inflation, but as mentioned, it is initially expected to be mostly a negotiation tactic. Finally, during Trump's first term, there was no material difference between the performance of shares (in the MSCI World index) of companies with a high percentage of exports versus shares of companies with (almost) 100% local turnover.

Finally, a word about the elections themselves

On our bookshelf there are two books by Trump: 'The art of the deal' from 1987 and 'Time to get tough' from 2011. The latter in particular resembles an electoral manifesto and makes a compelling read for anyone interested in Trump's plans. To be fair, he consistently comes up with the same plans. With this book in hand, Harris could have prepared meticulously for the past years. 'To be prepared is half the victory,' Winston Churchill once said. For example, Trump's ideas about topics like import tariffs, NATO and the Mexican border have already been described in detail in 2011. Finally, his latest book (2011) begins with a quote from his hero Ronald Reagan: 'Next Tuesday all of you will go to the polls (...) it might be well if you would ask yourself, are you better off than you were four years ago?' This question also came back, seemingly unexpectedly, in his last campaign. Harris, Harris, you could have foreseen it all...

Air Products

Air Products, which specializes in industrial gases and chemical products, reported strong annual results. Net profit increased while turnover was slightly lower. The company sold its LNG division for \$1.81 billion in 2024. With this sale, Air Products demonstrated its

full focus on its core business of industrial gases and sustainable solutions. Your fund managers have been saying for a while already that the company is clearly transforming itself from a traditional supplier of gases to a leader in the energy transition. It has successfully created a strong moat in this sector, which was an important reason to include this stock in our portfolio a few years ago. Currently, there are plans for the construction of two new air separation plants in Georgia and North Carolina. These plants not only add production capacity in regions with a shortage of industrial gases, but also minimize transport costs. As more projects become operational, Air Products' products and services are expected to help the world avoid 250–500 million tons of CO₂ emissions per year. That is the equivalent of New York City producing no greenhouse gas emissions for five years. The outlook for the coming years remains positive for Air Products, which in 2024 was voted one of America's most sustainable companies by the business magazine Barron's for the 6th year. We believe that it will continue to play a key role in the energy transition. It is therefore our favorite stock in an attractive sector. The share price has already risen by 22% this year.

Idea for under the Christmas tree: Lindt

The National Confectioners Association (NCA) recently shared its latest insights on chocolate consumers in the US. As it turns out, American consumers crave chocolate as their number one candy. How surprising! Despite rising food prices and economic uncertainty, Americans are willing to make room in their budgets for expensive chocolate: "As American families take steps to curb their spending, they continue to seek out their favorite chocolate products to enrich moments of joy and comfort." In line with this, we suspect that Lindt will register record sales again this Christmas. A search on Amazon.com shows that Lindt is well represented in the range of premium chocolate. In the category 'Chocolate truffles', six of the top ten come from the Lindt factories. By the way, those factories are located in the US and therefore do not have to deal with any potential import duties. And yes, Donald Trump has made comments about chocolate in the past. One of the most famous moments was during a press conference in 2015, when he said that he loves chocolate and that it is his 'favorite'. Merry Christmas!

Nestlé

Nestlé organized a so-called Capital Markets Day last month to update investors and give them a glimpse into the future. From the large amount of information, we have chosen a few topics that we want to highlight here. Interesting insights were given into the recent strategic assessment of the new CEO Laurent Freixe and the role that digitalization and AI play in the implementation of his plans.

Nestlé says that in the past it sometimes took too long for new innovative products to reach the store. For example, they responded too late to the introduction of the 'airfryer'. In addition, in a number of cases there was too little marketing around new products, so

that consumers were insufficiently aware of them. Therefore, the marketing budget will increase by 9%. This is financed by CHF 2.5 billion in cost savings (mainly through changes in procurement and smarter investing). Nestlé strives for 'Speed to impact' by opting for a few major product introductions. Digital tools are used successfully in the discovery, development, design and marketing of new products. By using social intelligence via social media in combination with AI, a time saving of 70% has been achieved in identifying candidates for product innovation. Moreover, the creation and refinement of new products is twice as fast these days.

Nestlé shares have been lagging the market for some time now. This is partly because investors fear that customers no longer want to pay premium prices for Nestlé's premium products. Freixe concluded that the decreased pricing power of companies such as Nestlé is cyclical (temporary) and not structural. Given Nestlé's clearly defined strategy (food for people and animals) and strong innovation (in 2023 alone, it registered 440 patents), we believe the company is well positioned for the future in a world where there are likely to be 2 billion more mouths to feed in the next 60 years. The still rapidly growing middle class (doubling in the period 2010 – 2030) represents an enormous potential of new customers for Nestlé worldwide. Add to this the dividend yield of 3.9% (in our opinion much more attractive than, for example, the 3% yield on a French government bond or the 2.2% on a German one) and you understand why the Swiss business magazine Bilanz recently wrote 'Wenn die Nacht am dunkelsten, ist die Dämmerung am nächsten' (when the night is at its darkest, the dawn is near). The stock ended the reporting month 5% lower.

Novo Nordisk

Novo Nordisk reported results for the first 9 months of this year and reflected on the positive results of recent studies on new drugs. Operating profit rose by 21% in Danish kroner while turnover was 23% higher. The driving force behind these figures consisted of diabetes and obesity medication. Recent studies now show that semaglutide (the active ingredient) also achieves good results in the treatment of cardiovascular and liver diseases. The intended successor to Novo's current obesity drug Cagrisema is in the final stages of testing. It is said that the drug would reduce obesity by 25% within a year (compared to 16% with the current drug and 22.5% with competitor Eli Lilly). The results of this test will be known in December. The share ended the month under review slightly higher.

Shell

Shell has won the appeal in the case brought by the Dutch equivalent of Friends of the Earth. The judge indicated that Shell does have a duty of care, but that the company already complies with it because it has targets to reduce emissions. As we have indicated before, Shell aims to achieve a balance between investing in sustainability and managing

a commercial company. For example, Shell has been the largest investor in the energy transition in the Netherlands for years now (this year approximately euro 6 billion. It is ironic that the share is trading at a substantial discount compared to the large American oil and gas companies (because they are doing less about sustainability), while Shell was taken to court in the Netherlands for allegedly doing too little. Our impression is that the company is adhering to all agreements, both in terms of sustainability (it is on track to reduce its own emissions by 50% by 2030 and to reach net zero by 2050) and financially (healthy balance sheet, distributions to shareholders and a disciplined investment policy). We expect the market to reward this consistency. That is why we remain convinced Shell is a solid stock in our portfolio with an attractive dividend yield of over 4%. The share ended the month under review almost unchanged.

Sonova

The Swiss hearing aid maker reported a 4.6% increase in sales in Swiss francs for the first half of the year, despite the impact of the strong Swiss franc. The EBITDA margin came in at 17.7%. Sonova reiterated that it expects a significant increase in profitability in the second half of the year, partly due to higher prices. The latter undoubtedly has to do with the recently introduced Phonak Infinio and Phonak Sphere Infinino models. They use the capabilities of real-time AI and proprietary chip technology to optimize speech recognition, even in noisy environments. The stock ended the month 4% lower.

HQ

Nieuwe Gracht 23
2011 NC Haarlem
(023) 202 1881

Office Rotterdam

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



[Aanmelden presentatie](#) [Afmelden](#) [Profiel wijzigen](#)

[Hoofbosch.nl](#)