

Monthly Bulletin December 2025

Hoofbosch ended the month of December at €238.00. This means we closed the year down 0.2%, which is very disappointing. The weak dollar (-13%) in particular weighed heavily on the result. We have used the past months for a thorough evaluation of the portfolio. The criteria for calling countries and companies solid are as strict as ever, but in the new reality, companies such as ASML and Microsoft (in Hoofbosch's portfolio) can now be considered solid. We also see that the purchasing power of consumers remains under pressure. For this reason, among other things, we have reduced our investments in the consumer sector. In addition, we think the time has come to expand the SUN group to include the Scandinavian countries. More on this later.

Looking back at 2025

The past year was marked by Donald Trump's return as president of the United States and was dominated by themes such as trade wars, geopolitical tensions and rising debts. After the so-called Liberation Day price crash in April, the stock markets eventually managed to recover. However, this increase was largely driven by a small number of large American technology companies (the so-called magic seven), while other sectors clearly lagged behind.

The US dollar fell by more than 13% in 2025, oil prices declined sharply and bitcoin, measured in euros, also lost significant value. On the bond markets, US interest rate cuts, criticism from Trump of the Federal Reserve and concerns about the debt position caused movement. The US ten-year yield fell, while the Dutch interest rate rose.

For Hoofbosch, this market dynamic turned out to be unfavorable. Our portfolio is focused on solid companies with a long history and attractive valuations, mostly outside the technology sector. It is precisely these companies that hardly benefited from the stock market rally. In addition, the unexpected weakening of the US dollar caused additional headwinds. Most major investment banks also predicted in early 2025 that the dollar would go to parity (1 dollar = 1 euro). Together, this explains why Hoofbosch's performance in 2025 lagged the broad market indices, despite the absence of major stock market crises.

Ratings

Now that the valuations of most tech companies – with the exception of Microsoft and ASML from the Netherlands – are still at an all-time high, investors' attention is gradually shifting to more defensive sectors, such as pharmaceuticals. Companies in these sectors are implementing artificial intelligence (AI) on a large scale. For example, Roche (stock price +28% in 2025) expects to be able to bring the development of new drugs from 9 years to 3 months in the long term. This can lead to significant cost savings, in addition to the benefits to society. A PE for Roche of 25 and a dividend yield of around 3% is therefore very reasonable in our view. In addition to Roche, many other solid stocks that we favor are also at historically low valuations.

Switzerland

Asia is in many ways the growth market of the future. Not only is the size of the middle class increasing, but the number of rich people is also growing considerably. For that group, Hong Kong and Singapore were traditionally the places where an important part of their assets were stored. As China's grip on Hong Kong tightens and the regional geopolitical situation becomes increasingly tense and uncertain, the wealthy are more concerned about the security of their assets. Swiss asset managers are seeing that more and more Asian millionaires are bringing some of their wealth to the Alpine country. This shows that Switzerland's safe-haven status is not suffering from the abolition of banking secrecy and other changes in recent years.

USA

Although we believe that Trump's policy is economically unwise, it does not detract from the strength of the American economy. It is more flexible, innovative, resilient, competitive and dynamic than many economies in Europe. Economic growth of more than 4% on an annualized basis in the third quarter of 2025 underlines that picture. This followed a growth of almost 4% in the previous quarter. Moreover, we expect the Trump administration's expansionary fiscal plans (tax reductions, exemptions and subsidies for companies included in the so-called Big Beautiful Bill) to be implemented mainly in 2026.

US Dollar

We expect the US dollar's depreciation against the euro to be largely over and foresee that the dollar will even appreciate again over time. After all, the strength of a currency

reflects the underlying state of the economy of the country in question, even against the background of trade wars and unpredictable policy. Within the euro area, the political and economic situation in France has become particularly worrying over the past year. In Germany the problems are also becoming increasingly visible around the financing of pension obligations, while on top of that additional spending on defense, infrastructure and the energy transition is needed. The situation in France may deteriorate further and become more uncertain due to the approaching presidential elections in 2027. We are very concerned about the euro area countries, especially as rising pension costs are already leading to political instability and seem to be cushioned for the time being by higher budget deficits, rising government debts and a European Central Bank that keeps interest rates low, despite the persistent risk of inflation. In our view, this will put further pressure on the competitiveness of eurozone companies. Swiss and American companies, on the other hand, will eventually gain an even greater competitive advantage over their European rivals. In this scenario, we expect the US dollar to strengthen over time.

Scandinavia

Change is the only constant according to a well-known saying. One of the areas in which this is clearly visible is the so-called SUN universe: countries that combine a high degree of reliability with a strong level of knowledge. This combination does not arise by itself, it is the result of years of careful and consistent economic and financial policy. After careful consideration, as you have come to expect from us, we concluded in December that the Scandinavian countries now also have these qualities. A visit to Sweden last December confirmed our judgment.

It was in 1812 that the Scandinavian governments defaulted on the repayment of their national debt, in the same year as the Netherlands, during the Napoleonic era. Except for that year, they have always paid interest and principal on time. This is in contrast to a country like France that de facto went bankrupt 8 times from 1800 onwards. In that light, we can consider Scandinavia to be reliable, as we define it within the Hoofbosch framework.

In the Hoofbosch Country Index, we also see that Scandinavia meets the profile of the SUN countries. Switzerland, the Netherlands and the Scandinavian countries (including Iceland) are long-term occupants of the top 7, merely swapping places occasionally. For the connoisseurs: the Hoofbosch Country Index is compiled every year by compiling the following indices: IMD Competitiveness Index, WIPO Innovation Index, WEF Gender Gap Index, Transparency International Corruption Index, Reporters without Borders Press Freedom Index, UN Happiness Index, Mercer Pension Index, WJP Rule of Law Index and, since this year, also the INSEAD Global Talent Competitiveness Index.

The economies of the Scandinavian countries are innovative, competitive and strong, which is partly due to good macroeconomic policy and the will and ability to intervene firmly in times of crisis. Take Sweden, as the largest country in that group, as an example.

That country has, after Switzerland, the highest number of patent applications per 1 million inhabitants. The fact that the country has been spending more than 3 percent of its gross domestic product (GDP) on research and development every year for a long time has been an important factor in achieving this success. Scandinavia is now home to many leading companies and is a hotbed of innovation. The Swedish capital Stockholm has more unicorns (a private startup worth more than 1 billion dollars) per capita than Los Angeles or New York! It is therefore not surprising that this region has been named the most innovative in Europe in 2025.

Sweden's public debt amounts to about 32 percent of GDP and is not legally allowed to exceed 35 percent. Moreover, since 2000, the country has shown a budget surplus almost every year. This strong performance is the direct result of the strict fiscal rules that Sweden imposed on itself in the early 1990s to get out of a deep economic and financial crisis. At the time, the country was struggling with low economic growth, high inflation, a weak currency, banks that were on the verge of collapse, high unemployment and significant budget deficits. Since 2000, Sweden has had several reasons to temporarily deviate from these rules, for example during the great financial crisis of 2007–2008, the euro crisis in 2012 and the pandemic from 2019 onwards. The fact that the country has not done so says a lot about the political will and the discipline to stick to prudent policy. In addition, Sweden is one of the few countries with large pension reserves. If you compare Sweden's approach in times of crisis with that of countries such as France, you will see a sharp contrast in policy choices, or the lack thereof.

In short, when we talk about the Scandinavian countries, we can rightly speak of a region that combines a high degree of reliability with a high level of knowledge. This fact also limits the currency risk. As a result of this expansion of the SUN universe, we are exploring which solid stocks from this region can be added to our portfolio. Earlier in 2025, we added the Swedish company Bufab to the portfolio as a special; The company showed a return of 14.5% this year. As mentioned earlier, we visited Sweden last month. There, we visited a company as part of our in-depth analysis to determine whether a company is eligible for inclusion in the portfolio. More news about this will follow soon.

L'Oréal

A characteristic of the companies in which Hoofbosch invests is that they have products and services that are in great demand among the world's middle classes. If they grow, our companies benefit. When we recently visited L'Oréal, we talked about recent developments in this area and the expectations for the future. In China, India and Indonesia, more than 500 million potential consumers for L'Oréal will be added within 5 years (!), due to the growth of the middle class in those countries. To put that in perspective, 500 million is more than the number of inhabitants in the European Union.

Moreover, this consumer group appears to be relatively stable in economically difficult times. It is precisely then that people usually do not cut back on beauty products. This is

known as the so-called lipstick effect: in periods of economic downturn, the middle class spends less on very expensive luxury goods, such as designer bags or designer clothes, but more on affordable luxury products, such as lipsticks and other beauty items. Treating oneself to smaller luxury products for personal use improves the mood despite the less favorable economic conditions.

L'Oréal also indicated that it sees a clear trend in countries such as India: as soon as consumers enter the middle class, they appear to have more confidence in Western brands than in local alternatives. In economically favorable times, spending on beauty products continues to increase as purchasing power increases. This often starts with a basic product, such as a Maybelline lipstick, after which purchases start to include additional products, such as masks.

L'Oréal is also actively responding to the need for fast delivery in these markets. It's not uncommon for consumers to need a product at the last minute, such as when they're getting ready for a party and discover they've run out of their favorite lipstick. E-commerce is growing strongly in India in particular. To illustrate how well the distribution is organized, L'Oréal had a lipstick ordered by an on-site attendee during an investor day in India. Only twelve minutes later it was delivered.

P&G and the Consumer Sector

Consumer purchasing power continues to be under pressure, especially in the US. That is why we are in the process of adjusting our investments in the consumer sector, taking into account shifting preferences while still benefiting from the purchasing power of the growing middle class. These considerations and analysis have led to a number of changes to future-proof our portfolio. For example, we sold General Mills earlier in 2025. That company has a relatively large amount of debt that needs to be refinanced in the short term. Since long-term interest rates are considerably higher than a few years ago, this means that interest costs will be much higher. In the coming months, this process of adapting our portfolio to the new reality will be completed.

In that context, we also sold our stake in Procter & Gamble last month. The stock has an attractive dividend yield, which is amply covered by free cash flow according to our estimates. Further increases will improve P&G's long-term outlook for total returns. Nevertheless, we believe that the price potential is limited in the near future as macroeconomic headwinds are negatively affecting consumer confidence. This may curb demand for some of P&G's products. Increasing geopolitical tensions could also disrupt the global supply chain and cause negative currency effects, which could affect some of the revenues from foreign markets. In addition, the company is expected to continue to face higher operating costs due to inflation, rising commodity prices and rising tariff pressures.

Sonova

The December issue of the journal Nature Scientific featured an interesting article on a study into the benefits of Sonova's Phonak Infinio AI-enabled hearing aid. The study, conducted with the most advanced neurological measuring equipment, shows that using the Phonak Infinio with AI leads to better and less taxing cognitive processing of information in noisy environments. The reported added value experienced by customers is thus also scientifically substantiated. Sonova also announced the acquisition of SilentCloud in December. This app provides support for people suffering from tinnitus, a condition that strains the ears with squeaking and ringing sounds that don't come from an external source. The support includes information provision, sound therapy and behavioral therapy. SilentCloud has been used successfully for a long time in Belgium, Switzerland, Italy, Ireland, Luxembourg and America. In the US, it is used, among other things, in the treatment of war veterans. The acquisition is in line with Sonova's commitment to providing a holistic approach to hearing problems. Integration in research, development and marketing of the other Sonova products can provide significant synergies.

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