Hoofbosch
BELEGGINGSFONDS

Monthly Bulletin July 2026

July 2026 was a volatile month on the international stock markets. Investors were concerned about rising interest rates, high oil prices, and the possibility of slowing economic growth. As a result, many stock markets were under pressure at the start of the month. Later in July, sentiment improved thanks to better-than-expected corporate earnings, while confidence in the economy grew. Many markets consequently recovered part of their earlier losses. The price per participation unit, adjusted for the dividend distribution (€5.12), rose 0.91% over July to €253.23 (including dividend, an all-time high). The dollar and Swiss franc each fell about 1% against the euro.

Fed

Kevin Warsh, the new Fed chair, kept interest rates unchanged during his second meeting as well, which triggered a storm of criticism from many economists, analysts, and investors. We, however, are impressed with his approach! On the one hand, because he made clear what the future holds, namely a hard line against excessive inflation. Low inflation is the foundation of prosperity, he said, adding among other things that the Fed - and no one else - is responsible for high inflation. Remarks straight out of the "common sense" category, if you ask us. We also like Warsh's approach. He no longer tells the market in advance what the Fed is going to do. As a result, investors are determining the market interest rate themselves, which has since risen. The message is clear: the American economy is strong, and the Fed will eventually raise rates. In this way, Warsh gains credibility, while it is the market - not the Fed - that is pushing rates higher.

Volcker

This strategy is reminiscent of Paul Volcker in 1979. He let the money supply, rather than the policy rate, take the wheel. The result was a sharp rise in interest rates, falling inflation, and the foundation for years of economic growth. Warsh appears to be following a similar strategy. We consider that a smart approach and have confidence in future Fed policy.

ECB

If only we could say the same about the European Central Bank (ECB). Although the ECB acknowledges that inflation will likely remain too high well into 2027, it is keeping rates unchanged and appears remarkably unconcerned. According to the bank, there are no signs that inflation is becoming entrenched in the economy on a lasting basis. We find that hard to reconcile with the persistently high inflation since 2021, rising wage growth, and consistently high inflation expectations among Europeans. As a result, the ECB's promise to use every tool necessary to bring inflation back down to 2 percent sounds increasingly less convincing. We therefore fear that the ECB will not act wisely in the coming years.

ASML

ASML, our largest holding, reported excellent results and raised its guidance for 2026. Revenue grew 21% year-over-year last quarter to €9.3 billion at a 54% margin, bringing net profit to €2.9 billion. This was significantly better than the market had expected. Still, some investors believe there is reason for concern. There are rumors that a Chinese company will soon also be able to make lithography machines for the semiconductor industry. Although this could be interpreted as a loss of ASML's monopoly, we don’t think it is. First, it will most likely involve a machine comparable to an older generation of ASML equipment. In addition, the Dutch company has the advantage of having received data from its installed machines for many years. It knows exactly how they perform in practice, where bottlenecks tend to occur, and what makes the machines sensitive to certain conditions. This gives the company a huge head start when it comes to developing new machines and optimizing older models. Incidentally, we suspect that Chinese-made machines will mainly be sold within China itself, and certainly not to Taiwan's TSMC (ASML's largest customer). CFO Roger Dassen expects China to account for roughly 20% of ASML's revenue this year, but any drop in Chinese demand could easily be absorbed elsewhere in the world. In fact, ASML is doing everything it can to expand capacity in order to meet demand. Judging by comments from Microsoft, that demand is certainly there. Finally, we are apparently not the only ones remaining positive, as a number of leading analysts have raised their price targets to 1,800–2,400. Last month, ASML shares fell 17%.

Lonza

Lonza once again delivered convincing results for the first half of 2026. The Swiss pharmaceutical services provider generated revenue of CHF 3.4 billion, a 16% increase at constant exchange rates. The operating margin rose to 34.8%, bringing CORE EBITDA to CHF 1.2 billion. Free cash flow also improved significantly, to CHF 426 million. Based on these strong results, management raised its guidance for 2026. Lonza also announced a further expansion of its manufacturing capacity for ADC drugs (antibody-drug conjugates) in Stein, Switzerland. This investment is backed by a long-term commitment from a customer and confirms strong demand for complex, high-value manufacturing services. What we find attractive is that Lonza combines a strong market position in outsourced drug manufacturing with deep expertise in growth sectors such as biotechnology, biologics, and advanced therapies. The raised guidance and the expansion of key customer relationships also give us confidence that the current growth momentum can be sustained in the coming years. The stock rose 1% in July.

L'Oréal

In the second quarter, L'Oréal's revenue rose 6.0% to €11.6 billion. This means the company is growing significantly faster than the global beauty market. The revenue growth was supported by both higher volumes and a favorable product mix, while the gross margin improved further to 74.8%. At the same time, the group invested more in marketing and brand support. Despite these higher investments, the operating margin rose to a record level of 21.3%, underscoring the company's pricing power and operational efficiency. The strongest growth contributions came from the Dermatological Beauty (+10.6%) and Professional Products (+11.6%) divisions. Brands such as La Roche-Posay, CeraVe, SkinCeuticals and Kérastase continue to gain market share. Luxury operations also performed solidly, with fragrances once again a key growth driver. Geographically, the strong performance in North America and emerging markets stood out. In addition, the Chinese market appears to be gradually recovering. In North Asia, L'Oréal grew almost three times as fast as the market, supported by strong performance from the luxury and dermatological brands. Net profit rose 4.7% to €4.0 billion. Management remains optimistic for the second half of the year and expects to achieve both revenue and profit growth again. In these uncertain times, we believe consumers continue to choose L'Oréal products as affordable luxury, and we see this reflected in the figures above. This proves that the company is well equipped to handle uncertain economic times. L'Oréal shares rose 9% in July.

Microsoft

Microsoft closed out its fiscal year with record revenue of more than $331 billion, up 18% year-over-year. The cloud business generated more than $214 billion in revenue. The main engine remains the Azure platform, where revenue grew 43%. Demand for cloud capacity and AI services remains so strong that Microsoft says it is still running into capacity constraints. That is a challenge on the one hand, but above all a positive signal. It means the market for AI is still expanding rapidly and that Microsoft holds an exceptionally strong position. Thanks to its strategic partnership with OpenAI and the integration of AI features into nearly all its software products, the company can benefit from multiple growth markets at once.

One important development is that adoption of Microsoft's AI assistant Copilot keeps accelerating. The number of paid Microsoft 365 Copilot licenses has now risen to more than 30 million. In addition, the net inflow of new users doubled compared with the previous quarter. For investors, this is crucial. Where AI was initially mostly a story about investment, Microsoft is now actually creating new revenue streams. The company is also expanding its business model with usage-based pricing alongside the traditional subscription structure. This creates a potentially highly scalable business model in which customers pay more as they use more AI.

Set against this strong growth are sharply rising investments. Microsoft expects capital expenditures to increase further in fiscal year 2027. The company is investing tens of billions in data centers, AI chips, and infrastructure to meet rising demand. Some investors are concerned about this spending (see also the piece on AI below), but for now the investments appear to be highly profitable economically. Management emphasizes that new capacity is filled quickly and that utilization rates remain high. This differs sharply from previous technology cycles, in which companies sometimes invested speculatively without direct demand from customers. Microsoft currently finds itself in a unique position. The company holds a dominant position in business software, operates one of the largest cloud platforms in the world, and has successfully commercialized AI. While many companies are still experimenting with artificial intelligence, Microsoft is already translating AI into concrete revenue growth. The stock closed the month 22% higher.

Shell

Shell's second-quarter results were significantly better than expected. Profit came in at $9.8 billion, well above the analyst estimate of around $8.9 billion and more than double the $4.3 billion of a year earlier. Cash flow was also impressive. Shell generated $21.4 billion in operating cash flow and announced a share buyback program of at least $3 billion for the nineteenth consecutive quarter. At the same time, the balance sheet remained strong, with net debt of around $42 billion. CEO Wael Sawan emphasized that the past quarter shows just how strong Shell's integrated model is. The combination of oil and LNG production, refining, chemicals, and trading made it possible to effectively cope with the shortages caused by the war in the Middle East. Refinery utilization even reached 102%. The loss of part of LNG production due to attacks on Qatar was offset by the recently commissioned new production facility in Canada, which is already running at 100%. Clear proof that Shell is handling these volatile times exceptionally well. Shell shares closed 8% higher in July.

Quantum Chips

Quantum computers have taken another step closer to practical use. Researchers have succeeded in manufacturing a working quantum chip using a "regular" industrial production line for phone and laptop chips. Until now, quantum chips were mainly made in specialized laboratories, which makes producing them expensive and hard to scale up. The researchers built a working quantum chip with eight qubits. A qubit is a quantum computing unit: the building block a quantum computer uses to perform calculations. Eight qubits therefore means the chip contains eight such computing units that can process information together. Generally speaking, more qubits give a quantum computer more computing power, but it also matters how error-prone the qubits are and how well they work together. You can compare it to an orchestra: more musicians can produce a richer sound, but only if they play well and are well coordinated with each other. Although this can be described as progress in how quantum chips are manufactured, there is still a long way to go. Current quantum chips often contain anywhere from a hundred to more than a thousand qubits. With eight qubits, this chip is therefore not yet powerful enough.

AI

A lot also happened in AI in July, but the most important news came from Meta. Early in the month, the company announced that it may rent out unused computing power (also known as compute) from its own data centers whenever it doesn't need it itself. Many investors saw this as a sign that the sector may have built up too much computing capacity, and that demand for new AI hardware such as chips and servers could weaken over time. At the same time, expected investment in AI is not slowing down. Meta and other major technology companies (including Amazon, Google, and Microsoft) continue to pour hundreds of billions of dollars into new chips, servers, and data centers to meet expected future demand for compute.

HQ

Nieuwe Gracht 23
2011 NC Haarlem
(023) 202 1881

Rotterdam

Marie v. Eijsden-Vinkstraat 299
3066 JB Rotterdam
(010) 751 2881

Almere

P.J. Oudweg 4
1314 CH Almere
Kantoor: 22.22
06 – 19 60 27 90