

## Monthly Bulletin October 2025

A stream of corporate results dominated the news last month. Investment fund Hoofbosch closed the reporting month 1,67% higher at €239,07. Unfortunately stock markets, the Swiss franc, the dollar and many of our shares had to give up ground in the last days of October. On balance, the dollar and Swiss franc rose by almost 1% against the euro. In the meantime, the Swiss franc recorded an all-time high against all foreign currencies. Not surprising: from 1900 onward the Swiss franc is the world's strongest currency, followed by the guilder and the US dollar.

### *Central banks*

The US Federal Reserve (Fed) has cut interest rates again, but at the same time made it clear that further cuts in the coming months are by no means certain. The central bank has to deal with a labor market that is functioning less smoothly than before – arguing for additional rate cuts – while inflation remains stubbornly high and even threatens to rise further. Faced with this dilemma, the Fed has emphatically prioritized the management of inflation concerns, despite significant political pressure to cut interest rates sharply. The Fed's European counterpart, the European Central Bank (ECB), recently kept interest rates unchanged. Nevertheless, there is a good chance that the ECB will cut rates again in the future. This wouldn't really be because the economy urgently demands it – the eurozone economy is growing by more than 1%, which can be called decent growth – or because inflation would be too low, because it is about 2%. So why would it happen? It seems that the bank is partly guided by the financial problems in France, among others. The latter country is now giving new meaning to the concept of deplorable public finances. There is no direct political pressure on the ECB, but that is mainly because that pressure is simply not necessary: the bank already seems to be accommodating politicians. The photo that the president of the ECB recently posted on social media is significant in this regard: she walks hand in hand with the president of the European Commission through the bank's headquarters, on the eve of an important interest rate meeting. In the United States, it is unthinkable for a political leader to go near the Fed building at such a time. The fact that further interest rate cuts in the US are not a foregone conclusion because of high inflation, while the ECB is considering making borrowing even cheaper despite inflation that tends to be too high rather than too low,

partly explains why the dollar has recently been gaining ground against the euro. The EUR/USD exchange rate fell from almost 1.20 to just below 1.16.

## ASML

The Veldhoven-based company has had an excellent third quarter. Turnover amounted to 7.5 billion euros with a gross margin of 51.6%. ASML is experiencing a strong order flow as a result of the rapid increase in investments in AI (Artificial Intelligence). The company's machines are indispensable in the production of the chips needed for the AI applications. Spending on AI (applications) continues to rise and it does not surprise us that ASML is more positive about 2026 than it was a few months ago. While the company warned at the time that growth in 2026 looked uncertain, it now indicates that turnover will in any case not be lower than this year. When analysts look at the period after 2026, they foresee a new phase of growth as demand for ASML products will increasingly benefit from the announced construction of many chip factories in the US and elsewhere. In all those factories, machines 'Made in Veldhoven' are needed. To enable ASML's growth, outgoing Dutch Prime Minister Dick Schoof, several ministers and the region recently discussed how to do that. The Hague will support the Eindhoven region to deal with environmental constraints as soon as possible, according to the Prime Minister. This paves the way for ASML's expansion. ASML expects to generate between 44 and 60 billion euros in sales by 2030, with a gross profit margin of between 56 and 60 percent. The share price rose by 11% in October.

## Bufab

The more machines ASML has to produce to meet the rising demand, the busier it becomes at suppliers such as Bufab. This Swedish company, with a branch close to ASML, supplies the nuts and bolts for the ASML machines. Each machine contains hundreds of thousands of such parts, which come from Bufab. Recently, the company reported a turnover growth of no less than 27.9%. By comparison, the average over the past five years is 10.5%. Net profit this year came in at 7.4%, almost two percentage points higher than a year earlier. This result was due to a combination of increasing demand and a strong focus on cost control. Bufab shares rose 19% in value in October.

## Galapagos

Biotech company Galapagos is discontinuing its cell therapy activities, cutting 365 jobs. Three years ago, the then CEO Paul Stoffels tried to breathe new life into the company with an ambitious plan in the field of cell therapy. That was supposed to revamp the Galapagos after the failed adventure with Filgotinib, the rheumatoid arthritis drug that never received approval in the United States. The current CEO, Henry

Gosebruch, stated that no realistic bids have been received for the cell therapy business. According to him, it is wiser to focus the available resources on "pioneering areas with unmet medical needs" - although it is unclear what that means in concrete terms. What remains of Galapagos now is essentially a cash position of more than 3 billion euros (at the end of June), but hardly a meaningful pipeline. This translates into a market capitalization that is only slightly more than half of the available cash. We would like to see Galapagos return the money to shareholders, through a liquidation or a substantial capital return, rather than investing it in uncertain research projects for years to come. The current valuation mainly reflects the cash position - not confidence in future growth. We are in talks with the company and are considering our position. Galapagos shares fell by 6%.

## *General Mills*

We sold our stake (approximately 2% of our portfolio) in General Mills last month. Earlier this year, we conducted a comprehensive analysis of the consumer sector and the stocks in our portfolio. As a result, we have already reduced the weighting of the sector this year. General Mills generates approximately 80% of its turnover in the United States. In our sector report at the time, we considered this to be a possible advantage, as the US consumer still seemed to be the engine behind growth. However, that advantage now seems to have reversed. Job growth in the US continues to disappoint and consumers are spending less. More importantly, interest rates in the United States remain high for the time being. General Mills faces significant short-term refinancing obligations of around \$2 billion. As a result, the high-interest rate environment is weighing on profitability. General Mills remains a solid company with strong management, but in the current economic climate, we consider the stock less attractive.

## *Microsoft*

Microsoft has started the 2026 fiscal year with impressive results. In the first quarter, the company reported revenue of \$77.7 billion, up 18% from the same period last year. Operating profit grew by 24% to \$38 billion, while net profit came in at \$30.8 billion, an increase of 22%. The main growth drivers remain cloud services and artificial intelligence. The Microsoft Cloud achieved a turnover of 49.1 billion dollars, an increase of 26%. Today, 90% of Fortune 500 companies use Copilot. In parallel with the quarterly results, Microsoft announced a revised strategic partnership with OpenAI. This renewed agreement stipulates that Microsoft will retain exclusive access to certain parts of OpenAI until Artificial General Intelligence (AGI) is developed - a form of AI that can independently perform and reason without prior training - or until 2030, if AGI has not been realized by then. The modified collaboration offers more flexibility: OpenAI is allowed to develop products in collaboration with third parties, while Microsoft is also allowed to work independently on AGI. With these developments, Microsoft underlines its transformation

from a traditional software company to an AI-driven infrastructure giant, which also owns a 27% stake in OpenAI. Microsoft shares closed the reporting month almost unchanged.

## Roche

Roche, together with partners, has managed to complete a complete sequencing of the human genome in just 3 hours and 58 minutes. This super-fast unravelling of the genome is not only a new Guinness world record, but above all a game changer for healthcare. Thanks to Roche's new technology, called Sequencing by Expansion (SBX), doctors can now obtain genetic information in one working day that previously took days or even weeks to appear. Especially in the case of problems with newborn babies, where every minute counts, this speed can save lives. Babies with rare genetic disorders can thus be diagnosed within hours, leading to faster, more targeted treatments and the prevention of unnecessary interventions. From now on, the choice of medication can be tailored to a person's DNA profile to prevent side effects. In oncology, Roche's invention will probably provide insight into tumor profiles more quickly and thus personalized therapies can be applied. The technology is not yet commercially available, but there are already advanced clinical pilots. It is expected that rapid sequencing will become standard in hospitals within a few years. Roche shares closed the month under review unchanged.

## Shell

Shell has posted a profit of 5.4 billion dollars in the third quarter. That result exceeded market expectations, despite a year-on-year decline. The operational performance was solid, mainly due to record levels of oil production in Brazil and the Gulf of Mexico, and strong sales to petrol stations. The gas division, which featured in previous monthly bulletins describing Shell, also made another strong contribution. In addition, Shell announced a new share buyback program of 3.5 billion dollars. This makes this the sixteenth quarter in a row in which the group buys back at least 3 billion dollar's worth of its own shares. Nevertheless, the share price hardly reacted positively. This is partly due to the persistent surplus of oil, which CEO Wael Sawan indicated could possibly continue into 2026. In the meantime, Shell is working on a cost-saving program, in which the activities in the field of cleaner energy are not spared. However, Shell remains committed to its previously communicated objective of reducing net CO<sub>2</sub> emissions to zero by 2050. In the past two years, the company has invested more than \$10 billion in low-carbon energy solutions. An important example of this, in addition to the previously discussed Holland Hydrogen I project, is the REFHYNE II project in Germany. This electrolyser should produce up to 44,000 kilos of green hydrogen daily by 2027 – a crucial step towards cleaner industrial processes. The hydrogen produced will initially be used within Shell's own refinery operations at the Energy and Chemicals Park Rheinland near Cologne. There, the green hydrogen replaces the current grey hydrogen (from natural gas) and is used for processes such as desulphurization of fuels and the processing of crude oil. In the longer term, the hydrogen can also be supplied to industrial customers in the region, for example

in the chemical industry or the heavy transport sector. Shell shares closed the reporting month 7% higher.

## UnitedHealth Group

Last month, we took an initial interest in the 'special' UnitedHealth Group. UNH has been on the radar of your fund managers for years. For example, we already visited the head office in Minnesota in 2019. Conclusion at the time was (briefly): wonderful company but too expensive. The latter has changed, and we now consider this company attractively priced. UnitedHealth Group is one of the largest healthcare and insurance companies in the world. The company has two main parts: 1. UnitedHealthcare (This is the health insurance division. They provide health insurance to individuals, businesses, and government programs, such as Medicare and Medicaid) and 2. Optum (This is the health services division. Focuses on data-driven healthcare, pharmacy management, technology and medical services). Approximately 130,000 doctors and specialist healthcare providers are affiliated with UNH in the US. At the end of July, the company published its financial results for the second quarter, which were not well received by Wall Street. Management pointed to rising medical costs and therefore lowered the full-year forecast. On top of that came the news that the company is the subject of an investigation by the US Department of Justice (DOJ) into possible irregularities in Medicare claims. The latter now looks to be less serious than it originally appeared. UNH's share price fell sharply and is down more than 30% this year (in euros even more than 40%). Yet the news in recent months has not only been negative. UnitedHealth's leadership repeatedly emphasizes that the company expects profit growth again in 2026. Also, several large investment groups (including Buffett's Berkshire and David Tepper's Appaloosa) have recently expanded or retaken their stake in the health insurer. In the longer term, in our opinion, it looks like things are settling down and growth in sight again. Finally, UNH is a company that has been systematically applying dividend increases for many years (including over this year) and has a reliable dividend history. The dividend yield is currently close to 3%.

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