

Monthly Bulletin September 2025

The interest rate cut in the US and the precarious monetary situation in France dominated the news last month. Long-term interest rates in France even exceeded those of Italy. Investment fund Hoofbosch closed the reporting month at €235.13 (-0.27%). The US dollar fell 0.5% against the euro and the Swiss franc remained flat. Long-term interest rates fell to 2.86% in the Netherlands.

US Interest Rate Cuts

The US central bank, the Fed, lowered interest rates for the first time this year. However, it appears to be more of a precautionary cut than the start of a series of cuts. 'As a precaution', because the US labor market is now running noticeably less well than in recent years and 'not the beginning of a series', because inflation is still on the high side. The European Central Bank (ECB) kept its monetary powder dry in September. The bank expects the economy to grow at a normal rate for the currency union in the coming years (i.e. just over 1% per year), while inflation will fall below 2 percent. As with the Fed, however, there is an external factor that could cause (major) unrest, namely France.

France, watch out...

In the second largest economy in the eurozone and the European Union, the government has once again fallen and political instability reigns. Next year, there will be the uncertainty of who the French president will be from the beginning of 2027. Political instability in Paris means, among other things, that nothing is being done about the sky-high budget deficit (more than 5% of gross domestic product) and rising government debt (more than 110% of GDP). No wonder France's credit rating has been downgraded, to A+. In the midst of all this, French long-term interest rates are rising and there are now even French companies, such as L'Oréal, that pay a lower interest rate to borrow money than the French State. That is an exceptional situation. French politics, both on the left and the right, does not seem to (want to) understand how deep the country is stuck in the debt quicksand. A good indication of this is that both political blocs want to bring down the already relatively low retirement age. In the

current situation France has no money for pension benefits with the current retirement age (64), and certainly not when it is set even lower. Almost half of the increase in French public debt since 2017 appears to have been spent on pension payments. The engine that has to provide the money, the economy, is not running well. The fact that almost 2/3 of the working population is employed by the government and not in the private sector has a lot to do with this. If France marches further towards a debt crisis in the future, the chance increases that the ECB will have to take action with a de facto (much) more accommodative policy. There is a good chance that this will be to the detriment of the euro. Are past results a guarantee for the future? France has failed to repay its debts no less than 8 times since 1800.

Artificial intelligence and ASML

In the field of artificial intelligence, among other things, Europe is often lagging the US. The hope of reducing the gap is pinned on ASML and the French AI company Mistral. The latter has been developing large language models (technology behind applications such as ChatGPT) since 2023 and is therefore often described as the OpenAI of Europe. ASML took an 11 percent stake in Mistral in September. The Veldhoven-based chip machine maker wants to use Mistral to train AI models to make its own machines even better and more efficient, thus protecting its monopoly position optimally. Investors are very happy with it; ASML's share price rose by 30% in September.

Nestlé

CEO Laurent Freixe was fired at the beginning of the month for violating Nestlé's code of conduct (relationship with employee). Philipp Navratil, the CEO of Nespresso, succeeded him. Within a year, two CEOs were fired from the company and this led investors to question the leadership culture and the governance by the Supervisory Board. The chairman, Paul Bulcke, has stepped down early and will be succeeded on 1 October by former Inditex boss Pablo Isla, who was already a member of the board. It is quite possible that this will lead to a strategic reorientation. Several options are open: accelerated focus on the profitable coffee branch (Nespresso and Starbucks licenses), divesting frozen meals, further phasing out less profitable brands, expansion in health food and pet food, a possible sale of the stake in L'Oréal or a tightened ESG policy to regain investor confidence. The stock initially fell nearly 10% but recovered somewhat at the end of September. It closed the month 3% lower.

Roche

Roche acquired the American biotech company 89bio last month for about \$3.5 billion. This strategic move strengthens Roche's position in the treatment of liver and

cardiometabolic disorders. 89bio's promising drug candidate pegozafermin offers new opportunities for patients with MASH (fatty liver disease), a fast-growing therapeutic area. Initially, the stock reacted positively, but President Trump's announcement that he wants to impose a 100% import tariff on imported branded or patented medicines from October 1 put the stock price under pressure again. Following the announcement, Roche has been quick to respond by pointing to its US investment plans. The company emphasized that its Genentech division began construction of a new manufacturing facility in Holly Springs, North Carolina, in August. In addition, Roche has committed to investing \$50 billion in manufacturing and R&D in the US, which is likely to safeguard it from the new tariffs.

Sonova

Eric Bernard, the new CEO of Sonova, could not have wished for a better start: the company has been named the most innovative company in Switzerland. In addition, it also recently achieved 12th place in the European ranking of Fortune. An example of Sonova's leading innovations is the Phonak Audéo Sphere Infinio. It is the first hearing aid platform to use real-time AI to enable the understanding of speech in a noisy environment for people with hearing loss. We were recently able to determine for ourselves that it worked very well for a fellow visitor at an event. In fact, we didn't realize it until we were told that this lady was wearing a hearing aid, because it was virtually invisible. Sonova shares fell by 7%.

Performance Hoofbosch 2025

The performance of our fund has been disappointing recently, also for us. Two main causes: quality US stocks are lagging the market and at the same time, the US dollar has fallen by almost 15% against the euro this year.

Tech versus quality in the US

The world index for equities (MSCI) consists of almost 75% American shares and the ten largest (tech) companies – all American – together represent more than a quarter of that index. In other words: The large American tech stocks dominate (euphemism) the world stock market. This has led to the large tech stocks recording a significant (again a euphemism) premium compared to quality stocks. The latter category, companies with solid earnings development, attractive dividend yields and strong balance sheets, are now cheap by our standards. Our largest position in America is Microsoft, which is one of the top 10 stocks in the MSCI. The stock is up 22% this year, while quality stocks like PepsiCo and Procter & Gamble are both down 8%.

Tech versus quality in Europe

In Europe, unlike the US, we do see quality stocks performing well. For example, our largest position (and tech stock) ASML, stands at an annual gain of 21%, but quality

stocks such as L'Oréal, Geberit and Lindt also register respectable annual gains of 8%, 16% and 21% respectively.

Future tech versus quality in the US

How do we see the future when it comes to quality US stocks versus the big tech stocks? Our largest stake in the US is the aforementioned Microsoft (approx. 8% of the portfolio). This stock is still attractively valued and we expect Microsoft to continue to see solid earnings growth in the coming years. It is also conceivable that we will expand the American tech component in the future. However, solidity and an attractive valuation are crucial requirements. The various quality US stocks in the portfolio currently have, without exception, a historically low valuation and an attractive dividend yield. For example, the dividend yield of Procter & Gamble and PepsiCo is 4% and 3% respectively. We suspect that if the fall in interest rates in the US continues, this category will come back into the spotlight and the valuation gap with the big tech stocks will narrow. But if we find that a company in the category of quality stocks cannot adequately deal with the current situation, we will liquidate this position.

Future of tech versus quality in Europe

In Europe, the extremes in valuation between tech and quality have largely disappeared. Because growth, in our opinion not justified, is less associated with AI in Europe than in the US, we expect a catch-up here. Companies such as Roche (mentioned earlier) and Sonova (also mentioned earlier) are certainly benefiting from the rise of AI.

Future of the US dollar

Predicting currency rates is a tricky business, especially in the short term. We are well aware of that. In the long run, however, the history of a currency offers us important guidance. For example, from 1900 onwards, there were three strong currencies: the Swiss franc, the guilder and the US dollar. These have been called the so-called 'flight currencies'. All other currencies are weak (Canadian dollar), to extremely weak (French franc and Italian lira) compared to these 'SUN currencies'. The exchange rate of the German mark went to zero in the 30s of the last century. We see no indications that the development of the various currencies will change drastically in the future. This means that, given the monetary precarious situation in France (an ocean full of minuses), we dare to venture the prediction that the dollar will eventually strengthen against the euro. Finally, and this is not a groundbreaking prediction, the Swiss franc will continue its more than 100-year rise against all world currencies.

Headquarters

Nieuwe Bracht 23
2011 NC Haarlem

(023) 202 1881

Rotterdam Office

Marie v. Eijdsen-Vinkstraat 299
3066 JB Rotterdam

(010) 751 2881

Almere Office

P.J. Oudweg 4
1314 CH Almere
Kantoor: 22.22

(06) 19 60 27 90

Aanmelden presentatie

Afmelden nieuwsbrief

Hoofbosch.nl