

The world as we experience can often be compared to reading a financial newspaper.

In the first section, the world is discussed economically, financially and (geo) politically. Seldom can you maintain a positive feeling about it. It is not difficult to become a cultural pessimist if you have read this section.

Politicians can abuse their power and are sometimes solely focused on the next election instead of on sound and sustainable governance. Superpowers seem entangled in an eternal struggle (e.g. China and the United States). Stock market prices in America are so high that a crash seems inevitable. Central banks do not know what they are doing. Some countries are in the middle of an existential crisis (e.g. Turkey, Venezuela and Argentina). In addition, Europe is on an inevitable path to fall apart (e.g. Italy). There is ALWAYS a wall of worry that investors should try to take in stride. Throughout our history, it has always been this way, and it will always remain so.

Fortunately, there is always the second section.

The section in which optimists have their say. The section of entrepreneurs who speak enthusiastically of their companies and the future. Managers, policymakers and other people who see enormous opportunities and try to act accordingly.

Our analysts have just returned from a number of international conferences where they have had in-depth contact with the various companies in which we are invested.

As you know, the financial reporting season has just ended, with companies explaining their results over the past quarter and their prospects for the coming quarters. Once again, we have received confirmation of good financial results and the continuing favourable prospects of these companies.

This is particularly important, because apart from the price fluctuations of the past months, the evolution of the stock market prices of our companies over the long term depends in large part on these operating results. Over the short term, the share market is a voting machine; over the long term it is a weighing machine.

In addition to operating results, the second major determinant is interest rates. In the United States, interest rates have been on the increase for two years. This reflects an economy that is doing particularly well. The ECB is now also starting to lean clearly towards interest rate hikes, although this may not begin to come into play until the summer of 2019.

Contrary to what you might think, a rise in euro interest rates is positive news. It reflects a recovering Europe with steady positive growth. In addition, it might mark the end of a hidden confiscation of your assets.

After all, as you know, the return on capital that is only invested in euro bonds is virtually nil. In other words, rising interest rates may temporarily affect the returns on your bond portfolio in a negative way. But, after that (potential) growth is over, you can finally enjoy a higher return on your bond investments again. This is already the case for bonds in USD now, as interest rates have risen above 3%.

One last commentary on those optimistic and pessimistic sections.

- Could it be that Trump, with his tax cut, is partly responsible for the economic upturn in the US?
- Could it be that we owe much to the capable management of our central bankers?
- Could it be that Turkey and Argentina have brought their problems on themselves?
- Could it be that a China forced by Trump to abide by the rules of international trade (WTO) is ultimately better for everyone?
- Could it also be that the Italians will not be misled by politicians who propose no alternative?

As far as the second section is concerned - that of the business world - we would like to share the following reflections with entrepreneurs. Some of the companies in which we are invested have not exactly been rewarded on the stock market during the past months. In general, our stock investments have been treading water since the beginning of the year, which is somewhat surprising, given the often strong operating results. However, the same applies to every share investment. In addition, there is always a wall of worry at this level. In a dynamic world, every company has issues that its people lie awake about (hopefully on a continuous basis).

Thanks to our long-term focus, our risk management methods and the fact that we can rely on our own in-depth analyses, we look to the future with cautious confidence. We are confident that, in the dynamic and unpredictable world of today, we will be able to handle the assets you have entrusted to us in a cautious yet opportunistic way.

Do not hesitate to contact us if you have any questions.

Kind Regards,

The Management of CapitalatWork Foyer Group

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