

CapitalatWork nv
Kroonlaan 153
1050 Brussel

Brussels, April 8 2016

Dear Madam, dear Sir,

You will surely remember the most important message from our letter of January 2016. At that time, we announced an continuation of volatile times, which as we can observe now, has become true.

Since the very first day of the new year a widespread pessimism has triggered a significant downward correction. Equity markets dropped more than 10% and some parts of fixed income markets became very nervous. This led us to new opportunities at an earlier stage than we anticipated beforehand.

In contrast with other asset managers, we do not try to ban volatility in a forced manner. In a certain way, we even embrace or welcome market fluctuations.

Indeed, we have been very active during the last quarter. For an active manager such as CapitalatWork, last months have been a nice opportunity to show our added value. The previous is illustrated by our results, which, depending on the risk profile, have recovered from the negative results in January.

We would want to remind you again why the markets dropped in the beginning of the year:

1. An exaggerated pessimism triggered by a slowdown of Chinese economic growth. Current growth figures of about 5% are far from catastrophic. We take note of the fact that a multitude of companies that we cover still see opportunities in China.
2. An excessive correlation between falling commodity prices and falling equity markets. The decline in oil prices facilitates an unseen transfer of wealth approximating 2,500 billion EUR a year from producers to consumers. It is therefore our belief that declining commodity prices are beneficial for 80% of the world economy (Europe, Asia, companies and consumers) whereas it is detrimental to the remaining 20% of the world economy (Middle-East, Russia, Brazil and companies in the commodity space).

3. And finally, an exaggerated fear for rate hikes by the FED (the U.S. Central Bank). We can learn from the past that, when a central bank starts to increase its rates, stock markets initially stumble, but then rise again, reflecting improving company earnings in a stronger economy. In fact, rate hikes evidence a strong economy.

We have responded to this overdone pessimism by raising our equity positions in our portfolios early February. Moreover, we have taken advantage of higher rates of many corporate bonds to reduce the cash weighting in our positions in favour of our corporate bonds.

Less obvious to you, but certainly not less important, is the tremendous work that has been done in our equity funds and fixed income funds. Our expertise with nervous markets allows us to profit from prices moving randomly. The following quote refers to our investment philosophy and is reflected by our fine results: "Returns do not only depend on what you own, but also on what you don't own." We guarantee that we strive to validate this quote every day by being invested in stocks and bond of high quality companies and countries. It is precisely this focus on quality that always outperforms in the long run.

What can we expect for the remainder of the year, now that markets seem to have calmed down again?

Many external events already predict an enthralling 2016. The Brexit referendum, a summer full of major sports events, the U.S. presidential election, and then also the unexpected events ("Events my dear, events..."; as quoted by the British prime minister Harold Macmillan).

In the meantime, many elements have also remained unchanged. Many elements of which we have been claiming for years that they will not change. In particular, we refer to the low interest rates, especially in Europe, we have been dealing with. The latest action of the ECB (the European Central Bank), much highlighted by the press, comes down to interest rates remaining low for another long period. In other words, no income for the ones who do NOT put their "Capital at Work".

We are confident in the future given our strong focus and our in-depth own analyses. We are confident that we will be capable of handling your capital in a prudent, but still opportunistic way, in the context of today's dynamic and unpredictable world.

Truly yours,

The Executive Committee of CapitalatWork Foyer Group