Letter to stakeholders

Antwerp, September 30th, 2018

Dear friends,

2018 has been a difficult year so far. The stock market is very tight, which means the percentage of shares rising above the index is historically low. The market is driven by a limited number of shares and not by a majority. It is the shares that have already risen sharply and have significant impact on the indexes that continue to reach record levels. All the money is invested in what is referred to as shares with significant 'momentum'. Therefore, companies active in sectors that are less fashionable find themselves neglected by investors. This results not only in a two-speed market, but also in two-speed valuations.

What we are dealing with today is somewhat reminiscent of the late 90s, when the technology sector formed such a bubble that for at least two years the best portfolio managers, such as Buffett or Jean-Marie Eveillard, heavily underperformed and were looked upon by investors as 'totally outdated' even though they had long proven what they were capable of.

Today, the big tech companies are extremely profitable and not as expensive as back in 2000. However, capital is flowing to high-quality companies and the premium one pays for such quality is high.

Basically, everyone prefers to be a shareholder of an attractive company, but history has shown us that there is a price for everything, that even top-rated companies, if the shares are bought at too high a price at the beginning, can turn into bad investments. On the other hand, the capitalist world is ruthless: the attractive companies of today may not be attractive anymore tomorrow. Humans only see the exceptions that have survived, that are still here today. They fail to go back twenty years and realize that many excellent companies from that time have now disappeared.

The stock market is also subject to fads. In 2006, shares of top companies were not expensive. No premium was paid for quality. The market loved the very cyclical stock, such as raw materials, and this due to the rapid economic expansion of China. Back then, we were very happy to go against the trend, to leave the cyclicals and the banks to others and to buy only quality. Today, we once again limit the very popular shares and seek out opportunities where the market does not go, where the competition is less tough.

Unfortunately, in the short term, we may give the impression of being outdated, like Buffett and Eveillard at the time, but we believe that this is the price we have to pay for prudence, and we are convinced that what we are sowing today will enable us to cope better in case of a correction and, in particular, to perform better than the markets when considering a cycle in its entirety.

Among the companies with great ‘momentum’, we own Microsoft, LVMH, Ferrari, Alphabet (Google) and Tencent.

All our other positions trade at multiples less than or equal to their historical average and more importantly, current profits have not been inflated by an overly favourable environment that is specific to the sector or the company concerned.

Our portfolio contains a vast number of shares and bonds from companies that have reported excellent results. Unfortunately, we cannot predict the timing of a possible rise in stock prices, but nonetheless we are convinced that if profits continue to evolve in the same way, the stock prices will follow sooner or later.

If there is one thing we can be blamed for this year, it is that we have had more disappointing investments, both in stocks and in bonds, than usual. But as Warren Buffett puts it, “If after every round of golf we could eliminate our bad swings, we would all be scratch”!

The most important thing for us is to learn from our mistakes (unfortunately, there will always be mistakes) and, above all, to maintain our mentality, our management philosophy and our investment process.

Kind regards,

Thomas Vanderlinden *Stéphane Mercier* *Vincent de Pret* *Frédéric Van Doosselaere*

P.S.: Fund factsheets attached to this letter