Letter to stakeholders

Antwerp, 31 December 2019

Dear friends,

We are not just rounding off an excellent year today, but also an excellent decade for the stock markets. The past ten years have been relatively calm, with little volatility and just two calendar years with a negative return. One must take into account that the preceding decade was particularly bad since it started at the height of the technology bubble in 2000 and ended just after the 2008-2009 financial crisis.

Technological change is undoubtedly the most striking factor of the past ten years. At the beginning of 2010, Instagram didn't exist yet, and we didn't know what an app was. Netflix rented out DVDs and still didn't have a streaming offer, while Facebook hadn't been listed on the stock market yet. Cloud computing wasn't widely used, and so on.

Today, the five largest companies in the world, taking market capitalisation into account, are companies in the technology sector, which account for as much as 30% of the world equities index. These impressive figures demonstrate the importance new technologies have taken on, not only on the stock market, but also in our daily lives.

Good performances in 2019 have allowed us to put 2018, which was a more difficult year, behind us. Only the uncertainty surrounding the trade agreement between China and the United States worried investors this year. This very positive year was supported by excellent corporate earnings and still extremely low interest rates.

In our portfolios, we significantly increased the healthcare sector's share of the portfolio by increasing existing positions and buying shares in Merck and Novartis. This sector posted excellent operating results and is still valued very reasonably. We are particularly impressed by these companies' growth in Asia, which augurs well for the future.

We essentially reduced our shares in the consumer goods sector to make way for our new ideas. It is very difficult to achieve growth in this sector at the moment, and these companies are currently valued at historically high levels due to the stability of their cash flows.

A few companies gained more than 50% this year: Facebook, Microsoft, LVMH and Citigroup. Two positions ended the year down: Alliance Data and Kraft Heinz; we have reduced these two positions throughout the year.

We believe that our current portfolio offers a good balance: peace of mind thanks to good diversification in solid multinationals on the one hand, and good potential offered by growth companies for which the share prices are still reasonable on the other.

Our equity fund has been in existence for 17 years and has generated an average annual return of 9.4%. If you had invested one million at that time, you would have four and a half million today due to the effect of compound interest.

Specifically, by investing in a fund such as ours, you reinvest the return each year. The return for the following period is calculated not just from the starting price, but also by adding on the return for the current period. To illustrate this, consider that our fund generated a 9.4% return on a starting capital of let's say 100. The following year, it made 9.4% on 109.4. The year after, the return was 9.4% on 119.7, and so on. This is the principle of compound interest: a return on 100% of the capital, after reinvesting dividends at all times, and after taxes and fees.

This compounding, which doesn't exist with a simple return, provides enormous leverage on future returns, especially if the investment period is very long. In line with this, an investment in a bond or property with the same annual return of 9.4% is completely different if the coupon or rent is not reinvested immediately at the same yield. In that scenario, after 17 years, one million invested at the start will have become just two and a half million without reinvestment. This example is not entirely realistic given the hypothesis of not reinvesting the coupon or rent, but it does illustrate the effect of compound interest versus simple interest in a straightforward way.

Of course, our fund's 9.4% return is an average of the returns generated over the past 17 years; there have been better and lesser years, and this is not an estimate or guarantee of future performance.

The same applies, of course, to our patrimonial fund, which has had an average return of 7% per annum over the past ten years, and to our RDT fund, which has had an annual return of 10% since 2011.

Our primary ambition for the future is to strive every day to achieve better returns on our assets while being close to our clients, not only to get a better idea of what they want, but also to ensure that they understand what they have in their portfolio. We believe it is essential to keep our clients informed concerning our strategy at all times.

In 2020 we will be marking our 20th anniversary. To celebrate this and to thank you for your support throughout this period, we will be holding a "sports" day and organising a superb evening event on Friday the 4th of September in Knokke. Save this date in your diaries!

As usual, we will not be sending end-of-year gifts because we prefer to donate to the Fonds Anticancer, a cancer research fund.

We wish you a fantastic year 2020!

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

P.S.: Fund factsheets attached to this letter