Quarterly Letter

Antwerp, 31 March 2021

Dear Friends,

This year has started well with largely positive performances over the first three months.

Since last summer, financial markets have been anticipating a “post-COVID-19” world. The positive news in November about the effectiveness of the vaccines has further accelerated the belief that the end of this nightmare is approaching. Hopes of a major economic recovery have pushed up interest rates as well as commodity prices.

Former President Trump’s lack of tweets has certainly also helped to reassure markets.

Since 2018 and until last October, the stock market had been driven mainly by technology companies and by increasingly extravagant valuations for many high-growth companies. Ever lower interest rates provided analysts with ammunition to justify unrealistic prices. Some segments of the market had become speculative bubbles. We have discussed this repeatedly in our last quarterly letters.

The advantage of a bubble is that usually there is another part of the market that is completely neglected by investors. These are sectors that have been performing poorly for an extended period and which are not attractive to the short-term investor because it is difficult to know how long it will take before enthusiasm picks up. It should be noted that the majority of participants in the financial markets are short-term in outlook because they are under pressure to justify their performance at all times. Few succeed in breaking away from this pressure and staying the course in the long run, which is in fact essential to avoid acting in a foolish manner.

Although interest rates remain historically low, there has clearly been an upward momentum in recent months. Higher rates favour financial stocks and cyclical companies and they remove the air from bubbles or excesses that can be observed here and there. Many stocks have lost more than 30% in a few months. This should be seen as most welcome and as a development that is making the overall market healthier.

2021 is the very opposite of 2020: the best sectors are energy, raw materials, industrials and financials. On the other hand, the sectors that are performing poorly are the more defensive sectors such as consumer goods, pharma and the technology sector.

In our portfolios, this rotation of sectors has translated into positive performance since the beginning of the year of 15% or more for Goldman Sachs, Fairfax Financial, Mohawk, Stellantis, ArcelorMittal, Citigroup, KKR, NXP, Ageas, Axa, BNP and Alphabet, and negative performance for Unilever, AB InBev, Merck and Amazon.

The most important and reassuring thing is to know that the portfolio companies have pretty much all reported much better than expected results for 2020. While there is still a great deal of uncertainty due to COVID-19, the forecasts of these companies for 2021 are also very encouraging.

The most striking fact about our most important positions is first of all the extraordinary results of the big technology companies: Microsoft, Facebook and Alphabet have all reported results up 30% or more. COVID-19 has clearly accelerated digitalization.

Berkshire Hathaway bought back $25 billion or 5% of its own shares in 2020 and another $5 billion in the first two months of this year. Warren Buffett clearly believes that his stock is undervalued by the market.

The founder of Fairfax Financial has personally invested $150 million in Fairfax because he too believes his stock is far too cheap. Fairfax is trading at historically low valuations.

The merger of Fiat and Peugeot came to fruition last month. The new group is called Stellantis. Here too we are very optimistic, due to the potential for synergies and exceptional management, which the share price does not yet take into account.

This first quarter was an interesting test for our bond management. An increase in interest rates is bad news for bond prices, so it would make sense to have a negative return on this part of the portfolio. However, this pocket has achieved a return of 1% over three months, due to our long-term policy of keeping our duration short enough that we do not suffer too much from a rate hike.

Happy Easter!

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

P.S.: Fund factsheets attached to this letter