DUITENPLEIN5

2022 | DUITENBERG STRIKES BACK

FROM INFLATION TO DEFLATION?

Insights from former Duitenberger and co-founder of ValueMachinesFund

THE IMPORTANCE OF FUNDAMENTALS

Why fundamentals are even more important in these troubled times

ARMED CONFLICTS AND FINANCIAL MARKETS

Different takes on an increasing problem in todays society

TABLE OF

CONTENTS

Welcome to DP5 2022!

Every year a new edition of the Duitenplein 5, the association magazine of our Investment Study Club Duitenberg, is published.

The magazine consists of a variety of articles, ranging from impact on the market due to war to old members sharing their Duitenberg experience. Hendrik Oude Nijhuis, a returning columnist, shares his view on inflation. Be glad to know there is plenty of variety with respect to the topics of the articles as you flip through the pages.

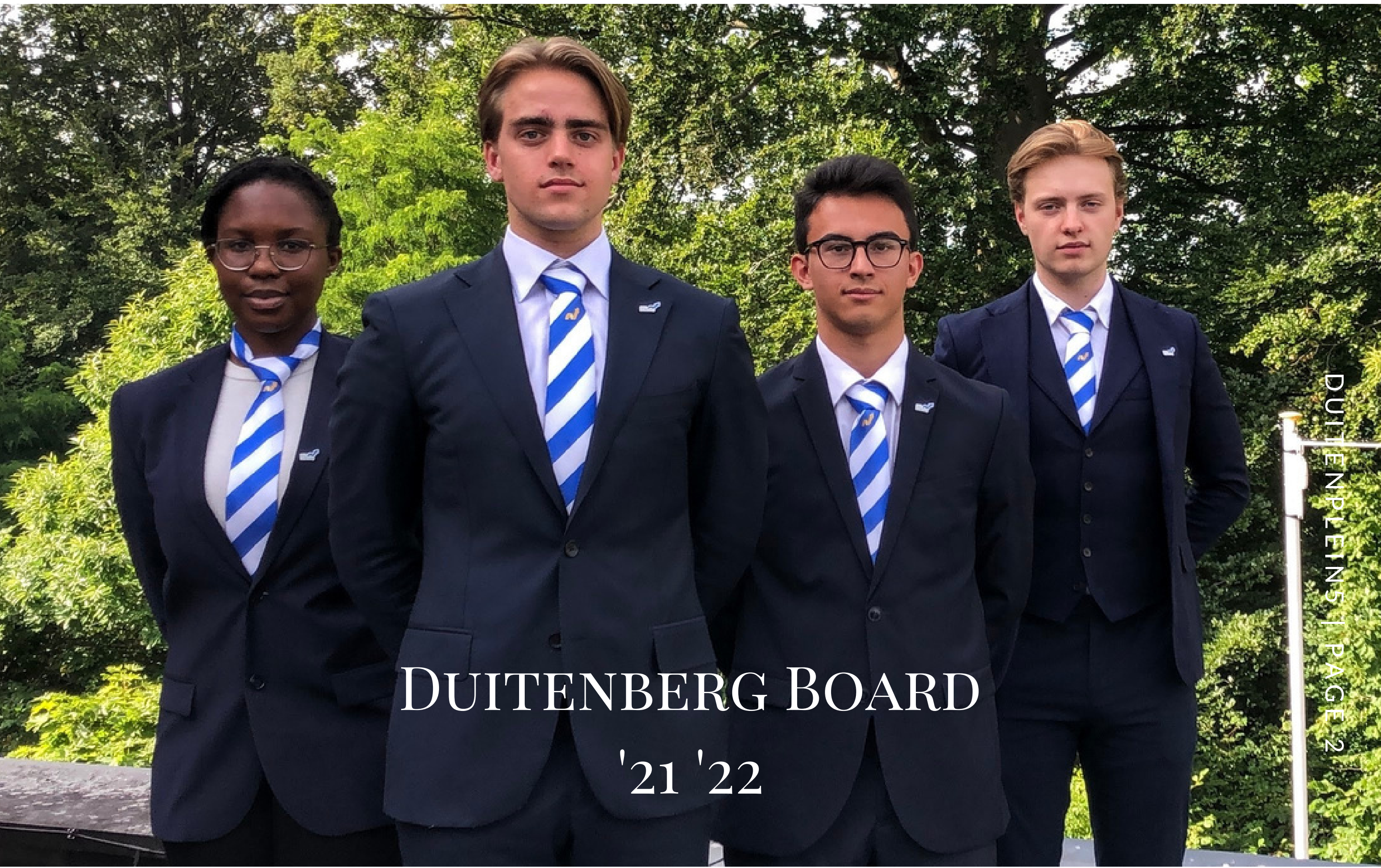
Once again, there is a full description of our current portfolio as managed by the two investment teams and apt reflections about the past year by the chairman of both teams.

Before you dive into the valuable content ahead of you, if you have any ideas, articles, memoires, pictures, videos and/or tips that you would like to share with fellow members of Duitenberg, please contact at secretary@duitenberg.nl and we will find a way to add it to the next edition of the DP5.

Get yourself a beer or whisky, sit back, relax and enjoy your read. We look forward to seeing you all at the next S.B.V. Duitenberg event!

Kimberly Tadiwanashe Mhuruyengwe
Quintijn Van Helsdingen

Editors



FROM THE CHAIRMAN

I would like to kick the Duitenplein off with a quote that drove my board year in the right direction. During the year this quote continuously ran through my head and I have come to live by it. The quote says: ‘Having time is making time, making time is a matter of planning well and not sleeping more than absolutely necessary.’ This quote is framed at HET FORT and descends from the board of ’92 ’93. Apparently, Duitenberg already knew what was up back then. To these gentlemen I say: ‘VO.’

In Corona times I was living with my parents and studied at the UT. I study IBA which practically means that I have a little too much time off. During this time off I was convinced by one of the thousand youtube gurus to start my investing journey. Before this, I was trading oil contracts on a plus500 demo account at age 14 but my parents wouldn’t let me play with the real bucks so I had to postpone my trading till my eighteenth birthday. When that day finally struck I opened an account on Degiro and started my investment journey.

At the end of last year, a message appeared in the IBA chat about an online interest drink from Duitenberg. Before this I had never heard of Duitenberg but it seemed really interesting so I registered and waited for what was coming. Since I had a lot of free time on my hands and was still living with my parents it was time for me to change course. The application went quite fast and on the 13th of July I got a call from Karol (former chairman) that from next year onwards I would become a member of the Duitenberg board. Of course this moment was celebrated with a party at Het Fort where I would also come to live. And so began chairmanship.

I was thrown in the deep end since personally I had never been to any Duitenberg activity but all-in-all this was a pleasant start since the pressure was on immediately. As a board, we suddenly got a pile of cash at our disposal within the back of our head that the kick-in is THE most important recruitment activity of the academic year. We had the amazing plan to print custom beer mats with the invitation to a typical Duitenberg-esque party. It was a great success and Duitenberg hosted one of the best parties at the kick-in. Off to a good start.

After the kick-in, it was finally time to show the new members what you’re worth as a board, and how you are going to tackle all matters. We honestly had a hard time the first two months as the whole online culture was still intact. For some weeks it wasn’t allowed to host lectures and other weeks it was then again unacceptable to host a party at the Kottendijk where things always got out of control (many can confirm). Because of this situation, it was hard to retain members and to form a solid group. From experience it shows that word-of-mouth marketing is the best for Duitenberg and this is one thing which I would like to pass on to the next board.

Despite the corona situation there was the possibility to visit our neighbours for a whisky and cigar night. In Gronau, very close to the Dutch border there is a whiskey and cigar lounge which we definitely made good use of. With 22 Duitenbergers we stepped foot on German soil all the while the Netherlands was in lockdown. The inexperienced whisky drinkers got a whiskey class and afterwards there was enough time to talk business while smoking cigars and drinking great whisky.

Around the same time I got a message from Daan Loohuis, member of the advisory board, with the idea to form a Duitenberg dispuut with the goal to create a foundation of yearly recurring members to Duitenberg activities. Taurus et Ursus was formed later this year with a class of old members and new members.

Following years more and more classes will be formed to represent the Duitenberg status in Enschede.

I would also like to devote some of the text to our treasurer Daniël as he changed the entire website of Duitenberg. If you have not seen the new website yet make sure to do so since Duitenberg has the best website of all Dutch student- and investment associations.

Now back to the storyline on how the year went by and where better to pick up the story than at the Christmas drink. This activity always causes chaos and this year for illustration purposes beer kegs were blown up in a shopping cart where there stood a two-metre tall fire. It is discussable whether this was the smartest plan but it definitely was a great night.

Now, fast forward to the annual new year's dinner which is traditionally the activity where old members show their faces again. What many do not know is that there was a miscommunication about the time and location and a new restaurant had to be found within the timespan of five days. And when I already tried to reserve at eight restaurants in a row and not one was available the stress started to kick in. You're about to mess up the most important activity of the year and this certainly will not happen. I learned an important lesson from this, namely to quit complaining and work your ass off till you see results. In the end, we managed to make a reservation at restaurant 'Het Zuiden' where we got a separate room next to the normal restaurant.

For the members who weren't there the situation was as follows: sitting down for 10 minutes to eat food and for the rest it were drunk speeches from all Duitenbergers present till we were kicked out of the restaurant during desert.

Another activity which always does the job is the poker tournament. Apparently, Duitenbergers crawl out of their caves when there is some kind of competition with a prize and where they can bash on each other for playing like fools. This year we invited a world series of poker player to give a lecture and afterwards a tournament was played. Our own external Quintijn walked away with a bottle of whisky and to this day I can't accept my loss as the guy got a flush and a straight on the last two rounds. To Quintijn: I'll meet you next year at the table again.

As the Kottendijk is the place that Duitenbergers destroy every time they get there we decided to inaugurate the house as the first Duitenberg house in Enschede. Het Fort has already experienced three generations of board members and future will tell if the tradition holds. I hope that Het Fort will see a lot of board members and that the house will be one to remember.

I would like to end the storyline which contained some of the highlights of this academic year. I really enjoyed my board year and Duitenberg is by far the best association in Enschede. It is the students with ambitions and the old members with experience that make Duitenberg a unique organization. An association where one can learn, drink (also learn to drink), and network. I want to pass on some of my gained knowledge of this year to you, the reader. The first lesson is that nothing goes without effort and you get out what you put in. The second lesson is to work your ass off and not to look at what other people are doing. Most people just like to talk so don't let them bother you. The last lesson is, that having time is making time, making time is a matter of planning well and not sleeping more than absolutely necessary.
I wish the next board all the best of luck and make sure that the Duitenberg spirit thrives.

Jelle Zegers, Chairman '21 '22.

Corporate Debt Under A Tighter Monetary Policy

Andrés Iturbide Figge

Currently high inflation is being experienced all around the world, from the past months everyone has been familiar with price increases in all kinds of goods. By the time this article was written inflation in the United States reached 8.54%, a forty year high. In addition, inflation has proved to be persistent, contrary to the “transitive” behavior that was forecasted by the Federal Reserve. This has raised a lot of speculation and uncertainty about how central banks might adjust their monetary policies and how exactly this could impact the world economy. Of course, having a completely confident forecast of what will happen is almost an impossible task to achieve, however by looking at the past and present the investor can gain awareness of the different risks that any change in monetary policy might imply. This article will focus on showing some elements that can reduce the risk for an investor when investing in a company under the scenario of central banks adopting a more aggressive monetary policy.

Firstly, I will start by briefly explaining how interest rates affect the economy to better understand what implications their fluctuation has. Interest rates are basically the price of borrowing and lending money, and they determine how much businesses and individuals spend or save. When interest rates are low, borrowing money is cheap, this incentivizes individuals to acquire debt and spend money. On the other hand, when interest rates are high, borrowing money becomes more expensive, which incentivizes saving. Changing interest rates is one of the main tools that central banks use for stimulating or slowing down the economy. Since 1980 a clear downtrend has been observed in interest rates, which in the last couple of years have reached levels close to or even below 0%. Currently, the economy has been running “hot” due to the high inflation that we are observing now. This puts central banks under pressure to tighten monetary policy for fighting inflation.

It is still unclear how aggressive this tightening will be, which has led markets to take wild swings. As explained before it is hard to come up with a confident forecast, but an investor can still consider the possibility that credit could not be as cheap as it used to be. Banerjee & Hofmann (2018) have shown that the relatively loose monetary policy observed since 1980 has incentivized companies to rely on cheap credit to finance their operations. The share of zombie companies (companies that do not generate enough profits to cover interest payments) has risen over the years. More information on this phenomenon can be found in the article referenced below.

Out of the information discussed below, we can conclude that due to the current high level of debt various companies might fall into financial pressure as debt starts to become more expensive. This article will be finalized by stating three points that an investor should pay close attention to mitigate this risk when investing in a company.

Conservative financing

Companies need money to expand their operations, this can be either by building new production facilities, starting new projects, etc. For financing these sorts of ventures a company can reinvest cash generated by previous profits, sell equity, or acquire debt. Therefore, one should keep an eye on whether a company is relying too much on debt for financing itself. With debt becoming more expensive companies could run into trouble with financing themselves. Companies with conservative financing will have an easier time expanding their businesses and might not be pressured if debt becomes more expensive.

Strong balance sheet

Any debt that has been acquired by a company with a variable interest rate might become more expensive. Therefore, paying close attention to the debt levels of a company is of great importance, if a company has a healthy balance sheet, profit might not be that affected by interest payments in comparison to a highly indebted company.

Enough cash flow to remain profitable after debt becomes more expensive

Interest payments are subtracted from the cash that a company generates over a period of time. Therefore, higher interest payments mean lower profits. An investor should keep an eye on companies that barely or do not generate any cash flows and should look for companies with steady cash flows that can absorb higher interest payments, allowing the company to remain profitable.

Banerjee R. N., Hofmann B. (2018) The rise of zombie firms: causes and consequences, Bank for International Settlements.


optiver

Why fundamentals are even more important in these troubled times

Vincent Pater

I recently gave a lecture called 'Sustainability for the Wallet' which I think will be thematically quite relevant to this edition of DP5. Through this article, I hope to convince you that investing based on fundamentals is the only sensible way forward, especially in these uncertain times.

What is investing truly?

Ask 10 people on the street what investing is and you'll receive 10 different answers. One thinks it is glorified betting, another might say it's about supporting a company that you like or in case of the real estate market about squeezing the last cent out of renters.
I think all these views are incorrect and it would be more helpful to think about investing on a more abstract level:

Investing means forgoing present expenditures and instead allocating your money to assets that you expect a future positive (real) return on.

In other words, without the expectation that you'll get back more than you've put in, it's not investing. Most people would find this statement obvious, in practice however, they don't act accordingly. This is most noticeable when transactions are based on ideals instead of a good business case. In the last two years, many people, investment firms and (pension) funds have sold off undesirable assets for in many cases bargain prices and by doing so destroying the wealth they intended to build. Oil companies for example, or more recently Russian stocks, have been sold in large quantities for really low prices even though the expected return on investment on these was/is quite good on these.

The other side of the story is people and funds paying premium prices for the stocks of companies that are 'sustainable' but never made a profit in their entire existence. The argument in this case, however, is that one of these small companies will eventually grow to be the market leader. When you take a look at history, however, you'll often see that most of these early technology companies will fail. More than one hundred years ago there were more than 1900 car companies in the USA alone. How many of those are still around today? What happens more often than not is that a company that doesn't even exist yet will grab the technology once developed and bring it to the masses. I think a similar thing will happen to all these sustainable companies too. You can therefore not realistically expect a positive return in the long term. This, according to our definition, means that putting your money in these stocks is not investing. The only thing that is good for your wallet, is putting your money into good assets with long-term potential. Or alternatively, so much short-term returns that it will compensate for the lack of long-term potential (read: Oil companies).

What makes a good asset?

Many people think that a good stock is one whose price keeps going up over time. This is true to an extent. What many people seem to forget however is that the price of a stock can be broken up into two parts: a fundamental part (its true value), and a speculative part (sort of like a premium). When the price rises, you don't necessarily know which part is responsible for that. To figure this out, we'll have to look at the value of the company ourselves.

But what is the value, I hear you ask. Good question indeed.
In my opinion, the best way to explain it is like this:
A good company offers a product or service that brings a net (considering its costs) improvement in the quality of life for the customer. As long as this is the case, a company can make a profit in the short and long term. This profit and all future profits have value.
This immediately leads us to the conclusion that the only profitable asset (which makes it investing!) is one that costs less in the market than the (present-day) value it represents.

But what about growth stocks? Yet another good question.
Growth is not necessary for a good investment. For example, if you could buy a shrinking company worth €100M (true value) for the market price of €50M, you still make a good return on your investment. For normal companies, however, growth should simply mean higher profits in the future which means the present-day value simply goes up.
Growing for growing sake is useless. Many Venture Capitalists will disagree, but they never seemed to be interested in fundamentals or a good business model anyway. Another point about growth stocks, which I already mentioned in the first section, is that there are often a lot and many of these companies go out with a fizzle – and with them, your money.

Predictability is key

In my opinion, the best kinds of companies are the boring types. Preferably in the min-cap range with a decent amount of growth potential left. Straight forward business case, good profitability and no funny accounting tomfoolery. For example food producers, chemical plants, im-/exporters of commodities, etcetera.

Valuation of these types of companies is relatively straightforward. Stable or growing revenue? Nice. Large net profit margin? Awesome. Little to no debt? Perfect. And so on. When a company is predictable, you can also do a reasonable estimate about their future earnings. Predictability is key for a good valuation.

Less risk is *more* profits!

Contrary to popular belief, more risk does not mean more profit. That is if we rephrase what we mean by risk.

Say for example you have the opportunity to buy something which you think is worth €100. The problem is however that you might have missed something and your number could be off by a fair bit. Perhaps it’s actually within the range of €80-120. If you buy said item for €80 and it actually turns out to be dead on, you’ll have made no return – a bad investment.
If instead, you could have bought it at €60, you’d have a much bigger margin of safety.

Less risk, and more potential profits!

Everything stands or falls with the price. When you’re in the supermarket, you want to get the best value for your money. I truly wonder why people forget this when they enter the stock market. The most important question however is: will you forget this too?

Conclusion

In investing there is no free lunch, you have to do due diligence and research every investment opportunity that you’re considering putting money in. Don’t just look for reasons to buy, also look at the reasons why not to buy and make a good decision based on that. Additionally, I’d like to say that a good investment is not necessarily the best investment, look around! Perhaps there are better places to put your money – you can only spend it once.

This article reflects my personal opinions and focuses on the concepts in investing that I think are sometimes overshadowed by misconceptions, get rich quick gurus and what have you.

o get a more practical intuition on how to make good investment choices I will leave you with a final piece of advice: Join the investment team!

Armed conflicts and financial markets

Daniël Lizarazo Fuentes

All armed conflicts possess large amounts of misery and tragedy. I'm not minimizing the horrific impacts by discussing their impact on global financial markets.

From the early days of developing financial markets to our more intricate current ecosystem, financial markets have lived side by side with global and local conflicts. It is undeniable that wars have had, and as we continue to see with the Russian invasion of Ukraine, continue to have a large impact on global financial markets. The goal of this short article is to inform you about historical relationships between wars and financial performance and understand why these relationships can differ from war to war.

Wars can have drastic effects on investors. From smaller financial losses to full-on expropriation of all assets (Russia 1917, China 1949) resulting in an irrecoverable total financial loss.

With the recently heated-up conflict in Ukraine, I found this an overall important topic to investigate further, from an empirical standpoint. Currently one can also see that the Russian invasion of Ukraine also has increased volatility significantly and led to high uncertainty in certain supply chains.

The bigger picture

From an economic perspective, war unsurprisingly is destructive and costly even for those not directly involved. Money spent on destroying things is money that could have been spent on building things. While there are arguments to be made for innovations stemming from the military it is difficult to gauge where we would be if the same amount of resources were spent in civilian industries. I shall therefore not look into that further but at the overall costs and effects on markets and economies.

The infographic *[1]* below illustrates the cost of war on our economies.

In global terms, this means about 1.4 trillion USD annually is lost (about 1.65% of global GDP in 2021). ***[2]***

How do armed conflicts and wars affect financial markets though? A possible approach to find more intricate answers is to look at datasets and find out if any relationships exist and how strong those relationships are. This is exactly what H. Berkman and B. Jacobsen did. Using a dataset of 440 international crises (as defined by the ICB Project) they found that investors, on average, lose 4 percent every year due to international crises. Volatility also is documented to increase during said crises.

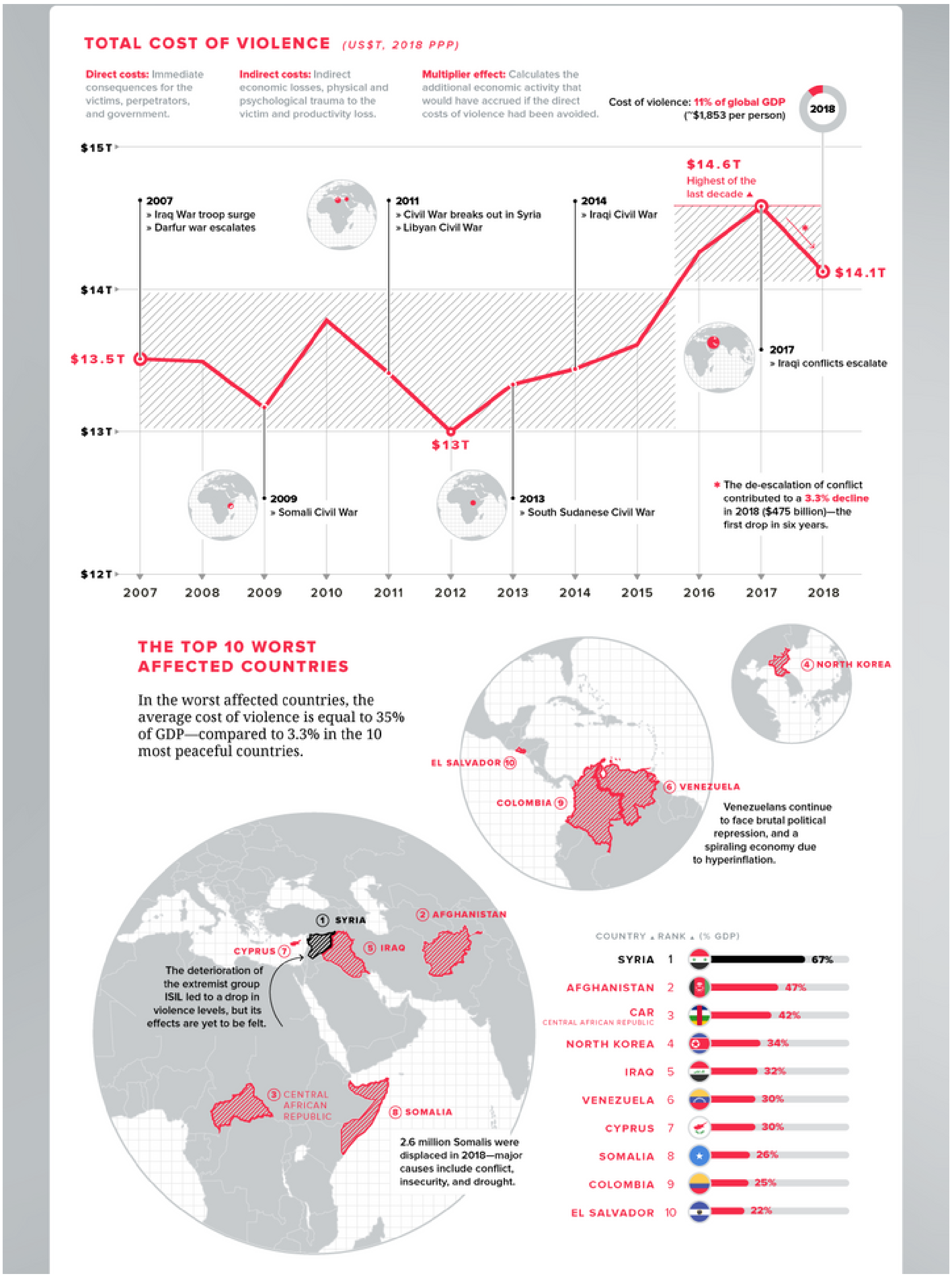


Illustration by Visual Capitalist on the cost of violence. As of 2018, excluding the recent invasion of Ukraine and the 2020 Nagorno Karabakh conflict. *[1]*

The smaller picture

One might ask how this information could be beneficial to an individual investor. Looking at the below table we can see some interesting relationships develop.

First of all, price reactions are not stronger for crises that start with violence. However, the results for the variance equation show that those crises that started with a violent act tend to coincide with more volatile markets. As also could be expected, crises that are classified as more severe have significantly more negative impacts on stock returns.

Takeaways

The issue with taking lessons from this and adjusting asset or portfolio allocations is that there is not a simple consistent pattern.

Table 6. Stock market reaction and international crises: severity

		Violent crises	Crises with a grave threat	Crises with major Power	All
Mean equation					
Constant	μ	0.897 **[4.58]**	0.880 **[4.57]**	0.902 **[4.65]**	0.869 **[4.59]**
Crisis	α_1	-0.238 **[-2.89]**	0.124 [1.06]	-0.130 **[-1.70]**	0.173 [1.32]
CrisisViolent	α_{2a}	0.12 [0.84]			0.095 [0.65]
CrisisGraveThreat	α_{2b}		-0.550 **[-3.66]**		0.566 **[-3.73]**
CrisisMajorPower	α_{2c}			-0.293 **[-2.04]**	-0.267 **[-1.90]**
Variance Equation					
Crisis	β_3	-0.037 [-0.72]	-0.024 [-0.43]	0.024 [0.47]	-0.145 **[-2.01]**
CrisisViolent	β_{4a}	0.288 **[2.72]**			0.372 **[3.02]**
CrisisGraveThreat	β_{4b}		0.216 **[2.55]**		0.128 [1.36]
CrisisMajorPower	β_{4c}			0.142 **[1.75]**	0.103 [1.06]

Table illustrating certain factors (and their combination) and the relationships with markets. *[2]*

As Niall Ferguson nicely stated: Investors do try to learn from history, but they mainly learn how to make new mistakes.3

Another interesting takeaway could be related to how fund managers and bankers are prepared for major conflicts. Due to human nature, executives and financial managers tend to only look and prepare for recent events, with recent being defined as at most 25 years back. This can cause the financial industry (or any other industry for that matter) to be taken off guard just like in 1914 with war expectations.

Therefore one should conclude that knowing what happened in the past due to the diversity of factors affecting a crisis or war is not necessarily that useful for predicting the future. Investors also have realized that estimating risk with larger-scale conflicts (so including superpowers) is becoming incalculable due to the existence of hydrogen bombs.

Sources:

1. Cost of violence - https://www.visualcapitalist.com/violence-disrupting-global-economy/
2. War, peace, and Stock Markets - http://dx.doi.org/10.2139/ssrn.885980
3. Earning from History? Financial Markets and the Approach of World Wars - https://www.brookings.edu/wp-content/uploads/2008/03/2008a_bpea_ferguson.pdf

What To Learn From Twitter

David Evers

We all know the rule from Peter Lynch that tells us to buy companies that we use daily and make good products. For the company I talk about here, I am not sure if the latter is true, but most of us use Twitter daily. And man, what a company that is! Especially lately with everything going on.

Although Twitter was not profitable until 2019, and financially far less attractive than his, quite literally, big brother Facebook, Twitter still survived. Twitter started in 2006 as an alternative to Facebook. Where you don't expect your uncle to, who at the time sold high "profitable" mortgages, to share all his trades and lifestyle updates hourly on Facebook, you do expect him to do that on Twitter.

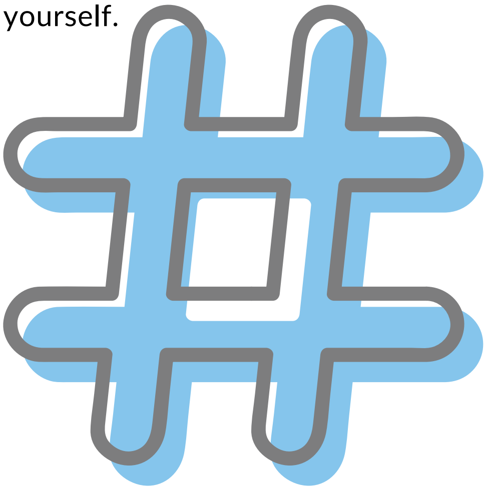
That was and still is Twitter's added value to the market, and they are still very good at it. Twitter developed itself over the years as the major platform to spread an informal message very quickly. Even presidents all over the world use it to do that. The one smarter than the other but still.

However, by the time this article is published Twitter will probably be already in the magical hands of Elon Musk, so it does not make much sense to recommend buying or selling Twitter. What I do like to discuss is how I use Twitter and what I have learned from Twitter. When searching for the right channels, Twitter is a free university with education about everything. When using it right, Twitter is also a very powerful rich data mine. A few examples:

With a few Duitenbergers, we have a WhatsApp group in which we share trades and cry together when things go bad. The group started at the beginning of corona when the markets were very volatile (not sure what changed in the meantime). Some of us got interested in penny stocks. The problem with penny stocks is that they are OTC listed. Not much information and history could be found about most of those companies and most of the stock price increases are just pump and dumps. A member of the WhatsApp group just became python developer and became interested in penny stocks too and thought about a way to predict what would be the next pump and dump.

Pump and dumps are created by scammers telling many ignorant people to buy something, he called them furus (instead of gurus). Furus mostly spread their pumps on Twitter, starting small. He, therefore, developed an algorithm, connected to the Twitter API, to look for those starting pumps. That algorithm made a list, starting with the most promising pumps. He then created a virtual portfolio with the most promising ten. In the end, the virtual portfolio had its ups and downs but seemed to work nicely.

Another way to benefit from Twitter is to use Twitter as a university. On Twitter, there are lots of gurus who can't wait to sell you something, but sometimes they come with something actually good. Such as this guy (https://bit.ly/3M9ZnzM) that provides some very useful websites you have never heard about. This person (https://bit.ly/3weD6eN) for example claimed to have worked at a Fortune 500 company and shares some very useful tips on how to make your resume stand out. And for your general knowledge, you can find stories like this (https://bit.ly/3PdyFYW) that tell you about how ZARA started and how to do it yourself.



If you want to find tweets about subjects you are interested in, you can use this (https://bit.ly/3sy3o9i) starting guide that introduces you to the advanced search techniques of Twitter. I mostly find the tweets appearing in my timeline, the algorithm does his work. I bookmark the most interesting ones to read them again later.

Twitter is of course for old people, but it turned out that sometimes those old people have something very useful to tell you. When using Twitter correctly, avoiding the bullshit, you can use Twitter to the best of your interest. It really has the potential to serve people in every area, it is up to you to choose that area carefully and I hope this article helps you to do that.

An Ode To Duitenberg

Paul Kemper

Together with Reinier van Dijk and David van de Fliert, I formed the board of ‘17-‘18. It feels like it has been an eternity on the one hand, as a lot changes when you transition from student to working life, which has been quite some time ago. Although on the other hand, when visiting Duitenberg events, besides all the new faces, you also experience that not a lot has changed.

Looking around at the New Year's dinner, a couple of months ago, I saw a lot of familiar faces. People who provided us with some great advice, while we were learning the ropes on how to steer the association. People who succeeded us and improved so much on what a great association Duitenberg already was. But I also saw a lot of new faces. People whom I never met, but for which it was obvious they also shared the same energy to get things done, the passion for everything finance-related, and of course, also, the appetite for a drink or two.

Firstly, those kinds of people always made me feel at home within the association. I remember learning a lot during the analysis evenings, in which together with Dawid Ostroga, I analyzed my first stock. A (lithium) mining company based in Chili (ticker:SQM).

Looking at the return today, I guess we should have invested more into the company. However, besides the investment decisions that we did, or did not make, the critical view, formed during these evenings and the skills gained over all the lectures, really contributed to the professional me.

There were also drinks. In particular, I remember the first Christmas drink, in which it took us only about one hour of free drinks to start the most intense debates about whether or not the AEX end of the year really was a thing, and so on. I believe everybody who has joined one of these famous Christmas drinks has some similar experience.

All in all, I’m extremely glad I joined Duitenberg when I did! So many of my great memories were gained during the years at the club and while I’m not able to attend as many of the events as I used to, I’m sure a lot more experiences are yet to come. Many thanks to everybody who has contributed in some way, shape, or form in the past years.

From Inflation To Deflation?

Hendrik Oude Nijhuis, former Duitenberger and co-founder of ValueMachinesFund

From inflation to deflation?

It will probably be known that inflation is currently strong. Last month - April 2022 - inflation in the Netherlands amounted to no less than 11.2%. As a result, the purchasing power of money melts quickly. Because apart from wealth tax (above a tax-free rate), it also applies that with higher amounts in a savings account you do not get interest but have to pay it.

In order to combat the sharp inflation, central banks are inclined to raise interest rates. Anticipating this explains the falling stock markets since last autumn. This applies in particular to shares of so-called growth companies where the expected profits are further in the future, making such shares extra interest-sensitive.

I myself do not try to predict interest rate developments. But I do try to be prepared for different scenarios. The scenario of rising interest rates can be anticipated by partly also investing in companies that benefit from an interest rate rise. This includes, for example, (health) insurers such as Berkshire Hathaway and Anthem.

While many consumers, entrepreneurs, and investors fear persistently high inflation, a period of sharply falling inflation - possibly short-term deflation - seems to me a more likely scenario. Four reasons to expect sharply falling inflation in the coming year:

REASON 1: The price of oil has doubled (an inflation rate of 100%) compared to a year earlier. If the oil price remains at the current high level in the coming year, this will have a strong downward effect: the inflation of the price of a barrel of oil will fall from 100% now to 0% in twelve months' time.

REASON 2: Consumers have hoarded a lot of money during the pandemic. Now that the measures have been abandoned in many countries, spending this money creates extra demand and that drives inflation. However, this catch-up effect is something temporary.

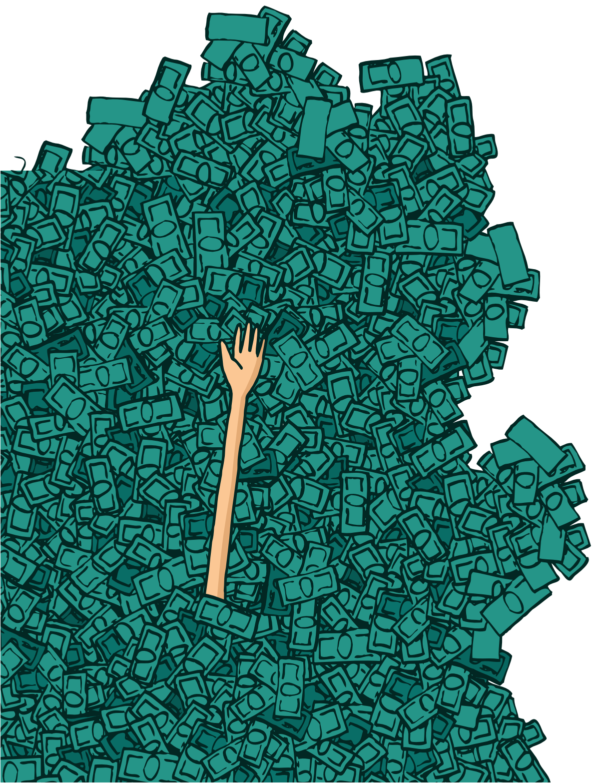
REASON 3: Two years of lockdown measures and delayed spending have thrown distribution chains worldwide into disarray. It is logical to expect that the bottlenecks in the distribution chains will resolve themselves at some point.

REASON 4: The euro fell more than 10% against the dollar last year. That is driving inflation in Europe. I assume that the euro and the dollar will approximately balance each other in the long term. Illogically, a sharp weakening of the euro is to be expected every year.

In the scenario of a sharper-than-expected falling inflation - possibly short-term deflation in about a year - central banks can take it a little easier with raising interest rates. That would be beneficial for equities in general and in particular for the so-called growth companies whose prices have shrunk so much in the past six months.

DISCLOSURE: For my own account, I own Anthem and Berkshire Hathaway shares.

Hendrik Oude Nijhuis, himself a former Duitenberger, has spent years studying the world's best investors and is the author of the bestseller 'Learn to invest like Warren Buffett'. This book, including the audio edition (!), can be requested free of charge via <u>http://www.warrenbuffett.nl/</u> or by scanning the code below:



ACTUARIAL, RISK FINANCE AND DATA SCIENCE SOLUTIONS

Here's a selection of the solutions that have emerged from combining our knowledge and skills

From consultancy to operational support and from actuarial valuation to risk management. You can rely on our expertise and determination.

Discover the value of our in-depth domain knowledge for your organization.

VISION AND IMPLEMENTATION

Strategic advice of the highest level and implementation. We work from the basis of result-based agreements.

MULTIDISCIPLINARY

You will find actuaries, risk professionals, and data scientists working with us. We prefer to work in multidisciplinary teams with our clients.

FLEXIBLE

Your concerns form the core of what we do. We provide consultancy, interim management, customisation and tooling, all tailored to your organisation's needs.

NIO: Tactical Investment Opportunities Arise

Sandeep Rao, Leverage Shares Market Analyst

In the article for Chinese EV carmaker NIO published in December, the points in favor of the company (as opposed to the U.S.-listed stock) included high operational achievements via its joint venture, leadership's clearly-defined and ambitious plans for growth as well as its steady focus in building out infrastructure for its offering.

What merited an advisory was the threat of delisting in light of growing regulatory pressure, with an advisory to investors with access to Eastern exchanges to keep an eye for the company's IPO over there.
Since then, the company has gone on to successfully list on both the Hong Kong Stock Exchange (HKSE) as well as the Singapore Stock Exchange (SGX) four days ago. The SGX listing offers a layer of ease for investors averse to the HKSE as well as ease of access to investors in the prosperous ASEAN belt.

However, given the economic scenario as well as the company's performance, the overall outlook for the company would do well with a nuanced consideration.

Fiscal and Ratio Trends

The company's most recent earnings release was the annual report at the end of April this year, which provides an excellent foundation for trend studies:

	Year-On-Year Change			Years Ended, December 31			
(in thousands, except percentages)	2021 vs 2020 Change %	2020 vs 2019 Change %	2019 vs 2018 Change %	2021	2020	2019	2018
Vehicle Sales	124%	120%	50%	$5,205,056	$2,326,823	$1,058,220	$705,762
Other Sales	182%	151%	358%	$465,537	$164,814	$65,758	$14,355
Total Revenue	128%	122%	56%	**$5,670,593**	**$2,491,637**	**$1,123,978**	**$720,117**
Vehicle Sales	105%	75%	62%	-$4,161,040	-$2,031,536	-$1,162,923	-$717,058
Other Sales	154%	30%	231%	-$439,122	-$172,988	-$133,254	-$40,275
Total Cost of Sales	109%	70%	71%	**-$4,600,162**	**-$2,204,524**	**-$1,296,177**	**-$757,333**
Research & Development	89%	-40%	9%	-$720,562	-$381,267	-$636,126	-$581,477
Selling, General & Administrative	79%	-23%	1%	-$1,079,329	-$602,647	-$783,100	-$776,931
Total Operating Expenses	79%	-30%	4%	**-$1,776,000**	**-$993,266**	**-$1,419,226**	**-$1,358,408**
Gross Profit	273%	-267%	363%	$1,070,431	$287,113	-$172,199	-$37,216
Operating Income (Loss)	0%	-56%	14%	-$705,569	-$706,153	-$1,591,425	-$1,395,624
Net Income	-22%	-50%	16%	-$630,349	-$812,888	-$1,622,518	-$1,401,932

Source: NIO Financial Statements

The study of trends reveals:

1) While growth in revenue holds steady year-on-year, growth in the total cost of sales and operating expenses have relatively increased.

2) While gross profit – signifying earning efficiency from the production and sale of goods and services – has surged spectacularly, net income – signifying overall profitability – continues to be depressed (albeit improving).

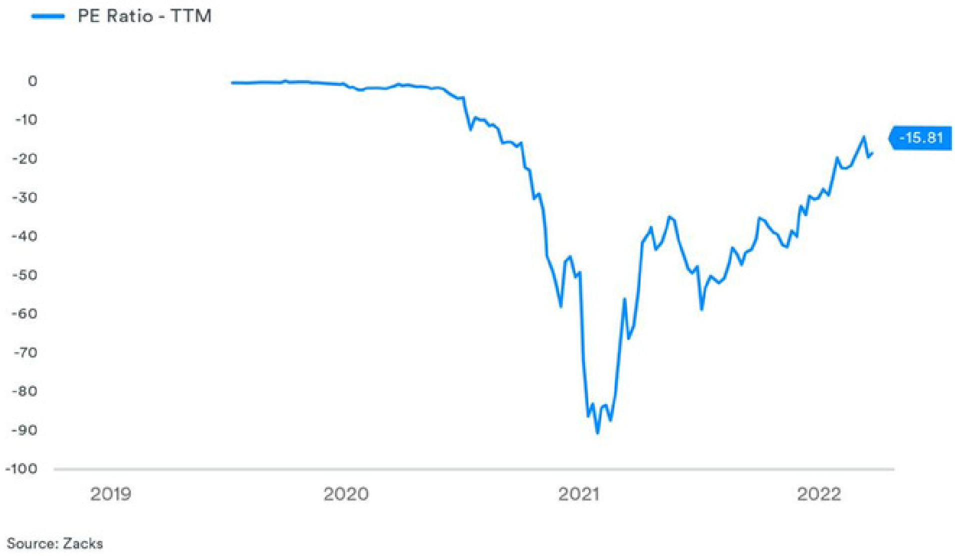
An interesting pattern in recent commentary regarding the company's offering has been its positioning versus Tesla, Inc (TSLA): various publications have indicated that NIO could be a "Tesla Killer". Be that as it may, a comparison versus Tesla isn't completely ridiculous: in China (and over the new few years in Western Europe), both companies' products have significant overlap in terms of the addressable consumer segment.
Ratio analysis of both companies' stock performance, however, doesn't show any significant disparities beyond a general "ratio cool-off" since the end of 2021:

Now, data providers typically don't furnish ratios that are too high or too low on account of such information being meaningless in terms of actionable insight. This is certainly true for NIO's PE Ratio (PE). In the Price to Sales (PS) and Price to Book (PB) Ratios, both instruments show roughly analogous drops.
However, not all sources decline to furnish data on "meaningless" ratios.

For instance, Zacks' shows that – unlike with Tesla – the company has had highly adverse PE valuations (which continues to be so). Given that prices can never be negative, this indicates that the company has witnessed a significant rally in prices even during its low-earning periods. This isn't surprising, given the trends seen in 2019 through 2021 – a highly overvalued equity market in the U.S.

	Price to Earnings		Price to Sales		Price to Book	
	NIO	TSLA	NIO	TSLA	NIO	TSLA
December 2, 2021	-	349.10	10.75	22.50	12.87	40.25
January 3, 2022	-	245.77	9.27	22.07	10.07	38.15
February 1, 2022	-	190.76	6.88	17.13	7.48	29.61
March 2, 2022	-	180.24	5.99	16.18	6.52	27.98
April 4, 2022	-	154.33	6.61	18.57	7.19	34.82
May 2, 2022	-	121.66	5.04	14.64	5.48	27.44

Source: Bloomberg



Another investment tracking service has an eclectic selection of companies that it considers to be comparators for NIO, albeit with slightly different terminology.
Relative to this selection, the company's PE Ratio is listed as being "at loss" – similar to other "pure-play" EV newcomers Lucid and Rivian:

As mentioned in the previous article about Nio, given that the company had announced a new brand for mass-market EVs in its Q2 update to compete with VW and Toyota in China, it can be expected that the company's expenses will continue to impose a strain on its profitability. In fact, consensus estimates – as per Nasdaq – indicate that this ratio will likely worsen all the way through 2023 followed by a very sharp turnaround by the end of 2024:

As of May 23rd: Company	Market Cap ($ milion)	PE Ratio (TTM)
Hyundai Motor Co	$ 35,299.99	9.4
Ferrari NV	$ 35,023.53	38.4
Great Wall Motor Co Ltd	$ 34,826.06	13.4
Lucid Group Inc	$ 30,638.23	At Loss
SAIC Motor Corp Ltd	$ 30,088.12	8.6
Maruti Suzuki India Ltd	$ 29,556.99	59.1
Kia Corp	$ 26,621.92	7.1
NIO Inc	$ 26,344.26	At Loss
Rivian Automotive Inc	$ 24,714.05	At Loss
Li Auto Inc	$ 24,086.30	NaN
Porsche Automobil Holding SE	$ 23,404.02	3.9

Price/Earnings Ratio

2021 Actual	**-15.24**
2022 Estimates	**-25.4**
2023 Estimates	**-133.33**
2024 Estimates	**42.11**

In Conclusion

Given the facts presented and strong industry consensus, NIO shows strong potential to be a "growth stock" with a two-year horizon. The company's offering is attractive and its breadth of addressable consumer segments is likely to improve with the inclusion of a "mass-market" EV roster. The quest for the latter, however, will weigh down profitability for the next few years given the capital-intensive investments necessary in this industry but there's no indication at present that the company will fail in its endeavour. It bears noting that competition in its primary market – the People's Republic of China – will be cut-throat, to say the least.

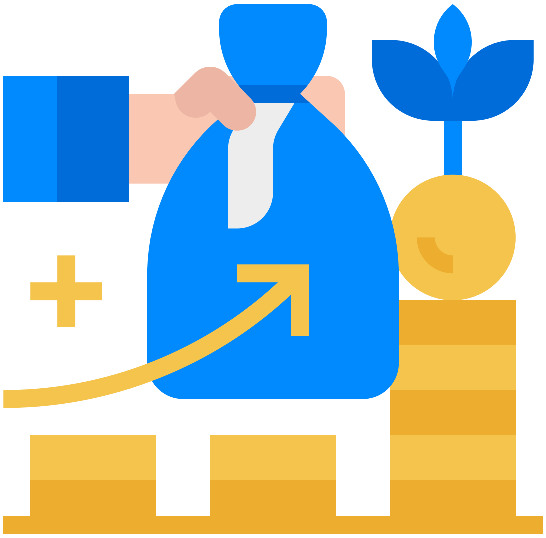
As highlighted in the article on the biotech sector, current times aren't very conducive for ever-rising price trajectories in growth stocks. Thus, this stock would likely be quite attractive to those investors who are willing to wait a couple of years to see a substantial and sustained positive portfolio impact.

Currently, there are some indications that the stock is undergoing price discovery – albeit with a somewhat declining trajectory due to its "growth stock" status. For European investors, there are a number of leveraged/leveraged inverse exchange-traded products (ETPs) based on the company's stock that capitalizes on the current price discovery patterns. It bears noting, however, that investment into ETPs requires both discipline and active management: inter-day price trajectories determine the payoff structure as well as the risk profile.

Sandeep Rao is currently a Quantitative Analyst/Researcher at Leverage Shares ETPs where his professional focus is on equity markets in the areas of quantitative research, advisory and services.

The Case For PE/VC Fundraising In The EU

Karol Fels



If European Union could be understood as one country, it would be one of the richest in the world with its GDP equal to €17.9 trillion, and could only be compared to the United States' 20.94 trillion GDP (Statista, 2020). Although it is hard to find one key factor contributing to the continents' rise to power, according to Britannica 2015 History of Europe: “Major economic change was spurred by western Europe’s tremendous population growth during the late 18th century, extending well into the 19th century itself. Between 1750 and 1800, the populations of major countries increased between 50 and 100 per cent, chiefly because of the use of new food crops (such as the potato) and a temporary decline in epidemic disease. Population growth of this magnitude compelled change. Peasant and artisanal children found their paths to inheritance blocked by sheer numbers and thus had to seek new forms of paying labour. Families of businessmen and landlords also had to innovate to take care of unexpectedly large surviving broods. These pressures occurred in a society already attuned to market transactions, possessed of an active merchant class, and blessed with considerable capital and access to overseas markets as a result of existing dominance in world trade.” Added to that centuries of industrialization and its infamous colonial period, the Europeans have accumulated vast amounts of wealth. That money has been kept and transferred through generations which have managed to keep these fortunes and have reinvested them into new enterprises.

As of today (2020), the total amount of assets under management of Europeans equals to

€ 20.8 trillion (EFAMA report) and is split as follows: “bond assets accounted for 40% of investment portfolios managed by asset managers in Europe, compared to 31% for equity assets and 7% for money market and cash equivalents. The remainder of the portfolio (23%) was made up of other assets” From which the European Private Equity AUM size has been equal to €97.5 billion and Venture Capital €24 billion (Pojuner, Pratty 2015).

Meanwhile in the aforementioned United States with total assets under management equal to € 42.6 trillion, their PE and VC industries have raised €203.2 billion and €73 billion respectively. (McKinsey 2020)

As we can see despite an obvious difference of twice the amount of funds available in the US market the abilities for fundraising for the two key progress-making industries are much lower in the European market. Its origin can be tied to multiple factors such as an optimistic culture of US investors vs European sceptic approach, the lower maturity of these industries on the Old Continent as well as a much higher level of market dynamics happening on the American marker leading to more possible exits as well as higher returns.

All these cultural and market factors don’t explain, however, the general difference in total assets under management between Europe and US despite their close proximity of their general economies.

I would like to leave that part open for discussion and encourage other more experienced Duitenbergers to share their knowledge and feel free to contact me at: karolfels@gmail.com / +48 690961371 even if just in case of pointing out clear mistakes in the presented article or (preferably) to share their familiarity with fundraising in Europe as it is a topic extremely interesting for me and one that I am experiencing currently during my internship.

Our Portfolio

AALBERTS

Aalberts Industries is a Dutch company that innovates in different sectors of technology. They think of niche concepts and manufacture systems for industry and property.
Installation technology: piping systems for water and gas for residential and industrial use. Material technology: Heat and surface treatment Climate technology: Efficiency solutions for heating, cooling and drinking water for residential buildings. Industrial technology: gas and liquid control for manufacturing.

ABN AMRO BANK NV

Abn Amro is the third largest bank in the Netherlands focusing mainly on the consumer mortgage market with some commercial loans as well. They also do some securities financing and hold a relatively small proportion of derivatives.

ASR NEDERLAND

ASR is an insurance company that primarily operates in the Netherlands. They offer financial products along others:

- Life-, non-life-, and funeral insurance
- Group and individual pensions
- Health-, travel-, and leisure insurance
- Mortgages and income protection

They also invest in various forms of real estate.

Our Portfolio

GALAPAGOS NV

Galapagos is a clinical-stage biotechnology company most known for its drug called Filgotinib. This drug is used for treating rheumatoid arthritis. In September 2020 the drug got approved in Japan & Europe. The FDA has rejected the drug as of now and Galapagos will refile in mid-2021. This stock was purchased with the idea that the worst-case scenario had already been priced in (due to the FDA rejecting its main drug) and the downside is limited due to its large cash/share reserves.

KINROSS GOLD CORP

Kinross Gold Corporation is engaged in the gold mining industry with operations in Canada, the United States, Russia, Brazil, Chile, Ghana, and Mauritania. The company's operations are basically divided between exploring and acquiring gold-bearing properties, extracting gold-ore, and processing it into doré bars.

LYONDELLBASELL

LyondellBasell Industries N.V. is a worldwide manufacturer of chemicals and polymers, a refiner of crude oil, a producer of gasoline blending components, and a developer and licensor of technologies for the
production of polymers. End markets are related to packaging, automotive, and aerospace among others.

Our Portfolio

META PLATFORMS INC.

Facebook, Inc. provides various products to connect and share through mobile devices, personal computers, and other surfaces worldwide. Its products include Facebook Website and mobile application that enables people to connect, share, discover, and communicate with each other on mobile devices and personal computers; Instagram, a community for sharing visual stories through photos, videos, and direct messages; Messenger, a messaging application to communicate with other people, groups, and businesses across various platforms and devices; and WhatsApp, a mobile messaging application.

ORGANON & CO.

Organon: “Building on the proud heritage of the Organon name and honoured reputation with patients and healthcare providers in Women’s Health”.
Organon is a leader in women’s health. It develops and delivers health solutions through a portfolio of prescription therapies within women’s health, biosimilars (copies of existing health solutions), and established brands. The Women’s health segment consists of contraception and fertility brands. Biosimilars consist of immunology and oncology treatments. Established brands consist of products in cardiovascular, respiratory, dermatology and non-opioid pain management.

Our Portfolio

AMSTERDAM COMMODITIES

Amsterdam Commodities N.V., or Acomo for short, is an international conglomerate of companies that sources, trades, treats, processes, packages and distributes conventional and organic food products and ingredients for the global food and beverage industry. Acomo is a company that focuses a lot on fair trade, sustainability, and diversity of products and services.

RENEWI

Renewi is a waste management company with a strong focus on recycling and energy recovery. The majority of the business is located in Benelux with a smaller presence in the rest of Europe. The company tries to differentiate itself as a pure-play recycling company and supplying high-quality secondary materials. The growth strategy is that of controlled growth in selected markets and further optimisation of internal processes and digitalisation.

ROYAL DUTCH SHELL

Royal Dutch Shell is one of the largest companies (by revenue) in the world. Shell is a very vertically integrated company meaning that they operate in almost the entirety of the Oil and Gas industry: from extraction to the petrol stations and everything in between.

Our Portfolio

THK GROUP

TKH is a leading innovative technology company. TKH creates technologies for Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems. These technologies are combined with in-house developed software to provide one-stop-shop solutions and integrated plug-and-play technology systems. The mission of TKH Group is to create best-in-class technologies in the field of Smart Vision systems, Smart Manufacturing systems, and Smart Connectivity systems.

TYSON FOODS INC.

Tyson Foods (or TSN) is the largest poultry, pork and beef processor in the entire United States with impressive international operations selling the company's products in over 140 countries. Together with its wholly-owned subsidiaries, TSN operates some of the largest food brands in the country, such as Jimmy Dean, Hillshire Farm, Wright Brand, Aidells and State Fair. Some major businesses that are provided meat by Tyson Foods include KFC, Taco Bell, McDonald's, Burger King, Wendy's, Walmart, Kroger, smaller restaurants, and even the U.S. Penal Administration.

The company's operations are fully vertically integrated, from breeding stock, contract farmers, feed production, processing, VAP processing, marketing and logistics. Everything happens under the roof of the Tyson Foods Company.

Our Portfolio

AMBRA S.A.

Wine, which is a slightly higher segment product, will be consumed by the growing middle class. We expect there is ample growth in this market. Ambra in this case will act as a producer/importer and distributor - the middleman between grape farmers and store/consumer. A pretty good place to be in. We think Ambra is undervalued considering its income, balance sheet and growth potential which makes it a good investment.

CME GROUP

Through CME market participants efficiently manage risk across multiple asset classes by trading futures, options, cash, and over-the-counter (OTC) products. It is the world's largest financial derivatives market with the most diverse product offerings. They operate an in-house clearing house and offer various services including research and analytics tools that aid customers in making market decisions. The main channels through which customers interact with CME's products are through their CME Globex platform, open outcry auctions, and privately negotiated contracts.
CME has five main lines of business namely:

- Derivative Exchange Business
- CME Clearing Business
- Cash Market Business
- Optimization Business
- Market Data Business

Investment Team Stratton Oakmont

Reflection by Vincent Pater
Chairman Monday Investment Team

At the start of the year, I took over the position of chair of the investment team Stratton Oakmont from Roussi who wanted to focus on his education for a bit. My goal for this year was to finally reduce our committee's cash reserves to zero by investing it in sensible, good-value stocks.
I would have preferred to say that everything went smoothly and according to plan, but reality is often a bit different.

Market conditions were far less favorable than the year prior when we acquired four new stocks which were all really wonderful investments. This year, however, we have so far only bought on three occasions, two of which were the same company:
NASDAQ: CME – The Chicago Mercantile Exchange, a large derivative market
NYSE: KGC – Kinross Gold Corporation, a large gold and silver mining company
This last one was purchased in January and again in May because the price dropped and we thought the investment case was still favorable. In this last week before the summer break, we will hopefully add a third investment which should finally use up the last of the committee's cash.

The second difficulty had to do with the number of active members in the committee. While we started off okay, we quickly lost two members leaving us at only

3 including myself. This remained the case up until the start of 2022 when we really started to double down on recruitment. Now, several months later, I think we have a solid group with a good spread of experience and interests. Of course, we can always use one or two extra people, but for now, the balance looks a bit healthier.

After the summer, I will be resigning as a chairman as I will hopefully graduate around that time. Until a suitable replacement is found, however, I will continue to spread the gospel of Value Investing and the ways of fundamental analysis – passing on the knowledge for the future investors of our association as previous members have done for me
.

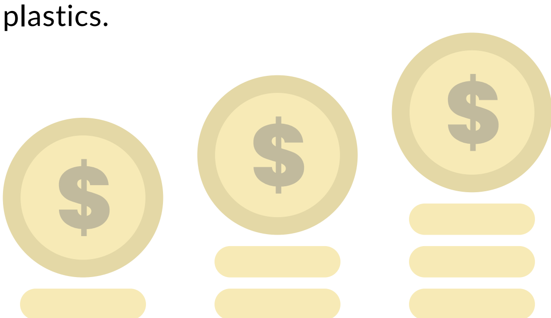
May your returns be plentiful!

Investment Team 'That Shall Not Be Named, Coz We Were Busy'

Reflection by Victor Hettema
Chairman Thursday Investment Team

This academic year has not only meant my first interaction with the stock market, but also my first time as a chairman of a committee, as I had the honor to take over the position at the start of 2022. Luckily the last chairman left us with a competent group of committee members and two new members have joined us since, creating a committee capable of teaching new people, like myself, and investing wisely.

At the start of this academic year, the committee had a large cash position that had to be put into the market quickly. We had to come up to steam first, as we pitched many stocks, but couldn't find much common ground on the first few suggestions. However, after some time we were quite up to speed on making good investment decisions. The first buy of this year was Organon $OGN, a spin-off from Merck, which did well since. Quite quickly afterward LyondellBasell Industries NV $LYB was bought, being a company that produces many complex chemicals and plastics.



The two stocks bought since the change of chairmen have been Renewi $RWI, which we bought because of the large growth we expect them to go through the coming years, and TKH Group NV $Tweka, which was bought because of their very strong results over the last 10 years. The only stock inherited by last year's committee that's in the red is Galapagos NV $GLPG, which is a bummer. All the other stocks from last year are in the green, even Meta after its drop of Feb. 2022.

The coming academic year will be an interesting one, as many industries try to recover from the impact that corona had, while the inflation is skyrocketing, because of an immense money supply the world has seen for the last few years. Next to that a war on the European continent doesn't help, resulting in the prices of energy and food also rapidly increasing. But hey, we as investors might enjoy these times, as one famous investor once said: "the time to buy is when there's blood in the streets".

I want to thank the previous chairman, my fellow committee members, and this year's board for the great time I've had so far and I wish everyone good luck in the stock market the coming year(s)!

Dear Duitenbergers

Daan Loohuis & Chairman of Duitenberg

The first statutes we know date back to 1991.

Those statutes were updated in 2003 and now almost 20 years later a group of Duitenbergers thought it would be time for a revision. And for good reasons, the statutes were almost more than two decades old! All the changes were based upon relevance to the association, improving the association, and modernizing the association. I will not take you through the details and rather a tedious process (we started with the statutes committee on 1st May 2021), but the changes range from minor edits to removing sections entirely. One of the biggest changes is that the name got updated from Belegingsstudieclub Duitenberg to Studentenbeleggingsvereniging Duitenberg. This meant that we had to say goodbye to our iconic B.S.C. abbreviation which separated us from the rest. However, we did it for a good reason as our name often confuses people: We are not associated with a study and we are not an exclusive club. We are an inclusive association for all students that are willing to learn something about the world of finance.

Besides finance, we like the finer things that life has to offer us. Together, they make a great balance I think.
And I am very proud to be a member of this association.
Together with Jelle, our chairman, we celebrated the revision with a nice bottle of Moët et Chandon.

Greetings,
Daan Loohuis
RVA & Statutes Committee


StudentenBeleggingsVereniging
DUITENBERG