

## **Guidelines when reading the newsletter**

The newsletter informs you about stock opportunities, explains the opportunities and tries to give an idea how significant they are. Stock prices and numbers in the newsletter are the ones known at the moment of writing.

Some stocks might be a massive opportunity, but also have a significant chance of going to 0. Do not just look at the expected return, when investing do your own due diligence. Ask yourself what your risk profile is and how you want to set up your portfolio. To help you a bit I have coded the stocks in the newsletter with classes:

### **A: Quality stock**

Successful for a while and can absorb economic and sector downturns.

*Examples: Shell, IBM, J&J, Unilever.*

### **B: Cyclical**

In there for the long run, but economic cycles affects the stock price heavily.

*Examples: Arcelor Mittal, ASML, Ford, Amazon*

### **C: (Small cap) value**

Often smaller companies that have been declined a lot and are interesting based on the fundamentals/numbers. Not per se great companies on the long run.

*Examples: CATO, GME, Macy's, TomTom*

### **D: Distressed (small cap) value**

Often small companies that have struggles like high debt or enduring negative cash flow and which are priced for bankruptcy.

*Examples: PHIIK, FRAN, ACET*

### **Total loss and risk/reward**

Class D stocks often have a significant chance of approaching bankruptcy. Class C stocks have a bit of risk in that as well but might take much longer to go to 0. Class A and B stocks have a very limited chance of becoming worthless. They are long term successive companies.

Risk/reward is the highest for D stocks, then C, B, A. D stocks sometimes offer 200% or more returns in the beneficial scenarios, where A stocks for example would not often hold returns more than 20% within a years time even if the beneficial scenario plays out.

### **Defensive and Neutral portfolio**

You probably do want to be careful with class C and D. Opportunities in A and B should be accounting for the majority of the portfolio.

### **Offensive portfolio**

If you have an offensive stock picking style, you probably are quite interested in the class C and D opportunities. They probably will have a significant presence in your portfolio.

### **Model portfolio**

On the last pages, Hubens Capital provides model portfolios based on the stocks that have been addressed in the newspaper so far. Do not just copy these portfolios, but they give an indication of how a portfolio could look like based on the elaborated opportunities.

### **Allocations**

Hubens Capital provides portfolio allocations (in %) in the newsletter. This is an indication of the part

of the value that the specific stock could be in your portfolio. If the opportunity is huge, the percentage might be higher, especially if the downside risk is limited. For you as a reader it is important to first question yourself if you like the stock at all and if it fits your portfolio or not. After that, based on your risk profile, you could argue the size you want to buy the stock. Here it is also important that you think about diversifying the portfolio. You probably do not want to have your portfolio existing out of stocks that all earn their money in the same business/sector segment. For example, at some point 30 stocks might have been discussed. Say they all have an allocation of up to 5%. It is then up to you to decide which stocks you like the most to have in your portfolio and what kind of allocation is best suited for your personal portfolio.

### ***Timelines***

Timing is key. Timing is difficult. The newsletter will address stock opportunities that have an investing horizon in most of the cases of 6-18 months. In case it is significantly different than that, this will be mentioned.

### ***Fit the newsletter to your needs***

Yes, Hubens Capital thinks the stocks addressed in the newsletter are good buys. But again, do your own due diligence. Check how the stock could fit in your portfolio!

### ***Updates***

When something interesting changes in a stock that has been addressed in one of the newspapers, the biweekly newspaper will give an update about it. It might change the opinion about the stock. Possible triggers could be earnings, large decline or uptrend in the stock, company updates, profit warnings, cyclical changes, etc.

### ***Email updates***

Sometimes it might be the case that Hubens Capital spots a very interesting opportunity in the stock price of one of the stocks that has been addressed in the newspaper. Hubens Capital will then not wait till the next newspaper is published. Hubens Capital will send you a short "trading update" regarding the opportunity.

### ***Reflection reports***

Every 12 months there will be a reflection newsletter. The advices of the last 12 months will be shortly discussed to check what kind of performance would have been achieved if the advices were followed. The performance will be allocation weighted. This means that when I have advised to go long a stock up to 5% of your portfolio this will have double weight compared to one where I have advised to take up to 2.5%.

### ***Currency portfolio risk***

As you have experienced in my newsletters, I discuss European stocks but also American stocks, UK stocks et cetera. In my end of year performance report, I will assume the positions are hedged for currency risk. So, if a stock goes up from \$2 to \$3 I will see that as a 50% performance. I have subscribers from different parts of the world, so I am not going to revalue the performances in each currency. For your own portfolio, make sure you understand the currency risk that you are running. You can do this by checking how much of the revenues of your portfolio companies is made in which currency. There is no need to be overdisciplined and hedge all currency risk away, but if you are an European citizen and you are only invested in stocks that make their revenues all in \$, you might

want to hedge with the EUR/USD currency pair. Just be aware of potential variance in your portfolio due to the currency volatility.