

**— but the
best of times
to build a
business.”**

**“Paradox — — catch it
if you can.”**

Part 01 —

Aside from death and taxes, the only other certainty in life is uncertainty. That's especially true of the times we live in now. The more individuals and organisations try to make sense of the world, the more riddled with contradictions it appears.

As the banking and financial services industry glimpses a flicker of light at the end of a long and difficult tunnel, our task at Insinger de Beaufort is to ensure we can deal with whatever the future throws at us. Opportunities are so often found in the most unexpected quarters; tuning into them requires us to be open to the unpredictable, and free spirited enough to venture beyond conventional boundaries.

As a company, our reduction in size has made us stronger. We have been through difficult times, which, in hindsight, have turned out to be good times to build a business. As much as any other, our world defies conventional reason. That's why we have chosen 'paradox' as the theme for this year's annual review.

A paradox can be a slippery thing. Invariably it means different things to different people. Examine it too closely and it's liable to dissolve completely. In the pages that follow we talk to five individuals who contemplate the role of paradox in their lives and work. What is striking is that the paradox — the co-existence of two seemingly contradictory elements — kindles a dynamic energy that propels each individual beyond the everyday.

Our thanks to all who have so generously participated in this year's review. They have helped us to understand that while we are all governed by convention to one degree or another, enlightenment in these times increasingly depends on the ability to look beyond the rational and embrace the ambiguous, the inconsistent, the paradoxical.



Ian Kantor
Chief executive officer
5 April 2004

The best of times, the worst of times —

The past three years have been among the toughest in the history of the financial markets. Insinger de Beaufort is stronger for having weathered this period by taking the necessary steps at the right time.

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The recent distress within the markets left few unscathed. Confidence evaporated in institutions and among individual investors. For both groups, the risk of loss loomed larger than financial gain. As we pointed out in our 2002 Annual Review, this was not so much the result of an economic downturn as a necessary contraction in the wake of previous excesses.

As we said at the time, this view was already widely discounted; high valuations did not then necessarily imply future weakness. Dividend yields had improved to the point where they offered better returns than 10-year bond rates; housing prices were stable. Through all of this, the world's major economies, assisted by co-ordinated global fiscal and monetary stimulation, continued to perform reasonably well.

It was, we felt, reasonable in this ‘sweet spot’ for equities to expect that prices would find some support in the coming period. Individuals, funds and companies struggling to meet their obligations would help to underpin demand and financial markets would offer some relief, if only in the short or medium term.

In this period we are witnessing an extension of the recovery worldwide and increased confidence in that recovery. Several risk parameters have fallen to near historic lows: share price volatility; the interest rate spread of commercial loans over government bonds; the spread between emerging market rates and dollar, euro and sterling yield curves; the performance and price levels of small- and mid-cap shares versus blue chips; and so on.

So long as this environment persists and the economy continues to perform, there is no obvious reason not to expect benign markets, at least until later in the year. However, we continue to think long term and current, relatively high valuations and the lack of new profit growth militate against any sustainable recovery. Surprises on the downside cannot be ruled out, whereas surprises on the upside at present seem unlikely.

The values at the end of the 20th century have been structurally destroyed. The debate now centres on the duration and extent of the current recovery, and on what happens next.

Irrespective of the economic arguments, political pressure for protectionism is growing. Inflation arising from that would be extremely difficult to manage. The debts built up in the boom years haven't gone away. Currently, economic survival is being sustained by historically low interest rates. Any attempt to head off inflation by increasing rates could be extremely damaging.

In 2003, base rate US inflation was just 0.7% and the Federal Reserve does not expect this to be higher in 2004. Yet employment figures remain disappointing and the growth in new employment is very slow. This is putting pressure on retail sales and the resulting surplus capacity is hampering capital investment.

Once again the world is faced with twin deficits. As well as the shortfall in its current account, the US is running its largest ever fiscal account deficit. There is a developing dollar crisis, but attempts to manage that are being complicated by the ever-present threat of deflation.

In summary, we are in a period of contradictory market signals. Confidence and stability is returning to financial markets and we look forward to benefiting from the current economic recovery. At the same time, we have not lost sight of the long road to be travelled before the soundness of the global economy and financial markets is restored.



**Evelyn Glennie —
Percussionist**

Evelyn Glennie began her performance career at the age of 10, giving piano recitals in old people's homes. The world's first full-time solo percussionist, she is a fellow of the Royal Academy of Music, gives over 100 concerts a year and has won two Grammy awards. Evelyn is a proud Scot, with her own registered tartan, who can often be seen playing tartan tom-toms. She is currently studying for her psychology and law degrees.

Music, for me, is an important ingredient, but it's not my life. I use it to help the other things that interest me.

I want to try many different things, to keep the ingredients bubbling away together. It's a bit like the senses. I don't see sight as being through the eyes or hearing as through the ears. It's more like a kaleidoscope. They all feed off each other to create this very mysterious sixth sense that everyone talks about.

People talk about the senses as hearing, seeing, touching, but that's not the way we experience the world. Really it's all one sensation and it changes; from the morning to the evening, in good weather and in bad. The wine can be the same but it tastes better in a glass than it does in a plastic cup. Equally, when you hear Indonesian music, even in the world's best concert hall, it's just different from experiencing it in Bali at night, when the moon is full and your nostrils are suffused with the smells of the place.

That's what makes live performance so exciting. It doesn't matter how much you prepare, you just never know how it will turn out. Still, a lot of forcing goes on and not just in music, in everything we do. It's one reason I don't really like giving fixed programmes.

“I’m profoundly deaf — — my world is filled with sound.”



“A deaf person actually perceives more than a hearing person —

— because they are feeling that sound, and you can feel it for far longer than you can hear it.”

For me, being a performer is about having the guts to say what you want and being prepared to fall flat on your face, because if you take risks you will make mistakes.

And it requires a kind of innocence. I try to hold onto childlike ways. When I look at how children behave I always learn so much. They have no barriers, no fear.

Where I grew up in Scotland, singing and music were still happening in the home. It was a real impromptu thing: you would visit friends and they'd get out the accordion or the fiddle and we'd all sing these bothy ballads. That kind of spontaneous enjoyment and participation was special, it doesn't really happen nowadays. Certainly, where we lived, music and community went together. For me, as a 10 year old, that meant going into old folk's homes to play the piano on a Friday evening, which was great. It was probably the biggest learning experience I had early on.

You always experience far more when you are participating. The audience gets a showroom view of a concert whereas, as musicians, we know every little nook and cranny. It's like anything, if you really look you find out so much more. Often, when I'm in music shops, I get down on my hands and knees, look up, and discover all kinds of things. It's similar, in a strange way, to producing sound. I'm always trying to get underneath the surface of a sound so I can lift it up and let it go.

As a percussionist, even within an orchestra, you're always a soloist. It's not like being in a violin section, no one else is playing the tambourine, the marimba, whatever it might be. So when you perform a cymbal roll there's no place to hide. As a solo performer, of course, that's emphasised even more.

You're dealing with this immense sound palate. There are so many frequencies, dynamics, breadths of sound, different sound colours. Then you have the resonance of the instrument once you've struck it. In fact, in that way, a deaf person actually perceives more than a hearing person because they are feeling that sound, and you feel it for far longer than you can hear it.

The journey of the sound interests me. There is this whole visual aspect to percussion, which makes it very distinct. The preparation, the slicing action, it's like a martial art, you're literally playing the air. When orchestras accompany percussionists they find they breathe totally differently. They have to hear through the eye. They must see the stick and sense that stick coming down on the surface.

For any musician touch is, without doubt, the primary sense. With percussion that physicality is just so definite, you cannot retrace what you've done. I do like that directness.

And you can link it so well with dance, movement and the voice. In many traditions — Indian tabla playing, for instance — you must create the sound with the voice before you even strike the drum. It means that the sound is internal first of all, the drum an extension of your body.

When I perform I don't just want to imagine the sound. I try to be the sound, because when you give that to the audience, not only do they have the sound, they also have you, so there's no detachment there. That is when they are truly going to be affected. You have all these ingredients — you have yourself, there's the instrument, the music, the hall, the audience — it's similar to how we think of our senses. To perform well you have to bring it all together.

Whatever this sixth sense is, it's different for all of us. To my mind, it's all about awareness. It's amazing how well I hear if I'm alert and open, compared to when I'm tired or not in the mood. It is a very simple thing but I do find that, as a musician, I have to be 100% focused, open and aware. I try to apply that to everything I do.

I was actually incredibly lucky. My hearing began to fail when I was eight. By then I'd acquired speech and I knew what sound was, but I was still young enough to adapt. It has never hampered me in any way. So when people wonder why I don't have a cochlear implant, I have to ask them, what is hearing? Would an implant make me happier, a better musician? Because it's not just my hearing that would be affected, it's all of the senses — they are intimately inter-connected.

I spoke to a fellow musician recently. He reckoned he had about five years left as a top-class player. He was using that time to train as a conductor. I think that's commendable, but that kind of planning is not for me, I don't want to be in a situation where there are these blocks which mark out time.

I see my life as having two stages: there's living and then there's what comes after. Life, for me, is like an overture, it's a taster for the main piece. I want to make that as colourful as possible, because none of us knows what will happen next.



Part 02 —

Freedom through discipline —

The group has achieved a new focus and coherence by centralising and streamlining its investment management process.

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The executive committee now frames investment management policy, while fund managers are directly accountable to the committee for its implementation. Through this structure the group has managed to develop a commonly accepted investment process without having to resort to coercion. By placing this process at the heart of the organisation, we have been able to instil a shared investment ethos without disempowering those people at the coalface who need to retain freedom of action if they are to perform at their best.

Investing on behalf of private and institutional clients demands the greatest prudence. We are guided by four core disciplines.

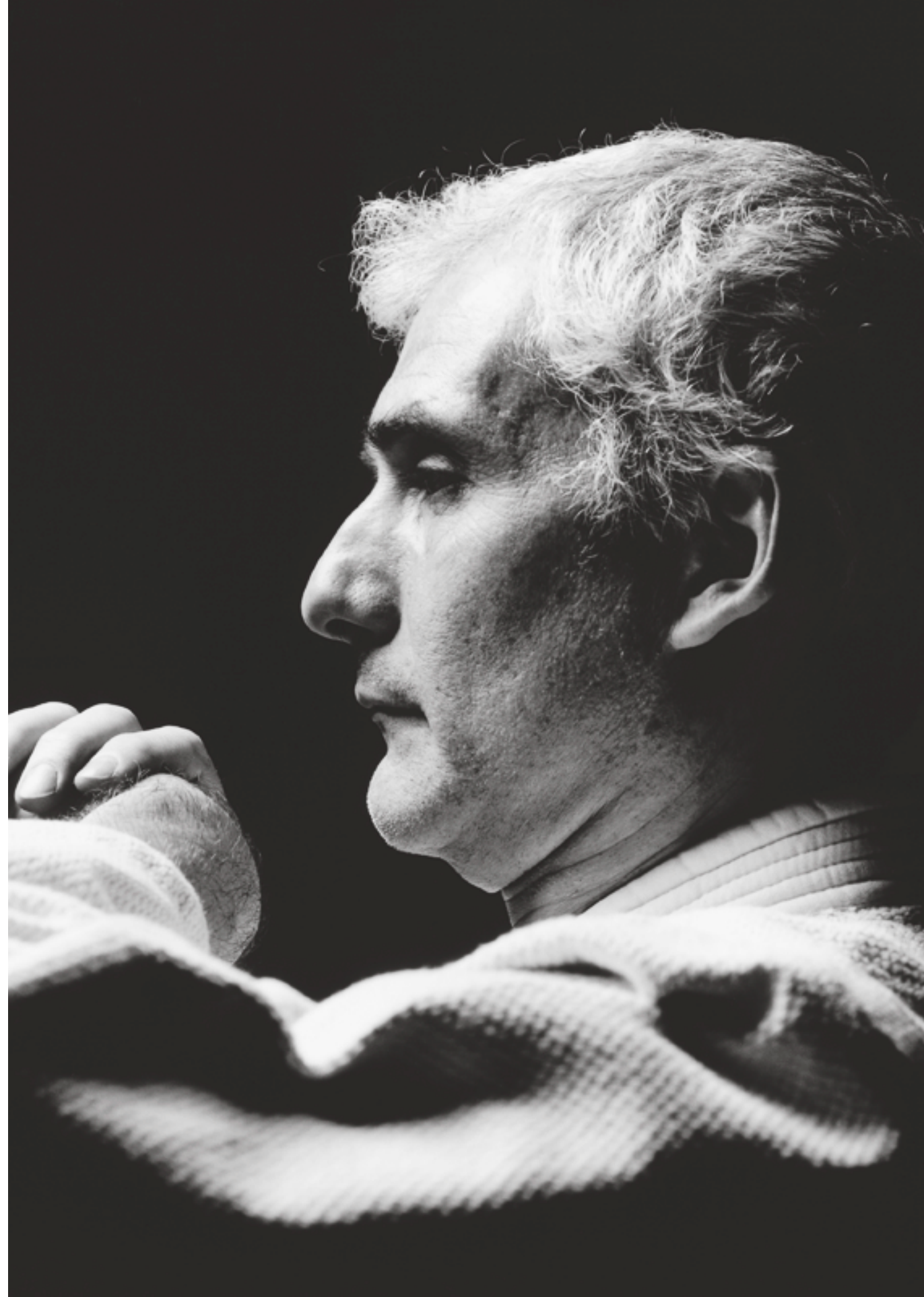
First, there is a clear understanding that, while the future cannot be predicted, this does not absolve us from the need to have a macro view. Translating that macro view into asset allocation is responsible for the greatest part of performance.

For some market participants, there is the perception that higher returns are generated by taking on more risk. However, pension savings and the like are not risk capital, these are passive forms of capital. The responsibility regarding that capital is not to take risks, but to manage it effectively. For Insinger de Beaufort, managing risk is our second core discipline.

As far as we know, there is no economic law that says that greater risk generates profits. But it is axiomatic in financial markets that any practice or strategy that succeeds will eventually founder on its own success (Karl Marx). When, for instance, everybody believes that equities must outperform bonds, that view is usually over-discounted in the price so, in practice, the opposite happens. Similarly, while indexation has always been less than prudent, it has now become visibly so, with all the attendant consequences. Hence the third discipline: we do not rely on benchmarking techniques. Instead, to manage stock selection risk, we invest for returns.

Diversification, in our experience, often limits performance on the upside without offering much protection in the event of market meltdowns. So, at Insinger de Beaufort, risk management is not just about spreading the risk, it means knowing the risk. We base our decisions on in-depth knowledge of each of our investments and from understanding the relationships between them, not just in terms of stress testing and degrees of correlation, but also their underlying vulnerabilities to possible and probable economic and financial developments.

Our fourth discipline is in the selection of third-party fund managers for sectors of the market that we do not cover directly ourselves. Within the broad universe of active managers, a small group consistently outperforms both in terms of risk and risk-adjusted return. We have invested significantly over the past decade in developing the methodology to enhance our performance evaluation capabilities. This is now central to what we do. For our own stock selections and clients' portfolios, it has helped us to improve our performance significantly. Currently we evaluate, track and monitor some 6,000 third-party managers and can identify the best managers, or combinations of managers, for different mandates. In this way, we are able both to measure and continually to improve risk-adjusted returns for our clients.



**Charles Harris —
Aikido practitioner**

Charles Harris is a 4th *dan* under the British Ki Aikido Association. He began learning Ki Aikido in North London in 1984 after a brief spell trying Iwama style Aikido and T'ai Chi. He took his 1st *dan* four years later. He is now the chief *sensei* (instructor) at the BKAA's Kilburn dojo. He is also an accomplished writer and filmmaker. His new feature film, *Paradise Grove*, has gained several international awards.

In Japanese, 'ai' means harmony, 'ki' means energy and 'do' means path — so 'aikido' is the way of harmony with energy. It's a discipline that's based on the philosophy of non-aggression and non-competitiveness, of co-ordinating the mind and body, and learning through this process. The optimum state is one of 'alert relaxation', that's when you are relaxed but energetic.

Basically, aggression feeds aggression. So, if someone attacks you and you respond in a relaxed manner, it's very difficult for them to maintain their aggressiveness, whether that's in a physical or a psychological sense. Paradoxically, by not using force, you end up stronger. By using force against an opponent, all you do is give them something to fight against.

Aikido is all about controlling the mind and the body so they work together. At the same time, you learn to harmonise your energy with that of your opponent, the person trying to attack you.

If someone attacks you, you blend with their energy and create harmony with him or her until they give up or fall down, or find themselves immobilised by you! You are both working together, you need each other, you need your opponent. Aikido is mutually beneficial and non-competitive. Even in real life, if someone attacks you, you would try to defend yourself with minimal force, with the aim of helping that person learn that attacking you is a mistake — of course, as with all learning, this may unfortunately cause them some pain in the process!

“By not using force — — you end up stronger.”



“I am not a believer in belief.”

I have used the techniques in real situations four times. Things never happen in the way you imagine they might. You want to use the techniques you've been practising so assiduously, but when it happens for real you may not even recognise the technique you use or know what you've done.

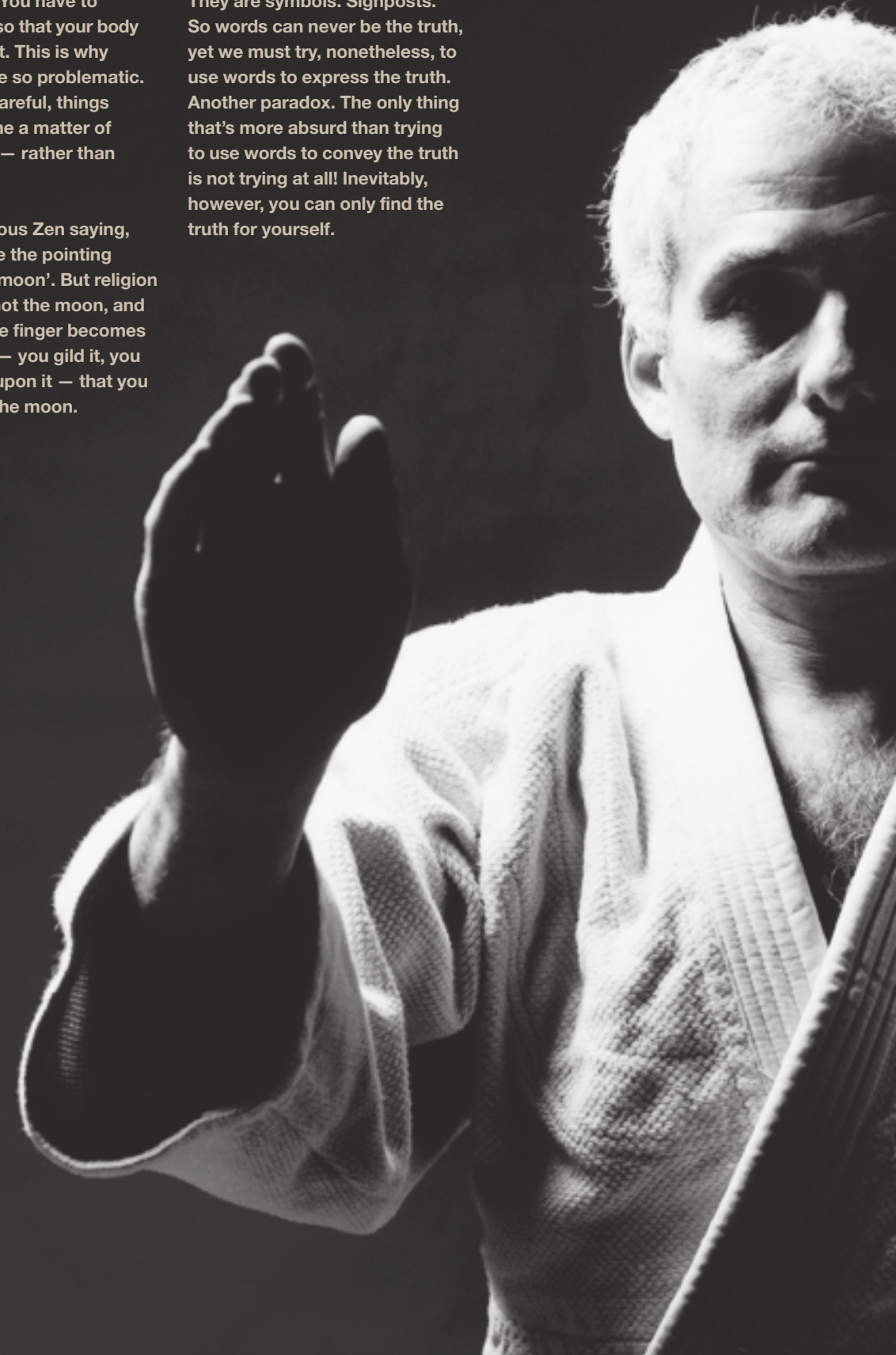
Once, when I was a total beginner, a group of football hooligans approached me in the street one day. It was raining and I had an umbrella with me, which one of the guys tried to grab. In that split-second, while he looked at me and I looked at him, I decided to use a technique I had learned the night before. But before I could, he let go sheepishly and ran off. Why?

I suggest it was because he realised I was neither panicking nor being aggressive, but thinking calmly about what to do next. It's a perfect example of what happens in self defence — the battle has nothing to do with the fight, the fight is won before you've started.

If you don't 'know' something, then you have to 'believe' it. So I am not a believer in belief. Aikido is difficult to understand intellectually. You have to experience it so that your body understands it. This is why religion can be so problematic. If you're not careful, things rapidly become a matter of belief — faith — rather than knowledge.

There's a famous Zen saying, 'Don't mistake the pointing finger for the moon'. But religion is the finger, not the moon, and sometimes the finger becomes so important — you gild it, you lavish praise upon it — that you forget about the moon.

Words can never convey the truth. Words by definition are metaphors, and by definition metaphors are not the truth. They are symbols. Signposts. So words can never be the truth, yet we must try, nonetheless, to use words to express the truth. Another paradox. The only thing that's more absurd than trying to use words to convey the truth is not trying at all! Inevitably, however, you can only find the truth for yourself.



**“The battle has nothing
to do with the fight —**



— the fight is won
before you've started.”

Martial arts set you seemingly impossible tasks. If you have faith in the process, you trust there will be a way through, so here faith has its place. When you've overcome one obstacle, you start to trust the process. You still have to do the slog, but the answer comes. You learn to flow with things, to blend with them, rather than to fight.

Aikido enables you to learn at the deepest level. By taking small steps you overcome obstacles and rapidly grow more confident and adept.

Paradoxes are very important, in fact they are crucial. As we go through life we come up against paradoxes and are forced to deal with them if we want to move forward: the paradox of being an individual while having relationships, for example; or following your instincts while learning from others.

Rinzai Zen has ritualised this process in the form of the 'koan', a short, riddle-like statement such as 'What is the sound of one hand clapping?' You can't solve this question logically. You have to meditate on it. And when you do finally understand it, you will have learned something more about the nature of the universe and yourself. You have to understand, not just with your brain but with your whole being, that nothing exists independently, everything is interconnected and that we're all made from the same material as everything else.

Life is full of paradoxes, which you have to confront with honesty. People make problems for themselves by refusing to deal with reality. But only by facing reality is there a way forward. The faith is in the process. When you've been through it a few times, you know you believe in it because you've done it. In aikido, you learn to trust the moment. You have to be in the moment to move forward. Yet paradoxically when you have this point of view, there is no forward — only the moment.

Part 03 —

Keeping our focus in a blurred world —

In the markets as a whole, margins are under pressure and volumes are shrinking. In these conditions, the drive to consolidate is enormous. It would not be surprising if the bank were also to adopt such a strategy.

— However, we do not subscribe to this analysis. In our opinion, the current climate provides ample scope for planned expansion. We have long held the view that there are more affordable opportunities to build a lasting business when times are tough.

The sense of ownership and independence among the stakeholders of Insinger de Beaufort is very high. The bank is, predominantly, owned by its management and staff, which allows us to appeal to high-calibre individuals who want to contribute to the destiny of the organisation. Clients value our independence and they are attracted by the committed, high-quality people who work here. As an independent group with a wealth of good people, we are well placed to act with assurance in a changing climate.

New inflow of assets under management is essential to the economic health of the company. It is the primary source for potential fee flow as well as other income. As such, it remains a key indicator.

We seek to be active only within those markets that we understand and can relate to. For the private individuals and corporate clients we serve, we place the emphasis on owner-managed, private companies and small- to medium-sized listed companies, the client and his family, the companies themselves and their pension funds. Separately, we serve those institutions that invest in small- to medium-sized listed companies. By concentrating on these areas we are able to add true value and offer exceptional expertise.

In a complex and competitive world, where simple solutions are few and far between, our response has been continually to deepen our understanding so as to refine what we offer. Over the past two years we have refocused our business extensively. We see this as an integral and an ongoing process. It is essential that we continue to provide our clients with the depth of expertise and the unrivalled performance, care and services they deserve.

Refocusing the business implies a reconsideration of the brand and its positioning. Central to our business are a number of elements: our positioning as an innovative, independent, employee-owned, managed and controlled institution; serving our clients, whether private or institutional, with unrivalled solutions in order to pursue sustainable returns on their investment; and quality, independent advice.

The brand is one of our main differentiating factors. Any adjustments in its positioning must be handled with great care. We shall devote extra attention to promoting the independent status of Insinger de Beaufort. Our highly developed skills in selection will gain more emphasis. We anticipate that the brand will evolve in a more mature way in keeping with the balanced development of the business as a whole.



Maarten Doorman —
Poet & philosopher

Maarten Doorman is a philosopher, poet and essayist. He is on the philosophy faculty at Maastricht University and is Professor of Criticism and Culture at the University of Amsterdam. He has published several poetry books, edited magazines such as *Hollands Maandblad* and *KRISIS* and is currently non-fiction critic for *NRC Handelsblad*. His latest philosophical work, *De Romantische Orde* (The Romantic Order), is published by Bert Bakker.

I was always ambitious. Not so much for material things, I wasn't looking for fame; celebrity and poet aren't words you often see together. Neither did I expect to make my fortune; when a taxi driver asks me what I do and I say I'm a philosopher, the next question is usually 'do you have the fare?'

Still, I was very motivated. In my early twenties, while most of my friends were out having fun, I spent almost every waking hour reading, writing poems and working on philosophy. People still ask me why I did that, but I've come to the conclusion that it's just not a real question. It's like asking why dogs bark. There's a host of reasons. It can be fear, hunger, territory, but in the end you also have to say that, sometimes, dogs bark.

When I was younger, discovering what kind of poet I was did seem important. I remember after my first book was published, I tried to think about what I wanted to say, but it just got in the way. Now I don't care so much. The poems are lighter; they have more possibilities.

“The questions worth asking — can never be answered.”



“Writing an essay is like taking a walk in the dark.”

There are millions of poems out there. To be a poet, you have to feel that you're creating something new, otherwise you couldn't go on. In philosophy, it's a bit different. There, you're also dealing with argument; it's about how you build your case. As a philosopher, I try to propose new and important arguments; that's my ambition.

There's a tendency now for literature and philosophy to come together. It's quite common for philosophers to use literary means to bolster their arguments and you often see philosophical poems. But that's not the way it works for me. As far as I'm concerned, there's a fundamental difference between literature and philosophy. I prefer to keep them apart.

I have five children from two marriages. I'm a poet, a philosopher, and I write regular reviews for a newspaper. From the outside you might think that this archipelago of interests makes my life confusing, but I don't experience it this way, to me it feels like an organic unity.

The activities are different but the tension between them is fruitful. If I don't know how to go further in my poetry I can continue with my philosophical work. When I get stuck with the philosophy I turn to poetry. I'm fortunate, I always have a hinterland and that lends perspective.

It's a little more complex than that even, because I also write essays. I see these as falling somewhere in between. Writing an essay is like taking a walk in the dark, you never know what will come out of it.

I try to shine light on the dark areas and, I suppose, I want to affect the way things are seen through my work. To seek to change the world, especially through art and the intellectual climate is, I must admit, a romantic preoccupation.



**“The more you
study the inside —**

**— the more you are able
to get outside.”**

The common view is that there are romantics, they are artists perhaps, and then there are the rest of us. But what I try to show in my philosophical work is that it's more fundamental than that. I say that romanticism is the defining characteristic of modern western culture. Forget classical notions like the enlightenment and the primacy of reason. It is the romantic order that dictates how we think and feel. It is so basic to our culture that, for the most part, it goes unnoticed.

To live the romantic life is to nurse a kind of longing. You want to be somewhere else. You are constantly reaching for the absolute; that eternal, meta-physical state of being that will transport you beyond everyday practicalities. At the same time, you're not insane, you realise it's impossible. This is the tension so beautifully expressed by the German word, *Sehnsucht*.

So what is the result of this *Sehnsucht*? How does it translate into our experience? We find it everywhere. It's in dreams, when you encounter a work of art, watch a film or hear music. You find yourself, somehow, transported.

Even as we experience *Sehnsucht* we know it will not last. We're aware that it isn't real, yet at the same time we yearn for it so deeply that it feels more real than everyday reality. How else to explain the cult of celebrity? We see these people as some kind of physical proof, they are our dreams made flesh.

This utopian vision only exists because we live in a non-utopian world. There is a tension between how things are and the way they might be, which has been right at the heart of the romantic scheme ever since the poet, Novalis, wrote of his lost love more than two centuries ago. For the romantic, who sees the world in terms of oppositions, that tension is always there.

Take the opposition between feeling and understanding. In the western mindset, feeling is something completely different that you also have to trust. It's warm, dynamic and concrete against the cold, static and abstract nature of reason. Feeling is truer than reason; it speaks of the essence of things, while reason shows only surface truths. So, in a discussion, I might claim that, yes, rationally speaking, I see that you are right, but that my feelings tell me something different. Now, in our culture, this is a strong argument, because it's so embedded in how we look at the world.

That also raises an old philosophical dilemma. I suggest that the romantic order is the conceptual prison for our culture. To describe that prison I need to be outside of it but, if I am right, I am also trapped within it. How is it possible to be both inside and outside at the same time? I don't have the solution; all I can say is that the more you study the inside the more you are able to get outside.

I'm not discouraged though, this is inevitable when you question basic values. It's like investigating black holes. You never see them directly, but you can know they are there because of their effects.

In 1968, students pasted 'power to the imagination' on the walls of their institutions. I've often thought that 'death to the imagination' would have been a far more revolutionary slogan. Imagination is the motor of our economies; it's an attribute no politician can afford to be without. But wait, maybe all this imagination is disastrous, perhaps it produces new wars? My point is that it pays to ask the question.



Part 04 —

Smaller, leaner, fitter —

Insinger de Beaufort has broadly completed the refocusing initiative it began in 2002.

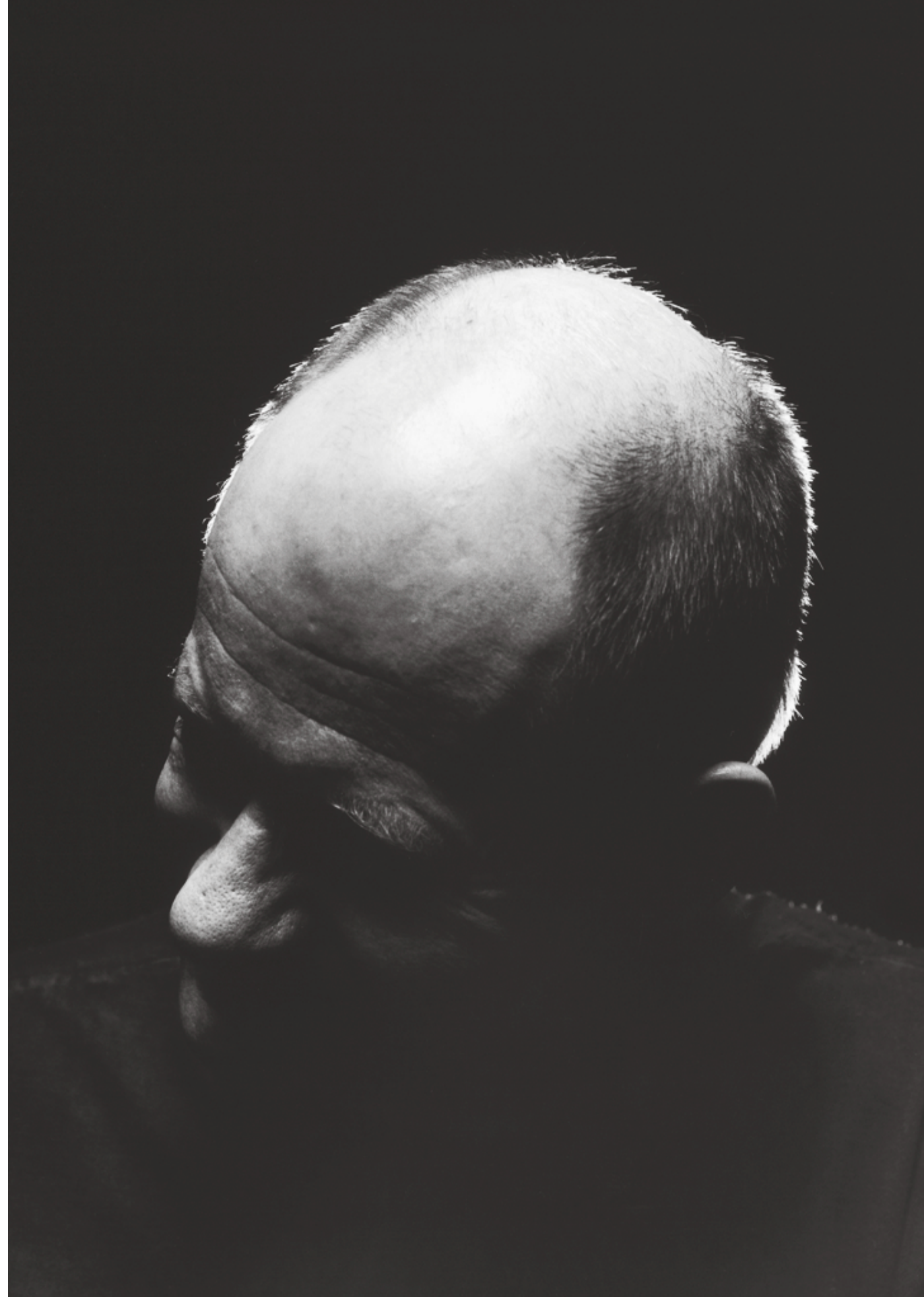
— During the year the sale of a majority stake in the Trust Group was successfully completed, enabling it to pursue its own expansion strategy. This transaction had a major impact on our organisation and on the financial position of the group. Staff numbers more than halved and the operations are now mainly concentrated in continental Europe and the United Kingdom. The proceeds of the sale instigated financial restructuring, whereby surplus capital funds of EUR 116 million have been paid out to shareholders. As a result, the group now has a strong capital base to support its ongoing activities.

In the second half of the year, the sale of a majority stake in the property development finance unit in the UK, United Trust Bank, to the local management, including one of the directors of Insinger de Beaufort, was also concluded. The group will retain a 25% shareholding in this business after completion, which is expected in the second quarter of 2004.

The benefits of the streamlining and restructuring, which commenced in 2002 and were completed in 2003, became visible in 2003. Costs have been structurally reduced and brought into line with the changed market conditions.

Our processes are under constant review for further improvements in efficiency and effectiveness. There is still a great deal that can be done to improve operational leverage, which should help to bring the cost-to-income ratio closer to our goal of less than 70%.

Generally, the organisation is now well positioned to meet the anticipated market conditions and opportunities.



**Bruno Ninaber van Eyben —
Industrial designer**

Bruno Ninaber van Eyben is an industrial designer who produces and distributes his own products. His work is included in many important collections including the Museum of Modern Art in New York and Amsterdam's Stedelijk Museum, while his designs feature on guilder coins and Dutch euros. In 1985 he co-founded the design consultancy, n|p|k. He has worked from his own studio in Delft since 1997.

Every day I work with matter, but what I have learnt through my work is that form is not just a material quality. The true shape of an object is determined by the space that surrounds it.

An object is never what it actually is, it's what you think it is. You always want something from it: you may want to take care of it, perhaps you don't like it and you want to throw it away. Each object has its own atmosphere, created by your memories and expectations of it.

I think that when you make objects you have to focus on how they fit into the composition of life. A chair is only a chair when you sit on it, the rest of the time it just takes up space. The challenge is to create something that performs its task well and doesn't get in the way.

Invariably, I find that simplicity, paring down to essential qualities, is the right approach. Simplicity always delivers the greatest surprise, because it is then that an object's essence is at its most vivid. Discovering that simplicity is a complex process.


I don't mean the simplicity of minimalism; that speaks only about the object in itself. For me, what works counts for more than what looks good. Objects are activated by use and that's what I like to bring to the fore.

You find that in nature. Flowers may be beautiful, but the reason is not aesthetic, it's practical. It's through understanding the rationale for a product that you give it an autonomous form, one that isn't subject to the vagaries of fashion.

You get enough information to create a design whenever the questions you ask are the essential ones. Recently, I was with students who were making a floating playground. They constructed rafts and then attached an old bicycle to move them around. I suggested they study the motion of water. If you look at nature you won't find a fish with a propeller on its back, the fish itself is the propeller.

**“Discovering
simplicity —**

**— is a
complex
process.”**



Like flowers, most products are designed to seduce. Their sheen attracts and encourages us to buy. But with this comes the risk that we don't consider whether they are right for us or that when we own them we will feel let down.

Badly made products are costly. Things that don't work properly take up a lot of energy. When your alarm clock doesn't wake you, the shower doesn't work and the toaster burns the bread your whole life is made chaotic.

Living is all about interaction. We engage with our surroundings on many levels: by applying our minds, our energy, our creativity, the information we have — all these things. An object only plays a small role, but we are surrounded by a lot of objects. Together they have a huge influence.

The way we relate to an object changes over time. There's a mental process involved. It can be characterised as a life-cycle with three basic stages.

First, there is an engagement period. You discover a new product and wonder whether to get it or not. Then you buy it, and while it's novel you are often thinking about it. There comes a point though, and this is the second stage, when the object is just part of everyday life. It does its job and you barely notice it. In the end, bits fall off and it starts to go wrong. During this final, decaying phase the object demands your attention again.

The first and the final stages take up a lot of energy. The middle stage is by far the most convenient. Ultimately, the best products are the ones that become invisible.

**“Ultimately,
the best products —**



— are the ones that become invisible.”

Ideally, each stage of the cycle should be given time to run its course, but business likes to emphasise the desirability of its products to speed up the selling process. This leads to fast consumption. People succumb to the charm of a product, discover it doesn't fit their needs and then swiftly get rid of it. It feeds a culture where disappointment and aggressive behaviour become the norm.

I try to get away from that speed. I don't advertise. I prefer people to be able to take the time to discover if one of my products is really right for them. Then they can make it part of their own world instead of having to participate in the values of someone else's brand.

Construction-wise I consider myself a true inventor, but invention doesn't always have to be about materials. It also takes place in the social sphere.

To understand what you want from an object, I have to understand you and discover how you might want to interact with it. Objects are hard, material things — it is action that brings them to life. Implicit in every object is the recognition that in even the smallest act there can be a powerful ritual.

Some objects I make relate directly to rituals. While these have symbolic importance, they also have a practical use. Balancing these two attributes is a delicate task. Guilder and Dutch euro coins should represent the country but they are also there so people can buy things. A giveaway item should be useful for the one who receives it, but it is also meant to initiate conversation.

When I was asked to design the medallion for the Erasmus Prize, I attended the ceremony. What struck me then was that this highly prestigious event seemed devoid of any symbolism. I included some apposite words written by Erasmus on the sash of the award. That text was incorporated into the ceremony and it has helped to endow the occasion with a substance it didn't have before. Objects can have that kind of influence.

I don't run with society and that allows me to observe people working. I can say, 'hey, there's an easier way. I can help. Let me create a tool for you'. Mine is a privileged position. Society gives me food to live on, in return I watch and I serve it.

Part 05 —

Greater than the sum of our parts —

Private banking, asset management and services for institutional and corporate clients are now our three main lines of business.

—
The Private Banking and Asset Management units are well positioned in their respective markets and poised for substantial future growth. Each is able to provide the depth of expertise, unrivalled performance, care and service to clients that are the hallmarks of Ininger de Beaufort. These business units will continue to generate considerable annuity-based income.

The Institutional & Corporate Clients units encounter more volatility in their income streams. However, on average across the business cycle, they make a good contribution to our results. This business has a strong nexus with private banking. Whereas the focus for private banking is on owner/managers and their families, the emphasis here is on servicing businesses. Our top quality research coverage of listed, small- and mid-cap businesses is helping to deepen client relationships.

In the UK, the Institutional & Corporate Client units offer specialist capabilities for servicing clients in particular niches and with bespoke products. The Equity Stockbroking Unit and the Corporate Finance Unit deliver quality services. Both experienced a recovery in business during the year. Stockbroking volumes increased and some significant corporate finance deals were completed. The Bond Broking Unit continues to develop very well. Its high quality service is finding favour with a growing number of clients.

The Amsterdam Institutional Equity Sales, Research and Broking Unit had a difficult year, but has completed its restructuring programme. It is now focused on building its position in the market for the coming years.

The three business lines are supported by Operations and Finance & Control units, which are locally managed, while detailed financial control is centralised. The Operations Unit in Amsterdam is currently progressing a project to replace the back-office systems, which will reduce our operational risk and streamline transaction processing.

The ongoing review, assessment and realignment of businesses, income flows, support systems and processes were undertaken with a view to increasing standardisation and simplifying management procedures. Their implementation has allowed for significant decentralisation without sacrificing the high standards that have been set.

A streamlining of functions has been achieved throughout the business and this has led to a significant reduction in staff numbers. Stringent performance indicators form the basis of an ongoing review system, with both individuals and business units now subject to a rigorous appraisal process. Taken together, these measures have resulted in annualised savings well in excess of last year's EUR 15 million.



Henk Pröpper —
Writer & cultural ambassador

Henk Pröpper is currently managing director of the Foundation for the Production and Translation of Dutch Literature (NLPVF). He was formerly Director of the Institut Néerlandais in Paris and cultural attaché at the Netherlands Embassy in France. He made arts-based television programmes for several years and was the editor of two literary magazines, *Maastaf* and *Optima*. He has published a novel, several essay collections and poems, the most recent of which appear in the anthology *Le verre est un liquide lent* (Farrago, 2003).

My love of language has always been there. When I was young, I would sit in the corner of the room all day long, just reading, while my four younger brothers played around me. Four brothers make a lot of noise. They were screaming, crying, quarrelling, but it never got in the way.

Maybe that's why now I look for distracting spaces when I really need to concentrate. For me, the idea that something is bothering me is a kind of stimulus. I want to witness life in action, but there's also a discipline about it that I like. It's about being open to the world, but also being able to close the curtains on what's going on around you. You are always living at the border as you create.

In my early thirties, disaster struck. I lost my first wife. I found I just couldn't bear to stay in Amsterdam and I went to New York. That was where we had first found out that she was ill so in some ways it was a strange destination to choose, but that bustling, manic place was just what I needed at the time. I wrote a novel while I was there. It's a really loud book; on the very first page there are all kinds of alarms and sirens.

“What is
strangest —

— is
the most
familiar.”



“I look for distracting places —

Thinking about how I became the person I am, I also know that French literature has had a profound influence. I was transfixed by the great 19th century novelists — giants like Balzac, Hugo, Chateaubriand — also the poets, especially Baudelaire. City life in Baudelaire is so rich; so full of meaning, ideas, hope, fear, everything. It always fascinated me.

When it comes to the big choices in life, we like to think they're the result of reasoning or some kind of feeling. For me, looking back, it's much more mysterious than that. All your experiences contribute.

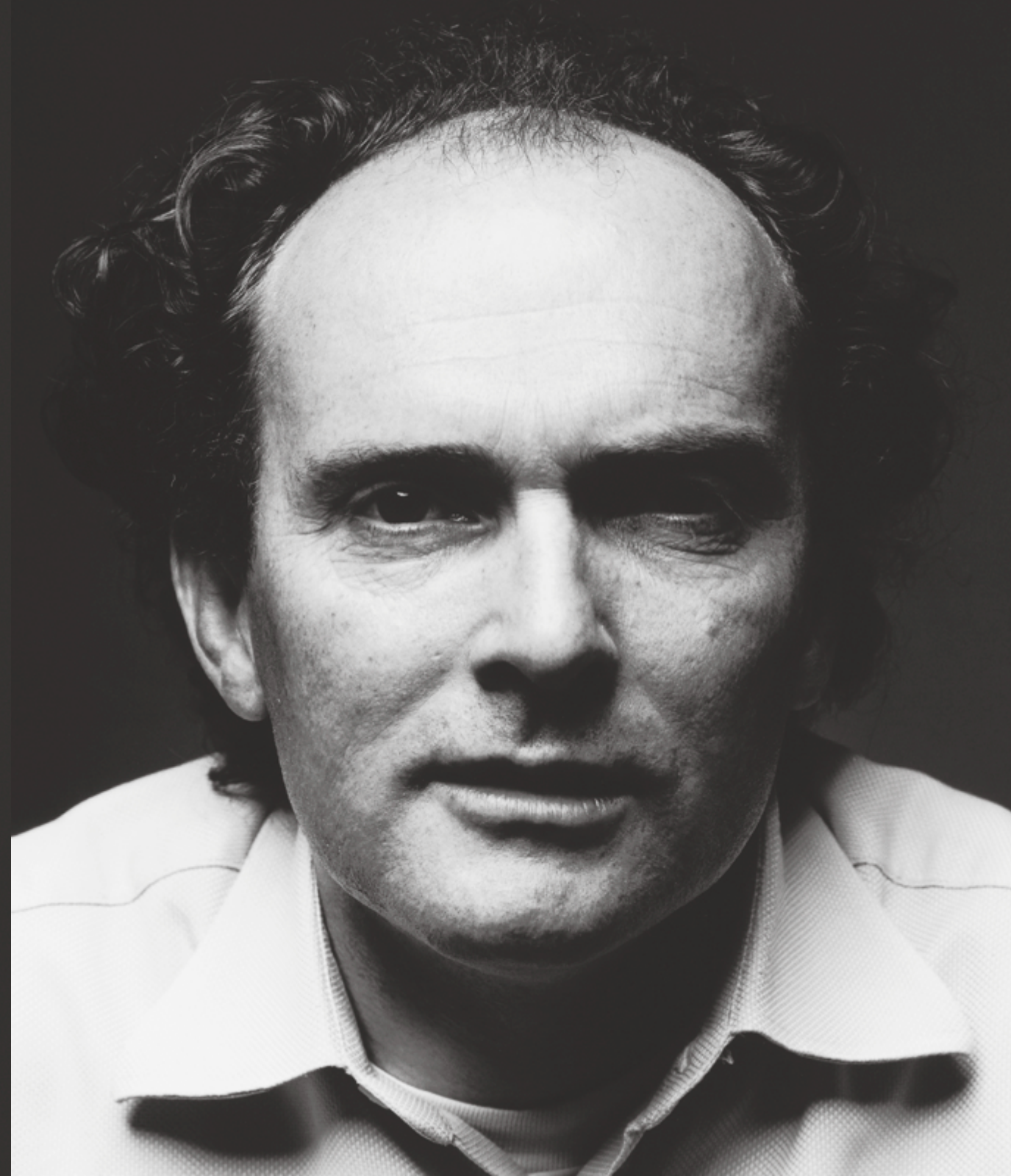
I cannot say why, one day, my imagination was gripped by the vision of a pair of ankles emerging from a car. I was in Paris, the city where most of the books I love are situated, and I had just been told that I was going to meet someone who would be important to my future.

The lady I met then has since become my second wife. Somehow, it felt as though the choice to be with her was made for me, that my life until then made me ready for that moment. Of course I fell in love with her, but also with her difference, everything that her culture had sculpted in her.

Initially, when I came to live in Paris it was simply to be with her. I tried to work on a novel, but I was writing at home and it was too quiet. For the first time in fifteen years I had writer's block. We also had money worries. It had reached the point where I felt I couldn't afford to stay there any more when the then director of the Dutch Institute in Paris invited me to lunch.

That lunch changed everything. I was asked to be co-director of the Institute and, shortly afterwards, I became its director. Then I also acted as a diplomat, as cultural attaché at the Dutch embassy.

So I had this role as an intermediary, living in Paris and with a French wife. I found myself between two cultures, intimately connected with both yet not quite belonging to either one. I was an insider and an outsider at the same time. It's a very privileged position to have that distance; it helped me as an artist and it allowed me to observe what went on.



— when I really need to concentrate.”

Over time, I found that by focusing on the small details I could learn an incredible amount. I remember once when I was in the office of a senior French politician, he came in and spent the first few minutes kissing everyone. It's a minor thing, but it caught my attention because we do things a bit differently in Holland. That was the starting point for what became a little essay on kissing. I found out there are many codes and formal niceties. Such conventions are never arbitrary; they reveal a lot about the dynamics of a culture.

The French identity is really quite contradictory. You have this fiercely secular society founded on the three great principles of the enlightenment, but against that there is Catholicism. That's a big opposition. They don't want religion to play a role in their society, yet it's there all the time in the choices they make and in issues that don't get talked about.

Of course, as someone brought up in the Calvinist tradition, the contrast with my own perspective influences what I see. Take our respective attitudes towards the end of life. In France, everyone knows that euthanasia is a taboo: it's hard even to discuss it. This isn't a problem for the Dutch, it seems that we are able to deal with death.

But in other ways we go to great lengths to conceal it. If you buy meat in Holland, everything is sliced up, you don't even recognise what the animal was, nobody wants to think about that. It's completely different from the French way of thinking.

Humour is another big differentiator. Holland is a small, flat country with an egalitarian ethos. The Dutch like to laugh together at life's absurdities. French society is very elitist, they have a sort of hierarchy in their humour.

The French sense of humour doesn't translate easily because it is so rooted in the language. It has a lot to do with word play and there is a great deal of pleasure in that. However, as with any game, you have to understand the rules. In France, wit is often deployed to display intelligence and erudition, which are seen as gateways to society's upper echelon. Humour has a strategic dimension, it's a very serious business.

Speaking for myself, I've found that straddling these two cultures can be challenging. The other day I had to write a strongly worded letter as part of my work. A colleague who read it declared it was beautifully written, but it wasn't Dutch. 'You did something very French,' she explained, 'the way you chastise these people is so courteous, good-humoured and intelligent, but also mean. I only hope they will understand.'

Part 06 —

No stone unturned —

Governmental, economic and regulatory supervision has undoubtedly tightened and grown more effective over the past decades. Yet we have witnessed some of the biggest financial misadventures in history. And they continue to happen.

— Rules do not make honest people. The same applies to businesses. For Insinger de Beaufort, this just serves to underline the importance of encouraging an environment where people can be honest with each other; where each of us clearly understands our responsibilities and expects to be held accountable for our actions.

It remains important to us to develop a culture that is open, transparent and flexible, with people who comfortably fit into such a way of working. Equally, it is vital to implement the highest standards of corporate governance practice, not simply because ‘honesty is the best policy’, but because we recognise how difficult it is to maintain the level of organisational and corporate integrity that we aspire to. We believe that these practices will help us in that.

In our complex, fast moving and demanding environment, risk management is a key business attribute. Knowledge of the relevant risks, our exposure to them and the effectiveness of our controls for mitigating those risks are essential for our success. Therefore, we have integrated risk management into our culture, our people and our behaviour.

This is fostered through a formal substructure. The executive management is responsible for ensuring that risks and controls are addressed in each of their operations. Our risk management department provides them with conceptual support to ensure that this process is consistent and adequate for the environment in which we operate.

Specific expertise is furnished by the compliance department, the Credit & Deal Committee and the Asset & Liability Committee. They report to the executive management on, respectively, compliance risk, credit risk and market and liquidity risk issues.

The Audit Committee supervises our risk management and control systems on behalf of the board. An additional layer of comfort is provided by our internal audit department, which independently scrutinises the ongoing adequacy of this structure and reports its findings directly to the Audit Committee.

The group's policy is to hedge all foreign currency exposures. Our risk profile towards our balance sheet is based on an ongoing assessment of the environment. At the end of 2003 this resulted in high liquidity, limited credit risk exposures and a healthy capital base.