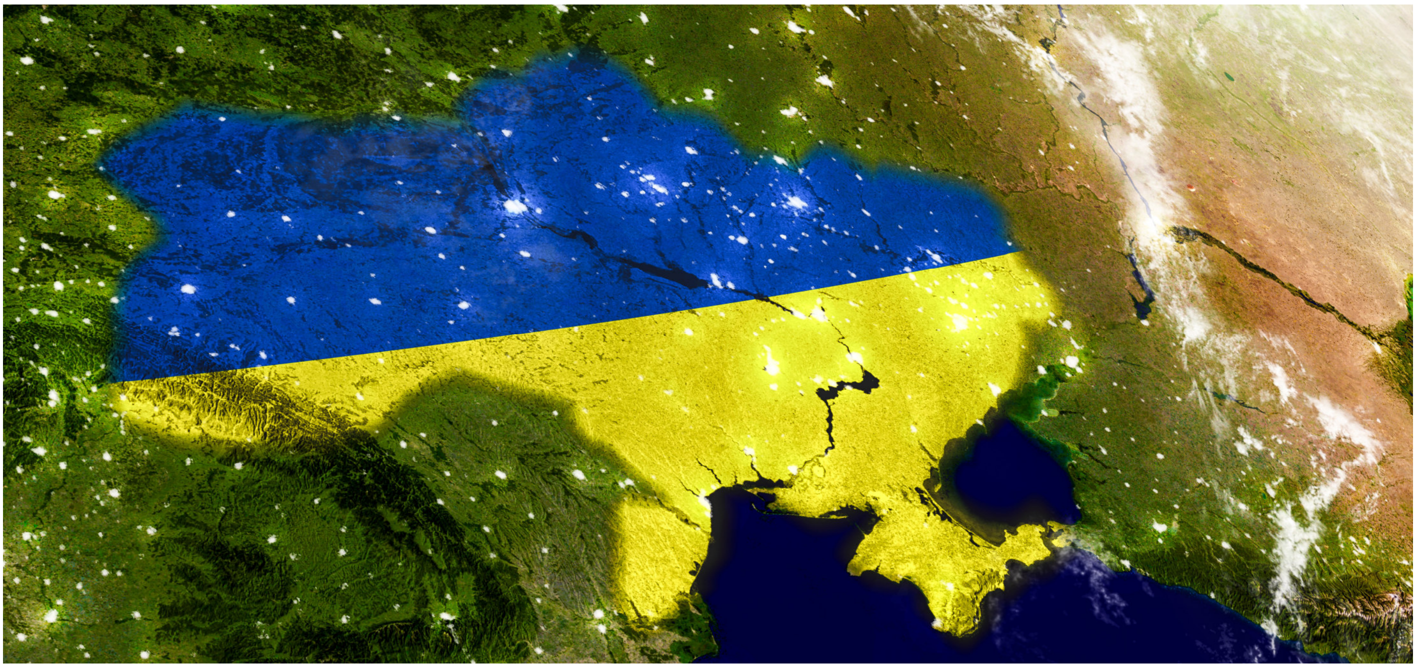
Rethinking



Looking at the history of mankind, you will see that wars have often set the course for future developments. Russia's invasion of Ukraine is no exception. There is much to suggest that the dynamics of change set in motion by Russia's invasion of Ukraine will affect the Federal Republic of Germany in particular. There is no point in beating about the bush, as is customary in the political arena: the prosperity of the population is in decline, and more difficult times are ahead. It is by no means just about the foolish energy policy pursued under various governments since 1998.

The European Central Bank's unprecedented excess of money printing has also prepared the ground for a loss in prosperity now coming to light in the form of galloping inflation. To the surprise of many, the common belief among economists that money printing can cheerfully drive a structurally low-growth economy and an exuberant state (keyword: Modern Monetary Theory) has proven to be a chimera. Even more serious, however, is the negative demographic trend. In the long run, it will lead to unaffordable pension, health care and long-term care system. Actually, if we look at the budget item "Labor and Social Affairs", we have already been there for a long time. It dominates the federal budget and is expected to amount to no less than 165 billion euros for 2022, 116 billion of which will be used as a subsidy for the structurally underfunded pension; with a strong upward trend.

The new federal government will finance its new actionist plans, which include an additional 100 billion euros for armaments, by issuing new bonds. As a result, national debt will increase significantly in the years ahead. 'Black zero' will be dead! Since the era of negative interest rates for the state has come to an abrupt end, interest payments will once again become a greater burden in the coming years. Thus, the fact that previous governments did not build up reserves in good times is taking its revenge. But this is hardly different in other countries.

Add to it the refugee crisis that the Ukraine war will inevitably bring, with the migration wave of 2015 not yet fully digested, the financial consequences are totally unclear. All of this is taking place against the backdrop of a rapidly deteriorating economy. The probability of a recession has risen, especially if shortages in energy supply occur at acceptable prices. This scenario does not bode well for tax revenues. Taxpayers, already hard-pressed, will face further hardship, not least due to cold progression.

But citizens will also have to rethink. Faith in the all-nurturing and highly wise Father State, as is widespread in Germany, will erode. It will no longer be possible to afford the full insurance mentality against all risks in life. Hence, the inevitable loss of prosperity also offers the opportunity for a return to the essentials.

A rethink is also needed in the area of capital investment. The Germans' obsession with interest -bearing assets has led to dramatic misallocation and losses. Tangible assets deserve greater consideration in financial planning. In this context, dynamic tangible assets, i.e. shares or equity funds, are unsurpassed in the long term in terms of their bundle of properties. In the fall of last year, it looked as if the ‘traffic light’ coalition was also to pay tribute to this realization after many missed decades with a so-called "stock pension". The fact that these plans have now been shelved can be seen as a gloomy signal for the development of prosperity in Germany.

Sincerely yours,

Fund managers and co-investors

Dr. Christoph Bruns Ufuk Boydak

This text was originally published in German.

Contact us

Frank Trzewik

Managing Partner Sales

trzewik@loys.de

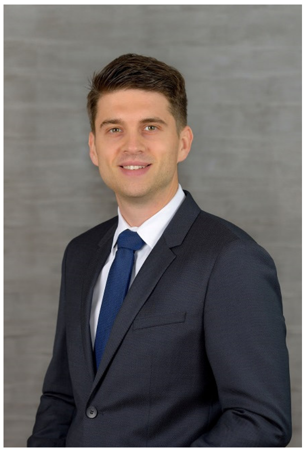
Tel. +49 (0) 441 92586-0

Raphael Riemann

Managing Partner Organization / Sales

riemann@loys.de

Tel. +49 (0) 69 2475444-01



Matthias Gindert

Sales Manager

gindert@loys.de

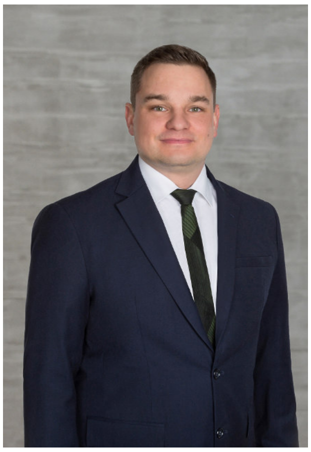
Tel. +49 (0) 69 2475444-02

Chris Thiere

Sales Manager

thiere@loys.de

Tel. +49 (0) 69 2475444-16



Alexander Piira

Sales Manager

(LOYS Suisse AG)

piira@loys.de

Tel. +41-41 766 77 35

Impressum - Company Details

Publisher:

LOYS AG
Heiligengeiststr. 6-8
26121 Oldenburg

Contact us:

Telephone: +49 (0) 69-2475444-0
info@loys.de

Responsible person:

Frank Trzewik
Managing Partner LOYS AG
www.loys.de