Interest rate trends shape financial market year

Over the past twelve months, the global financial markets have been at their most exciting. It was an eventful year and was generally dominated by interest rate developments.

There were huge movements on the interest rate market after 2022 triggered a veritable crash on the bond market in the face of an inflation shock. In the first ten months of 2023, there were several key interest rate hikes and significant yield increases on the bond market. However, once it became clear that inflation had peaked and key interest rates did not need to be raised any further, there was a flurry of interest rate cuts for 2024. The stock markets benefited from this and there was a brilliant price rally in the last two months of the year. As a result, 2023 ended as it had begun: with significant price rises. The sideways trend from February to October has been forgotten, even though there was a serious regional banking crisis in the US in spring, for example. As is well known, the major Swiss bank Credit Suisse also became insolvent and had to be rescued by UBS under state control. Large-cap technology stocks from the USA - fueled by fantasies of artificial intelligence systems - led the stock market by a wide margin and had a very positive year. The building materials sector also performed well. Even the retail and wholesale sectors had a strong year. However, things were leaner in the healthcare sector, where Pfizer and Bayer were among the big losers. Chinese securities were also among the losers of the year.

The currency market was influenced by interest rate changes as well. The different interest rates in the various regions of the world had a strong impact on exchange rates. For example, the extremely weak development of the Japanese yen against the dollar and euro was striking. However, as the financial markets are expecting the US to move ahead with any interest rate cuts, the yen and euro were able to strengthen against the world's leading currency at the end of the year.

There was no rejoicing on the real estate market throughout 2023. On the contrary, the interest rate-induced boom of recent decades came to an abrupt end due to the rapid rise in key interest rates, particularly in commercial real estate. Spectacular insolvencies such as Evergrande in China and René Benko's real estate group in Europe symbolize the malaise. Nevertheless, falling interest rates on loans could provide relief on the real estate markets in 2024. The shortage of housing in America and Europe remains unchanged, partly due to the continuing strong migration flows.

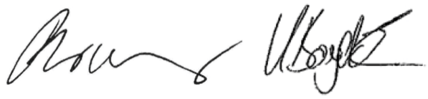
2023 was a difficult year for commodity markets. Except for uranium, energy commodities such as crude oil, natural gas, and coal fell sharply at times. Prices also eased on the electricity market. In this respect, Germany could once again get through the winter in good shape, after last winter had already brought quite mild temperatures and thus relieved the self-inflicted structural energy shortage. However, it is by no means certain whether the market developments described above will benefit German energy consumers, as the already high taxation of energy in Germany has increased further since the beginning of January. Grain prices also experienced a weak year. Wheat, maize, and soybeans suffered some significant price falls. However, the situation was more balanced for metals. While gold rose, nickel and zinc fell.

The LOYS funds were all able to close the changeable year 2023 in positive territory. LOYS Global and LOYS Global MH even posted double-digit gains. The latter fund recorded a net performance of almost 14% and will operate under the new name 'LOYS Philosophie Bruns' in the future. This will strengthen the name profile of the fund, whose fund manager is not only the initial investor but also the fund's largest single investor.

The new year is likely to be shaped not least by the upcoming US presidential election. In addition, the central banks will have to deliver key interest rate cuts so that the expectations already priced into the equity and bond markets are not disappointed. However, the question of whether Europe will find a way out of the recession and whether economic growth in China will accelerate will be of key importance.

Sincerely yours,

Fund managers and co-investors



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