LOYS Global Back on Track

Despite the extremely volatile weeks on the stock markets in July, there are growing signs that the turnaround initiated in LOYS Global last December appears to be succeeding. As the performance figures show, the fund has gained more than 12% since the beginning of the year.

The new fund manager, who successfully built LOYS Global into a major player two decades ago, is poised to repeat this feat once again. At first glance, it is clear that LOYS Global now has a distinct profile. As the name aptly suggests, the fund invests globally and currently has just under half of its portfolio invested in U.S. stocks. The fund manager focuses on high-quality stocks with strong market positions in their respective markets and robust balance sheets. Companies with very high debt levels are avoided. The fund's current focus is on large-cap companies, particularly in the U.S. Technology stocks play a prominent role in the fund manager's current strategy. Nevertheless, great care is taken to ensure healthy valuation ratios when making new purchases. The current cash ratio in LOYS Global is 2.5%.

At the same time, the first seven months of the year proved to be challenging on the stock markets. As is well known, the war waged by Israel and the U.S. against Iran caused energy prices to rise rapidly, especially in Europe, Asia, and Africa. The price of natural gas in Europe alone rose by a whopping 100% from the beginning of January to the end of July. By comparison, the 45% jump in the price of Brent North Sea crude oil seems almost modest. The increases in refined products, such as diesel and kerosene, were particularly steep. Compounding the situation in recent weeks have been disruptions to supplies from Russia, as targeted Ukrainian attacks on the aggressor's oil infrastructure have exacerbated the bottlenecks. The ongoing transportation bottlenecks are also having an impact. The Strait of Hormuz is closed, and maritime transport in the Red Sea is becoming more dangerous as well. Added to this is the fact that low water levels on the Rhine are also hindering the inland transport of energy sources.

No less important is the rise in interest rates. In the United States, the yield on 10-year Treasury bonds has risen by 70 basis points since the start of the war in Iran. With public debt totaling approximately $40 trillion, a 0.7% increase in interest rates results in an additional annual burden on the interest budget of $280 billion. In Germany, too, interest payments are rising rapidly given the path of debt the country has taken. And interest rates on government securities always serve as benchmark rates for all kinds of consumer loans. But rising interest rates are not merely a reflection of undisciplined borrowing sprees. Rather, they also reflect the rapid currency devaluation that central banks have been unable to bring under control for many years. It is therefore fair to say that, given negative real interest rates, the financial repression we have experienced since the great financial crisis continues. Savers and taxpayers, who are partially dispossessed by bracket creep, are footing a large portion of the bill for decisions made by political decision-makers.

Regardless, the stock markets are presenting a positive picture. Companies are apparently adapting to new circumstances more quickly and effectively than government institutions can. It therefore remains wise to continue favoring stock investments over other alternatives in the future.

Your fund manager and co-investor

Dr. Christoph Bruns

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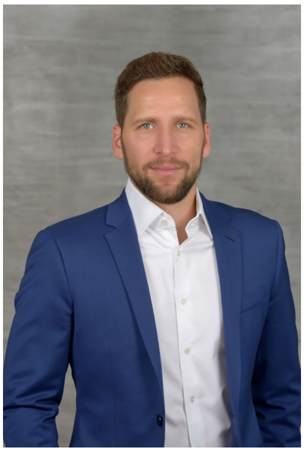
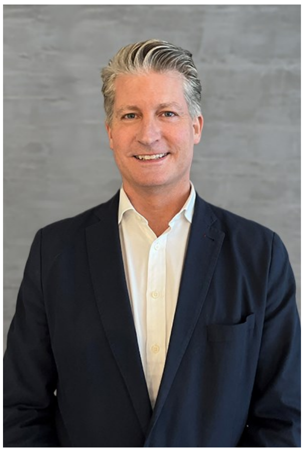


Ufuk Boydak

Executive Board

boydak@loys.de

Tel. +49 (0)69 2475444-0

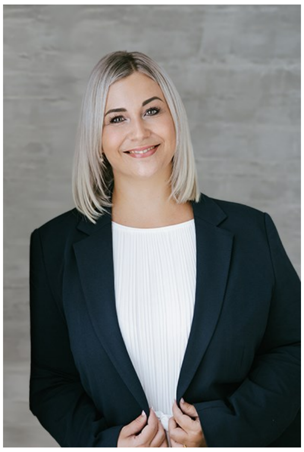


Sebastian Erdmann

Sales Manager

erdmann@loys.de

Tel. +49 (0) 69 2475444-24

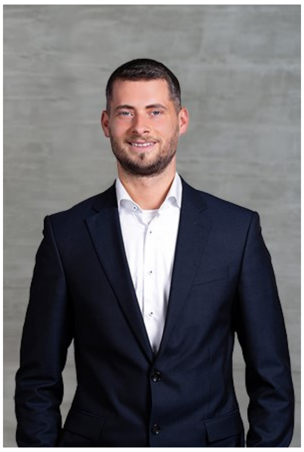


Franziska Grosch

Sales Manager

grosch@loys.de

Tel. +49 (0) 69 2475444-16

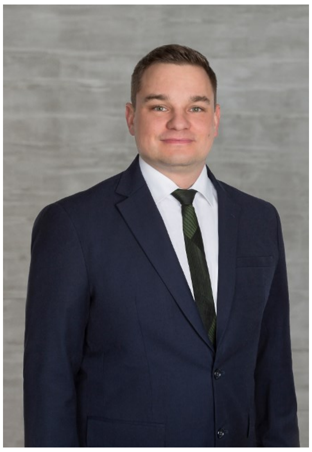


Peter Maser

Sales Manager

maser@loys.de

Tel. +49 (0) 69 2475444-02



Alexander Piira

Sales Manager

(LOYS Suisse AG)

piira@loys.de

Tel. +41-41 766 77 35

Anja Risse

Sales Manager

risse@loys.de

Tel. 069 2475444-14

Tom Roth

Sales Manager

roth@loys.de

Tel. 069 2475444-11

Impressum - Company Details

Publisher:

LOYS AG
Barckhausstraße 10
60325 Frankfurt am Main

Contact us:

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

Responsible person:

Ufuk Boydak
CEO LOYS AG
www.loys.de