

## Warren Buffett buys Japanese stocks



One of the most discussed investment moves in August was the shopping tour by the famous American investor Warren Buffett. The 'Oracle of Omaha' bought stocks of no less than five Japanese companies for several billion US dollars.

This development is surprising for the investment community because Nippon has been off the spotlight for decades. This is not the case with the five globally investing LOYS funds. For several years, we see Japan as an interesting country with some unique characteristics. Not known by many investors, Japan is the country with the most listed companies, for example.

This step by Warren Buffett, who celebrated his ninetieth birthday last week, is logical in many ways. It is important to note that Buffett's most striking attribute is his rationality combined with a long-term approach. These fundamentals are also deeply rooted in the LOYS investment philosophy. Therefore, it will not have escaped his notice that Japanese stocks are cheap compared to

stocks from his home country, the US. Besides, by investing in Japan, Buffett is diversifying his currency exposure, which has been very American so far. The US dollar decline within recent weeks is a warning sign as the American debt-fueled economy is standing on shaky ground. The rate of depreciation of the dollar has been at least 2% p.a. higher than the one of the Japanese yen for decades. It could further be said to Japan's credit, that the COVID-19 pandemic is much better controlled than in America. In general, the health condition in Japan is much more robust than elsewhere, as indicated by the longevity of the population.

Speaking of rationality, Warren Buffett will certainly not have been unaware that some market segments in the US have run hot

and are showing clear signs of irrationality. This is symbolically illustrated by the recent share price development of Tesla, where a stock split, which objectively represents a zero-sum game for shareholders, has led to an increase in market capitalization of around 1.8 billion US dollars - i.e. a significantly higher overall market value than that of Volkswagen, Daimler and BMW combined.

In his long market life, Warren Buffett has experienced enough stock market phases that resemble the situation today. If he is currently holding particularly large sums of money, then his valuation assessment of the American stock market can be derived from this positioning. His investment in Japan is logical and understandable, just as it was when he took

over value-declining natural gas storage facilities and transport pipelines a few weeks ago. With great perseverance and consistency, he sticks to his long-term proven anti-cyclical investment style and lets criticism bounce off him. Hence a quote from Buffett to conclude, which also reflects our state of mind:

"The most common cause of low prices is pessimism — some

times pervasive, some times specific to a company or industry. We want to do business in such an environment, not because we like pessimism but because we like the prices it produces. It's optimism that is the enemy of the rational buyer."

Sincerely yours,

Fund managers and co-investors

Handwritten signatures of Christoph Bruns and Ufuk Boydak in black ink.

Dr. Christoph Bruns Ufuk Boydak

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