

## LOYS equity funds compensate for inflation



The word of the year could be the word inflation. The spectacular increase in the general cost of living to over 5% was not expected at all at the beginning of the year. The European Central Bank was virtually ignorant of the price increases throughout the year. Until December, the ECB tower in Frankfurt had been communicating that this might only be a temporary increase and that prices would soon be back below the annual inflation target of 2%.

Investors need to keep in mind their investment goals. Traditionally, the financial literature suggests to focus on the real net value development of the investment amount as a priority. This is an absolute goal that we at LOYS have a lot in common with. So, if LOYS Global has gained a good 17% net this year, after subtracting inflation of about 5.5%, that's a solid 11.5% real growth for the investor. At least let's be glad that the performance of LOYS Global and also the other six LOYS funds more than compensated for inflation.

The calculation for interest rate oriented savers is quite different. There has not been a positive

coupon on interest-bearing investments for years, and in the meantime banks have introduced so-called custody fees (popularly known as negative interest rates) across the board. This investor group looks consequently on a year 2021, which timed a real money loss of more than 5%. This is a considerable loss of wealth, and little improvement can be expected in the new year - on the contrary.

Regardless of the miserable development of interest-bearing investments, however, this investment category remains favored among investors in Germany. In this respect, the statistics are clear. It probably belongs to the

nations mysteries, why the majority of our compatriots does not find the way out from the wealth-destructing interest rate trap.

Regardless however, diligent investors must look ahead. The outlook for the equity markets in 2022 is by no means negative. The decisive question will not be whether or not to own stocks, but rather which stocks look promising. Here, we remain true to our long-standing credo that the target companies for the LOYS funds should be of high quality and at the same time undervalued in terms of valuation. We ourselves are somewhat surprised that the current market situation offers many attractive

candidates for our funds. Given the strong stock index performance for many years, this finding would not necessarily have been expected. However, because the stock indices have been rising very top-heavy for a long time, many dividend stocks have remained undiscovered or neglected in the second, third and fourth rows of the stock market. Meanwhile, the magic stocks of recent years - bearing names like

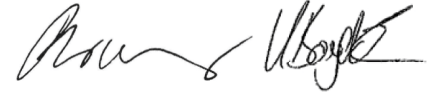
Apple, Alphabet, Amazon, Meta Platforms (formerly Facebook), Microsoft, etc. - seem at least fully valued.

In this respect, we enter the year with some optimism based on the fact that the stocks we have chosen have upside potential. Although the New Year will also bring many political and economic upheavals, we feel well prepared to deal with them professionally,

as we have done in the past eighteen years, which for us always means conservatively.

Sincerely yours,

Fund managers and co-investors



Dr. Christoph Bruns Ufuk Boydak

This text was originally published in German.

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