BCG Wealth Report with Expectable Results

Recently, the consulting firm Boston Consulting Group (BCG) published a report outlining global developments of financial wealth around the world.

The results of the study are by no means surprising, and confirm observable trends in financial markets over the past year. It is worth remembering that 2022 brought negative developments for investors in financial assets. The same applies to real estate owners, but the BCG study only looks at financial assets.

The study confirms a decline in the value of global financial assets. Europe and the U.S. were hit particularly hard by the contraction, while Asia and the Middle East fared somewhat better. There are, however, a number of interesting features to be found in the study. For example, it is striking that American financial assets, at $116 trillion, are valued more than twice as high compared to Western Europe, valued at $49 trillion. While nominal financial assets (checking accounts, time deposits, bonds, and endowment policies) dominate financial assets in Europe and especially in Germany, equities play a much larger role in the portfolios of citizens in the United States. In general, corporate investments dominate the landscape of wealth in the U.S., while in Western Europe, tangible assets such as real estate and precious metals account for a higher share of wealth. At the same time, people in America tend to have higher debt ratios compared with Western Europe. In relation to Asia, Japan's asset structure is more similar to that of the USA. The 'Asia-Pacific' region is now clearly ahead of Western Europe in terms of financial assets, the value of the region exceeds that of European assets by more than 10%.

For people in Western Europe it may be a small consolation that last year's weak stock market performance was worse in the US than on the old continent. However, strong returns in the first half of 2023 in US markets reversed any consolation. In the longer term, the reluctance to invest in equities in Europe and especially in Germany, will lead to a serious disadvantage when it comes to building wealth. In addition, the prevailing socialist winds in the EU are likely to further separate the gap between individual wealth of US and European citizens. Citizens in the US, due to their higher exposure to equities can expect better returns than their European counterparts.

For LOYS investors, these results are by no means surprising. The ideal way to invest is through diversified exposure to profits generated by publicly listed companies. Individual equities or equity funds are ideal tools to access this safe and diversified path to wealth. Investments in equities are key for wealth creation. The founding of LOYS AG in 2005 was based on this very insight. Today, this is more true than ever because higher inflation and the end of low-interest-rate policies provide additional advantage to equities compared to other asset classes. It is not surprising to note that all LOYS funds are currently almost fully invested.

Sincerely yours,

Fund managers and co-investors

Dr. Christoph Bruns Ufuk Boydak

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