

# INVESTMENT POLICY

Our View on Financial Markets

July 7th, 2011

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As co-founder and co-owner of Albin Kistler AG, André Kistler regularly publishes views and expectations on financial market developments.

The periodically appearing views on financial markets are also available on Albin Kistler's website as downloadable PDF.

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## Globalisation

The collapse of the US property market, high levels of sovereign debt and massive cost-cutting measures in industrialised countries continue to take their toll: economic activity in Europe and the US is slowing rapidly and is expected to remain sluggish in the coming quarters.

The West faces a long cleanup process in a bid to curb rising levels of public debt. In many countries, forecast growth rates will not be sufficient to re-balance state budgets within a reasonable timeframe.

Withdrawal by individual members from the European monetary union accompanied by massive devaluation of their own domestic currency seems inevitable. The markets are increasingly identifying debt and interest rate dynamics and, in contrast to political bodies, are calling more and more for systematic solutions.

Even Switzerland cannot escape the changing environment. Continuing appreciation of the Swiss franc is also denting corporate profits, necessitating constant improvements to cost structures.

Despite negative currency effects, however, global focus, innovation and high quality awareness are contributing to high levels of economic output. The fast-growing emerging markets will ensure moderate global growth with low inflation over the medium to long term

## Investment Policy

Weak macroeconomic figures have again sharply reduced consensus expectations for stock markets and the economy, as reflected in the low share valuations.

Attractive performance indicators (risk premiums for shares still near historic high levels), coupled with dampened expectations and low inflation forecasts, offer a good basis for investment.

Non-territorial bluechip companies with secure and high dividend yields offer substantial long-term upside potential and are therefore the focus of our investment activity.

For the investor, the following applies: major long-term risks lie with the countries, not with the companies! The deflationary environment and steep yield curves also favour solid corporate bonds. At the same time we are continuing to slightly increase our foreign currency weighting in fixed income investments.

The US dollar and the euro are likely to rise significantly against the Swiss franc over the medium to long term. However, it may be a long and arduous road. Patience is still the most important attribute of a successful long-term investor!