Albin Kistler
Vermögensverwaltung für Private
& Asset Management

Wir halten Wort.

DIGITALISATION AS THE MAIN FACTOR

Our view

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Economy

The global trade war, sluggish economic growth, a crisis-ridden automotive industry, record levels of government debt and an ageing population were the headlines in 2019. Despite this supposedly negative environment, global equity markets succeeded in posting one of their best results in the last 20 years. The factors mentioned above will undoubtedly also have an influence on developments over the coming years. However, the positive impact of digitalisation on the global economy will be far more significant: innovation, transparency, efficiency and global networking mean that the world remains deflationary, while high global production capacities are confronted with almost stagnating demand.

In the wake of the lack of inflation, interest rates have persisted at a low level for a number of years. Economic cycles have therefore become more balanced and predictable, flattening out at the same time. Potential global growth has weakened from around 4% to well below 3%. While money is available in abundance, continual growth is set to remain a very rare phenomenon. Innovative companies and the technology sector, in particular, will play an even more decisive role in future.

The disruptive forces of the digital age continue unabated. These forces will shape the coming years and serve to improve global prosperity. More than 5 billion people already have access to the Internet. The quest for progress and a higher standard of living has taken on new dimensions due to digitalisation and encompasses almost all sections of the global population. The more industrialised and prosperous a country is, the lower the birth rate and the more pronounced the ageing process. The issue of a declining workforce, especially in the industrial sector, will occupy us for decades to come. A decreasing number of workers will have to supply a growing number of retired individuals with goods and services. This will be made possible by technological progress.

Outlook

Flat economic and inflationary cycles around the world will not just be a fact over the next two years, but rather also represent a long-term scenario. At present, there is no conceivable constellation that could resolve the problems relating to global public debt, the flood of liquidity and aging – with the exception of a deliberately permitted global economic crisis. Instead of risking creative destruction, however, the international community has apparently long since tacitly agreed to accept stable yet only moderate economic growth underpinned by continuous money creation.

Conclusion for our investment policy

There will be no escaping equity investments over the long term. A sufficiently long investment horizon is required, however. In the age of record government debt and the global money glut, everything speaks in favour of real assets and against fixed-income assets. Demand for first-class equities will increase significantly once more over the coming years. Over the course of the described digitalisation process, investors are becoming ever more informed and realising that the equities of high-quality companies are by far the most profitable and, in the long term, also the most secure investment vehicle. We believe that the valuations of dividend stocks will continue to rise in the coming years.

On the financial markets, on the other hand, fluctuations may be observed again and again as fears arise – but these will be temporary in nature. Caution is advised with respect to companies or debtors of inferior quality: the business model of those who can barely generate the interest costs despite the currently very advantageous financing conditions will be called into question by investors even in the event of slight market fluctuations. Quality and diversification therefore remain the focus of our investment policy.