Albin Kistler
Vermögensverwaltung für Private
& Asset Management

Wir halten Wort.

EARNINGS POWER

Investment policy
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The market assessments, which appear on a periodic basis, are available to download in PDF format on the Albin Kistler website: www.albinkistler.ch

Earnings power

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Economy

Economies and financial markets are constantly affected by risks and adverse factors that cause share prices to fluctuate. The negative issues currently on everyone's lips include supply bottlenecks, inflation concerns, overindebtedness, fears about interest rates and high share valuations. What is often forgotten, however, is that the vast majority of these factors are either temporary, insignificant or barely relevant for quality-focused investors with a long-term perspective. Human impetus and forward drive are generally significantly more powerful and sustained than the risk factors mentioned above:

- Despite temporary supply bottlenecks, our generation is seeing economic globalisation on an unprecedented scale.

- Although there are concerns about inflation, digitalisation is creating high global production capacity and helping make businesses extremely adaptable. A lasting surge in inflation can be all but ruled out.

- Despite overindebtedness and interest rate fears, interest rates worldwide remain at close to record-low levels, and a slight rise in interest rates would pose no threat to the majority of firms.

- Even though stock markets are high, first-class firms will reduce their valuation multiples through continuous earnings growth.

For active investors, what counts is not the level of the stock market index but the earnings power of companies that have been carefully selected. "And what if you are wrong?" As a cautious investor, we pursue a long-term investment horizon. By granting market forces, companies and people plenty of freedom, corporate earnings growth will continue to lead to long-term increases in the share prices of the companies we have selected.

Outlook

Over the coming years, economic growth will return to the subdued but stable level seen before the crisis. The billions in bond purchases have not been enough to return economies to an orderly state in which capacity is once again fully utilised and the vast cash holdings find their way into the real economy.

Fiscal policy actions are also increasingly moving into monetary policy territory at present, although even the record-high government programmes will boost growth to only a limited extent, instead cementing the high levels of overindebtedness.

Going forward, inflation will hover around a somewhat higher level but will not spiral out of control. Central banks are planning to scale back their bond purchases, which will support a slight upward interest rate trend but will not act as a long-term drag on the equity markets.

Conclusions for our investment policy

At a time when high-quality companies are being run as well as they have ever been, we believe the most crucial factor is a company's long-term earnings growth. With global growth rates expected to remain sluggish, first-class firms delivering constant growth over and above their pure intrinsic value and largely non-earnings-generating nominal value will be the top performers.

Investors are increasingly well-informed and will therefore invest more of their savings in stocks in the future. As a result, companies offering stable and secure growth will continue to be highly sought after. Even though new risk factors continue to emerge on a regular basis, we still stand by our ethos of remaining invested in order to profit from the compounding effect of higher company earnings.

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