

## A turning point in the economy and politics



The past four weeks have seen some significant developments in both politics and the economy. In the United States, it has now become abundantly clear which direction the country is heading under its 47th president. The U.S. is pursuing a distinctly nationalist and isolationist course, where every decision is weighed by its financial benefit to the nation.

Tradition, history, law, and precedent seem to have lost their significance, while diplomacy and loyalty no longer play a role. Cooperation with other countries now follows a purely transactional approach, reminiscent of the Roman legal principle *do ut des* ("I give so that you may give"). Led by a property tycoon, the new U.S. administration is focused on securing economically advantageous deals, with little regard for decorum or diplomatic etiquette. This approach was on full display at the Munich Security Conference, where Vice President J.D. Vance delivered a blistering critique of his German hosts. While he proclaimed his commitment to free speech, he failed to recognize how precarious this very principle has become under his own administration. The situation regarding Ukraine has taken an even more dramatic turn. To the utter astonishment of many, Don-

ald Trump declared Ukrainian President Zelenskyy an illegitimate dictator responsible for the war. Matters escalated further when Zelenskyy visited the White House – only to be shown the door after refusing to offer the U.S. president the level of deference expected of him. Russia, on the other hand, has received notably better treatment, a continuation of Trump's admiration for Vladimir Putin during his first term. Trump now envisions a settlement in which Russia retains the territories it has occupied, while a NATO membership for Ukraine is permanently ruled out. More astonishing still, he has floated the idea of extracting Ukraine's natural resources for the benefit of the United States.

Meanwhile, major political shifts have also taken place in Germany. A federal election has swept the ruling coalition government

out of office. While parties on both the far left and far right made significant gains, the most likely outcome now appears to be the return of a "Grand Coalition" between the CDU/CSU and SPD. There is hope that a new government under Chancellor Merz will show greater economic foresight, reform ambition, and pro-business policies than its predecessors, namely the Merkel/Scholz coalition and the recent center-left alliance. However, one thing is certain: Germany must urgently trim its bloated state apparatus and cut through the suffocating web of bureaucracy. The country's business climate needs urgent improvement. A key test of the new government's commitment to reform will be whether it finally abolishes the solidarity surcharge (*Solidaritätszuschlag*), a measure that has now been overdue for 34 years. At the same time, there are concerns that this

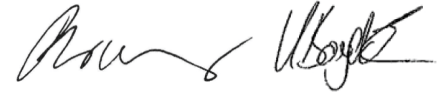
administration could continue the trend of excessive government debt, potentially at an even greater scale than before.

And the financial markets? February brought interesting shifts here too. Early signs of a slowing U.S. economy have begun to emerge, leading to a sharp decline in U.S. Treasury yields. Even more remarkable has been the sector rotation in the equity markets. The stock market darlings of recent

years have lost momentum, while European markets are seeing a notable upswing. German dividend stocks, in particular, have benefited from growing expectations of a pro-business government and hopes for an end to the war in Ukraine. Among LOYS funds, LOYS Philosophie Bruns has been the main beneficiary of these developments. The fund is already up 7.5% after just two months.

Sincerely yours,

Fund managers and co-investors



Dr. Christoph Bruns Ufuk Boydak

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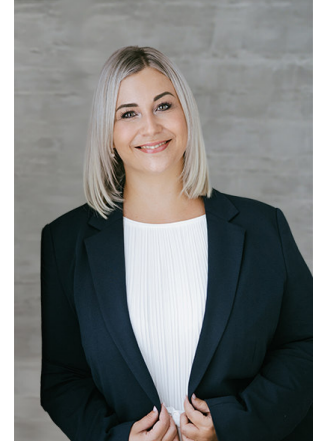
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