

Published as a guest comment in September 2020 on



CEO & INVESTMENT MANAGER UWE GÜNTHER

Bargain-hunter time - so far without bargain-hunter's atmosphere?

The world is going through a period of serious technological, political, social, and cultural upheaval. For Uwe Günther and his team from BPM - Berlin Portfolio Management, this opens unimagined investment opportunities for those who can think laterally and look beyond the short term.

What does it actually take to outperform the markets? Lateral thinkers who take a long-term view such as Elon Musk, Jeff Bezos, Peter Thiel, Sir Richard Branson or perhaps Warren Buffett, have clearly found the right answers at some point in their lives.

Nevertheless, with a little courage and skill, private investors too could find satisfying answers to this question. The criteria and conditions that point towards such investment opportunities may include – but are not limited to – the following:

- The vast majority of investors have not yet recognised the investment opportunity or reject it for certain reasons.
- The markets simply do not see the practical and investment-related consequences of a certain, obvious change in policy, the capital market, or a technological development in particular.

- The investment opportunity lacks the marketing support of media and major banks. They like to stay on the "safe side" and often prefer to follow more mature and already known trends.
- The majority of conservative investors are simply not trained in dialectical chains of reasoning, cause-effect analyses or lack basic knowledge in the fields of economics and behavioural psychology.
- Many people now use the word "disruptive" when talking about modern thinking, knowledge and acceptance of change. However, the willingness to question one's own beliefs and previous actions often does not extend to private investment.

Since the 1960s, research has been concerned with the actions of people when faced with uncertainty and risk. Yet it is precisely this uncertainty and the individual ability to make effective decisions when there are only a few constants that have achieved a new quality and complexity. Unfortunately, the increasing level of global uncertainty and the individual ability to recognise and seize opportunities are at odds with one another.

There are at least three areas that serve as good examples:

- 1.) These days, **e-mobility is on everyone's lips and is noticeable in everyday life**. On the business level, too, everyone is aware of car manufacturers' forecasts that are constantly being revised upwards. However, Germany's leading public mutual fund for lithium manufacturers and other next-generation resources currently holds just 62 million euros. Other funds which, for example, prefer copper and nickel companies as a play on e-mobility are not overrun either. Even the topic of hydrogen technology, as a possible future drive alternative, continues to live a shadowy existence and is not really represented in any portfolio worth mentioning. The contrast can hardly be any more extreme.
- 2.) The **situation is similar for small and medium-sized gold and silver producers**. Depending on the source, the share of this sub-sector in private securities portfolios globally averages somewhere between zero and 0.5 percent. In contrast, the experts, industry analysts and professionals all agree

that "the gold producing industry has never looked as healthy as it does today." The development of profits, dividends, debt ratios, available resources, costs, energy prices, takeover activity, money supply and real interest rates, a decreasing relative dependence on the price of gold, a relatively small proportion of "shaky" small investors - nearly all lights are green for this type of investment. These companies have even outperformed the gold price - and hardly anyone is in on it. This is a dream scenario.

- 3.) Last but not least, **the confusing cryptocurrency market offers a great deal of potential**. Bitcoin and other cryptocurrencies have long made it into the public discourse, family gatherings and blogs of the crypto enthusiasts. Recent reports that major investors and banks are now, to some extent, abandoning their reservations could herald the beginning of the end of the Wild West stage of this form of investment. Irrespective of all the fears, fraud, conspiracy theories and sometimes extremely difficult-to-understand technical details and political opposition - the specific characteristics such as lack of correlation to traditional asset classes, decentralisation, political independence, rule-based systems, improving stock market tradability and ultimately, protection against tampering and manipulation through the use of blockchain technology. This makes this new asset class suitable for nearly every strategic securities portfolio. Nevertheless, the actual portfolios still largely ignore this newer type of asset.

Speculative and forward-thinking investors are filling these gaps. This is because the later the broad masses understand and try to monetise certain trends, the more time is left for building up and expanding the relevant positions. From the perspective of successful investment, it is essential to be involved in the drivers of future social value creation as early as possible. **In the field of product marketing this group is called "Early Adopters" ... Will you be you one when it comes to strategic investment decisions?**



However, being or becoming an “Early Adopter” in investment requires learning and understanding new contexts and creatively disrupting beloved but outdated patterns of thought. Furthermore, it requires acceptance that there may be errors on the way, willingness to constantly rethink and question one's own positions and courage to act consciously despite the uncertainties of our time.

We wish you good health, a wonderful autumn, and many right decisions!

Uwe Guenther and the BPM Team



Uwe Guenther is founder and Managing Director of BPM - Berlin Portfolio Management GmbH, Berlin, Germany.

Disclaimer

This publication is for information purposes and use by the recipient only. It neither constitutes an offer nor a request on the part of or for BPM - Berlin Portfolio Management GmbH - to purchase or sell securities or investment funds. The information contained in the current publication was obtained from sources deemed to be reliable. However, BPM - Berlin Portfolio Management GmbH does not guarantee their reliability and completeness and accepts no liability for losses resulting from a use of this information.