



## LAPIS ASSET MANAGEMENT Ltd

**Dear Investor,**

The fear factors are again back in the financial markets. There never seems to exist a quiet and relaxing moment! In the second half of 2015 we have witnessed the Greek restructuring process and their new announced election for the 20.9.2015. We are witnessing a weakness in the Chinese economy and concerns about the global economy. These headline information have created a sharp sell off in the financial markets and a flight to “quality” by important investments into the long-term Government treasury markets.

Looking at the **% fall** of the market and the **frequency of occurrences** we can see that this market reaction is a normal correction in the financial system. During this bull market we have experienced the following market corrections:

### **MSCI World including Emerging Markets (ACWI)**

August-2011	- 8.50 %
September-2011	- 10.64 %
May-2012	- 9.04 %
Month-to-date August-2015	- 10.78 %

The Greek problem will soon be forgotten seen that for the next 3 years the government debt will be fully covered thanks to the 86 billion credit line issued by the multinational community. Important restructuring measures have been announced that hopefully will bring the economy back to normality. The result of this effort will only be felt and measured as mentioned after 3 years.

The slowdown of the Chinese economy is covering the main headlines of the world press. It seems to be forgotten that China was able to accumulate USD cash reserves from 1997 (126 Billion) to 2015 (3.65 Trillion). These reserves are very important in order to rebalance the current weakening economy. Therefore the world economy will continue to improve as we have experienced for the last few years.

The **Lapis Core Portfolio TR Index in USD** has fallen this year by - 7.34 %. Our underperformance against the main equity market (- 6.725 %) is mainly due to the weak commodity prices (- 19.97 %), which makes 25 % of our Index. The commodity index has now fallen for **4 years in a row** with a correction of over 50 % from 2012 to August-2015. This is a very severe correction for ANY major asset class and therefore we will soon experience a shift back to mean which will help to lift the prices of commodities.

The Real Estate Index has fallen by - 5.34 %, which is in line with the normal market movement. The Bond part of the portfolio (+ 2.37 %) has again helped to rebalance the **Lapis Core Portfolio TR Index** by adding some value to the portfolio.

During these difficult moments in the market place it is easy to forget the opportunity that the market offers for the patient investor in the long term. Our **Lapis Core Portfolio TR Index in USD** has performed during the last 55 years **50 positive years** with **only 5 negative years** up to 2014 with average return just below 10 % p.a.

I would like to remind our investors about the hefty opportunity costs by taking wrongly timed emotional decisions during market corrections. It might make the investor feel better in the short term but it will be very costly in the medium to long-term by not allowing the portfolio to participate in the compounding effect of the raising market that has existed for a very long time. We expect this trend to continue as long as we can enjoy this economic system of freedom and opportunity.

Many thanks from the Lapis TEAM.

Andreas Wueger  
CEO

25.8.2015