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“We usually keep our fingers away from credit, such as bonds and the like.”

THE SWISS BANKER

Our special interview on The Swiss Banker with STEFAN KRE METH, investment banker, award-winning asset manager and CEO of *Incrementum AG*, a Liechtenstein based firm applying Austrian School Economics within their business model. *Executive Global* discuss central bank policy, cryptocurrencies, macroeconomic trends and precious metals investment with the company delivering tailor-made solutions for affluent institutional and private clients.

EG The Federal Reserve's remarkable balance sheet growth now exceeds \$10 trillion in assets. With M1, M2 and M3 money supply data no longer being published, an inverted yield curve, zero-interest rate policy and continuous rounds of quantitative easing, what are the consequences of all this for inflation and the chance of a significant economic downturn?

SK The reason for any price movement remains the balance between supply and demand. Any price movement of an asset class or even an entire financial market works after the same principle. Injecting liquidity into economies or directly into financial market leads to higher demand. Higher demand leads to price increases. Thanks to global money supply growth since the Great Financial Crisis, liquidity has flown into economies and sometimes directly into financial markets and even individual asset classes on a vast scale. The wanted effects were stable economic growth, full employment, and general growth of wealth. The unwanted effects were ever faster-

growing government debt, increasing government budget deficits, the growing wealth gap between extremely wealthy people and the average population, an early asset price inflation and now large-scale inflation hitting Mainstreet and the average household. Financial liquidity is the reason for the positive effects and, unfortunately, also for the adverse effects.

Considering this, today's liquidity draining by central banks and, in some instances, treasury departments must have an unconditional opposite effect, and it has. The wanted effects will eventually be lower inflation; the unwanted ones may be lower, if not negative economic growth, unemployment, general wealth destruction, and so fourth. Therefore, governments and central banks are challenged with at least somewhat correcting past excessive monetary policy measures to cope with current inflation without stalling the economy and falling into recession or depression. However, this does not seem easy because none of the possible measures may satisfy all stakeholders.

“The good thing about physical precious metals is the tangibility. No cryptocurrency will ever have that feature; we should *never forget that*.”

CV STEFAN KREMETH

BORN

Zurich, Switzerland

ALMA MATER

University of Durham

EXPERIENCE

2014 Chairman of the Board,
Incrementum Advisors, AG.

2013 CEO, Incrementum AG.

2006 Managing Director, Investment Banking,
Bank Sal Oppenheim & Cie, Zurich.

2002 Executive Vice President, Investment Banking,
Lombard Odier Darier Hentsch & Cie, Zurich.

1995 Vice President, Investment advisor for
institutional clients in the UK, Germany,
Bank Sal Oppenheim & Cie, Zurich.

1994 Assistant Vice President, Investment Banking,
UBS, Zurich.

**EXECUTIVE
RECOMMENDATIONS**

» **PRODUCTIVITY**

We use outsourcing to increase productivity.

» **STRATEGY**

No debt; and any strategic decision needs a 100% consensus among partners.

» **PROFITABILITY**

To achieve strategic goals, we are willing to make concessions to our targeted profitability.

EG Tell us what you think about the potential for precious metals-backed cryptocurrencies, which would combine cryptography with intrinsic value and how diametrically opposed this very notion would be to Central Bank Digital Currencies (CBDCs), which are far worse than physical cash, centralised, and unlimited in supply?

SK Depending on an investor's investment purpose, precious metals-backed cryptocurrencies may represent a useful investment tool. However, cryptocurrencies, backed by precious metals or not, are not tangible. The good thing about physical precious metals is the tangibility. No cryptocurrency will ever have that feature; we should never forget that. Yet, if a solid and regulated issuer issues a token backed by physical precious metals and if those precious metals are regularly audited and stored in a known or better in many different and known locations, and if the storage, the management of the process, the insurance, the auditing etc. of it is not costing an arm and a leg in yearly fees, there may be a market for precious metals-backed crypto assets.

Nevertheless, investors should remember that precious metals do not produce cashflows. However, managing, storing, insuring and auditing the physical precious metals backing such a precious-metals-backed-crypto asset produces cost. Therefore I think that to cover such costs, a small amount of those precious metals will have to be sold regularly. This means that even if the number of tokens issued stays stable, the intrinsic value of its precious metals backing will decrease over time if the issuer does not find another way to cater for the cost.

Cryptocurrencies issued by governments would presumably be regulated by the issuing government and backed by its national economy. They could probably be issued like today's conventional currencies within the given central bank's mandate.

EG Many cryptocurrency investors like to focus on projects that offer utility. What cryptocurrency projects excite you that you feel may have a great future due to their critical utility and function in the economy?

SK Basically, anything can be tokenised from a technical point of view. Tokenising investments, participation in companies, etc., have great potential. The cost of tokenising a company instead of creating a traditional shares-holding structure can reduce cost and allow the buying and

selling of parts of it at minimal or no transaction cost, any time, anywhere, as long as one has internet access and electricity. Therefore the potential seems almost unlimited.

EG How do your principles of 1) thinking independently, 2) unbiased communication, and 3) innovative investments, result in increased profitability for your clients?

SK Incrementum has five owners. We owners meet every two weeks for our asset allocation meetings, discussing current market trends, strategic and tactical investment ideas. Our goal is to have the highest possible tactical freedom within the strategic boundaries of every mandate, which implies a high degree of independent thinking. We do our best to communicate as unbiased as possible. The boundaries of bias-free communication are set for us, as for all people, by our own ideas, experiences and beliefs, and of course, they are and will be different in their expression from partner to partner. Above all, we want to distinguish ourselves from institutions where management or a communication department sets strict communication consensus guidelines. Incrementum's partners can express their opinions within the framework of Incrementum's values. The increased profitability for our investors comes from this free spirit. As a matter of principle, we do not use any in-house products in our private client portfolios and do not accept any personal remuneration from providers of third-party products. This leads to the greatest possible independence and positively affects the cost structure of our mandates.

EG We have seen soaring energy prices in recent times, yet some of the most undervalued precious metals in the world, and particularly, silver- the most scarce precious metal with immense industrial demand, manufacturing, medicinal and clean technology applications-remain undervalued. Against the backdrop of hyper debt monetisation, why does the shiny white metal remain a crucial asset for consideration in any investor's portfolio today?

SK As you mentioned, it is scarce, has immense industrial demand, and can be used as currency. Therefore, we like it, and we are very patient. We believe there is great potential here. Silver is a byproduct of mining other metals and inevitably the demand will influence price.



**ABOUT
STEFAN KREMETH**

Stefan is the CEO and Partner of Incrementum and holds an EMBA in International Asset Management from the University of Liechtenstein. He worked for UBS Zurich, Toronto, Madrid, Sal. Oppenheim and Lombard Odier, where he became EVP in 2006. Stefan returned to Sal. Oppenheim as MD to build up and manage the Sales & Execution Trading Desk. He later became co-owner of Incrementum. The Liechtenstein-based firm exclusively specialise in cashflow generation and capital preservation strategies. They focus on a long-term investment strategy and solely invest in equities of listed companies with a proven track record of producing net free cashflows over years, willing to share those at least partially with investors in the form of dividends and/or capital reductions.

ACCOMPLISHMENTS

- » University of Durham: Business School Research Fellow Doctor of Business Administration.
- » Executive MBA, International Asset Management, University of Liechtenstein.
- » Master of Business Administration, University of Durham.
- » Diploma of Advanced Studies, Swiss Finance Institute, Zurich.
- » Federal Certificate of Proficiency, SWX, Zurich, Switzerland.

EG J.P. Morgan said that 'gold and silver is money. Everything else in credit'. Can you expand upon this statement? How do you implement Austrian School Economics in your asset management activities?

SK We like tangible assets like precious metals and participation in companies, (i.e. equities and natural resources) and we like to harvest cashflows and reinvest them. We usually keep our fingers away from credit, such as bonds and the like.

EG Tell us about the Incrementum Crypto Gold Fund and the Incrementum Digital and Physical Gold Fund?

SK We have taken the proven concept of rebalancing asset classes that do not genuinely correlate, into a universe we believe in having expertise in, such as precious metals and

cryptocurrencies, and we have combined it with what we call 'volatility harvesting'. As I have mentioned before, we like to harvest cashflows. Since neither precious metals nor cryptocurrencies offer cashflows, we partially implement the rebalancing strategy synthetically, (i.e. we write a certain amount of puts to build up exposure and collect the premiums). Then, when reducing exposure- we write calls to collect premiums again. Such a strategy needs close monitoring and is highly time-consuming, but it offers excellent upside with less volatility than the underlying crypto assets.

EG Looking at the tenets of Marxism, tell us why the concept of helicopter money and universal basic income is completely incompatible and antithetical with the free and democratic society we live in today, which is rooted in free-market capitalism?

SK Answering this political question would imply first setting parameters of the viewpoints for which the cohort of socio-economic and socio-cultural backgrounds the answer should hold. However, I understand that due to one's socio-ecological and socio-economic living environment, opinions can drift apart; therefore, I allow myself to refrain from answering.

EG If negative interest rates are enacted, what impact would this have on real estate and particularly a millennial generation facing the most expensive prices in human history? Is now the best time to buy real estate, or is it better to wait for deflation to finally set in?

SK This is an interesting question again! The price of real estate is primarily but not only influenced by interest rates. In many advanced economies, the largest cohorts of the so-called baby boomer generation will reach retirement age within the next ten years. If that generation starts selling their houses to live in care homes, for example, a generational change in the real estate sector could lead to an increase in supply and depending on the country, this effect could even lead to an over-supply, dampening prices or, at least, price increases. **EG**

For further information, please visit:
www.incrementum.li

**ABOUT
INCREMENTUM AG**

Incrementum AG Liechtenstein is an asset management company founded in 2013 in Vaduz, Liechtenstein. As independence is a cornerstone of philosophy, the company is one hundred percent owned by its partners. They have no affiliations with any banking institutions, which enables them to implement investment strategies autonomously.