G.A.M.A.G
GERMAN ASSET MANAGERS AG

Monthly Report August 2025

Broad Stability in Uncertain Markets

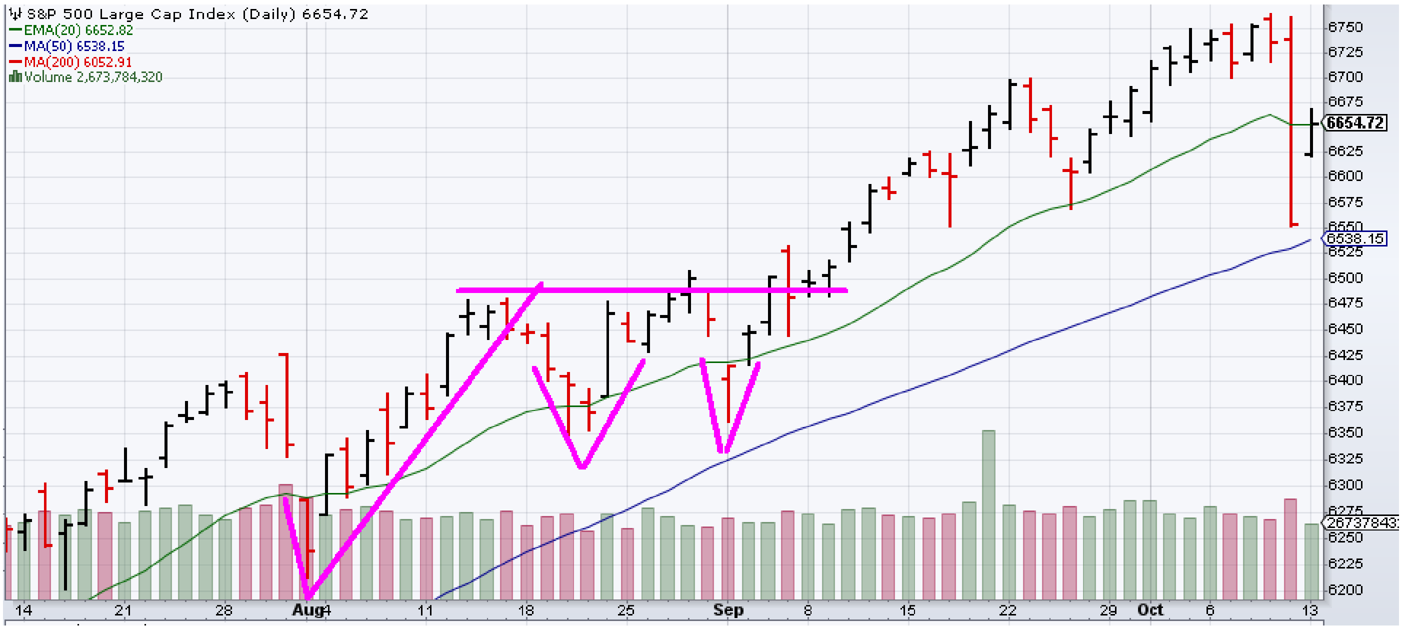
In August 2025, the GAMAG strategies recorded small losses. Due to low volatility, the option premiums were insufficient to fully offset a series of price movements unfavorable to the GAMAG strategies, resulting in minor monthly losses.

Strategy	August 2025	% against previous month	% since start of trading
G.A.M.A.G Black+White	18,695.86	- 0.58 %	+563.33%
G.A.M.A.G Vola+Value	12,100.06	- 0.17 %	+ 44.01%

Hedges Remain Necessary – and Effective

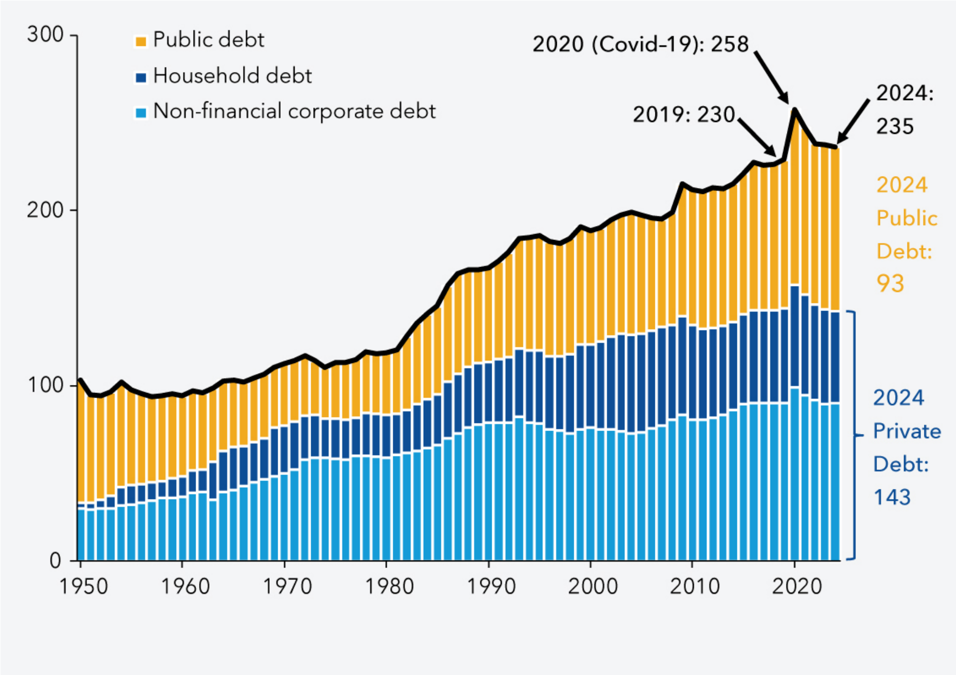
August 2025 began with a massive sell-off on the first trading day, followed by the now-familiar frantic buying of technology stocks. Our programs identified a higher probability of a larger downward move and initiated hedges — a setup that, in light of the subsequent rally, turned out to be suboptimal.

However, considering the developments on the last Friday before this report´s date and the fact that prices returned to previous (August) levels following the “mini-crash” triggered by the China tariff panic, our cautious stance proved justified. With gains in September and now also in October — driven by our strategies designed for steady returns — our 60-day performance has outpaced the index.



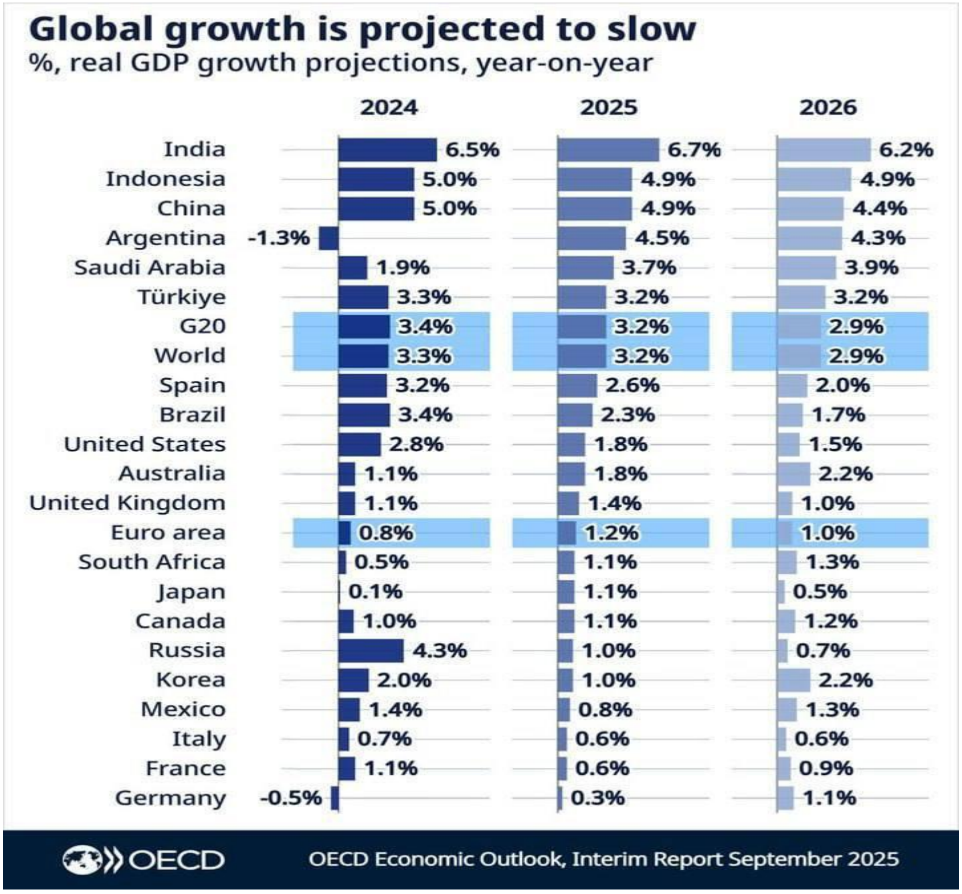
Choosing a conservative approach was therefore not wrong — it just wasn’t profitable in August. September has already made up for this shortfall. One key reason for our conservative positioning is that we cannot share the markets’ generally optimistic sentiment.

The recent tensions surrounding rare earth metals are only one example of the global trade frictions whose true causes are rarely stated openly. The U.S. economy is characterized by extreme imbalances in consumption: the top 5% of income/wealth earners account for 50% of total consumption. For decades U.S. overconsumption — unbalanced by equivalent exports — has been financed by ever-increasing borrowing abroad, leading to persistent current-account and budget deficits, the well-known so called twin deficits.



Sources: IMF 2025 Global Debt Database, and IMF staff calculations.
Note: The rounded estimated ratios of global debt to GDP are weighted by each country's GDP in US dollars.

IMF



President Trump has, in principle, identified this issue correctly and has sought to address it through tariffs: tariffs make foreign goods more expensive, thereby discouraging overconsumption of imports relative to exports and, ideally, reducing the U.S. twin deficits — with additional tax revenues effectively paid by the rest of the world rather than U.S. citizens.

Globally, government debt as a share of GDP has risen sharply in recent years. Compared with 1990, corporate debt has remained relatively stable at around 70–80% of GDP, but private households and governments now live on credit to a much greater extent than at the beginning of globalization. Worldwide, government debt has climbed from a healthy 40% to an unhealthy average of around 100% of GDP.

The largest outlier in absolute terms is the world's still most powerful economy, the United States, with approximately USD 37 trillion in public debt versus a GDP of about USD 28 trillion. With an annual deficit of roughly USD 1.6 trillion, this debt continues to grow at about 5% per year. According to OECD forecasts, U.S. GDP growth is expected to slow from 1.8% in 2025 to 1.5% in 2026. Although recent data have been slightly better, the gap between outstanding U.S. government debt and the productive economy — which must ultimately generate the interest payments — continues to widen.

If this trend persists, a sovereign default by the world's largest debtor will eventually become unavoidable down the line. The current long-term interest rate of 4% on U.S. government debt simply cannot be sustainably serviced from real growth of only 1.5–2%.

The market narrative at present is that artificial intelligence and technological progress will make such concerns obsolete by massively improving productivity. While we do agree that AI will increase productivity, the question remains whether — as since the early days of digitalization — the majority will simply have to produce more to earn the same, which would not generate additional taxable income.

We therefore doubt that the trillions being invested in AI will yield more sustainable profit than the telecom investments around the year 2000: they may make life more comfortable for consumers, but not necessarily more profitable for shareholders. If all additional AI-driven functions must be offered at no extra cost due to competitive pressure, where should the incremental profits come from?

From this perspective, the extremely high valuations of technology stocks — as reflected in P/E ratios and similar metrics — appear problematic. Historically, every major technological transition has triggered an adjustment crisis and created winners and losers. The decline of the steel industry in Germany's Ruhr region is one such example — a development that remains unresolved even 40 years after the mid-1980s steel crisis. There is still no sign that the affected regions have caught up with the growth of the more dynamic parts of the economy.

Conclusion

A conservative positioning remains the royal road. The GAMAG programs embody this approach. Stability continues to be their defining strength. Our globally diversified, real-asset-oriented focus provides protection against the inevitable disruptions that will arise once today's imbalances can no longer be masked.

Carsten Straush 10.10.2025