



## **BearBull Private Banking Indices UAE**

**A family of transparent benchmarks for U.A.E Private Banking Clients**

## **BearBull Group publishes a new family of transparent Private Banking Indices enabling private investors to benchmark their portfolio's performance**

### **Increased and imperative need for portfolio benchmarking tools**

Last year reminded investors that financial markets can experience significant downturns and that major fluctuations in prices can dramatically affect their wealth. While the global economy seemed to pursue its growth trajectory at the beginning of 2020, the global pandemic abruptly changed the markets outlook in March. The investment climate dramatically shifted from extreme optimism to panic in a matter of days or weeks before marking a strong bounce back in April and May after huge declines in equity indices and in most risky assets. However, as of early June, valuations in terms of PE for the S&P500 had once again reached new extremes at 24.5 times 2020 earnings. The current valuation levels are even higher than those observed during the peak of February 2020 with the S&P 500 trading at 37.9 times 2021 earnings. During the last few weeks market fluctuations and valuation levels have once again reached historical extremes which in turn rightfully raises concerns among investors seeking to compare their portfolios' returns with a reliable and representative benchmark.

This recent alarming example of excessively correlated negative market fluctuations among asset classes is fortunately not so frequent. However, the normal course of the financial markets is characterized by volatility and fluctuations in asset prices. Investors need, perhaps more than ever, transparent and reliable tools to compare and benchmark portfolio's returns. The need for comparison tools is notably highlighted during volatile times as witnessed recently. That being said, comparing portfolio returns and allocations to those generated by a « neutral » strategy remains a valuable approach at any time.

The current market situation evidences once again the need for investors to gain access to professional tools enabling them to objectively evaluate the performance and risks of their portfolios, especially when they are managed by professional wealth managers and private bankers. As always during volatile financial markets, investors unfortunately suffer from a frequent lack of transparency in their quest to better understand, analyse and judge the quality and the returns generated by their wealth managers.

BearBull Global Investment Group is proud to provide UAE based investors with a unique set of benchmarking tools that empower them to better and objectively compare their portfolios returns. The BearBull Private Banking indices will be published on a monthly basis and provide transparent and reliable benchmarking tools representing systematic and passive investments strategies. UAE investors, having their portfolios managed actively, should therefore expect to achieve a higher rate of return since the BearBull Private Banking Indices represent a family of systematic and passive portfolio investment strategies.



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# BearBull Private Banking Indices UAE

## BearBull Group's wealth advisory expertise to best serve your wealth creation needs

At BearBull Group we recognise the private investors needs for transparent and reliable benchmarking tools to better manage their assets. It is with pride that we enable investors to benefit from our long history and expertise through the launch of the BearBull Private banking indices family. These indices have been developed via state of the art methodologies aimed at creating the best financial tools for portfolio measurement that are called for by most private investors in the UAE.

Our indices are calculated on a monthly basis in USD terms since 2010, and provide investors with various comparative performances over different time horizons (monthly, quarterly, Year-To-Date and annualized returns).

BearBull Private Banking indices performances will be published in three risk categories (low, medium, dynamic risk) and will incorporate those of all its 10 underlying asset classes.

We have developed 3 dedicated indices to measure all 3 types of most common private banking strategies, which are diversified into 10 different asset classes worldwide. Our indices have been designed to be highly representative of the types of portfolio management strategies offered to investors by wealth managers in the UAE, summarized in the following 3 sub-indices:

- **BearBull Private Banking Index « Low Risk »**
- **BearBull Private Banking Index « Medium Risk »**
- **BearBull Private Banking Index « Dynamic Risk »**

## Construction methodology and principles

### 1. Suitability

The first principle taken into consideration is the suitability with the main investment objectives expressed in terms of expected return and risk ratio, as frequently described within the wealth management community for balanced portfolios. It was indeed essential to create 3 indices to accurately evaluate the performances of broadly diversified portfolios managed under a low, medium or dynamic risk strategies.

### 2. Representativeness

Selected asset classes must be represented by one or more specific, representative and recognized sub-index.

### 3. Availability of investments

Sub-indices should be representative of an asset class that is actually accessible to investors directly or indirectly (e.g. through ETFs).

### 4. Diversification

The principle of diversification is essential. Selected sub-indices can undeniably demonstrate an adequate diversification.

### 5. Total return

Selected sub-indices do take into account income, whether coupons or dividends.

### 6. Strategic relevance

Our indices are not the result of blind modelling or optimization that could lead to inefficient asset allocations. They are based on a rational process aiming at diversifying asset allocation risks.

### 7. Preference for domestic assets

The exposure to UAE assets is favoured for each of our indices in relation to its real international weight. The proportion of UAE assets varies between 47.5% and 60%.

### 8. Quality in fixed income segments

The choice of bond indices focuses on quality and on investment grades bonds.

### 9. Negotiability and liquidity

Despite a monthly publication of our benchmarks, we also favoured the use of sub-indices available on a daily basis.

### 10. Performances

BearBull Private Banking Indices' monthly returns are calculated on the basis of weighted monthly returns of individual sub-indices (total return) in USD with monthly rebalancing. Historical performances are available from December 31 2009 to date.



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## Inclusion of Traditional and alternative assets classes

The universe of asset classes is divided in 2 segments :

1. **Traditional asset classes (7);**
2. **Non-traditional asset classes (3).**

Traditional asset classes are those commonly found in diversified benchmark indices. They include equities, bonds and real estate investments. They constitute the core of diversified portfolios, both in terms of asset classes, regions, economic sectors and currencies. They are the most liquid and transparent type of assets and are also best known by investors.

1. **UAE Bonds**
2. **International Bonds**
3. **Dubai Equities**
4. **Abu Dhabi Equities**
5. **International Equities**
6. **UAE Real Estate**
7. **International Real Estate**

Non-traditional assets refer to investments that are not generally considered being the core of investment strategies but are rather seen as diversification opportunities. Returns of non-traditional assets are often perceived as not correlated to those of core assets. Their respective expected returns are usually considered higher over the long run, but also more volatile. The non-traditional assets included in our indices are commodities, hedge funds, and private equity.

Other types of non-traditional investments could also have been considered, such as convertible bonds, structured prod-

ucts, investments in the art market. These have actually been dismissed, either for lack of systematic representativeness, strategic relevance or because of the absence of a representative sub-indices.

1. **Commodities**
2. **Hedge Funds**
3. **Private Equity**

## BearBull Private Banking Indices' composition

Our indices are mainly composed of traditional investments (Bonds, Equities and Real Estate) whose overall allocation varies between 95% for the "low risk" index and 80% for the "dynamic risk" index. The allocation to non-traditional investments is thus increased according to the level of risk borne by each BearBull Private Banking index. However this allocation has increased from 5% (commodities) in the "low risk" benchmark index to a maximum of 20% (commodities, alternative investments and "private equity") in the "dynamic risk" index. The bond segment represents a very large proportion (65%) of the "low risk" index and only 25% of the "dynamic risk" index. The preferred exposure to domestic assets ranges from 60% in the case of the "low risk" index to 47.5% for the "dynamic risk" index.

**The "low risk" benchmark is therefore largely focused on fixed income investments and favours UAE assets.**

Regarding the weighting of UAE shares, it is broken down between Dubai Stock Market Shares (DFM) and Abu Dhabi Market Shares (ADGM). The weighting of the two sub-indices within the "UAE equities" class is proportional to the market capitalization of the two markets and is rebalanced on a monthly basis. The proportion of real assets (equities, real estate and commodities) is gradually increasing between the "medium risk" index and the "dynamic risk" index. The same applies to the allocation of international assets and other non-traditional investments.



## BearBull Private Banking Indices UAE

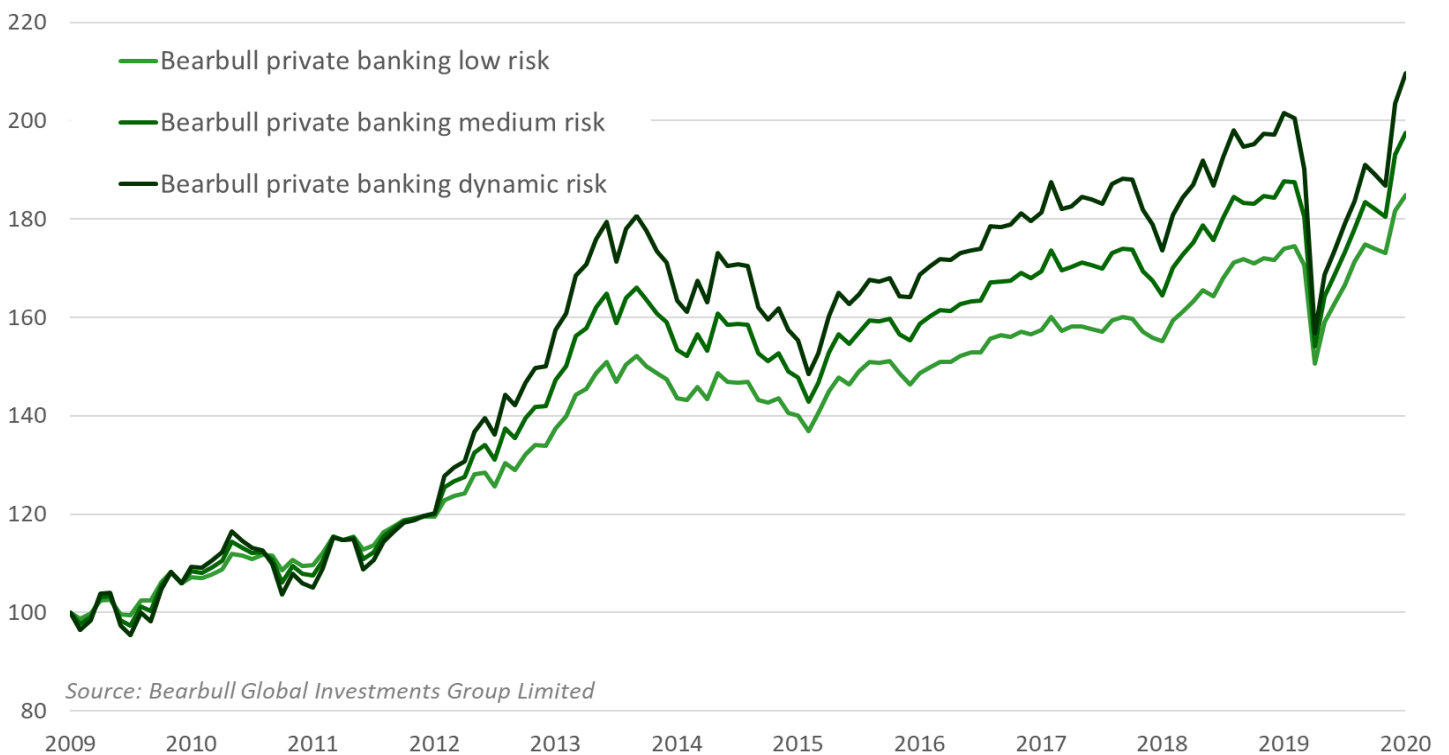
Asset Class		BearBull PBI "low risk"	BearBull PBI "medium risk"	BearBull PBI "dynamic risk"
International Bonds	Weight	22.5%	15.0%	7.5%
	Index	<i>Bloomberg Barclays Global Aggregate Total Return Index Value Unhedged USD</i>		
UAE Bonds	Weight	42.5%	30.0%	17.5%
	Index	<i>Bloomberg Barclays US Agg Total Return Value Unhedged USD &amp; the Bloomberg USD UAE Composite Liquid Index</i>		
International Equities	Weight	10.0%	15.0%	20.0%
	Index	<i>MSCI Daily Total Return Net World USD</i>		
UAE Equities	Weight	15.0%	20.0%	25.0%
	Dubai Index	<i>Dubai Financial Market General Index</i>		
	Abu Dhabi Index	<i>Abu Dhabi Securities Market General Index</i>		
Private Equity	Weight	0.0%	2.5%	5.0%
	Index	<i>LPX50 Listed Private Equity Index USD</i>		
Hedge Funds	Weight	0.0%	2.5%	5.0%
	Index	<i>Hedge Fund Research HFRX Global Hedge Fund Index</i>		
International Real Estate	Weight	2.5%	3.8%	5.0%
	Index	<i>FISE EPRA NAREIT DEVELOPED Total Return Index USD &amp; FITSE EPRA/NAREIT Global Index Net TRI TR USD</i>		
UAE Real Estate	Weight	2.5%	3.8%	5.0%
	Index	<i>EPRA NAREIT United States Total Return Index USD &amp; FTSE EPRA/NAREIT Emerging UAE Index USD TR</i>		
Commodities	Weight	5.0%	7.5%	10.0%
	Index	<i>S&amp;P GSCI Total Return CME</i>		



## BearBull Private Banking Indices UAE

Performances	Bearbull PBI "Low risk"		Bearbull PBI "Medium risk"		Bearbull PBI "Dynamic risk"	
	Annual	Compounded	Annual	Compounded	Annual	Compounded
2010	7.249%	7.25%	8.35%	8.35%	9.32%	9.32%
2011	2.20%	9.61%	-0.83%	7.45%	-3.84%	5.13%
2012	9.03%	19.50%	11.69%	20.01%	14.36%	20.23%
2013	14.94%	37.36%	22.71%	47.27%	30.92%	57.41%
2014	4.49%	43.52%	4.20%	53.46%	3.88%	63.51%
2015	-2.48%	39.97%	-3.73%	47.73%	-5.02%	55.30%
2016	6.22%	48.67%	7.41%	58.69%	8.59%	68.64%
2017	5.95%	57.51%	6.76%	69.41%	7.57%	81.41%
2018	-1.50%	55.14%	-2.90%	64.50%	-4.31%	73.58%
2019	12.10%	73.91%	14.12%	87.72%	16.13%	101.58%
2020	6.34%	84.94%	5.26%	97.59%	3.97%	109.58%
Annualized return	<b>9.78%</b>		<b>10.63%</b>		<b>11.32%</b>	
Annualized volatility	<b>6.85%</b>		<b>9.04%</b>		<b>11.38%</b>	

Bearbull Private Banking strategies performances (2010-2020)



Source: Bearbull Global Investments Group Limited

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