BearBull Global Investments Group – Gate village 3 – Level 1
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BearBull Global Investments Group

Commodities outperformed all asset classes in February

POSITIVE PERFORMANCE FOR A MAJORITY OF BEARBULL PRIVATE BANKING INDICES IN FEBRUARY

BearBull Private Banking Index « Low Risk »	**-0.30%**	**(YTD +0.92%)**
BearBull Private Banking Index « Moderate Risk »	**+0.47%**	**(YTD +2.42%)**
BearBull Private Banking Index « Dynamic Risk »	**+1.24%**	**(YTD +3.92%)**

Comments (performances in AED)

After a positive first month of the year, the Bearbull Private Banking AED indices show a slight loss of momentum and even a reversal of the trend. Indeed, the low-risk index fell below the zero-return mark in February and lost -0.30%. The moderate risk index (+0.47%) and the dynamic index (+1.24%) continued to rise in February, although the trend is weakening. The second consecutive month of losses for the bond markets, the downward trend is accentuated in February. The domestic segment is losing ground again (-1.28%) as is its international counterpart, which is slipping slightly more (-1.72%). A mitigating month of February just ended for the equity markets. The Dubai equity sub-index fell by -3.87% after two consecutive months of gains. The Abu Dhabi and international segments generated positive returns of +1.25% and +2.56% respectively. The real estate markets are on both sides of the zero performance, the domestic segment plunging by -7.38% and the international segment climbing by +4.09%. Hedge funds erased their January slump and gained +1.52%. Private equity continued its rise, gaining +4.45%. In February, commodities were the main beneficiaries, jumping to +10.58%.

Financial market developments (performances in AED)

February was a continuation of the first few weeks of the year in terms of growth expectations and more robust economic recovery for 2021. In the capital markets in particular, fears of an uncontrolled rise in debt and especially of a resumption of inflation in 2021 have prompted and accelerated adjustments in the outlook and interest rates. The ten-year US Treasury yields continued their rise that started in August 2020 with an acceleration phase in February that pushed yields from 1.04% to 1.52% in just a few weeks. This 50 basis point adjustment in one month on US government yields was also observed in most international bond markets at similar magnitudes. In the Eurozone, German Bund yields jumped from -0.51% to -0.23%, while AED government bonds also experienced an adjustment of about 0.5%. Central bank buying programs did not dampen this trend, while the Covid factor no longer seems to have an influence on investor sentiment despite the slow pace of vaccination campaigns. Equity markets continued to be driven by excess liquidity and continued bullish sentiment without paying attention to the increase in the discount factor for future corporate earnings. All major equity markets ended the month with positive performances (+2.56%) except for the Dubai market which declined by -3.87%. Emirati real estate investments (-7.38%) suffered from rising financing costs while international real estate (+4.09%) benefited from positive fund flows. Commodities (+10.58%) continued to perform well in February thanks to gains in energy (+17.23%) and industrial metals (+10.97%). Private equity (+4.45%) has achieved new heights in a decisively optimistic stock market climate, still little affected by the rise in interest rates, in a context of high valuations that should rather induce a certain degree of caution.

PERFORMANCE BY ASSET CLASS

FEBRUARY

+ 10.58%	Commodities
+ 4.45%	Private Equity
+ 4.09%	International Real Estate
+ 2.56%	International Equities
+ 1.52%	Hedge Funds
+ 1.25%	Abu Dhabi Equities
- 1.28%	UAE Bonds
- 1.72%	International Bonds
- 3.87%	Dubai Equities
- 7.38%	UAE Real Estate

YTD

+ 16.05%	Commodities
+ 12.25%	Abu Dhabi Equities
+ 6.47%	Private Equity
+ 2.94%	International Real Estate
+ 2.39%	Dubai Equities
+ 1.54%	International Equities
+ 1.35%	Hedge Funds
- 1.67%	UAE Bonds
- 2.59%	International Bonds
- 5.46%	UAE Real Estate

COMMENTS BY ASSET CLASS

Bonds

Virtually all bond markets are seeing an acceleration of January's trend and are experiencing a more substantial rate adjustment. Long-term rates are therefore taking into account a slightly more positive outlook for an economic recovery in 2021. Yield pick-up strategies are more at risk than ever. The spread between the BBB and the US 10-year Treasury is merely 1%. An increase in inflation over the next few months could expand to 2.5%-3% in the US and support inflation-linked bonds (TIPS) as well as variable-yield bonds (FRNs). Against this scenario, yields on domestic ten-year ADGBs also rose from 1.75% to 2.07% in February.

Equities

Doubt appears, but optimism still prevails in February in the equity markets, which finally achieved positive performances, except for the Dubai shares (-3.87%), despite a rise in volatility at the end of the period. The current upside trend seems to remain intact, but the increase in volatility at the end of the month suggests that there is a growing risk of a deterioration of the market dynamics. Technical and quantitative factors still point to high risks of an end of trend and suggest an increase in a probability of correction. Rising interest rates have not yet taken a toll on investor sentiment and are not yet triggering any readjustments in risky assets. Risk factors are still high and are suggesting caution.

Real Estate

The real estate sector ended the month in a rather mitigated manner. Internationally, fears of a resurgence of inflation seem to be causing renewed interest in property (+4.09%), while in the Emirates the sector declined by -7.38% following the rise in interest rates after two months of positive performance and an increase in momentum in January.

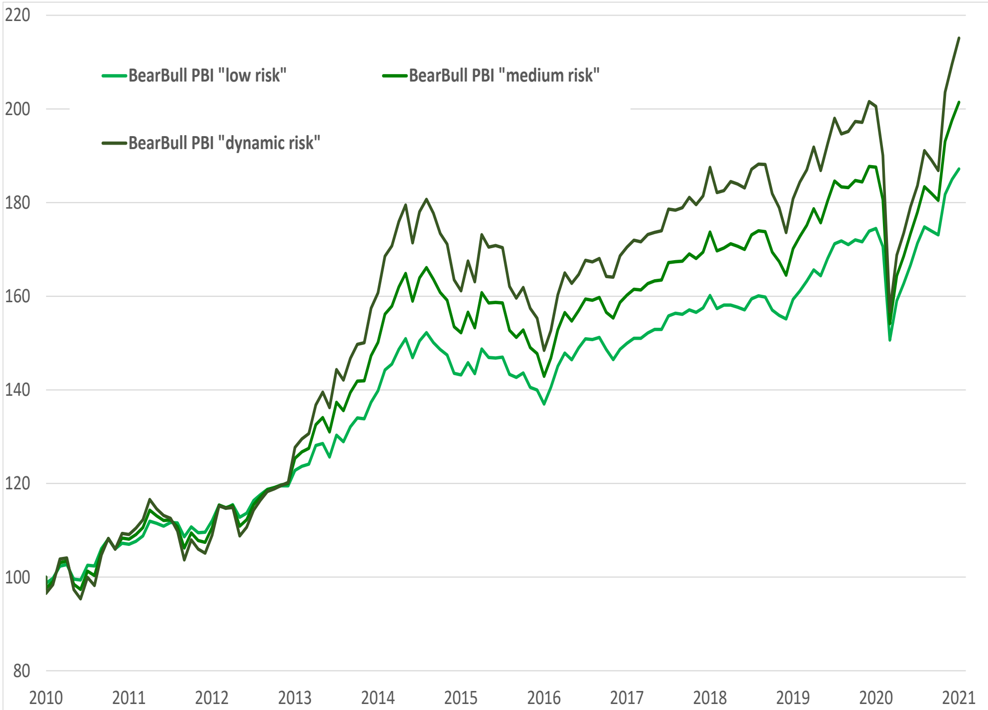
Private Equity

The sector is placed in the top tier in February (+4.35%) and has been for over three months. Indeed, since the announcement of Joe Biden's victory as President of the United States and the start of vaccination campaigns, investors are once again turning to riskier assets, with the prospect of an approaching end to the health crisis.

BearBull Private Banking Indices UAE - Performances in USD

	3 last months			YTD	Current year				Annualized Perf.	
	December 2020	January 2020	February 2021	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2020	2010 to this day
BearBull PBI "low risk" (65% fixed income)	1.74%	1.22%	-0.30%	0.92%					6.34%	5.75%
BearBull PBI "medium risk" (45% fixed income)	2.35%	1.94%	0.47%	2.42%					5.26%	6.52%
BearBull PBI "dynamic risk" (25% fixed income)	2.95%	2.65%	1.24%	3.92%					3.97%	7.22%
Sub-indices										
UAE Bonds	0.75%	-0.39%	-1.28%	-1.67%					7.85%	4.69%
International Bonds	1.34%	-0.88%	-1.72%	-2.59%					9.20%	2.78%
Dubaï Equities	2.99%	6.51%	-3.87%	2.39%					-4.98%	7.54%
Abu Dhabi Equities	1.63%	10.87%	1.25%	12.25%					5.26%	11.82%
International Equities	4.24%	-0.99%	2.56%	1.54%					15.90%	10.03%
UAE Real Estate	0.44%	2.08%	-7.38%	-5.46%					-11.42%	9.03%
International Real Estate	3.08%	-1.10%	4.09%	2.94%					-9.95%	6.50%
Commodities	5.97%	4.94%	10.58%	16.05%					-23.72%	-5.92%
Hedge Funds	2.45%	-0.17%	1.52%	1.35%					6.82%	1.71%
Private Equity	9.10%	1.94%	4.45%	6.47%					10.61%	12.76%

Sources: BearBull Global Investments Group Limited, *Bloomberg*



Sources: Bearbull Global Investments Group Limited, Bloomberg,

The systematic diversified strategies of the BearBull Private Banking Indices UAE have produced annualized average returns of +5.75% (Low risk) to +7.22% (Dynamic Risk) since 2010.

The composition of our indices is available on request