

BearBull Private Banking Investment Strategies Saudi

SAR

+4.51% to +8.35%
Annualized return since 2016

BearBull exclusivity since 2016

June 2022

Once again the widespread sell-off impacted KSA strategies

NEGATIVE PERFORMANCES FOR THE BEARBULL KSA PRIVATE BANKING INVESTMENT STRATEGIES IN JUNE

BearBull Saudi PB Investment Strategy « Low risk »	Year-to-Date -2.15%	Year 2021 +9.10%
BearBull Saudi PB Investment Strategy « moderate risk »	Year-to-Date -2.07%	Year 2021 +16.68%
BearBull Saudi PB Investment Strategy « dynamic risk »	Year-to-Date -2.04%	Year 2021 +24.70%

Comments (performances in SAR)

This month, the downward trend that has been affecting the financial markets since the beginning of the year has become even more pronounced. Indeed, the three Beabull KSA Private Banking Investment Strategies fell sharply and even entered negative territory year-to-date. The low-risk strategy lost -3.02%, while the moderate-risk strategy fell more sharply by -4.50%. The dynamic risk strategy achieves the worst performance of the month by giving up -5.98%. The three strategies are now in negative territory (-2.15%, -2.07% and -2.04%) but thanks to their diversification over 6 asset classes the three strategies are quite resilient compared to the international equities market (MSCI World index) which has lost about -20% over the first 6 months of the year. Bond markets were once again in the red in June. The domestic segment is down -0.69% while the international decline is stronger (-1.10%). Equity markets are particularly affected by the downward trend. Indeed, Saudi equities did not escape the contagion once again and fell by -5.76%, the asset class still has a total gain of +15.35% despite the declines of the last two months. The international class was hit harder, the segment contracted by -7.39% and moved into negative territory. The real estate market is also in negative territory at mid-year. The domestic class is ending its third consecutive period of decline (-9.09%), the international situation is similar (-6.98%) but shows a very slight reduction in negative momentum (-7.46% in May). The commodities are experiencing their first period of decline since the beginning of 2022 (-7.75%). The decline in crude oil prices weighed on the sector's performance, interrupting five consecutive months of gains, although the asset class still posted a spectacular cumulative gain of +35.01%. Private equity collapsed again by -14.92%.

Investment climate (performances in SAR)

The first half of the year was one of the worst in history, with all asset classes down by between -10% (Swiss bonds) and -33.07% (PE) with the exception of commodities (+35.01%). The month ended with another unexpected rebound with the publication of the Atlanta Fed's GDPNow, which went from +0.7% on 28 June to -2.08% on July 1st and suggests that the US economy is already in recession. Expectations of a induced slow-down for the end of the year due to the fall in household purchasing power following the rise in prices will have to be reassessed. After having suffered a brutal exacerbation of fears of uncontrolled inflation during the publication of the US CPI on 10 June (+8.6% yoy), which simultaneously provoked a jump of more than 50 basis points in most long-term yields in three days, a fall of around -10% in the equity markets and a forced 75 bp rise in the Fed, fears of recession are once again the main source of concern. The spectre of recession has pushed inflationary fears into the background, and rightly so in our view, as a number of indicators are already pointing logically towards a reduction in tensions in the context of growing economic weakness. The financial markets are at a loss and so is the Fed, which will certainly appear to be at odds with the current economic situation once again in this context. Barely three days of rate hikes will have been enough to cause panic in all sectors, but a normalisation is already taking place in the financial markets, with long-term yields adjusting rapidly to this new paradigm. The rise in rates was thus short-lived and did not withstand the increasing signs of economic slowdown. The yield curves rapidly retracted under levels that prevailed prior to 10 June. WTI crude oil (-7.7%), US gas (-33.4%) and agricultural commodities (-11.9%) also fell sharply in June and will contribute to the loss of inflation momentum in the coming weeks.

PERFORMANCES BY ASSET CLASS

JUNE

- 0.69%	Saudi Sukuk
- 1.10%	International Bonds
- 5.76%	Saudi Equities
- 6.98%	International Real Estate
- 7.39%	International Equities
- 7.75%	Commodities
- 9.09%	Saudi Real Estate
- 14.92%	Private Equity

YTD

+ 35.01%	Commodities
+ 15.35%	Saudi Equities
- 3.98%	International Bonds
- 5.11%	Saudi Sukuk
- 6.94%	International Equities
- 21.68%	International Real Estate
- 22.96%	Saudi Real Estate
- 33.07%	Private Equity

COMMENTS BY ASSET CLASSES

Bonds

The changes in expectations were extreme in June, ranging from +50 bps in a generalized panic over the risks of a relaunch of an uncontrolled inflationary spiral, before correcting these excesses with stronger cuts in the more rational perspective of a slowing economy. The capital markets are now more afraid of recession than of inflation, which could already be curbed by the increasingly visible decline in consumption. Ten-year US Treasury yields initially rose by 50 bps to 3.49% before falling rapidly to 2.88% by the end of the month. In Europe and Switzerland, ten-year government yields, which had reached 1.92% and 1.59% respectively in the context of the panic mentioned above, fell back to 1.18% and 0.92%, despite inflation rising to +3.4% yoy in Switzerland.

Equities

Unlike the bond markets, the equity markets remained frozen in their post rate shock of June 10, with no real positive reaction following the impressive decline in yields observed afterwards in most markets. Risk appetite has not yet recovered. Investors still fear the onset of the earnings and the fact that the P/E correction has mainly been realized in the form of falling prices (P). The economic factor is weighing on the profit outlook.

Commodities

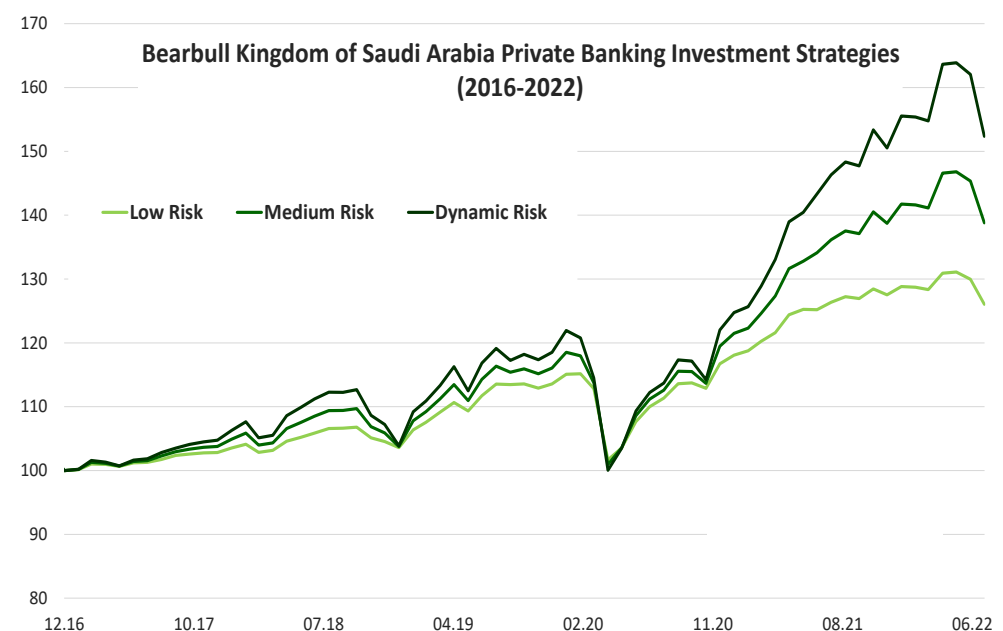
The commodities sector is experiencing its first period of decline since the beginning of the year. The asset class lost -7.75% in June, dragged down by the price of crude oil, which fell by -7.7%. Gas hasn't been spared either, as the commodity collapsed by about -33%. A drop that could relieve somewhat the inflationary pressures that have been the focus of investors' attention for some months. The sector is still clearly leading in the YTD table and is even the only asset class in positive territory with a cumulative gain of +35.01%.

Real Estate

The real estate segment is continuing its downward trend in June. The domestic class is the hardest hit this month and loses -9.09% and is negative Year to Date (-22.96%). The international segment also suffered a strong correction in June (-6.98%), with a cumulative loss of -21.68% since January.

	3 last months			YTD	Current year				Annualized Perf.	
	April 2022	May 2022	June 2022	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2021	2016 to this day
Bearbull KSA PBIS "low risk" (65% f.i)	0.12%	-0.86%	-3.02%	-2.15%	1.64%	-3.73%			9.10%	4.51%
Bearbull KSA PBIS "medium risk" (45% f.i)	0.14%	-0.99%	-4.50%	-2.07%	3.42%	-5.31%			16.68%	6.44%
Bearbull KSA PBIS "dynamic risk" (25% f.i)	0.15%	-1.12%	-5.98%	-2.04%	5.20%	-6.89%			24.70%	8.35%
Sub-indices										
Saudi Sukuk	-0.61%	-0.48%	-0.69%	-5.11%	-3.40%	-1.78%			-3.66%	-0.48%
International Bonds	-1.17%	-0.17%	-1.10%	-3.98%	-1.59%	-2.42%			-0.64%	3.03%
Saudi Equities	7.30%	-6.22%	-5.76%	15.35%	21.64%	-5.17%			45.80%	18.39%
International Equities	-0.82%	0.25%	-7.39%	-6.94%	1.07%	-7.93%			22.98%	7.14%
Saudi Real Estate	-4.92%	-5.29%	-9.09%	-22.96%	-5.88%	-18.14%			20.21%	2.99%
International Real Estate	-2.70%	-7.46%	-6.98%	-21.68%	-6.48%	-16.25%			44.31%	9.28%
Commodities	4.55%	5.74%	-7.75%	35.01%	32.38%	1.99%			38.77%	7.31%
Private Equity	-13.19%	2.54%	-14.92%	-33.07%	-11.62%	-24.27%			51.44%	10.41%

Sources: Bloomberg, BearBull Global Investments



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The diversified systematic strategies of the BearBull Saudi Private Banking Investment Strategies have produced returns of +4.51 to +8.35% annualized since 2016 to date.

The composition of our strategies is available upon request