

BEARBULL PRIVATE BANKING INVESTMENT STRATEGIES UAE

August 2022

Profit taking after 6 weeks positive rally

NEGATIVE PERFORMANCES FOR ALL THE BEARBULL PRIVATE BANKING INVESTMENT STRATEGIES UAE IN AUGUST

BearBull PB Investment Strategy « Low Risk »	Aug	- 1.24%	Year-to-Date	- 5.55%
BearBull PB Investment Strategy « Medium Risk »	Aug	- 1.30%	Year-to-Date	- 3.51%
BearBull PB Investment Strategy « Dynamic Risk »	Aug	- 1.37%	Year-to-Date	- 1.47%

Comments (performances in AED)

The Bearbull Private Banking Investment Strategies UAE returned to a downward trend in August after a six-week positive rally. Indeed, the low-risk strategy lost -1.24% in August while the moderate-risk strategy followed the same path (-1.30%). The dynamic risk approach was the worst performer of the month, falling by -1.37%. All three strategies have accumulated losses since the beginning of the year (-5.55%, -3.51% and -1.47%) but are holding up better than international equities (-13.19%) or international bonds (-13.79%) due to their multi-sector diversification. The fixed income markets started to decline again in August, with the international segment falling sharply by -3.95% while the UAE sector was more resilient, falling by only -0.14%. The international equity markets are again experiencing profit taking (-4.18%) while the Dubai and Abu Dhabi stock exchanges are performing positively (+3.15% and +2.46% respectively). The Emirati asset classes have made gains since January (+10.62% and +15.70%), while the international asset class plummeted (-13.19%). The two asset classes that make up the real estate segment of our strategies are on either side of neutral performance this month. Indeed, the international class is suffering from the monetary policies of the central banks and the return of pressure on interest rates which have fallen sharply by -6.05%. The domestic segment, on the other hand, remains in positive territory (+0.17%) even though it is showing a strong slowdown in momentum (+9.08% in July), but is nonetheless achieving the best cumulative performance since the beginning of the year with a +18.70% increase. Commodities were also in the red this month, falling by -2.68%. Indeed, despite the growing European energy tensions in Europe, the fall in crude oil prices weighed on the sector's performance. Hedge funds managed to stay above neutral performance (+0.95%) in August after missing the July rally (+0.54% only). The private equity segment corrected sharply (-7.36%) after an exceptional performance in July (+14.74%).

Financial market developments (performances in AED)

Widespread return of volatility in August after six weeks of financial market recovery. The hope that inflation had perhaps finally stopped rising in July is no longer sustaining the enthusiasm of investors who are now worried that a new downward trend in prices will not be enough to change the Federal Reserve's monetary policy. The Fed's comments have raised concerns that it is pursuing a potentially overly dogmatic and risky strategy for an economy already in recession, which would still involve another 75 bp rate hike in September. This eventuality supports a dynamic that would bring key rates to nearly 4% at the end of the first quarter of 2023 and is already causing a rapid rise in long-term rates above 3.2%. While this prospect is still favorable for the dollar, it has rekindled the short-term fears of investors worried about the rise in long-term rates. At the end of the month, all asset classes reacted in the same way, suffering declines that partially offset the increases of July. International bond markets fell by an average of -3.95%, with Gilts even falling by -8.5%. International equities also lost a little more than -4%, while yield curve pressures further penalized securitized real estate (-6.05%) and private equity (-7.36%). Commodities also ended lower (-2.68%), led by the fall in oil (-4.48%) in the context of growing recession risks.

PERFORMANCES BY ASSET CLASS

AUGUST

+ 3.15%	Dubai Equities
+ 2.46%	Abu Dhabi Equities
+ 0.95%	Hedge Funds
+ 0.17%	UAE Real Estate
- 0.14%	UAE Bonds
- 2.68%	Commodities
- 3.95%	International Bonds
- 4.18%	International Equities
- 6.05%	International Real Estate
- 7.36%	Private Equity

YTD

+ 18.70%	UAE Real Estate
+ 18.34%	Commodities
+ 15.70%	Abu Dhabi Equities
+ 10.62%	Dubai Equities
- 2.20%	Hedge Funds
- 6.94%	UAE Bonds
- 13.19%	International Equities
- 13.79%	International Bonds
- 15.30%	International Real Estate
- 23.11%	Private Equity

COMMENTS BY ASSET CLASS

Bonds

The effects of changing expectations were again very strong in August in most markets. Recession risks took a back seat. The Fed's policy has put the heat back on by overemphasizing its desire to fight inflation at any cost. Despite a likely price spike supported by a drop in commodities, the fear of inflation has once again pushed long rates to new highs. The United Kingdom led the way this month with a 100 bp increase in 10-year yields, followed closely by the increase in Europe (80 bp). Yield curves are again close to their mid-June levels.

Stocks

With the end of the corporate earnings season, which on average was better than expected, the equity markets were affected by changing sentiment and less favourable expectations regarding monetary policy. The asset class was penalized by the rise in long-term interest rates and the prospect of more significant increases in key interest rates in September. Risk appetite decreased after an already substantial six-week stock market rally. Technology stocks were again subject to profit-taking at the end of the month.

Commodities

The commodities segment fell slightly in August (-2.68%). Nevertheless, the asset class remains the only international one to achieve a positive performance since the beginning of the year (+18.34%). In a global context of historically high inflation, commodities are proving to be an effective means of protection where other financial assets are suffering from the restrictive monetary policies of central banks. This is an essential component of diversification when equities (-13.19%) and bonds (-13.79%) are declining YTD.

Real Estate

The fear that the central banks will continue to pursue an overly aggressive monetary policy have once again put pressure on interest rates. The securitized real estate segment, which is very sensitive to these factors, gave up some of the profits during July and returned to the red figures in August. Internationally, the drop was huge(-6.05%) but in the United Arab Emirates, the sector seems to have been immune to this problem and posts a gain once again (+0.17%) despite showing strong signs of a reducing momentum (+9.08% in July).

BearBull Private Banking Investment Strategies UAE - Performances in AED											
	3 last months			YTD	Current year				Annualized Perf.		
	June 2022	July 2022	August 2022		current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2021	2010 to this day
BearBull PBI "low risk" (65% fixed income)	-4.09%	2.82%	-1.24%	-5.55%	0.06%	-6.15%				12.33%	5.47%
BearBull PBI "medium risk" (45% fixed income)	-5.26%	3.61%	-1.30%	-3.51%	2.35%	-5.57%				19.66%	6.73%
BearBull PBI "dynamic risk" (25% fixed income)	-6.42%	4.41%	-1.37%	-1.47%	4.65%	-5.02%				27.42%	7.94%
Sub-indices											
UAE Bonds	-1.64%	1.55%	-0.14%	-6.94%	-5.21%	-5.33%				0.87%	3.56%
International Bonds	-3.21%	2.13%	-3.95%	-13.79%	-6.16%	-8.26%				-4.71%	0.92%
Dubai Equities	-3.70%	3.63%	3.15%	10.62%	12.49%	-7.80%				32.14%	9.67%
Abu Dhabi Equities	-6.76%	3.08%	2.46%	15.70%	18.52%	-5.21%				75.89%	15.89%
International Equities	-8.66%	7.94%	-4.18%	-13.19%	-5.15%	-16.19%				21.82%	8.68%
UAE Real Estate	-14.04%	9.08%	0.17%	18.70%	19.37%	-6.70%				32.64%	12.57%
International Real Estate	-8.47%	6.93%	-6.05%	-15.30%	-3.53%	-17.01%				22.01%	5.31%
Commodities	-7.64%	-0.04%	-2.68%	18.34%	33.13%	2.01%				40.35%	-1.66%
Hedge Funds	-1.80%	0.54%	0.95%	-2.20%	-1.35%	-3.75%				3.64%	1.39%
Private Equity	-14.92%	14.99%	-7.36%	-23.11%	-11.62%	-24.27%				51.44%	11.29%

Sources: Bearbull Global Investments Group Limited, Bloomberg,



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The systematic diversified strategies of the BearBull Private Banking Investment Strategies UAE have produced annualized average returns of +5.47% (Low risk) to +7.94% (Dynamic Risk) since 2010.

The composition of our strategies is available upon request