

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

January 2023

Renewed optimism in the markets in January

POSITIVE PERFORMANCES FOR THE THREE BEARBULL KUWAIT PRIVATE BANKING INVESTMENT STRATEGIES IN JANUARY

| | | | | |
|---|-----|---------|--------------|---------|
| Bearbull Kuwait Pension Strategy “Low Risk” | Jan | + 2.91% | Year-to-Date | + 2.91% |
| Bearbull Kuwait Pension Strategy “Medium Risk” | Jan | + 3.30% | Year-to-Date | + 3.30% |
| Bearbull Kuwait Pension Strategy “Dynamic Risk” | Jan | + 3.69% | Year-to-Date | + 3.69% |

Comments (performances in KWD)

The financial markets are starting 2023 with a certain optimism. Indeed, the three Kuwait Bearbull Private Banking investment strategies delivered positive performances in January. The low-risk strategy advanced by +2.91%, while the moderate-risk approach followed a similar path, gaining +3.30%. The dynamic-risk strategy is in the lead this month with an increase of +3.69%. In January, the bond markets kicked off the new year on a positive note, with both the domestic and international segments registering gains. The domestic segment has witnessed an increase of +2.19%, while the international segment has fared even better, with a surge of +3.28%. Similarly, the equity markets have also had a promising start to the year. Although the Kuwaiti stock markets have been relatively stable, experiencing only marginal movement horizontally, they have managed to maintain a positive trend, with a slight gain of +0.04%. On the other hand, the international class has seen a remarkable upswing of +7.08%, recovering from a minor setback in December when it had declined by -4.25%. The performance of the real estate markets has been mixed, with both the international and domestic segments exhibiting varying trends. The international segment, which had incurred a cumulative loss of -24.24% in 2022 due to adverse interest rate conditions, has seen a positive turnaround since October and November, resulting in a significant gain of +8.60% in January. The domestic segment has also been impacted by the interest rate environment throughout the year, undergoing a corrective phase since the previous period that resulted in a decline of -5.69% in December. Although it continues to face challenges, it is displaying a decrease in its bearish momentum and is currently down by -1.64%. The commodity markets have kicked off the year on a slightly negative note, with a decline of -0.09%. While gold performed well, the contraction of crude oil prices, caused by the negative growth expectations for 2023, has weighed down the sector's overall performance. Hedge funds managed to achieve a positive return in January, with a gain of +1.67%. Private equity also bounced back from a sharp correction, with the segment experiencing a significant surge of +12.42%. This is consistent with the trend observed in October and November, which could indicate a shift in investor psychology, with a renewed preference for high-risk assets in January.

Financial market developments (performances in KWD)

The year 2023 started with a positive trend for all asset classes. After the window dressing and tax optimization in December, which temporarily penalized asset prices, investors are regaining confidence and reinvesting in the financial markets. The emergence of a macroeconomic scenario favouring a soft landing for the US economy and a less worrying outlook on the inflation front means that the monetary tightening cycle that began in March 2022 pushed key rates from 0.25% to 4.75%, may soon come to an end. Diversified strategies had their best January in over 20 years. The possibility of an upcoming pause in central bank activity and the continuation of a moderate inflation regime in line with the data published over the past six months thus support the assessment of a decrease in risks. Therefore, the three factors that penalized the markets in 2022 seem to be slowly fading, while the main risk remains that of further economic weakness with potentially negative effects on corporate profits. Finally, the return of Chinese growth will also help improve sentiment.

PERFORMANCES BY ASSET CLASS

JANUARY

| | |
|----------|---------------------------|
| + 12.42% | Private Equity |
| + 8.60% | International Real Estate |
| + 7.08% | International Equities |
| + 3.28% | International Bonds |
| + 2.19% | Kuwaiti Sukuk |
| + 1.67% | Hedge Funds |
| + 0.04% | Kuwaiti Equities |
| - 0.09% | Commodities |
| - 1.64% | Kuwaiti Real Estate |

YTD

| | |
|----------|---------------------------|
| + 12.42% | Private Equity |
| + 8.60% | International Real Estate |
| + 7.08% | International Equities |
| + 3.28% | International Bonds |
| + 2.19% | Kuwaiti Sukuk |
| + 1.67% | Hedge Funds |
| + 0.04% | Kuwaiti Equities |
| - 0.09% | Commodities |
| - 1.64% | Kuwaiti Real Estate |



COMMENTS BY ASSET CLASSES

Bonds

In December, the monthly inflation rate continued its decline, signalling a shift from the worrisome regime of the first half of 2022 to a significantly more positive one in the second half of the year. The US reported its first negative monthly inflation rate of -0.1%, leading to a positive reaction in capital markets with gains of approximately +3.3%. While the correlation between various bond markets remained high, the ten-year US Treasury yields reacted more strongly than European bonds. Australian dollar yields fell even more sharply, resulting in a segment gain of +7.1%.

Equities

The equity markets started the year in risk-on mode in this more positive context by recording gains of +7% on average. The prospect of an upcoming pause in the Fed's monetary policy and an economic scenario centred on a soft landing are supporting investors' repositioning in equities after a year marked by an 18% drop in global indices. Risk scores are logically rising with the increase in technical and quantitative factors, but they remain in a neutral investment-friendly zone.

Commodities

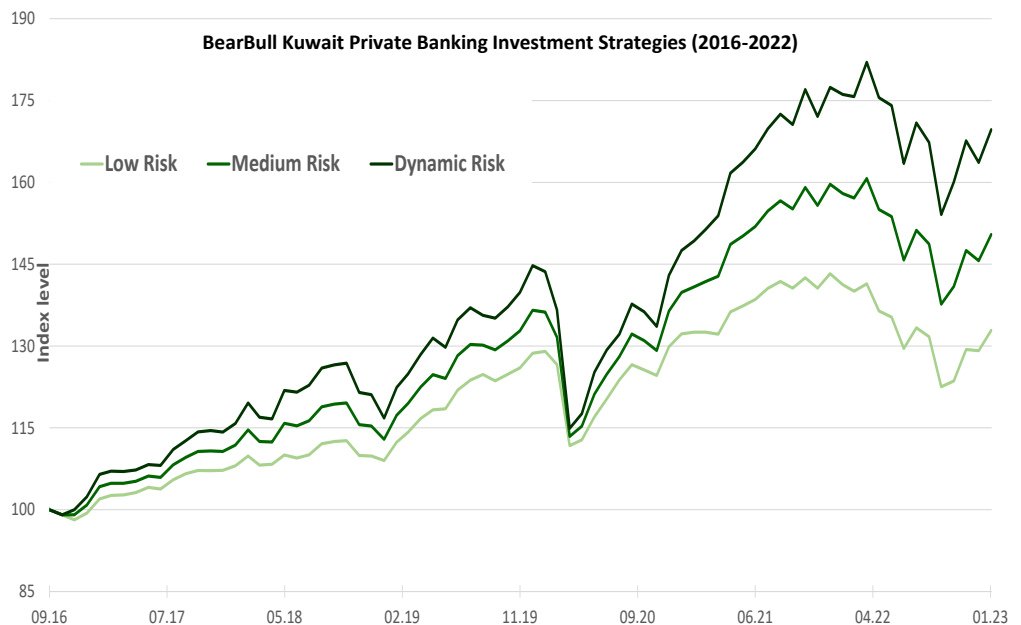
Commodities had a negative start in the first month of 2023. Despite gold's positive performance (+5.72%), the segment is slightly below the neutral performance (-0.09%). Crude oil (-1.73%) has also experienced a decline due to fears of a recession, which is impacting the energy sector's estimates for 2023. However, the asset's development could be supported by factors such as the potential recovery of the Chinese economy, which could positively impact demand.

Real Estate

During the year 2022, the securitized real estate segment was strongly penalized by the inflationary environment and the multiple rate hikes that followed, resulting in a negative performance of -24.24% internationally. However, recent inflation data indicating weaker inflation have resulted in positive momentum this month with an increase of +8.60%. In Kuwait, the segment has suffered as well cumulated losses in 2022 (-7.48%), and it moved into negative territory in January as well (-1.64%).

| BearBull Kuwait Private Banking Investment Strategies – Performances in KWD | | | | | | | | | | |
|---|---------------|--|--|--------------|--------------|-------------|-------------|-------------|------------------|------------------|
| | 3 last months | | | YTD | Current year | | | | Annualized Perf. | |
| | January 2023 | | | current year | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter | 2022 | 2016 to this day |
| BearBull Kuwaiti PB "low risk" (65% fixed income) | 2.91% | | | 2.91% | | | | | -9.85% | 4.79% |
| BearBull Kuwaiti PB "medium risk" (45% fixed income) | 3.30% | | | 3.30% | | | | | -8.78% | 6.95% |
| BearBull Kuwaiti PB "dynamic risk" (25% fixed income) | 3.69% | | | 3.69% | | | | | -7.76% | 9.08% |
| Sub-indices | | | | | | | | | | |
| Kuwaiti Sukuk | 2.19% | | | 2.19% | | | | | -11.62% | 1.14% |
| International Bonds | 3.28% | | | 3.28% | | | | | -16.25% | -0.87% |
| Kuwaiti Equities | 0.04% | | | 0.04% | | | | | 11.25% | 17.94% |
| International Equities | 7.08% | | | 7.08% | | | | | -18.14% | 10.13% |
| Kuwaiti Real Estate | -1.64% | | | -1.64% | | | | | -7.48% | 16.59% |
| International Real Estate | 8.60% | | | 8.60% | | | | | -24.24% | 1.75% |
| Commodities | -0.09% | | | -0.09% | | | | | 25.99% | 7.22% |
| Hedge Funds | 1.67% | | | 1.67% | | | | | -4.40% | 2.60% |
| Private Equity | 12.42% | | | 12.42% | | | | | -31.09% | 12.46% |

Sources : Bloomberg, BearBull Global Investments Group Limited



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The systematic diversified strategies of the Bearbull Kuwait Private Banking Investment Strategies have produced annualized returns of +4.79% (Low risk) to +9.08% (Dynamic risk) since 2016.

The composition of our strategies is available upon request