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

Uncertainty returns to the markets in February

NEGATIVE PERFORMANCES FOR ALL THE BEARBULL KSA PRIVATE BANKING INVESTMENT STRATEGIES IN FEBRUARY

BearBull Saudi PB Investment Strategy « Low risk »	Feb	- 1.45%	Year-to-Date	+ 0.81%
BearBull Saudi PB Investment Strategy « Moderate risk »	Feb	- 1.73%	Year-to-Date	+ 1.27%
BearBull Saudi PB Investment Strategy « Dynamic risk »	Feb	- 2.01%	Year-to-Date	+ 1.71%

Comments (performances in SAR)

The financial markets have started the year 2023 well, but some economic figures that came out during the month of February have rekindled fears of a tightening of the monetary policy of central banks. These fears have caused all the asset classes that make up our strategies to pull back without exception this month. Indeed, all three Bearbull Kingdom of Saudi Arabia Private Banking investment strategies performed negatively in February. The low-risk strategy fell by -1.45%. The moderate-risk approach lost -1.73% while the dynamic-risk strategy followed a similar path and fell by -2.01% this month. Despite this period of correction, all three strategies are still making gains in YTD perspective (+0.81%, +1.27% and +1.71%). Bond markets moved back into negative territory in February. The domestic segment lost -0.79%, while internationally the movement was stronger, with the asset class falling -1.37%. Since the beginning of the year, the performance of both segments has been on either side of neutral point. Indeed, the Saudi segment remains in the green (+0.83%) while the international class corrects (-0.15%). Equity markets were impacted by the generalized anxiety environment during the month of February. The Saudi Arabian market declined by -3.08% and almost erased the gains made in January (+3.31%). The international segment resisted much better and lost only -0.20%. In YTD terms, both asset classes remain positive (+0.13% and +3.25% respectively). The real estate markets were also heavily penalized during the month of February. Indeed, we can see that the domestic segment corrected strongly by -5.20% during the period. Internationally, the movement is similar and the asset class fell by -5.15%. Despite the interruption of the strong upward movement that the real estate segments experienced in January (+8.77% in Saudi Arabia as well as a spectacular gain of +10.47% on the international market) the two asset classes remain positive YTD (+4.78% and +3.11% respectively). Commodities are very dependent on the expectations of a recession that resurfaced in the minds of investors during the month of February and the segment therefore continues its downward trend by falling -4.24% this month. This segment, which had achieved the best cumulative performance over the year 2022, is starting this new year down (-4.33% YTD). The private equity segment is moving horizontally this month (-0.29%) but is leading since the beginning of the year (+12.10%), thanks to the incredible performance of January (+12.42%).

Investment climate (performances in SAR)

After an exceptional January in terms of stock market performance for most assets, February proved to be marked by a clear return of uncertainty. A rebound in inflation in January (+0.5%) and a totally unexpected job creation figure (+517k) in the US disrupted the soft-landing scenario accompanied by a steady decline in inflationary risks. A seemingly stronger US economy has revived fears of further tightening of the Fed's monetary policy. In this context, expectations for a rate hike have been pushed back to September with a target rate of 5.4%, pulling yield curves up in their wake. In contrast to the still strong employment numbers, many statistics still suggest a significant slowdown in US growth and consumption. The recent rebound in yields reflects the return of fears that the Fed will be forced to tighten policy more significantly to control inflation. While not ruling out this possibility, we believe that the risks are now greater in Europe, where bond yields are still a long way from inflation levels, while the ECB's monetary policy has a long way to go to reach its zenith. After the euphoria of January and the doubts of February, the next few months will provide a little more information on the evolution of risks, especially for the overextended European equity markets.

PERFORMANCES BY ASSET CLASS

FEBRUARY

- 0.20%	International Equities
- 0.29%	Private Equity
- 0.79%	Saudi Sukuk
- 1.37%	International Bonds
- 3.08%	Saudi Equities
- 4.24%	Commodities
- 5.15%	International Real Estate
- 5.20%	Saudi Real Estate

YTD

+ 12.10%	Private Equity
+ 4.78%	International Real Estate
+ 3.25%	International Equities
+ 3.11%	Saudi Real Estate
+ 0.83%	Saudi Sukuk
+ 0.13%	Saudi Equities
- 0.15%	International Bonds
- 4.33%	Commodities

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COMMENTS BY ASSET CLASSES

Bonds

The rebound in monthly inflation came as a surprise in January and rekindled uncertainties about the sustainability of the more positive regime change observed in the second half of the year. The first monthly inflation figure (+0.5%) of the year 2023 contrasts with the negative figure of December in the United States (-0.1%) and revives the uncertainties of a prolonged tightening of the Fed's monetary policy. Capital markets reacted negatively and recorded declines of -3.3% erasing the January gains. The correlation between the various bond markets remained high. The current yields still seem at-tractive to us in view of the expected evolution of inflation and risk inflation and positive risk scores. Despite the neutral risk scores, the main risks are in Europe and the UK, which should suffer from further upward adjustments in yields.

Equities

After a start to the year in risk-on mode, the return of uncertainty weighed on the markets, which stabilized in February after the significant gains of January. The strength of employment in the United States tends to reinforce the unlikely scenario of a no-landing scenario in inflation, which would force the Federal Reserve to raise interest rates any further. The most likely scenario remains that of a soft landing favorable to a repositioning in equities by investors after the 18% drop in global indices in 2022. However, risk scores are high in Europe and the United Kingdom.

Commodities

Commodities correct sharply in February. Indeed, the segment is down by -4.24% this month. After having been the only asset class to be spared by the generalized correction, commodities are starting the year 2023 with two consecutive declines. The segment is very dependent on the evolution of the economic situation and fears of recession. The probability of a positive soft landing for energy prices still seems to us the most likely, despite the latest twists and turns in some economic figures such as US employment and inflation figures, which surprised on the upside, and which are pulling the segment down.

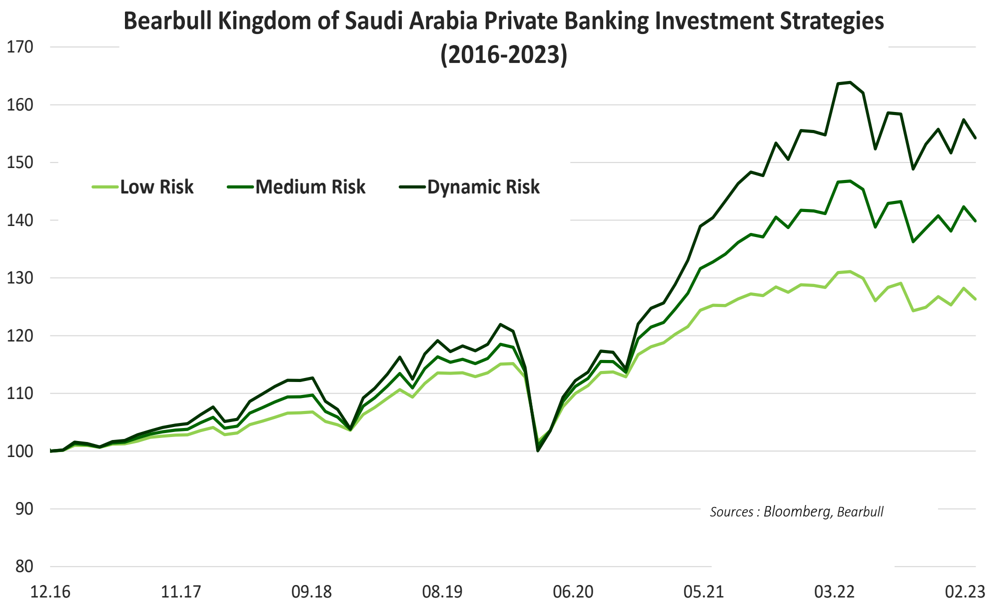
Real Estate

The real estate segment was clearly in the red in February. Indeed, the domestic class decreased by a -5.20% but it did not erase all the gains made in January (+8.77%). Similarly the international segment interrupted its positive trend by decreasing by -5.15% after having jumped last month by +10.47%. Since the beginning of the year, both asset classes are still in the green (+3.11% and +4.78%).

BearBull KSA PB Investment Strategies – Performances in SAR

	3 last months			YTD	Current year				Annualized Perf.	
	January 2023	February 2023	2023	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2022	2016 to this day
Bearbull KSA PBIS "low risk" (65% f.i)	2.30%	-1.45%		2.30%					-2.70%	4.55%
Bearbull KSA PBIS "medium risk" (45% f.i)	3.05%	-1.73%		3.05%					-2.55%	6.60%
Bearbull KSA PBIS "dynamic risk" (25% f.i)	3.80%	-2.01%		3.80%					-2.50%	8.61%
Sub-indices										
Saudi Sukuk	1.63%	-0.79%		0.83%					-7.26%	-0.69%
International Bonds	1.23%	-1.37%		-0.15%					-2.71%	3.01%
Saudi Equities	3.31%	-3.08%		0.13%					14.82%	16.92%
International Equities	3.45%	-0.20%		3.25%					-1.24%	8.28%
Saudi Real Estate	8.77%	-5.20%		3.11%					-30.65%	1.49%
International Real Estate	10.47%	-5.15%		4.78%					-28.48%	7.79%
Commodities	-0.09%	-4.24%		-4.33%					24.08%	4.48%
Private Equity	12.42%	-0.29%		12.10%					-31.09%	12.33%

Sources: BearBull Global Investments Group, Bloomberg,



Sources: BearBull Global Investments Group, Bloomberg