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Inflation figures rekindle uncertainty in the markets

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

BearBull PB Investment Strategy	**« Low Risk »**	**Feb**	**- 1.54%**	**Year–to-Date**	**+ 0.32%**
BearBull PB Investment Strategy	**« Moderate Risk »**	**Feb**	**- 1.21%**	**Year–to-Date**	**+ 0.85%**
BearBull PB Investment Strategy	**« Dynamic Risk »**	**Feb**	**- 0.88%**	**Year–to-Date**	**+ 1.38%**

Comments (performances in AED)

In February, the financial markets have been marked by a return of uncertainty due to the latest US inflation and employment figures, which have reignited fears of monetary policy tightening. This has led to negative performances for all three Bear-Bull private banking investment strategies, with the low-risk strategy being the worst performer at -1.54%, followed by the moderate-risk strategy at -1.21%, and the dynamic-risk strategy falling by -0.88%. Despite this correction period, all three strategies remain positive cumulatively, with respective gains of +0.32%, +0.85%, and +1.38%. In the bond markets, both the domestic and international segments have moved back into negative territory, with the former losing -1.59% and the latter experiencing a stronger shock at -3.32%, almost erasing the gains made last month. Year-to-date performance for the two segments is on either side of neutral at +0.04% and -0.15% respectively. The equity markets have been mixed in February, with the international segment suffering from general concern and declining by -2.40% after a spectacular January of +7.08%. On the other hand, the Emirati segments are still positive this month, with the Dubai stock market climbing by +4.07% and completely erasing the gap of the last period (-0.99%), while Abu Dhabi shares slightly regained positive territory with a gain of +0.34%. Since the beginning of the year, both international and Dubai stocks are in the green, at +4.50% and +3.04% respectively, while the Abu Dhabi stock market is undergoing a correction at -3.59%. The real estate markets have also shown mixed performances, with the international segment suffering from the effect of the latest inflation figures on interest rates and declining mechanically in February by -4.51% after several months of positive trends. In contrast, the UAE segment seems immune to this theme and jumped by +7.51%. Year-to-date, both asset classes have moved into positive territory, with international real estate gaining +3.70% and UAE real estate gaining +6.31%. Commodities have continued their downward trend and suffered from renewed fears of recession in February, declining by -3.83%. Hedge funds and private equity have been moving horizontally, with the former slightly down at -0.47% and the latter following a similar path with a loss of -0.29%.

Financial market developments (performances in AED)

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

+ 7.51%	UAE Real Estate
+ 4.07%	Dubai Equities
+ 0.34%	Abu Dhabi Equities
- 0.29%	Private Equity
- 0.47%	Hedge Funds
- 1.59%	UAE Bonds
- 2.40%	International Equities
- 3.32%	International Bonds
- 3.83%	Commodities
- 4.51%	International Real Estate

YTD

+ 12.10%	Private Equity
+ 6.31%	UAE Real Estate
+ 4.50%	International Equities
+ 3.70%	International Real Estate
+ 3.04%	Dubai Equities
+ 1.19%	Hedge Funds
+ 0.04%	UAE Bonds
-0.15%	International Bonds
-3.59%	Abu Dhabi Equities
-3.91%	Commodities

COMMENTS BY ASSET CLASS

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 attractive 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.

Stocks

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 favourable to 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 -3.83% 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 us on the upside, and are pulling the segment down.

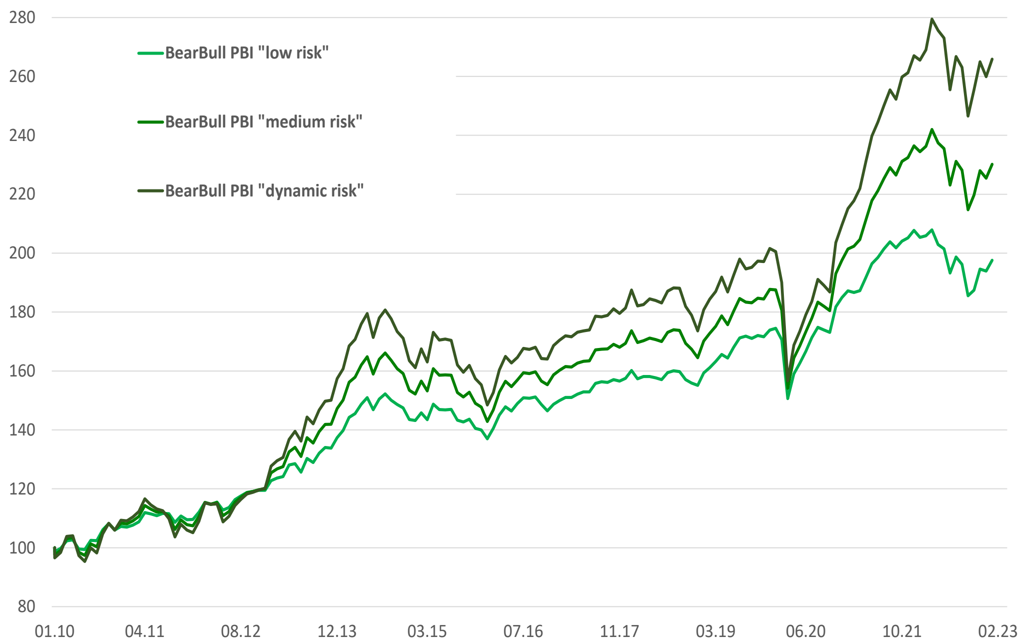
Real Estate

The real estate segment was on either side of neutral performance in February. Indeed, the domestic class increased by a staggering +7.51% and erased the losses incurred in January (-1.12%). On the other hand, the international segment interrupted its positive trend by decreasing by -4.51% after having jumped last month by +8.60%. Since the beginning of the year, both asset classes are still in the green (+6.31% and +3.70%).

BearBull Private Banking Investment Strategies UAE - Performances in AED

	3 last months			YTD	Current year				Annualized Perf.	
	January 2023	February 2023	2023	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2022	2010 to this day
BearBull PBI "low risk" (65% fixed income)	1.89%	-1.54%		0.32%					-6.66%	5.18%
BearBull PBI "medium risk" (45% fixed income)	2.09%	-1.21%		0.85%					-4.65%	6.44%
BearBull PBI "dynamic risk" (25% fixed income)	2.29%	-0.88%		1.38%					-2.66%	7.64%
Sub-indices										
UAE Bonds	1.66%	-1.59%		0.04%					-10.53%	3.29%
International Bonds	3.28%	-3.32%		-0.15%					-16.25%	0.81%
Dubaï Equities	-0.99%	4.07%		3.04%					8.18%	9.33%
Abu Dhabi Equities	-3.92%	0.34%		-3.59%					22.95%	15.23%
International Equities	7.08%	-2.40%		4.50%					-18.14%	8.66%
UAE Real Estate	-1.12%	7.51%		6.31%					11.80%	11.87%
International Real Estate	8.60%	-4.51%		3.70%					-24.24%	4.91%
Commodities	-0.09%	-3.83%		-3.91%					25.99%	-2.25%
Hedge Funds	1.67%	-0.47%		1.19%					-4.40%	1.36%
Private Equity	12.42%	-0.29%		12.10%					-31.09%	11.51%

Sources: BearBull Global Investments Group Limited, Bloomberg



Sources: BearBull Global Investments Group Limited, Bloomberg

The systematic diversified strategies of the BearBull Private Banking Investment Strategies have produced annualized average returns of +5.18% (Low risk) to +7.64% (Dynamic Risk) since 2010.

The composition of our strategies is available upon request