

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

February 2023

Inflation and employment figures rekindle uncertainty

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

Bearbull Kuwait Pension Strategy “Low Risk”	Feb	- 2.31%	Year-to-Date	+ 0.53%
Bearbull Kuwait Pension Strategy “Medium Risk”	Feb	- 2.24%	Year-to-Date	+ 0.98%
Bearbull Kuwait Pension Strategy “Dynamic Risk”	Feb	- 2.16%	Year-to-Date	+ 1.44%

Comments (performances in KWD)

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 Kuwait Private Banking investment strategies performed negatively in February. The low-risk strategy fell by -2.31% and achieved the worst performance of the month. The moderate-risk approach lost -2.24% while the dynamic risk strategy followed a similar path and fell by -2.16% this month. Despite this period of correction, all three strategies are still making gains in YTD perspective (+0.53%, +0.98% and +1.44%). The bond markets moved into negative territory in February. The domestic segment fell by -1.76% while the international segment is down even more (-3.32%). The international segment turned negative YTD (-0.15%) while the Kuwaiti segment remained in the green (+0.39%). The equity markets are strongly impacted by the uncertainty that has gripped the financial markets during the month. International equities interrupted their strong upward movement of January after a spectacular gain of +7.08% and fell by -2.40%. The domestic segment, on the other hand, resisted slightly better and only contracted by -0.52%. Since the beginning of the year, however, the international segment has remained clearly positive (+4.50), while the domestic segment has been negative (-0.48%). The real estate market was also strongly sanctioned in February as well. Indeed, the Kuwaiti market continues its fall by losing -3.88% and even shows an acceleration of its negative momentum (-1.64% in January). Internationally the movement is even slightly more intense this month. The segment lost -4.51%, a negative performance which does not totally erase the extraordinary gains of January (+8.60%). Since the beginning of the year, the domestic market has recorded losses (-5.46%) while the international market has remained positive (+3.70%). Commodities are heavily penalized by fears of recession and are still falling (-3.83%). The asset class that achieved the best cumulative performance in 2022 accumulated losses this year (-3.91%). Hedge funds are moving almost horizontally (-0.47%) as is private equity (-0.29%).

Financial market developments (performances in KWD)

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

- 0.29%	Private Equity
- 0.47%	Hedge Funds
- 0.52%	Kuwaiti Equities
- 1.76%	Kuwaiti Sukuk
- 2.40%	International Equities
- 3.32%	International Bonds
- 3.83%	Commodities
- 3.88%	Kuwaiti Real Estate
- 4.51%	International Real Estate

YTD

+ 12.10%	Private Equity
+ 4.50%	International Equities
+ 3.70%	International Real Estate
+ 1.19%	Hedge Funds
+ 0.39%	Kuwaiti Sukuk
- 0.15%	International Bonds
- 0.48%	Kuwaiti Equities
- 3.91%	Commodities
- 5.46%	Kuwaiti Real Estate



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 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.

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 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

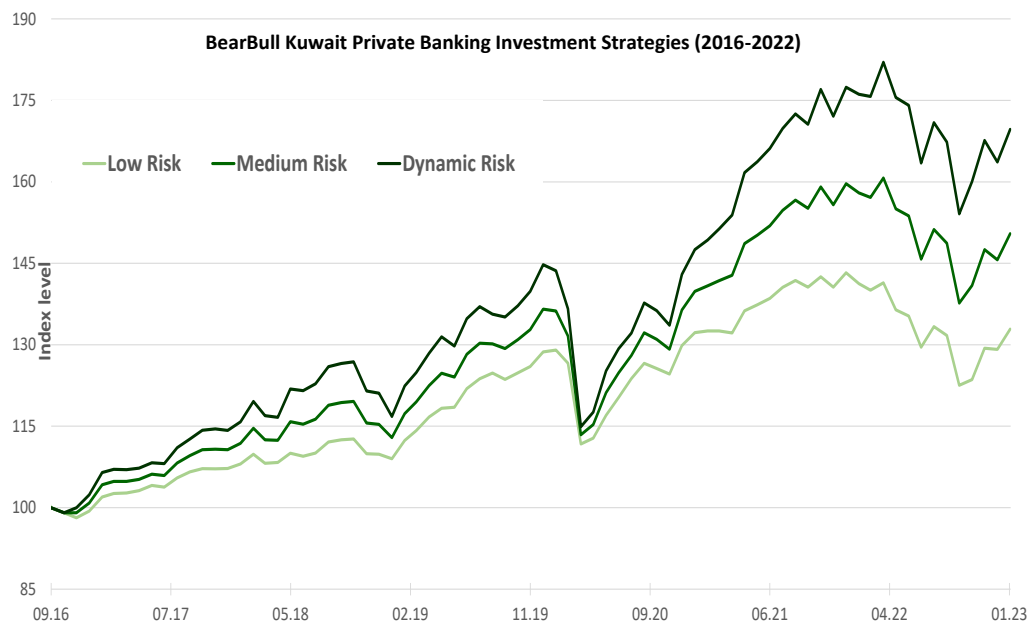
Commodities correct sharply in February. Indeed, the segment is down by -3.83% this month. After having been the only asset class to be spared by the generalized correction, commodities are starting the year 2023 with two consecutive declines. The segment is very dependent on the evolution of the economic 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 the upside, and are pulling the segment down.

Real Estate

The real estate segment was clearly in the red in February. Indeed, the domestic class decreased by -3.88% and increased its downward momentum (-1.64% in January). 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 (-5.46% and +3.70%).

BearBull Kuwait Private Banking Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	January 2023	February 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%	-2.31%		0.53%					-9.85%	4.38%
BearBull Kuwaiti PB "medium risk" (45% fixed income)	3.30%	-2.24%		0.98%					-8.78%	6.55%
BearBull Kuwaiti PB "dynamic risk" (25% fixed income)	3.69%	-2.16%		1.44%					-7.76%	8.69%
Sub-indices										
Kuwaiti Sukuk	2.19%	-1.76%		0.39%					-11.62%	0.85%
International Bonds	3.28%	-3.32%		-0.15%					-16.25%	-1.42%
Kuwaiti Equities	0.04%	-0.52%		-0.48%					11.25%	17.84%
International Equities	7.08%	-2.40%		4.50%					-18.14%	9.69%
Kuwaiti Real Estate	-1.64%	-3.88%		-5.46%					-7.48%	15.84%
International Real Estate	8.60%	-4.51%		3.70%					-24.24%	0.98%
Commodities	-0.09%	-3.83%		-3.91%					25.99%	6.53%
Hedge Funds	1.67%	-0.47%		1.19%					-4.40%	2.52%
Private Equity	12.42%	-0.29%		12.10%					-31.09%	12.40%

Sources : BearBull Global Investments Group Limited, Bloomberg



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The systematic diversified strategies of the Bearbull Kuwait Private Banking Investment Strategies have produced annualized returns of +4.38% (Low risk) to +8.69% (Dynamic risk) since 2016.

The composition of our strategies is available upon request