

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

April 2022

The market wide sell-off did not spare the Kuwait PB Investment Strategies

NEGATIVE PERFORMANCES FOR ALL THREE BEARBULL KUWAIT PRIVATE BANKING INVESTMENT STRATEGIES IN APRIL

Bearbull Kuwait Pension Strategy “Low Risk”	Year-to-Date - 4.76%	Year 2021 +8.34%
Bearbull Kuwait Pension Strategy “Medium Risk”	Year-to-Date - 2.92 %	Year 2021 +14.18%
Bearbull Kuwait Pension Strategy “Dynamic Risk”	Year-to-Date - 1.06 %	Year 2021 +20.28%

Comments (performances in KWD)

In April, the downward trend returned and affected all financial markets. Indeed, the three Bearbull Kuwait Private Banking Investment Strategies all posted negative performances this month. The low-risk strategy fell by -3.51%, while the moderate-risk strategy did slightly worse, losing -3.54%. The dynamic-risk strategy suffers from its greater exposure to international equities and alternative investments and falls more sharply by -3.57%. The bond markets are in the red this month, the domestic segment continues its downward trend started at the beginning of the year and loses -2.96% while internationally the decline is even stronger (-5.48%). The equity markets are also affected by the correction. The international segment fell sharply by -8.31%, continuing its negative trend. The domestic segment, on the other hand, achieved a positive performance of +1.23% in April. The private equity sector collapsed this month (-13.19%), with the segment achieving the worst performance of the month and year-to-date (-23.28%). Hedge funds are back in negative territory (-0.90%) after a very brief surge in March (+0.48%). The international real estate sector also fell but resisted slightly better than the other asset classes (-5.28%). It nevertheless erased the gains made during the month of March, while the domestic segment confirmed its upward trend by jumping +5.12%. Commodities are unsurprisingly one of the only asset classes to benefit from the unstable geopolitical conditions and tensions in the energy market and achieved one of the best performances of the month (+5.12%). The sector culminates in +39.94% cumulative gain in 4 months, far ahead of other asset classes.

Financial market developments (performances in KWD)

After a short interruption in March, the month of April marked the resumption of the bear market trend, once again affecting all asset classes except commodities. The war in Ukraine remained the main factor destabilizing the markets through its indirect consequences on inflation and growth. The return to the forefront of Covid19 in China was also a major source of concern for the global macroeconomic scenario, which was also threatened by monetary tightening in the United States. Energy prices have risen consistently as the tensions between the European and Russian governments have intensified. Europe is seeking to free itself from its dependence on Russian supplies and realizes that alternatives are both costly and difficult to implement. While Europe is looking for new suppliers, a new step has now been taken by Russia, by ending gas deliveries to Poland and Bulgaria which could happen with other countries in the near future. The spiral leading to an interruption of Russian deliveries to Europe is now underway. While inflation is spreading around the world, sometimes reaching historic highs, economic growth is already plummeting. The -1.4% contraction of the US GDP in Q1 surprised all the economists & observers especially after the +6.9% increase in Q4 2021. Europe should also logically announce a clear contraction of its economy. We were announcing a new global paradigm for inflation and growth prospects that is already materializing, which validates our stagflation scenario. The interest rate markets continued to adjust to this new situation. The international fixed income markets fell by -5.48% in one month and by -2.96% in Kuwait. A similar decline hit the international equity markets (-8.31%) while the Kuwaiti asset class posted a gain (+1.23%), private equity collapsed by -13.19%. Real estate, which behaves better in times of stagflation, still slipped by -5.28%, whereas commodities were the only ones to benefit from this environment, by gaining +5.12% over one month and +39.94% YTD.

PERFORMANCES BY ASSET CLASS

APRIL

+ 5.12%	Commodities
+ 5.12%	Kuwaiti Real Estate
+ 1.23%	Kuwaiti Equities
- 0.90%	Hedge Funds
- 2.96%	Kuwaiti Sukuk
- 5.28%	International Real Estate
- 5.48%	International Bonds
- 8.31%	International Equities
- 13.19%	Private Equity

YTD

+ 39.94%	Commodities
+ 21.49%	Kuwaiti Equities
+ 4.60%	Kuwaiti Real Estate
- 2.24%	Hedge Funds
- 8.63%	International Real Estate
- 8.70%	Kuwaiti Sukuk
- 11.30%	International Bonds
- 13.03%	International Equities
- 23.28%	Private Equity



COMMENTS BY ASSET CLASSES

Bonds

Rate adjustments continued in April in the bond markets. The yield curves are rising again as tensions continue to build on the various inflation measures. The ten-year Treasury Yields continued to rise quite sharply from 2.33% to 2.9% over the month, while the 5-year yield also rose from 2.45% to 2.92% during the same period. In Europe, the trend is similar, with the ten-year rates progressing from 0.54% to 0.94%. The fixed income markets have suffered additional losses of -2.96% for Kuwaiti sukuks and -5.48% for the international bonds. Inflationary risks are still rising under the threat of renewed pressure on the energy prices and the commodity supply disruptions. The U.S. economy could enter into a recession period as early as the 2nd quarter and confirm the announced stagflation scenario. The bond markets are consequently still under considerable pressure and probably not ending soon.

BearBull Kuwait PB Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	February 2022	March 2022	April 2022	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2021	2016 to this day
BearBull Kuwaiti PB "low risk" (65% fixed income)	-0.84%	0.96%	-3.51%	-4.76%	-1.30%				8.34%	6.00%
BearBull Kuwaiti PB "medium risk" (45% fixed income)	-0.53%	2.27%	-3.54%	-2.92%	0.64%				14.18%	8.57%
BearBull Kuwaiti PB "dynamic risk" (25% fixed income)	-0.23%	3.59%	-3.57%	-1.06%	2.60%				20.28%	11.13%
Sub-indices										
Kuwaiti Sukuk	-1.95%	-1.36%	-2.96%	-8.70%	-5.91%				0.40%	1.51%
International Bonds	-1.19%	-3.05%	-5.48%	-11.30%	-6.16%				-4.71%	-0.52%
Kuwaiti Equities	2.62%	11.35%	1.23%	21.49%	20.02%				30.06%	22.71%
International Equities	-2.53%	2.74%	-8.31%	-13.03%	-5.15%				21.82%	11.47%
Kuwaiti Real Estate	-0.15%	4.16%	5.12%	4.60%	5.24%				41.08%	22.29%
International Real Estate	-2.46%	4.16%	-5.28%	-8.63%	-3.53%				22.01%	4.03%
Commodities	8.77%	9.63%	5.12%	39.94%	33.13%				40.35%	10.45%
Hedge Funds	-0.36%	0.48%	-0.90%	-2.24%	-1.35%				3.64%	3.08%
Private Equity	-4.96%	0.27%	-13.19%	-23.28%	-11.62%				51.44%	14.12%

Sources : BearBull Global Investments Group Limited, Bloomberg

Equities

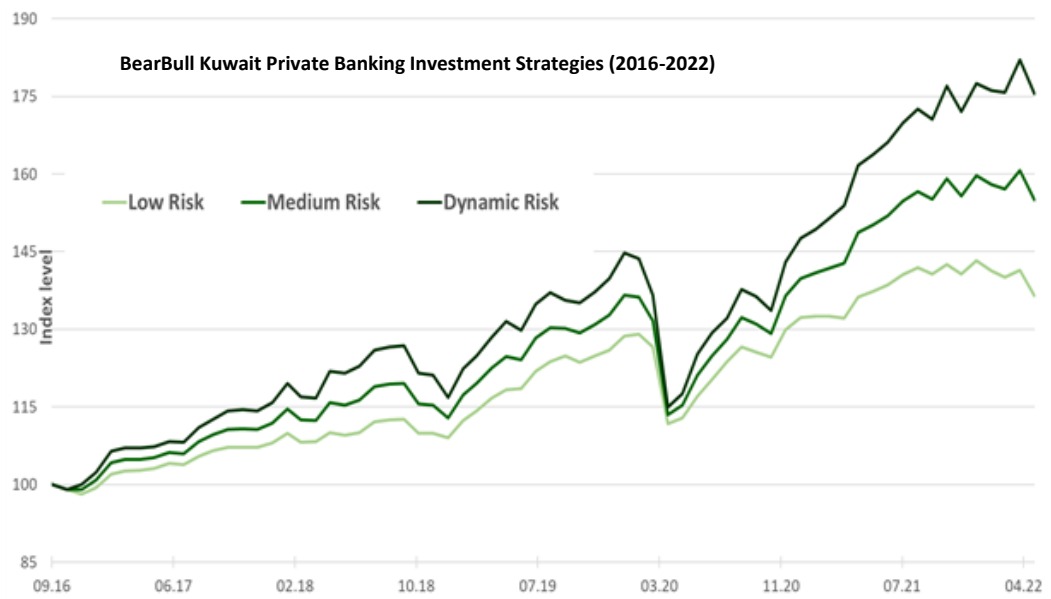
Equity markets are not expected to react positively to the stagflation scenario that is taking shape. Margins and earnings prospects will be under pressure in several key sectors of the global stock market indices. Rising interest rates also threaten the previous PE expansion cycle, which is now expected to contract. The actual environment of monetary tightening and reduced liquidity is no longer favorable for stocks.

Commodities

The commodities sector continues its spectacular ascension. The asset class achieved once more the best performance of the month, climbing by +5.12%. Geopolitical tensions in Europe have not eased and pressure on the energy market remains very present. The sector reached +39.94% of the year-to-date performance, which puts it far ahead of all the other asset classes. This growth is due to the fact that the sector is still under constant strain.

Real Estate

After a clear rebound of +4.16% on the international market in March, the real estate sector has fallen back under the neutral level of performance. However, in comparison with the other asset classes, it proved to be more resilient to the global bearish movement that affected all the markets in April. Historically, the real estate sector has performed better than the other asset classes during periods of stagflation. This is a situation that seems to be materializing, judging by the quarterly economic growth figures for Europe and the United States.



Sources : BearBull Global Investments Group Limited, Bloomberg

The diversified systematic strategies of the Bearbull Kuwait Private Banking Investment Strategies have produced annualized returns of +6.00 to +11.13% since 2016 to date.

The composition of our private banking investment strategies is available upon request