

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

August 2022

Profit taking after a 6 weeks positive rally

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

Bearbull Kuwait Pension Strategy “Low Risk”	Aug	- 1.23%	Year-to-Date	- 8.07%
Bearbull Kuwait Pension Strategy “Medium Risk”	Aug	- 1.66%	Year-to-Date	- 6.87%
Bearbull Kuwait Pension Strategy “Dynamic Risk”	Aug	- 2.09%	Year-to-Date	- 5.69%

Comments (performances in KWD)

The Bearbull Kuwait private banking investment strategies returned to a negative trajectory in August after a positive six-weeks rally. Indeed, the low-risk strategy fell by -1.23% while the moderate-risk approach did slightly less good, losing -1.66%. The dynamic-risk strategy had the worst performance of the month, falling by -2.09%. All three approaches have been in negative territory since the beginning of 2022 (-8.07%, -6.87% and -5.69% respectively) but due to their diversification, they have held up much better than international equities (-17.78%) and bonds (-15.55%). The bond markets appear mixed in August. Indeed, the domestic segment performed positively (+1.26%) and confirmed last month's rise (+1.58%). Internationally, the performance is negative (-3.95%) after a surge in July (+2.13%). Both asset classes are nevertheless in negative territory in YTD terms (-9.53% and -15.55% respectively). The equity markets were on either side of the neutral performance in August. The Kuwaiti segment managed to stay in the black (+0.05%) but still showed a sharp reduction in its upward momentum (+3.27% in July), the domestic stock market still made a very impressive cumulative gain since the beginning of the year (+15.36%). The international class, on the other hand, fell by -4.18%, erasing more than half of the gains made in July (+7.94%) and experiencing a sharp decline YTD (-17.78%). The real estate segment is suffering internationally from the return of pressure on interest rates and the restrictive monetary policies of central banks and is down sharply by -6.05%. The domestic segment seems to be immune to this problematic and remains stable this month (+0.97%) despite a loss of momentum (+4.17% in July). Commodities are also down this month despite increasing European energy tensions. Indeed, the fall in crude oil prices weighed on the sector's performance, which fell by -2.68%. Hedge funds managed to post a gain this month (+0.95%). Private equity fell once again (-7.36%) after a spectacular performance in July (+14.99%) and posts the biggest YTD loss (-28.70%).

Financial market developments (performances in KWD)

Widespread return of volatility in August after six weeks of financial market recovery. The hope that inflation had perhaps finally stopped rising in July is no longer sustaining the enthusiasm of investors who are now worried that a new downward trend in prices will not be enough to change the Federal Reserve's monetary policy. The Fed's comments have raised concerns that it is pursuing a potentially overly dogmatic and risky strategy for an economy already in recession, which would still involve another 75 bp rate hike in September. This eventuality supports a dynamic that would bring key rates to nearly 4% at the end of the first quarter of 2023 and is already causing a rapid rise in long-term rates above 3.2%. While this prospect is still favourable for the dollar, it has rekindled the short-term fears of investors worried about the rise in long-term rates. At the end of the month, all asset classes reacted in the same way, suffering declines that partially offset the increases of July. International bond markets fell by an average of -3.95%, with Gilts even falling by -8.5%. International equities also lost a little more than -4%, while yield curve pressures further penalized securitized real estate (-6.05%) and private equity (-7.36%). Commodities also ended lower (-2.68%), led by the fall in oil (-4.48%) in the context of growing recession risks.

PERFORMANCES BY ASSET CLASS

AUGUST

+ 1.26%	Kuwaiti Sukuk
+ 0.97%	Kuwaiti Real Estate
+ 0.95%	Hedge Funds
+ 0.05%	Kuwaiti Equities
- 2.68%	Commodities
- 3.95%	International Bonds
- 4.18%	International Equities
- 6.05%	International Real Estate
- 7.36%	Private Equity

YTD

+ 32.10%	Commodities
+ 15.36%	Kuwaiti Equities
- 2.98%	Kuwaiti Real Estate
- 3.64%	Hedge Funds
- 9.53%	Kuwaiti Sukuk
- 15.55%	International Bonds
- 17.78%	International Equities
- 19.58%	International Real Estate
- 28.70%	Private Equity

COMMENTS BY ASSET CLASSES

Bonds

The effects of changing expectations were again very strong in August in most markets. Recession risks took a back seat. The Fed's policy has put the heat back on by overemphasizing its desire to fight inflation at any cost. Despite a likely price spike supported by a drop in commodities, the fear of inflation has once again pushed long rates to new highs. The United Kingdom led the way this month with a 100 bp increase in 10-year yields, followed closely by the increase in Europe (80 bp). Yield curves are again close to their mid-June levels.

Equities

With the end of the corporate earnings season, which on average was better than expected, the equity markets were affected by changing sentiment and less favourable expectations regarding monetary policy. The asset class was penalized by the rise in long-term interest rates and the prospect of more significant increases in key interest rates in September. Risk appetite decreased after an already substantial six-week stock market rally. Technology stocks were again subject to profit-taking at the end of the month.

Commodities

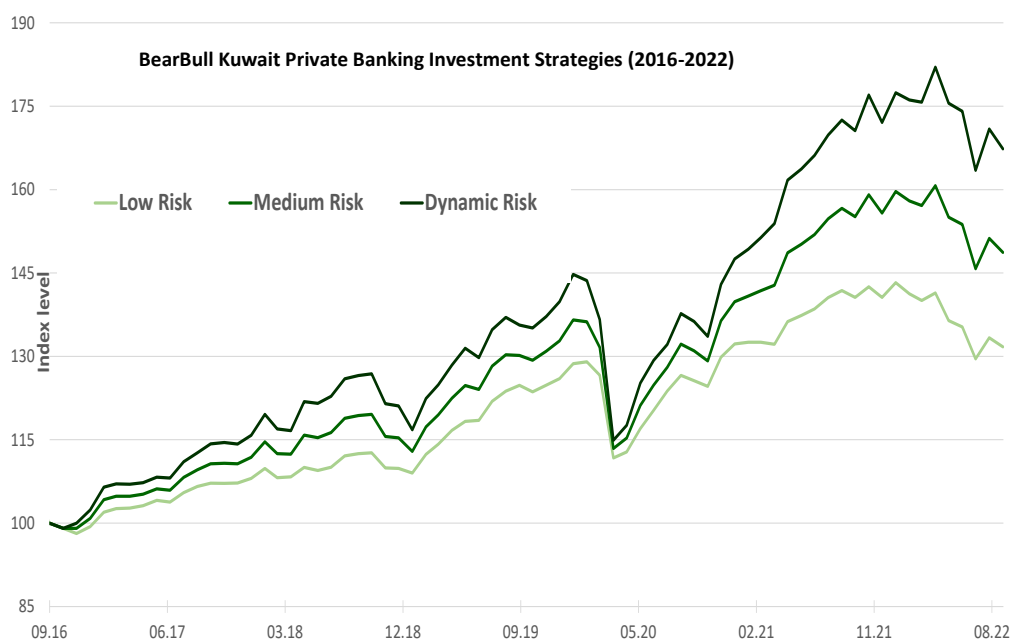
The commodities segment fell in August (-2.68%). Nevertheless, the asset class remains the only international one to achieve a positive performance since the beginning of the year (+32.10%). In a global context of historically high inflation, commodities are proving to be an effective means of protection where other financial assets are suffering from the restrictive monetary policies of central banks. Hence being an essential component of diversification when equities (-17.78%) and bonds (-15.55%) are declining YTD.

Real Estate

Fears that the central banks will continue to pursue an overly aggressive monetary policy have once again put pressure on interest rates. The securitized real estate segment, which is very sensitive to these factors, gave up some of the profits during July and returned to the red figures in August. Internationally the drop was great (-6.05%) but in Kuwait, the sector seems to have been immune to this problem and posts a gain once again (+0.97%) despite showing strong signs of a reducing momentum (+9.08% in July).

BearBull Kuwait Private Banking Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	June 2022	July 2022	August 2022	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2021	2016 to this day
Bearbull Kuwaiti PB "low risk" (65% fixed income)	-4.26%	2.94%	-1.23%	-8.07%	-1.30%	-8.39%			8.34%	5.21%
Bearbull Kuwaiti PB "medium risk" (45% fixed income)	-5.18%	3.75%	-1.66%	-6.87%	0.64%	-9.30%			14.18%	7.57%
Bearbull Kuwaiti PB "dynamic risk" (25% fixed income)	-6.10%	4.56%	-2.09%	-5.69%	2.60%	-10.21%			20.28%	9.92%
Sub-indices										
Kuwaiti Sukuk	-2.67%	1.58%	1.26%	-9.53%	-5.91%	-3.96%			0.40%	1.03%
International Bonds	-3.21%	2.13%	-3.95%	-15.55%	-6.16%	-5.22%			-4.71%	-0.65%
Kuwaiti Equities	-2.90%	3.27%	0.05%	15.36%	20.02%	-4.19%			30.06%	20.13%
International Equities	-8.66%	7.94%	-4.18%	-17.78%	-5.15%	-8.24%			21.82%	10.49%
Kuwaiti Real Estate	-8.70%	6.93%	0.97%	-2.98%	5.24%	-4.00%			41.08%	19.05%
International Real Estate	-8.47%	6.93%	-6.05%	-19.58%	-3.53%	-9.33%			22.01%	2.60%
Commodities	-7.64%	-0.04%	-2.68%	32.10%	33.13%	10.45%			40.35%	9.21%
Hedge Funds	-1.80%	0.54%	0.95%	-3.64%	-1.35%	-1.99%			3.64%	2.46%
Private Equity	-14.92%	14.99%	-7.36%	-28.70%	-11.62%	-10.99%			51.44%	13.30%

Sources : BearBull Global Investments Group Limited, Bloomberg



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The diversified systematic strategies of the Bearbull Kuwait Private Banking Investment Strategies have produced returns of +5.21% to +9.92% annualized since 2016 to date.

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