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BearBull Global Investments Group

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016 | December 2022

No December rally in the markets in 2022

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

Bearbull Kuwait Pension Strategy "Low Risk"	**Dec**	**- 0.17%**	**Year-to-Date**	**- 9.85%**
Bearbull Kuwait Pension Strategy "Medium Risk"	**Dec**	**- 1.27%**	**Year-to-Date**	**- 8.78%**
Bearbull Kuwait Pension Strategy "Dynamic Risk"	**Dec**	**- 2.37%**	**Year-to-Date**	**- 7.76%**

Comments (performances in KWD)

The financial markets are ending December in the same way as 2022. Indeed, the three Bearbull private banking Kuwait investment strategies achieved negative performances this month. The low-risk strategy fell to just below neutral performance by -0.17%. The medium-risk strategy did less well, losing -1.27%, while the dynamic-risk approach was the worst performer of the month, falling by -2.37%. All three strategies are in negative territory in YTD terms over the year 2022, in the context of generalized correction and correlation of the vast majority of asset classes. The bond segment is the only one to make a gain in December. Indeed, the domestic class achieved the best performance of the month by climbing +2.59% and continuing the upward movement starting in November (+4.58%). The international segment followed a similar path and advanced by +0.54% but nevertheless showed a strong loss of momentum (+4.71% in November). The equity markets are back in negative territory this month. The international class fell by -4.25% and interrupted the strong positive trend of the last few months (+7.18% then +6.95%). The movement is the same for the domestic stock market which falls even more strongly (-4.74%). International equities experienced a sharp correction over the year (-18.14%), while the domestic class achieved the second-best cumulative performance in 2022 (+11.25%) and seems immune to the general turmoil. The securitized real estate segment was strongly penalized by the restrictive monetary policy of central banks and their fight against inflation. The Kuwaiti market declined by -5.69% in December and accumulated a loss of -7.48% for the year. Nevertheless, it resisted better than the international class which fell by -2.62% this month but accumulated a heavy loss of -24.24% YTD. Commodities continue their slightly downward trend that started last month. Indeed, the sector ended the year in negative territory by losing -1.38%. However, it achieved the best cumulative performance of the year with an exceptional increase of +25.99%. Hedge funds once again moved horizontally in December (-0.06%), but for the year as a whole, the segment outperformed traditional assets (-4.40%). Private equity fell by -6.26% to end the year, risky assets were severely punished in 2022 and the asset class accumulated the worst YTD performance (-31.09%).

Financial market developments (performances in KWD)

After nine particularly difficult months for the vast majority of financial markets and, in practice, all asset classes, which often marked historical records for negative performance, the last quarter of 2022 ended on a fairly positive note across the board. The stock market recovery seen mainly in October and November will thus have made it possible to reduce some of the stock market losses of the first nine months and to offer a perhaps finally better outlook for the year 2023, in contrast with the general feeling of extreme anxiety among investors that still prevailed at the end of September. The expectation in the third quarter that the Federal Reserve would slow down significantly as it approached its expected maximum policy rate target for 2023 helped to calm the situation somewhat. The bulk of the expected adjustment in monetary policy seemed to have already been achieved in December with the increase of 0.25% to 4.5% in the discount rate in only ten months, leaving only two potential increases of 0.25% in 2023, if the announced target of 5% were to be maintained. The Q4 stock market recovery still looks fragile, but 2023 should be a calmer year on the inflation and monetary policy fronts, which have been the two most important factors penalizing stock markets. The gradual decline in inflation should be accompanied by a decrease in capital market tensions and provide a more positive environment for financial assets.

PERFORMANCES BY ASSET CLASS

DECEMBER

+ 2.59%	Kuwaiti Sukuk
+ 0.54%	International Bonds
- 0.06%	Hedge Funds
- 1.38%	Commodities
- 2.62%	International Real Estate
- 4.25%	International Equities
- 4.74%	Kuwaiti Equities
- 5.69%	Kuwaiti Real Estate
- 6.26%	Private Equity

YTD

+ 25.99%	Commodities
+ 11.25%	Kuwaiti Equities
- 4.40%	Hedge Funds
- 7.48%	Kuwaiti Real Estate
- 11.62%	Kuwaiti Sukuk
- 16.25%	International Bonds
- 18.14%	International Equities
- 24.24%	International Real Estate
- 31.09%	Private Equity

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COMMENTS BY ASSET CLASSES

Bonds

Despite the publication in December of virtually zero monthly inflation in the United States (+0.1%), fixed-income markets were instead marked by profit-taking at the end of the year. The correlation remained high between the various bond markets, which fell across the board, particularly in Europe (-3.6%) and the UK (-4.3%). Ten-year US Treasury yields rose from 3.6% to 3.85%, while emerging markets (+0.85%) and the high yield segment (+0.66%) were the only ones to record small gains. Current yields still seem attractive in view of the expected inflation and global economic developments in 2023, as well as the positive risk scores.

Equities

Equity markets also reacted by taking profits before the end of the year after eight weeks of rising prices. Better than expected inflation and a softening of US Federal Reserve monetary policy were not enough to improve sentiment significantly to counteract year-end tax optimism selling. However, the year ended with a welcomed but still fragile quarterly stock market recovery, particularly in the technology sector, whose large stocks are not yet benefiting from the improvement in the stock market climate. The beginning of the year should benefit from risk scores that are still favourable.

Commodities

Commodities ended the last month of the year down. Indeed, the segment has been particularly volatile over the year 2022. With the announcement of Russia's entry into Ukraine, crude oil prices soared, and gas followed the same trajectory. Since then, energy supply fears have eased and the winter is proving less severe than usual, resulting in a massive correction in oil and gas in the second half of the year. Fears of a recession in 2023 completed a rather negative picture for energy at the end of the year as well as for industrial metals. The segment fell by -1.38% in December but remains the best performer for the year (+25.99%).

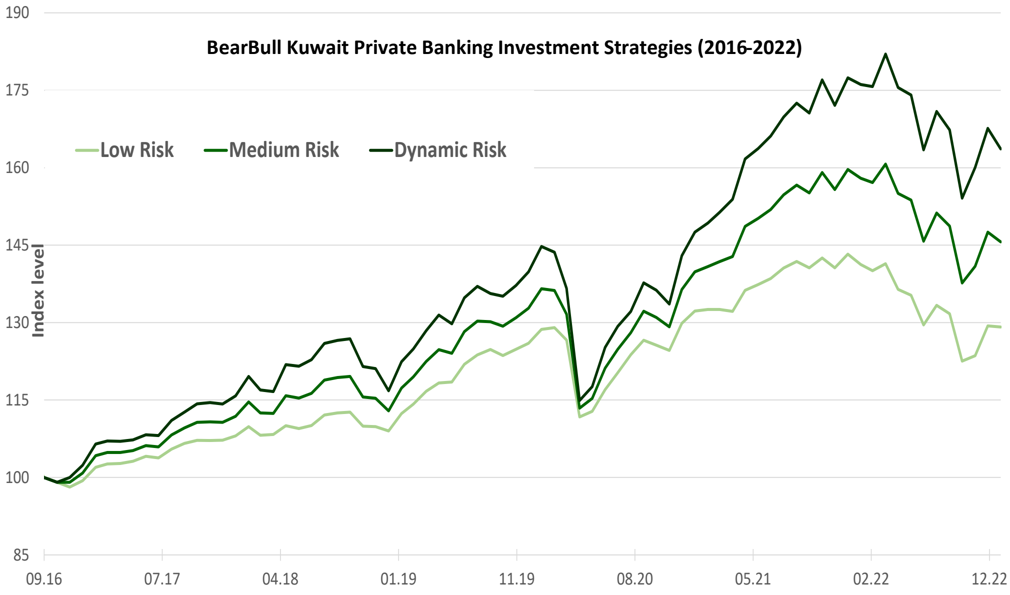
Real Estate

The restrictive monetary policy of central banks will have an overall negative impact on the securitized real estate sector during 2022. Only the recent relief from interest rate pressure has been able to support the market through October and November. Both asset classes return to the red this month (-5.69% and -2.62%). The domestic segment is negative YTD (-7.48%) whereas the international class cumulated heavier losses (-24.24%).

BearBull Kuwait Private Banking Investment Strategies – Performances in KWD

	3 last months			YTD	Current year				Annualized Perf.	
	October 2022	November 2022	December 2022	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2021	2016 to this day
Bearbull Kuwaiti PB "low risk" (65% fixed income)	0.85%	4.67%	-0.17%	-9.85%	-1.30%	-8.39%	-5.40%	5.38%	8.34%	4.35%
Bearbull Kuwaiti PB "medium risk" (45% fixed incom	2.35%	4.70%	-1.27%	-8.78%	0.64%	-9.30%	-5.55%	5.80%	14.18%	6.47%
Bearbull Kuwaiti PB "dynamic risk" (25% fixed incom	3.86%	4.73%	-2.37%	-7.76%	2.60%	-10.21%	-5.71%	6.19%	20.28%	8.56%
Sub-indices										
Kuwaiti Sukuk	-2.48%	4.58%	2.59%	-11.62%	-5.91%	-3.96%	-3.95%	4.62%	0.40%	0.79%
International Bonds	-0.69%	4.71%	0.54%	-16.25%	-6.16%	-5.22%	-6.94%	4.55%	-4.71%	-1.41%
Kuwaiti Equities	5.40%	4.00%	-4.74%	11.25%	20.02%	-4.19%	-4.59%	4.42%	30.06%	18.20%
International Equities	7.18%	6.95%	-4.25%	-18.14%	-5.15%	-8.24%	-6.19%	9.77%	21.82%	9.02%
Kuwaiti Real Estate	2.27%	4.25%	-5.69%	-7.48%	5.24%	-4.00%	-0.25%	0.55%	41.08%	17.16%
International Real Estate	2.04%	7.93%	-2.62%	-24.24%	-3.53%	-9.33%	-11.76%	7.24%	22.01%	0.39%
Commodities	6.70%	-1.71%	-1.38%	25.99%	33.13%	10.45%	-10.31%	3.44%	40.35%	7.34%
Hedge Funds	0.08%	0.15%	-0.06%	-4.40%	-1.35%	-1.99%	0.52%	0.17%	3.64%	2.35%
Private Equity	10.33%	9.78%	-6.26%	-31.09%	-11.62%	-10.99%	-9.33%	13.54%	51.44%	10.46%

Sources : BearBull Global Investments Group Limited, Bloomberg



Sources : BearBull Global Investments Group Limited, Bloomberg