

# Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

February 2022

## The geopolitical tensions affect all but the commodities and Kuwaiti equities

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

<b>Bearbull Kuwait Pension Strategy “Low Risk”</b>	<b>Year-to-Date -2.23%</b>	<b>Year 2021 +8.34%</b>
<b>Bearbull Kuwait Pension Strategy “Medium Risk”</b>	<b>Year-to-Date -1.59%</b>	<b>Year 2021 +14.18%</b>
<b>Bearbull Kuwait Pension Strategy “Dynamic Risk”</b>	<b>Year-to-Date -0.95%</b>	<b>Year 2021 +20.28%</b>

### Comments (performances in KWD)

In February, all three Bearbull Kuwait Private Banking Investment Strategies posted slightly negative performances. Indeed, the low-risk strategy fell the most this month (-0.84%). The moderate-risk strategy did better by only contracting by -0.53%, while the dynamic-risk strategy performed the best by only retracting by -0.23%. The bond markets are in the red for this first month of the year. The domestic segment posted a negative performance of -1.95% while the international market fell less sharply by -1.19%. The equity markets are on either side of the zero performance in February. The international equity markets were greatly affected at the end the month by the conflict between Russia and Ukraine (-2.53%), and are pursuing the downside trend that began already in January (-5.29%). The domestic markets still seem to be shielded from the disturbances experienced in the occidental world and have performed very well in February. The Kuwaiti stock market climbed by +2.62% this month and recorded the second-best performance of the month. The Kuwaiti real estate market is down this month by -2.46%. The international segment dropped again in February, losing -2.46%. Commodities were the only sector to have benefitted from the violence in Ukraine. Indeed, the asset class jumped by +8.77%, driven by crude oil prices which exceeded 100 US dollars per barrel and gold which regained its attractiveness, fueled by the high anxiety of the markets. Hedge funds proved to be quite resilient during this period of tension and fell by only -0.36%. The private equity segment continued its free fall and suffered from the re-evaluation of investors' risk tolerance (-4.96%).

### Financial market developments (performances in KWD)

The geopolitical turmoil completely disrupted the investment climate at the end of February, putting a halt to the stock market recovery that began on January 24th. The geopolitical situation in Europe became very strained in the last few days of the month, evoking the darkest hours of the Cold War and leading to fears that the crisis in Ukraine could escalate out of control and threaten the global geopolitical stability built up since the collapse of the USSR. The outbreak of hostilities in Ukraine on February 24th quickly triggered a series of political and economic sanctions by the European Union and many other countries worldwide which had never been seen before, in an attempt to peacefully restrain the Russian President. The unity between the European countries and NATO was translated into a series of sanctions aimed at pressuring Russia to find a diplomatic solution to the crisis. But today, the threat remains not only serious in terms of military action, with the potential use by Russia in Ukraine of equipment that has never before been used in the European area and which could have devastating effects, but also increasing in the context of its economic impact. A disruption of Russian gas and crude oil supplies in March would pose significant problems for power generation in Europe and cause a sharp rise in energy prices. Such a shock would undoubtedly have international repercussions and inflationary effects on top of existing pressures. In this environment, the economic outlook may deteriorate very sharply. The risks of a weakening of consumption caused by a fall in purchasing power should not be underestimated in Europe. In the long term, there remains a big risk of a structural deceleration accompanied by a higher inflation growth and an emerging risk of stagflation. In this environment, commodities were the only positive contributors (+8.77%), while all other asset classes ended lower by about -1.2% for bonds, -2% for equities, -5.2% for private equity and -2.5% for real estate.

#### PERFORMANCES BY ASSET CLASS

##### FEBRUARY

+ 8.77%	Commodities
+ 2.62%	Kuwaiti Equities
- 0.36%	Hedge Funds
- 1.19%	International Bonds
- 1.95%	Kuwaiti Sukuk
- 2.46%	Kuwaiti Real Estate
- 2.46%	International Real Estate
- 2.53%	International Equities
- 4.96%	Private Equity

##### YTD

+ 21.43%	Commodities
+ 7.79%	Kuwaiti Equities
+ 1.63%	Kuwaiti Real Estate
- 1.82%	Hedge Funds
- 3.21%	International Bonds
- 4.61%	Kuwaiti Sukuk
- 7.38%	International Real Estate
- 7.69%	International Equities
- 11.86%	Private Equity



**COMMENTS BY ASSET CLASSES**

**Bonds**

Bond markets continued their yield curve adjustment phase in a simultaneously rising interest rate environment. These markets experienced losses ranging from -1% to -2%, with the Swiss bond market (-2.04%), among the worst performers with the European market which was even more affected (-2.21%). The year 2022 began looking positive from an economic point of view, but the conflict that broke out in Ukraine and its indirect effects on the Russian gas prices have been leading to renewed uncertainties regarding growth in European countries with growing inflationary risks globally which should threaten future purchasing power and consumption. Inflation may not decline as quickly as expected, but the risks of a cyclical slowdown could bring back to the forefront several questions and raise the spectrum of a repeating period of stagflation in 2022.

**Equities**

The decline in the equity markets resumed at the end of the month with the Russian invasion of Ukraine bringing as a consequence extreme volatility. Europe was logically the most affected and recorded a drop of -6%. Swiss stocks fell by -2.2% but slightly less than US stocks markets (-3%). The Kuwaiti stock market appeared once again uncorrelated with the Western markets and has performed well (+2.62%). Risk scores are improving and would logically support an increase in equity exposure, but the actual indirect geopolitical implications are not measured by our indicators.

**Commodities**

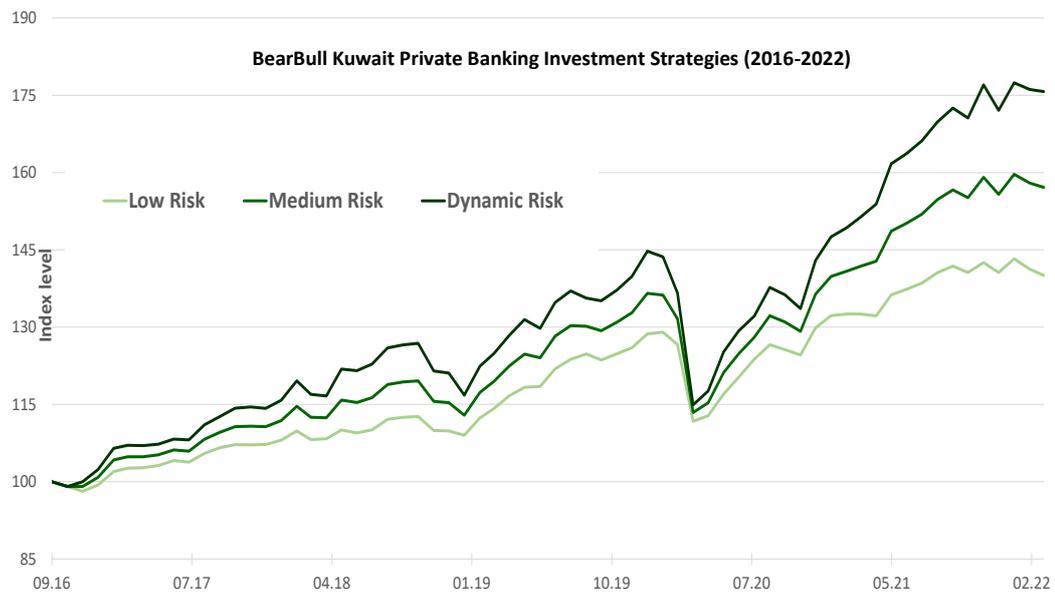
The commodities sector is the only one to have been propelled by the recent geopolitical tensions in Eastern Europe. Following the invasion of Ukraine by the Russian army, oil and gas prices have undergone substantial increases. The European sanctions have reinforced fears of disruption of supplies of these energy sources, the price of crude oil has respectively jumped +11.88% to exceed 100 US dollars per barrel. Gold prices also resumed an ascending trajectory, fueled by both the financial market volatility and European political uncertainty.

**Private Equity**

The private equity sector continued its free fall and posted the worst performance of all asset classes this month. This risky asset class was penalized by the general uncertainty that hit the financial markets in February and prompted investors to reassess their risk tolerance (-4.96%).

BearBull Kuwait Private Banking Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	January 2022	February 2022		current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2021	2016 to this day
Bearbull Kuwaiti PB "low risk" (65% fixed income)	-1.41%	-0.84%		-2.23%					8.34%	6.74%
Bearbull Kuwaiti PB "medium risk" (45% fixed income)	-1.07%	-0.53%		-1.59%					14.18%	9.14%
Bearbull Kuwaiti PB "dynamic risk" (25% fixed income)	-0.73%	-0.23%		-0.95%					20.28%	11.53%
<b>Sub-indices</b>										
Kuwaiti Sukuk	-2.71%	-1.95%		-4.61%					0.40%	2.42%
International Bonds	-2.05%	-1.19%		-3.21%					-4.71%	1.15%
Kuwaiti Equities	5.03%	2.62%		7.79%					30.06%	20.70%
International Equities	-5.29%	-2.53%		-7.69%					21.82%	13.16%
Kuwaiti Real Estate	1.78%	-2.46%		1.63%					41.08%	22.40%
International Real Estate	-5.04%	-2.46%		-7.38%					22.01%	4.43%
Commodities	11.63%	8.77%		21.43%					40.35%	7.80%
Hedge Funds	-1.47%	-0.36%		-1.82%					3.64%	3.27%
Private Equity	-7.27%	-4.96%		-11.86%					51.44%	17.73%

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 +6.74% (Low risk) to +11.53% (Dynamic risk) since 2016.**

**The composition of our strategies is available upon request**