

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

July 2022

Financial markets return to the upside in July

POSITIVE PERFORMANCES FOR ALL THREE BEARBULL KUWAIT PRIVATE BANKING INVESTMENT STRATEGIES IN JULY

Bearbull Kuwait Pension Strategy “Low Risk”	July	+2.94%	Year-to-Date	-6.92%
Bearbull Kuwait Pension Strategy “Medium Risk”	July	+3.75%	Year-to-Date	-5.29%
Bearbull Kuwait Pension Strategy “Dynamic Risk”	July	+4.56%	Year-to-Date	-3.68%

Comments (performances in KWD)

The negative trend that affected the financial markets during the first part of the year was interrupted in July. Indeed, all three Bearbull Kuwait Private Banking Investment Strategies are performing positively this month. All three strategies are still negative YTD but demonstrate the benefits of a 6-asset class diversification compared to the performance of international stocks (-14.19%) and bonds (-12.08%). The low-risk strategy advanced by +2.94% while the moderate-risk strategy did even better by gaining +3.75%. The dynamic strategy is in the lead with a gain of +4.56%. Fixed income markets are back in positive territory, with the domestic segment advancing by +1.58% while the international class is up more strongly (+2.13%). The equity markets regained their breath in July and interrupted their downward trend. The international segment jumped by +7.94%, in the Kuwaiti stock market the movement was also positive (+3.27%). Despite this excellent performance, international equities have negative territory in the year-to-date perspective (14.19%) whereas Kuwaiti equities have accumulated positive performances since January (+15.31%). The private equity segment achieved the best performance of the month across all asset classes by jumping +14.99%. This spectacular performance could represent a change in risk appreciation by investors who are reconsidering risky assets. However, the asset class is still responsible for the biggest cumulative loss since the beginning of the year (-23.03%). The real estate sector also returned to the upside in July. The asset classes made gains of +4.17% domestically and +6.93% internationally. Commodities were just below the neutral performance mark this month and declined by 0.04%, a movement due to the correction in crude oil prices. The asset class remains nevertheless the big winner of these first 7 months of the year (+35.74%).

Financial market developments (performances in KWD)

July ended with a positive performance for most financial assets. The S&P500 index even recorded its best monthly result (+9.2%) since November 2020 and international bonds ended the month in positive territory (+2.13%) with their best result since July 2020. This period was however rich in negative surprises particularly the publication of a still persistent US inflation (+9.1%) and a surprise negative growth of the US GDP (-0.9%) in the 2nd quarter, against the backdrop of a 0.75 bp increase in the US Federal Reserve's key rates. The financial markets thus took the opposite view of these elements, certainly relieved by the rapid reversal of the trend in long-term rates. Hedge funds (-0.54%) largely underperformed during this period of recovery in international equities (+7.94%), real estate (+6.93%) and private equity (+14.99%) and do not seem to have anticipated the stock market recovery that has begun. The fears that had caused financial assets to fall have thus become a reality in recent weeks with the exception of those linked to the evolution of company results. Indeed, the earnings season has so far gone better than many had feared, with a high proportion of companies exceeding analysts' expectations. The rapid adjustment in 10-year bond yields (-100 bps) has largely contributed to the change in risk perception and will support fund flows into risky assets. A stabilisation of long rates at current levels is likely in the coming months if the inflation trajectory finally shows the expected signs of easing.

PERFORMANCES BY ASSET CLASS

JUNE

+ 14.99%	Private Equity
+ 7.94%	International Equities
+ 6.93%	International Real Estate
+ 4.17%	Kuwaiti Real Estate
+ 3.27%	Kuwaiti Equities
+ 2.13%	International Bonds
+ 1.58%	Kuwaiti Sukuk
+ 0.54%	Hedge Funds
- 0.04%	Commodities

YTD

+ 35.74%	Commodities
+ 15.31%	Kuwaiti Equities
- 3.91%	Kuwaiti Real Estate
- 4.54%	Hedge Funds
- 10.66%	Kuwaiti Sukuk
- 12.08%	International Bonds
- 14.19%	International Equities
- 14.39%	International Real Estate
- 23.03%	Private Equity



COMMENTS BY ASSET CLASSES

Bonds

The changes in expectations were extreme in June, ranging from +50 bps in a generalized panic over the risks of a relaunch of an uncontrolled inflationary spiral, before correcting these excesses with stronger cuts in the more rational perspective of a slowing economy. The capital markets are now more afraid of recession than of inflation, which could already be curbed by the increasingly visible decline in consumption. Ten-year US Treasury yields initially rose by 50 bps to 3.49% before falling rapidly to 2.88% by the end of the month. In Europe and Switzerland, ten-year government yields, which had reached 1.92% and 1.59% respectively in the context of the panic mentioned above, fell back to 1.18% and 0.92%, despite inflation rising to +3.4% yoy in Switzerland.

BearBull Kuwait Private Banking Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	May 2022	June 2022	July 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%	-4.26%	2.94%	-6.92%	-1.30%	-8.39%			8.34%	5.29%
Bearbull Kuwaiti PB "medium risk" (45% fixed income)	-0.84%	-5.18%	3.75%	-5.29%	0.64%	-9.30%			14.18%	7.69%
Bearbull Kuwaiti PB "dynamic risk" (25% fixed income)	-0.84%	-6.10%	4.56%	-3.68%	2.60%	-10.21%			20.28%	10.07%
Sub-indices										
Kuwaiti Sukuk	-1.03%	-2.67%	1.58%	-10.66%	-5.91%	-3.96%			0.40%	1.05%
International Bonds	0.27%	-3.21%	2.13%	-12.08%	-6.16%	-5.22%			-4.71%	-0.66%
Kuwaiti Equities	-5.35%	-2.90%	3.27%	15.31%	20.02%	-4.19%			30.06%	20.46%
International Equities	0.08%	-8.66%	7.94%	-14.19%	-5.15%	-8.24%			21.82%	10.66%
Kuwaiti Real Estate	-3.41%	-8.47%	4.17%	-3.91%	5.24%	-4.00%			41.08%	19.36%
International Real Estate	-4.28%	-8.47%	6.93%	-14.39%	-3.53%	-9.33%			22.01%	2.64%
Commodities	5.07%	-7.64%	-0.04%	35.74%	33.13%	10.45%			40.35%	9.36%
Hedge Funds	-1.10%	-1.80%	0.54%	-4.54%	-1.35%	-1.99%			3.64%	2.50%
Private Equity	2.54%	-14.92%	14.99%	-23.03%	-11.62%	-10.99%			51.44%	13.51%

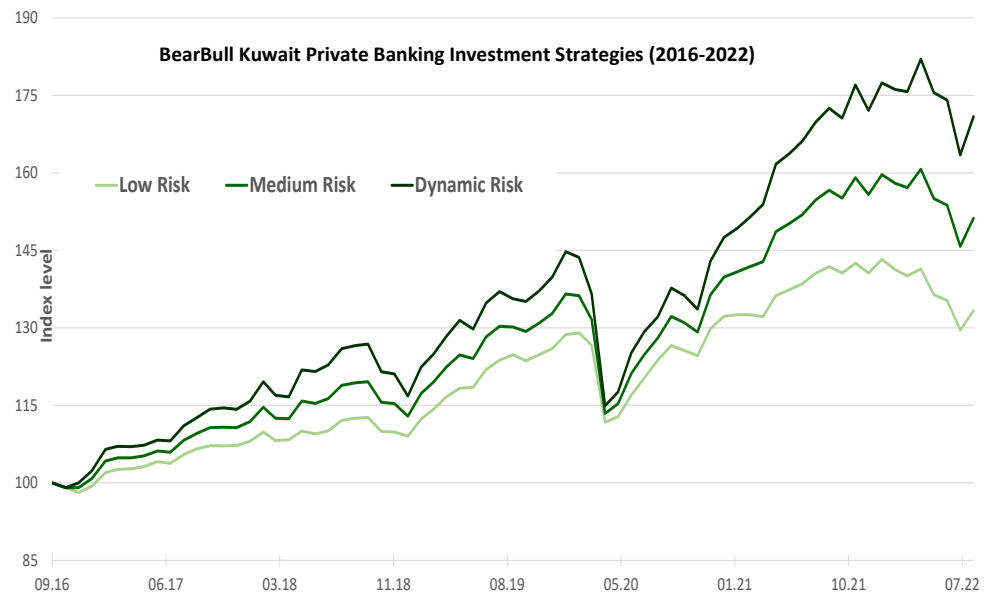
Sources : BearBull Global Investments Group Limited, Bloomberg

Equities

Unlike the bond markets, the equity markets remained frozen in their post-rate shock of June 10, with no real positive reaction following the impressive decline in yields observed afterwards in most markets. Risk appetite has not yet recovered. Investors still fear the onset of the earnings and the fact that the P/E correction has mainly been realized in the form of falling prices (P). The economic factor is weighing on the profit outlook.

Commodities

The commodities sector is experiencing its first period of decline since the beginning of the year. The asset class lost -7.64% in June, dragged down by the price of crude oil, which fell by -7.7%. Gas hasn't been spared either, as the commodity collapsed by about -33%. A drop that could relieve somewhat the inflationary pressures that have been the focus of investors' attention for some months. The sector is still clearly leading in the YTD table and is even the only asset class in positive territory with a cumulative gain of +35.80%.



Sources : BearBull Global Investments Group Limited, Bloomberg

Real Estate

The real estate segment is continuing its downward trend in June. The domestic class is the hardest hit this month and loses -8.70% and is negative Year-to-Date (-7.75%). The international segment also suffered a strong correction in June (-8.47%), with a cumulative loss of -19.94% since January.

The diversified systematic strategies of the Bearbull Kuwait Private Banking Investment Strategies have produced returns of +5.29% to +10.07% annualized since 2016 to date.

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