

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

March 2022

Rebound of the Kuwait private banking investment strategies in March

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

Bearbull Kuwait Pension Strategy “Low Risk”	Mar	+ 0.96%	Year-to-Date - 1.30%
Bearbull Kuwait Pension Strategy “Medium Risk”	Mar	+ 2.27%	Year-to-Date + 0.64%
Bearbull Kuwait Pension Strategy “Dynamic Risk”	Mar	+ 3.59%	Year-to-Date + 2.60%

Comments (performances in KWD)

In March, the three Bearbull Kuwait Private Banking investment strategies all moved into positive territory. Indeed, the low-risk strategy is back above zero performance this month and is up +0.96%. The moderate-risk strategy did better and climbed by +2.27%, and has even returned to positive territory since the beginning of the year (+0.64%). The dynamic-risk approach achieved the best performance of the month and jumped by +3.59% in February. The bond markets continue their downward trend. The international segment fell sharply by 3.05%, while the domestic sector held up a little better, falling by only -1.36%. The equity markets are all clearly in the green in March. The international segment rebounded (+2.74%) from the first two months of sharp declines and erased February's performance (-2.53%) but remains negative since the beginning of the year (-5.15%). The Kuwait market, on the other hand, continues its strong positive trend and even closes the first quarter with an exceptional increase of +11.35%, the sector posting the second-best YTD performance (+20.02%). The real estate segment regained interest in the eyes of investors in March. The international market interrupted its downward trend of recent months and climbed by +4.16%. The domestic market follows suit and rebounds by an impressive +9.63% this month. Commodities continue their upward trajectory, still supported by the geopolitical conditions in Europe (+9.63%) and are the best performer YTD (+33.13%). Private equity breaks its free fall (+0.27%) and alternative investments move horizontally (+0.48%).

Financial market developments (performances in KWD)

The financial markets were heavily influenced in March by the many potential consequences of the war in Ukraine. Among them, the increasing risks of major disruptions in the supply of commodities impacted the prices of energy (Natural Gas +21.4%, Brent +6.75%), agricultural products (Cotton +10.25%) and metals (Nickel +29.59%). In the space of a few weeks, the consideration of these new anxieties provoked very significant increases in the prices of commodity strategies (+9.63%) and raised major concerns about the outlook on inflation. While the inflation measurements were already reaching historical records (> +7.5%/year), the risks of disruption of gas, oil and other commodity deliveries reinforced the increase in commodity prices. The stringent economic sanctions applied to Russia could indeed be followed by reactions with severe inflationary consequences developing beyond Europe. The last five weeks have also been marked by hopes of diplomatic progress and disappointments that have increased the volatility of the financial markets, sometimes causing rapid and temporary reversals of trend. At the end of the month, the announcement to release a portion of the American strategic oil reserves came at the right time, while on the same day Russia demanded payment in Rubles for gas purchases in order to maintain its deliveries to its customers. Europe does not seem to want to comply with these demands and is therefore prepared to suffer the possible consequences. A new global paradigm for inflation and growth prospects is now emerging, which may well be called “stagflation”. European households have not yet fully perceived the effects of this crisis on their purchasing power, but when they do, the negative impact on consumption may well trigger a return to an economic contraction in some countries during the second quarter. Fixed income markets reacted to this increase in inflationary risks by falling by -3.05% on average internationally, while equity markets were not affected and partially recovered (+2.74% internationally), especially the domestic sector which soared by +11.35%.

PERFORMANCES BY ASSET CLASS

MARCH

+ 11.35%	Kuwaiti Equities
+ 9.63%	Kuwaiti Real Estate
+ 9.63%	Commodities
+ 4.16%	International Real Estate
+ 2.74%	International Equities
+ 0.48%	Hedge Funds
+ 0.27%	Private Equity
- 1.36%	Kuwaiti Sukuk
- 3.05%	International Bonds

YTD

+ 33.13%	Commodities
+ 20.02%	Kuwaiti Equities
+ 5.24%	Kuwaiti Real Estate
- 1.35%	Hedge Funds
- 3.53%	International Real Estate
- 5.15%	International Equities
- 5.91%	Kuwaiti Sukuk
- 6.16%	International Bonds
- 11.62%	Private Equity



COMMENTS BY ASSET CLASSES

Bonds

Ongoing pressure on the bond markets in March. The yield curves have been adjusted considerably higher in one month, by an average of 50 basis points. The markets suffered losses of around -3.05% for international bonds and -1.36% domestic alternative. Inflationary fears remain the main factor affecting financial markets in March. While geopolitical crises are raising fears of major consequences for the supply and prices of commodities, the threats of such increases on household consumption and growth are still insufficiently taken into account by the public. Yet, rising energy prices threaten household purchasing power and consumption. Inflation may not decline as quickly as expected, but it is the risks of a cyclical contraction that could come back to the foreground and raise the threat of a form of “stagflation” in 2022.

Equities

The international equity markets recovered in March by gaining +3.48% after having reached a climax of concern during the first week of the month. This could be just a technical rebound after the short bear market that was witnessed during this first quarter. The margins and earnings outlook could come under important pressure as the economy continues to slowdown in the next quarter. On the other hand the Kuwait equities ended their highly positive quarter with a stellar performance of +11.35% in March.

Commodities

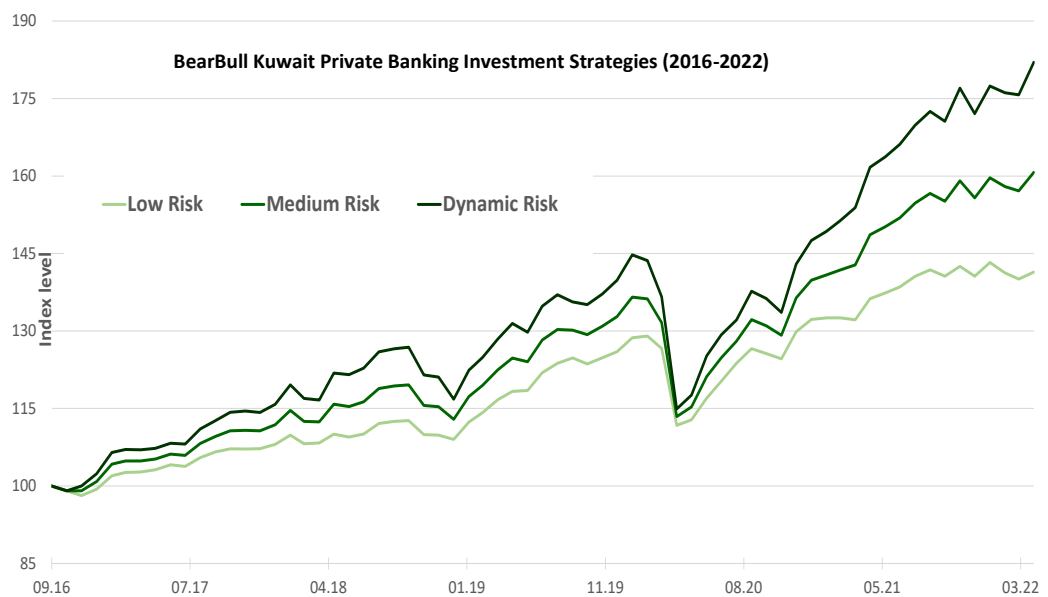
The commodities sector is the only one to have been propelled by the recent geopolitical tensions in Eastern Europe. Following the invasion of Ukraine by the Russian army, oil and gas prices have undergone substantial increases. The European sanctions have reinforced fears of disruption of supplies of these energy sources, the price of crude oil has respectively jumped +11.35% 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.

Real Estate

The Real Estate market is regaining some attractiveness within the financial markets. The international segment reversed its downward trend and posted one of the best performances in March. The domestic market soared by an exceptional +9.86% in March regaining its February losses. The very high level of inflation in Europe and the United States seems to reinforce the appeal of sectors that provide protection against this phenomenon.

BearBull Kuwait PB Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	January 2022	February 2022	March 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%	0.96%	-1.30%	-1.30%				8.34%	6.93%
Bearbull Kuwaiti PB "medium risk" (45% fixed income)	-1.07%	-0.53%	2.27%	0.64%	0.64%				14.18%	9.62%
Bearbull Kuwaiti PB "dynamic risk" (25% fixed income)	-0.73%	-0.23%	3.59%	2.60%	2.60%				20.28%	12.29%
Sub-indices										
Kuwaiti Sukuk	-2.71%	-1.95%	-1.36%	-5.91%	-5.91%				0.40%	2.15%
International Bonds	-2.05%	-1.19%	-3.05%	-6.16%	-6.16%				-4.71%	0.55%
Kuwaiti Equities	5.03%	2.62%	11.35%	20.02%	20.02%				30.06%	23.23%
International Equities	-5.29%	-2.53%	2.74%	-5.15%	-5.15%				21.82%	13.75%
Kuwaiti Real Estate	1.78%	-2.46%	9.63%	5.24%	5.24%				41.08%	23.23%
International Real Estate	-5.04%	-2.46%	4.16%	-3.53%	-3.53%				22.01%	5.26%
Commodities	11.63%	8.77%	9.63%	33.13%	33.13%				40.35%	9.74%
Hedge Funds	-1.47%	-0.36%	0.48%	-1.35%	-1.35%				3.64%	3.36%
Private Equity	-7.27%	-4.96%	0.27%	-11.62%	-11.62%				51.44%	17.79%

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 +6.93% (Low risk) to +12.29% (Dynamic risk) since 2016.

The composition of our strategies is available upon request