

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

October 2022

Bullish rally on financial markets in October

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

Bearbull Kuwait Pension Strategy “Low Risk”	Oct	+ 0.85%	Year-to-Date	- 13.73%
Bearbull Kuwait Pension Strategy “Medium Risk”	Oct	+ 2.35%	Year-to-Date	- 11.75%
Bearbull Kuwait Pension Strategy “Dynamic Risk”	Oct	+ 3.86%	Year-to-Date	- 9.79%

Comments (performances in KWD)

The financial markets are starting the last quarter of the year in a positive way. Indeed, the three BearBull Kuwait private banking investment strategies are performing positively. The low-risk strategy advanced by +0.85% in October, and the moderate-risk approach did better and climbed by +2.35%. The dynamic-risk strategy achieved the best performance of the month, jumping by +3.86%. Despite this positive month, the three indices are still in the red in YTD terms (-13.73%, -11.75% and -9.79% respectively). The bonds markets are still underperforming in October. The domestic segment fell the most heavily by -2.48% while the international segment fell by -0.69%. Both asset classes are still clearly negative since the beginning of the year (-17.62% and -20.44% respectively). The equity markets regained their footing during the month of October. Indeed, the Kuwaiti class rose by +5.40% and recovered part of the losses incurred in September (-7.65%). The international segment followed a similar trajectory and performed even better (+7.18%). The securitised real estate segment, which was heavily penalised by restrictive monetary policies during the year, enjoyed a lull in October. Indeed, the international market interrupted its very negative trend and posted a gain of +2.04%. In Kuwait, the movement is similar and the asset class recovers +2.27% after last month's slump (-5.16%). Both asset classes are still below the neutral performance mark despite this positive period (-5.90% in Kuwait and -27.92% internationally). Commodities returned to the upside in October. Indeed, the good performance of crude oil prices this month pulled the sector into the green figures (+6.70%) after two periods of decline (-2.68% in August and -7.80% in September). Hedge funds were flat this month (+0.08%) while private equity made a spectacular gain of +10.33%, reflecting investor optimism in October.

Financial market developments (performances in KWD)

October proved to be a more favourable month for risky assets, which instead recorded positive results. Among our universe of 33 asset classes, 22 have indeed achieved a positive performance this month. The stock market rallies are logically found in the equity markets, real estate, commodities and private equity. A certain amount of volatility and nervousness marked the interest rate markets, with an initial negative reaction to the announcement of higher-than-expected inflation in September and a low unemployment rate, which temporarily pushed US rates to new highs. A few days of consolidation then allowed yields to stabilize a little lower in most markets. This relative stabilization of yield curves at high levels was still enough to restore some enthusiasm among investors, who took advantage of the opportunity to reposition themselves a little in risky assets. The Fed's next 0.75% rate hike in November to 4% is a foregone conclusion and investors have taken on board the prospect of a continuation of the trend towards a target, now estimated at 5% in June 2023. The risks of a recession are still present, but as of December it now seems likely that the US Federal Reserve will change its policy. We then expect a first decrease in the size of the increase to only 0.5%, which could then be followed by smaller increases (0.25%) in 2023.

PERFORMANCES BY ASSET CLASS

OCTOBER

+ 10.33%	Private Equity
+ 7.18%	International Equities
+ 6.70%	Commodities
+ 5.40%	Kuwaiti Equities
+ 2.27%	Kuwaiti Real Estate
+ 2.04%	International Real Estate
+ 0.08%	Hedge Funds
-0.69%	International Bonds
-2.48%	Kuwaiti Sukuk

YTD

+ 29.97%	Commodities
+ 12.30%	Kuwaiti Equities
- 4.49%	Hedge Funds
- 5.90%	Kuwaiti Real Estate
- 17.62%	Kuwaiti Sukuk
- 20.07%	International Equities
- 20.44%	International Bonds
- 27.92%	International Real Estate
- 33.04%	Private Equity



COMMENTS BY ASSET CLASSES

Bonds

The high correlation between bond markets remained present in October. The dispersion of performance is thus low, with the exception of the British case, which benefited from the forced change in monetary policy implemented by the BoE, in response to the reaction to the disaster caused on the market, by the "mini-budget" and which recorded a rise of +3.25%. The magnitude of the movements is in fact small, with international bonds retracting by -0.69%. The increase in risk premiums in the corporate IG segments but also in high yield is becoming attractive. The current yields seem attractive to us in view of the expected evolution of inflation and the economic slowdowns likely to occur at the end of the year.

Equities

Equity markets reacted positively, but still without much enthusiasm to the stabilization of the yield curves in October. Despite the uncertainty linked to the publication of third-quarter results, international markets still rebounded by +7.18%, after a very sharp correction in September (-9.30%). Risk appetite is thus returning, but it remains extremely uncertain and dependent on the inflation-rate pair. While patience and caution are still required to achieve a greater degree of comfort, we believe that the conditions are more favourable for a constructive allocation.

Commodities

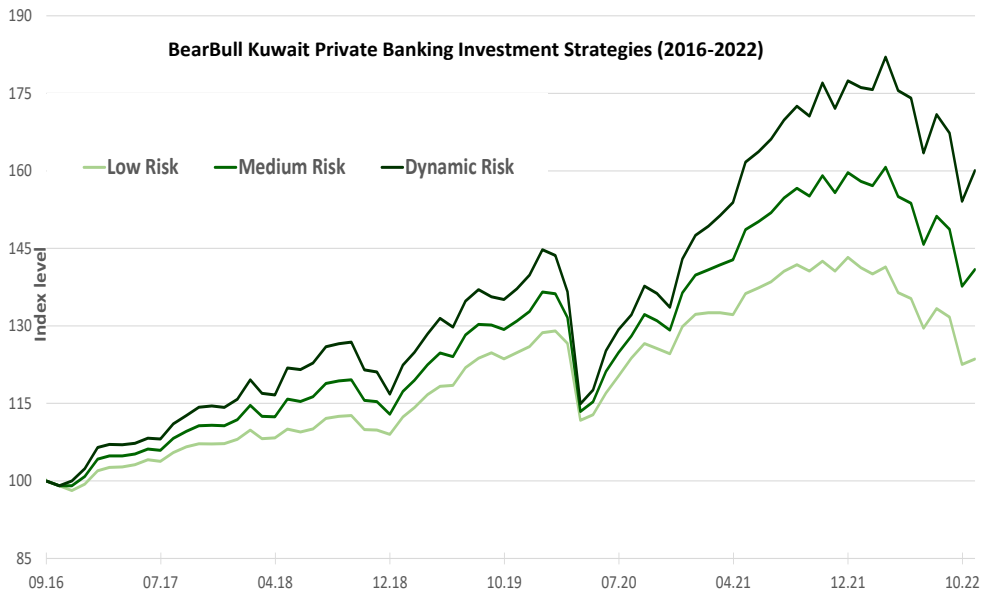
Commodities also interrupted their downward trend and returned to the upside (+6.70%). The sector is pulled up by the good performance of crude oil prices during the month following the announcement of OPEC+ production cuts. Indeed, the cartel took the decision to drastically reduce its production level in order to address the potential decline in demand due to macroeconomic factors.

Real Estate

The securitized real estate segment enjoyed a lull in October. Indeed, the domestic market is up by +2.27%. Internationally, the negative trajectory was interrupted as well this month by a temporary easing of the interest rate pressure at the end of the period, the sector climbed by +2.04%. Nonetheless, the domestic segment is still down YTD by -5.90% whereas the international class is cumulating heavier losses since January (-27.92%).

BearBull Kuwait Private Banking Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	August 2022	September 2022	October 2022	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2021	2016 to this day
BearBull Kuwaiti PB "low risk" (65% fixed income)	-1.23%	-6.95%	0.85%	-13.73%	-1.30%	-8.39%	-13.33%		8.34%	3.70%
BearBull Kuwaiti PB "medium risk" (45% fixed income)	-1.66%	-7.42%	2.35%	-11.75%	0.64%	-9.30%	-14.33%		14.18%	6.06%
BearBull Kuwaiti PB "dynamic risk" (25% fixed income)	-2.09%	-7.89%	3.86%	-9.79%	2.60%	-10.21%	-15.34%		20.28%	8.40%
Sub-indices										
Kuwaiti Sukuk	1.26%	-6.62%	-2.48%	-17.62%	-5.91%	-3.96%	-3.95%		0.40%	-0.39%
International Bonds	-3.95%	-5.14%	-0.69%	-20.44%	-6.16%	-5.22%	-6.94%		-4.71%	-2.32%
Kuwaiti Equities	0.05%	-7.65%	5.40%	12.30%	20.02%	-4.19%	-4.59%		30.06%	18.96%
International Equities	-4.18%	-9.30%	7.18%	-20.07%	-5.15%	-8.24%	-6.19%		21.82%	8.85%
Kuwaiti Real Estate	0.97%	-5.16%	2.27%	-5.90%	5.24%	-4.00%	-0.25%		41.08%	18.04%
International Real Estate	-6.05%	-12.16%	2.04%	-27.92%	-3.53%	-9.33%	-11.76%		22.01%	-0.45%
Commodities	-2.68%	-7.80%	6.70%	29.97%	33.13%	10.45%	-10.31%		40.35%	8.13%
Hedge Funds	0.95%	-0.96%	0.08%	-4.49%	-1.35%	-1.99%	0.52%		3.64%	2.40%
Private Equity	-7.36%	-14.88%	10.33%	-33.04%	-11.62%	-10.99%	-9.33%		51.44%	10.23%

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 +3.70% to +8.40% annualized since 2016 to date.

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