

# Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

September 2022

## Profit taking intensifies in September

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

Bearbull Kuwait Pension Strategy “Low Risk”	Sept	- 6.95%	Year-to-Date	- 14.46%
Bearbull Kuwait Pension Strategy “Medium Risk”	Sept	- 7.42%	Year-to-Date	- 13.78%
Bearbull Kuwait Pension Strategy “Dynamic Risk”	Sept	- 7.89%	Year-to-Date	- 13.14%

### Comments (performances in KWD)

The negative trend affecting the financial markets intensified further in September. Indeed, all three Bearbull Kuwait Private Banking Investment Strategies posted negative performances. The low-risk strategy fell by -6.95% and was the best performer. The moderate-risk approach fell by -7.42% while the dynamic-risk strategy followed a similar path (-7.89%). All three strategies achieved negative YTD performance (-14.46%, -13.78% and -13.14% respectively) but are still more resilient than international equities (-25.42%) or international bonds (-19.89%) due to their diversification to 6 asset classes. The bond markets all moved into negative territory in September. The domestic segment is in the red this month, falling heavily by -6.62%. while the international class retracted by -5.14%. The two asset classes have cumulated clearly negative performances since the beginning of the year (-15.52% and -19.89% respectively). The equity markets are once again being hit hard by the continuing rise in central bank rates. Kuwaiti equities are no longer an exception this month and the segment has fallen sharply by -7.65%. The international class has been on a very negative trajectory since January and has accumulated a heavy loss of -25.42%, while the domestic segment is one of the only two asset classes to make a gain YTD (+6.54%). The real estate markets are also severely penalized by the rise in interest rates and are further increasing their negative momentum. The Kuwaiti segment is back in the red (-5.16%) but is resisting better than the international class, which is down by -12.16%. Commodities are no longer an exception and the segment fell again in September (-7.80%) and accentuated the negative trend started last month (-2.68%). However, the asset class is still well ahead of the others in YTD terms, with a cumulative gain of +21.80%. Hedge funds proved to be the most resilient in September with an almost horizontal trend (-0.96%). Private equity collapsed by -14.88%, reflecting the current risk-averse psychology of investors.

### Financial market developments (performances in KWD)

September closed the quarter and the first nine months of the year with negative results for most asset classes over the month, the quarter and YTD in a general sentiment marked by extreme investor anxiety. The last few days of the month were further shaken by high volatility in the capital markets which saw US Treasury yields rise above 4% across all medium and long maturities for the first time since November 2007. The tightening of the Fed's monetary policy remained the main risk factor affecting the financial markets. The Fed's increasingly explicit stance since Jackson Hole left less and less doubt as to its willingness to firmly raise rates to 4.6% by the end of 2023 by 125 bps by the end of 2022, at the risk of causing a recession and a rise in unemployment from 3.7% to 4.4% in 2023. The growing risks of recession, the energy crisis in Europe and persistent inflation, as well as the UK's political problems, also contributed to the climate of uncertainty that led 32 out of 33 asset classes and regions in our investment universe to record negative performance over the month. There were 29 during the quarter and 30 since the beginning of the year, of which the only rising components were raw materials. Cash in US dollars will have benefited greatly from this situation by imposing itself as one of the very few investment solutions in a context of exceptional correlation in the fall.

#### PERFORMANCES BY ASSET CLASS

##### SEPTEMBER

- 0.96%	Hedge Funds
- 5.14%	International Bonds
- 5.16%	Kuwaiti Real Estate
- 6.62%	Kuwaiti Sukuk
- 7.65%	Kuwaiti Equities
- 7.80%	Commodities
- 9.30%	International Equities
- 12.16%	International Real Estate
- 14.88%	Private Equity

##### YTD

+ 21.80%	Commodities
+ 6.54%	Kuwaiti Equities
- 4.56%	Hedge Funds
- 7.99%	Kuwaiti Real Estate
- 15.52%	Kuwaiti Sukuk
- 19.89%	International Bonds
- 25.42%	International Equities
- 29.36%	International Real Estate
- 39.31%	Private Equity

## COMMENTS BY ASSET CLASSES

### Bonds

The strong correlation between bond markets, which are all the same selling pressure in a context strongly affected by the Fed's tightening tone to justify the pace of its monetary tightening. Despite a likely spike in price indices, which should now benefit from falling commodity prices, fears of inflation have pushed long rates to new highs. UK bonds fall by -8.4% this month, while the global index corrected by -5.14%. This sharp rise in yields at the end of the month seems excessive to us and offers attractive new investment opportunities. Already in October, we are likely to see adjustments taking place and a decline in yields caused by further purchases of securities.

### Equities

The equity markets were obviously not immune to this rise in interest rates and reacted logically to the increase in uncertainties. They quickly lost their early summer enthusiasm to sink into the red figures, with US and international equities falling by around -9.2%. Kuwaiti equities make no exception anymore and fall by -7.65%. The asset class was therefore penalized by the rise in long-term rates and the prospect of further significant increases in key interest rates. As a result, risk appetite has declined sharply and there has been a generalized sell-off in virtually all sectors.

### Commodities

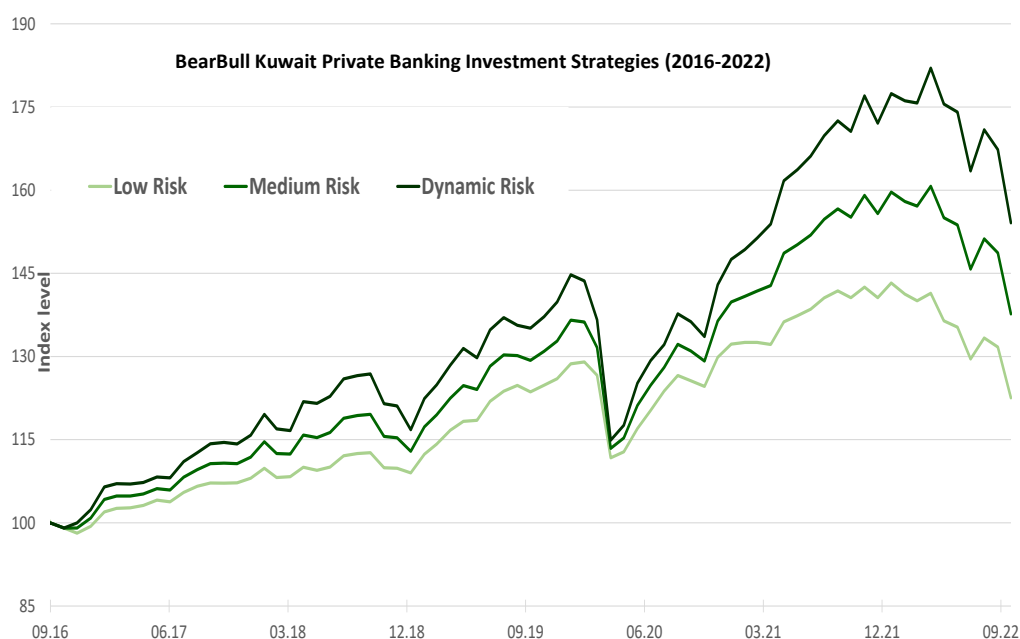
The commodities segment confirms the downward trend started in August (-2.68%) and falls more sharply by -7.80%. Indeed, the sector is weakening under the pressure of falling oil prices once again in September. Expectations of a recession revise crude oil demand projections downwards. However, the recent decision by OPEC+ to cut their crude oil production by about 1 million barrels from November is already supporting a return to higher oil prices.

### Real Estate

The real estate segment is increasingly suffering from the monetary policy of central banks to combat inflation, which they believe is struggling to slow down. However, some of the figures released in August could indicate that the upward momentum is beginning to wane in some geographical areas, which would mean that the pressure on the securitized property could be easing.

BearBull Kuwait Private Banking Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	July 2022	August 2022	September 2022	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2021	2016 to this day
Bearbull Kuwaiti PB "low risk" (65% fixed income)	2.94%	-1.23%	-6.95%	-14.46%	-1.30%	-8.39%	-13.33%		8.34%	3.65%
Bearbull Kuwaiti PB "medium risk" (45% fixed income)	3.75%	-1.66%	-7.42%	-13.78%	0.64%	-9.30%	-14.33%		14.18%	5.80%
Bearbull Kuwaiti PB "dynamic risk" (25% fixed income)	4.56%	-2.09%	-7.89%	-13.14%	2.60%	-10.21%	-15.34%		20.28%	7.93%
<b>Sub-indices</b>										
Kuwaiti Sukuk	1.58%	1.26%	-6.62%	-15.52%	-5.91%	-3.96%	-3.95%		0.40%	1.26%
International Bonds	2.13%	-3.95%	-5.14%	-19.89%	-6.16%	-5.22%	-6.94%		-4.71%	-1.35%
Kuwaiti Equities	3.27%	0.05%	-7.65%	6.54%	20.02%	-4.19%	-4.59%		30.06%	20.14%
International Equities	7.94%	-4.18%	-9.30%	-25.42%	-5.15%	-8.24%	-6.19%		21.82%	9.66%
Kuwaiti Real Estate	4.17%	0.97%	-5.16%	-7.99%	5.24%	-4.00%	-0.25%		41.08%	19.26%
International Real Estate	6.93%	-6.05%	-12.16%	-29.36%	-3.53%	-9.33%	-11.76%		22.01%	1.48%
Commodities	-0.04%	-2.68%	-7.80%	21.80%	33.13%	10.45%	-10.31%		40.35%	8.69%
Hedge Funds	0.54%	0.95%	-0.96%	-4.56%	-1.35%	-1.99%	0.52%		3.64%	2.63%
Private Equity	14.99%	-7.36%	-14.88%	-39.31%	-11.62%	-10.99%	-9.33%		51.44%	11.78%

Sources : Bloomberg, BearBull Global Investments Group Limited



Sources : Bloomberg, BearBull Global Investments Group Limited

**The diversified systematic strategies of the Bearbull Kuwait Private Banking Investment Strategies have produced returns of +3.65% to +7.93% annualized since 2016 to date.**

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