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BearBull Global Investments Group

BearBull Private Banking Investment Strategies Saudi SAR

+3.87% to +7.07%
Annualized return since 2016

BearBull exclusivity since 2016

May 2023

US debt uncertainty interrupts uptrend

NEGATIVE PERFORMANCES FOR ALL THE BEARBULL KSA PRIVATE BANKING INVESTMENT STRATEGIES IN MAY

BearBull Saudi PB Investment Strategy « Low risk »	May	- 0.63%	Year-to-Date	+ 1.78%
BearBull Saudi PB Investment Strategy « Moderate risk »	May	- 0.99%	Year-to-Date	+ 2.01%
BearBull Saudi PB Investment Strategy « Dynamic risk »	May	- 1.35%	Year-to-Date	+ 2.24%

Comments (performances in SAR)

Financial markets were heavily impacted by the instability caused by the US debt ceiling issue during the month. Indeed, the vast majority of asset classes performed below neutral in May. As a result, all three BearBull private Banking KSA investment strategies posted negative returns this month. The low-risk strategy lost -0.63% over the month, while the moderate-risk strategy followed a similar path, shedding -0.99%. The dynamic- risk approach turned in the worst performance of the month, down -1.35%. In cumulative terms, however, the three strategies achieved positive performances of +1.78%, +2.01% and +2.24%, respectively. Bond markets were on either side of neutral in May. Indeed, the domestic segment slipped back into the red in May (-0.32%) after a jump into positive territory in April (+0.83%) while the international segment gains +0.13%. Since the beginning of the year, however, both segments have posted positive performances (+1.13% for both asset classes). Equity markets were impacted by the turbulence surrounding US debt in May, and posted mixed performances. The domestic segment declined slightly by -0.26% in May, while the international class posted a small gain of +0.08%. Since January, the two asset classes have posted cumulative gains of +8.63% and +5.52%, respectively. The international real estate segment is bearing the brunt of rising short-term interest rates, falling by -3.03%, adding to the downward movement started last month (-0.81%). The domestic segment also underperformed, falling by -4.76% in May. In cumulative terms, the domestic class is now in negative territory (-1.53%), while the international class is still making light gains (+0.82%). Commodities continued their downward trajectory and fell by -6.23% in May, dragged down by China's unsatisfactory economic recovery and the prospect of recession. Since January, the star segment of 2022 has collapsed by -12.06%. Private equity was also in the red, reflecting investors' risk aversion during May (-0.77%).

Investment climate (performances in SAR)

The month of May was certainly more influenced by the political risks associated with the need to raise the US debt ceiling quickly to avoid a government default in June than by economic statistics. Rates on T-Bills and US Treasury bonds temporarily took this insolvency risk into account before easing at the end of the month, when a political agreement was finally reached between Republicans and Democrats. Ten-year yields had risen from 3.42% to 3.85% during the uncertainty, while 1-month T-Bills jumped from 4.2% to 5.74%, before falling back to 5.13% at the end of the month. This uncertainty weighed on bond markets, which lost almost -2% on average, while equity markets showed more contrasting trends, with the Nikkei up +7% and the FTSE 100 down -5%, for an overall performance of -1% for the MSCI World index. The rebound in interest rates did not go unnoticed by international real estate stocks, which suffered a further decline averaging -4.41%. European-listed real estate companies suffered a more brutal shock (-7.8%), retesting their 2022 lows. As for commodities, the -6.1% decline in the S&P Commodities index essentially reflected investors' loss of patience with China's economic recovery, which is not materializing clearly enough and is pushing down energy (-8.4%) and industrial metals (-6.7%) prices. All asset classes were thus penalized during the month, although inflation, employment and growth statistics did not bring new sources of tension sufficient to call into question the ongoing stock market recovery.

PERFORMANCES BY ASSET CLASS

MAY

+ 0.13%	International Bonds
+ 0.08%	International Equities
- 0.26%	Saudi Equities
- 0.32%	Saudi Sukuk
- 0.77%	Private Equity
- 3.03%	International Real Estate
- 4.76%	Saudi Real Estate
- 6.23%	Commodities

YTD

+ 9.23%	Private Equity
+ 8.63%	Saudi Equities
+ 5.52%	International Equities
+ 1.13%	International Bonds
+ 1.13%	Saudi Sukuk
+ 0.82%	International Real Estate
- 1.53%	Saudi Real Estate
- 12.06%	Commodities

COMMENTS BY ASSET CLASSES

Bonds

The rebound in interest rates in May in most countries is only very partially justified by slipping inflation in some countries. On the contrary, we believe it is essentially linked to the American problem of raising the debt ceiling, which temporarily pushed up US Treasury yields. The resolution of this uncertainty should allow a new phase of downward adjustment in dollar yields as early as June, particularly if May inflation published in June turns out to be close to current expectations of just +4%/year. Key rates of 5.25% would then be 125 bps above annual inflation, reinforcing expectations of further Fed monetary policy easing.

Equities

Equity market risk scores are globally unchanged against this backdrop of temporary yield curve tensions. A fairly positive corporate earnings season, the prospect of a downward adjustment in yields and the possible easing of monetary policy should be the main factors supporting a continuation of the uptrend in the markets. Japan's risk score has moved into the danger zone, while the USA, Canada and emerging markets are in the low-risk zone.

Commodities

Uncertainty and disappointment over China's recovery penalized the performance of the energy (-8.4%) and industrial metals (-6.1%) segments. The segment continued its free-fall, plunging -6.23% in May. Since the beginning of the year, the star sector of 2022 has posted a 5-month loss of -12.06%.

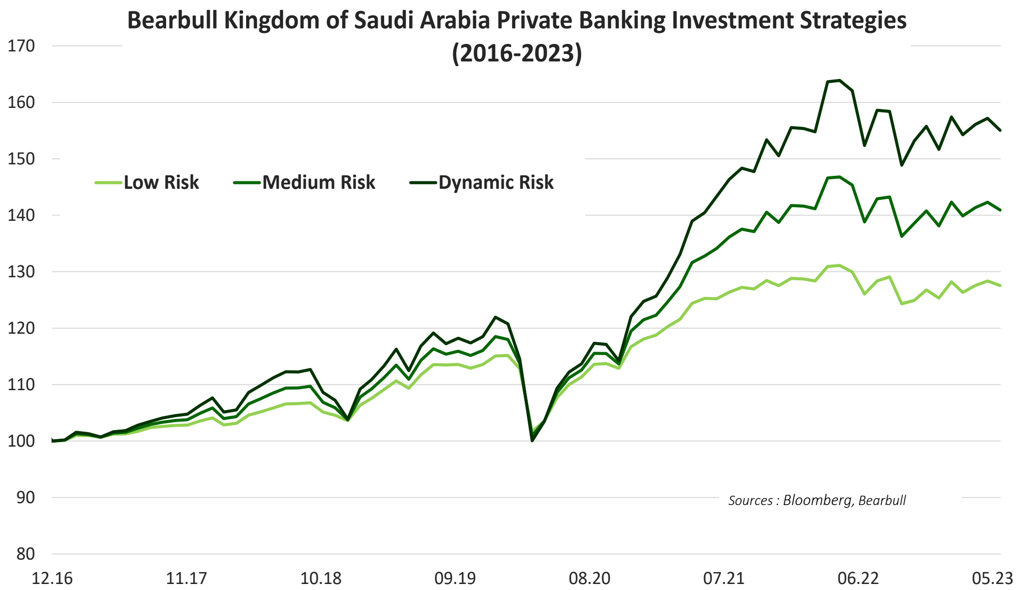
Real Estate

The real estate segment, which suffered from fears of access to credit during the banking crisis in March, is still struggling to recover from this disruption and is enduring the short-term rise in interest rates. The international segment fell once again in May (-3.03%) the cumulative performance is still in positive territory nonetheless (+0.82%). In the Kingdom of Saudi Arabia, performance was also negative. The asset class fell by -4.76%. Since the beginning of the year, the segment is now in negative territory (-1.53%).

BearBull KSA PB Investment Strategies – Performances in SAR

	3 last months			YTD	Current year				Annualized Perf.	
	March 2023	April 2023	May 2023	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2022	2016 to this day
Bearbull KSA PBIS "low risk" (65% f.i)	0.94%	0.65%	-0.63%	1.78%	1.76%				-2.70%	3.87%
Bearbull KSA PBIS "medium risk" (45% f.i)	1.07%	0.67%	-0.99%	2.01%	2.34%				-2.55%	5.49%
Bearbull KSA PBIS "dynamic risk" (25% f.i)	1.19%	0.70%	-1.35%	2.24%	2.93%				-2.50%	7.07%
Sub-indices										
Saudi Sukuk	-0.20%	0.83%	-0.32%	1.13%	0.63%				-7.26%	-0.54%
International Bonds	0.85%	0.31%	0.13%	1.13%	0.70%				-2.71%	2.96%
Saudi Equities	5.93%	2.68%	-0.26%	8.63%	6.06%				14.82%	17.03%
International Equities	2.22%	-0.10%	0.08%	5.52%	5.54%				-1.24%	7.96%
Saudi Real Estate	-1.76%	2.08%	-4.76%	-1.53%	1.30%				-30.65%	1.42%
International Real Estate	0.03%	-0.81%	-3.03%	0.82%	4.81%				-28.48%	7.03%
Commodities	-0.94%	-1.04%	-6.23%	-12.06%	-5.23%				24.08%	3.80%
Private Equity	-4.62%	2.96%	-0.77%	9.23%	6.92%				-31.09%	11.01%

Sources: BearBull Global Investments Group, Bloomberg,



Sources: BearBull Global Investments Group, Bloomberg

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