

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

May 2023

US debt's ceiling uncertainty stops the positive trend

NEGATIVE PERFORMANCES FOR THE THREE BEARBULL KUWAIT PRIVATE BANKING INVESTMENT STRATEGIES IN MAY

| | | | | | |
|----------------------------------|------------------|-----|---------|--------------|---------|
| Bearbull Kuwait Pension Strategy | « Low risk » | May | - 2.45% | Year-to-Date | + 0.30% |
| Bearbull Kuwait Pension Strategy | « Medium risk » | May | - 2.62% | Year-to-Date | + 0.24% |
| Bearbull Kuwait Pension Strategy | « Dynamic risk » | May | - 2.78% | Year-to-Date | + 0.17% |

Comments (performances in KWD)

The month of May was particularly marked by the uncertainty surrounding the US debt ceiling. Indeed, all asset classes were in the red this month. As a result, the three bearbull private banking Kuwait investment strategies posted negative returns. The low-risk strategy fell by -2.45%, while the moderate-risk strategy followed a similar path, losing -2.62%. The dynamic-risk strategy posted the worst performance of the month, losing -2.78%. Since the beginning of the year, however, all three strategies have posted positive performances (+0.30%, +0.24% and +0.17% respectively). Bond markets lost ground in May, interrupting the upward trend of recent months. The domestic segment lost -1.82% this month, while internationally the movement was slightly stronger (-1.95%). Since the beginning of the year, both asset classes have been in the green (+0.67 and +1.44% respectively). Equity markets are also under pressure this month. The domestic segment fell sharply by -6.20% after a jump into positive territory in April (+2.11%). Internationally, the trend is also negative, though less intense (-1.00%). Both asset classes are on either side of neutral performance in cumulative terms since the start of the year (-7.56% in Kuwait and +8.52% internationally). The real estate segment is suffering from rising short-term interest rates. In fact, the international class is back in negative territory (-4.81%), wiping out all the gains made during May (+1.84%). The Kuwaiti segment took a slight profit this month (-1.73%) after an excellent performance in April (+7.08%). Since the beginning the domestic class has posted a loss of -5.90%, as has the international segment, which is back in the red (-2.56%). Commodities continued their downward trend, which intensified in May. The segment fell sharply by -6.11%, dragged down by the still unsatisfactory Chinese recovery and the prospects of an economic slowdown. Hedge funds fell by -0.46% this month, while private equity followed a similar path, losing -0.77%.

Financial market developments (performances in KWD)

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

| | |
|---------|---------------------------|
| - 0.46% | Hedge Funds |
| - 0.77% | Private Equity |
| - 1.00% | International Equities |
| - 1.73% | Kuwaiti Real Estate |
| - 1.82% | Kuwaiti Sukuk |
| - 1.95% | International Bonds |
| - 4.81% | International Real Estate |
| - 6.11% | Commodities |
| - 6.20% | Kuwaiti Equities |

YTD

| | |
|----------|---------------------------|
| + 9.23% | Private Equity |
| + 8.52% | International Equities |
| + 1.44% | International Bonds |
| + 0.67% | Kuwaiti Sukuk |
| - 0.13% | Hedge Funds |
| - 2.56% | International Real Estate |
| - 5.90% | Kuwaiti Real Estate |
| - 7.56% | Kuwaiti Equities |
| - 11.42% | 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

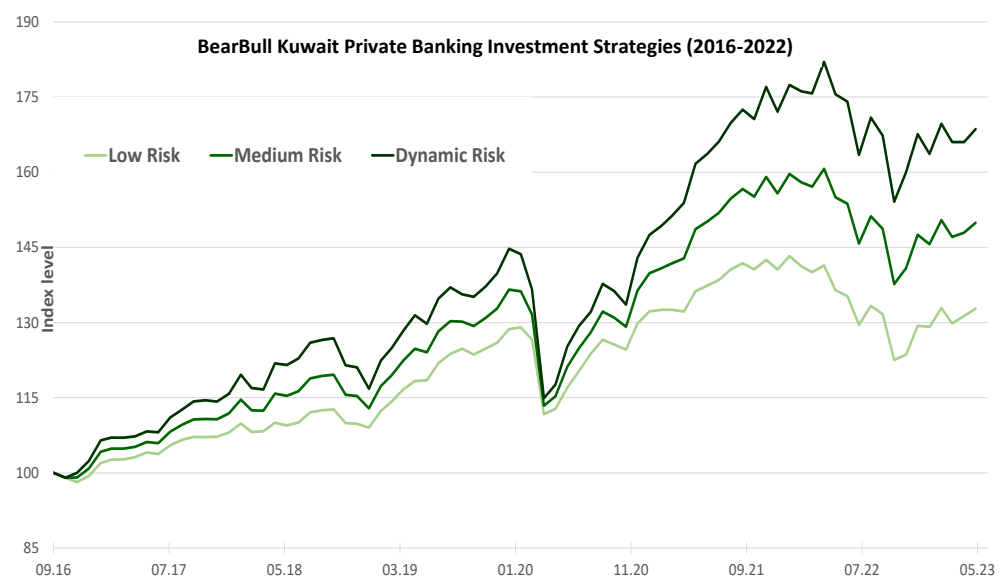
Uncertainty and disappointment over China's recovery penalized the performance of the energy (-8.4%) and industrial metals (-6.7%) segments. The segment continued its free-fall, plunging -6.11% in May. Since the beginning of the year, the star sector of 2022 has posted a 5-month loss of -11.42%.

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 (-4.81%), a loss which pushed the segment's cumulative performance for the year into negative territory (-2.56%). The domestic segment is also under pressure, taking a slight profit following (-1.73%) a very good performance of +7.08% in April. The asset class posted a negative performance for the year of -5.90%.

| BearBull Kuwait Private Banking Investment Strategies – Performances in KWD | | | | | | | | | | |
|---|---------------|------------|----------|--------------|--------------|-------------|-------------|-------------|------------------|------------------|
| | 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 Kuwaiti PB "low risk" (65% fixed income) | 1.14% | 1.13% | -2.45% | 0.30% | 1.67% | | | | -9.85% | 4.11% |
| Bearbull Kuwaiti PB "medium risk" (45% fixed income) | 0.57% | 1.35% | -2.62% | 0.24% | 1.56% | | | | -8.78% | 6.08% |
| Bearbull Kuwaiti PB "dynamic risk" (25% fixed income) | 0.01% | 1.57% | -2.78% | 0.17% | 1.45% | | | | -7.76% | 8.01% |
| Sub-indices | | | | | | | | | | |
| Kuwaiti Sukuk | 1.26% | 0.88% | -1.82% | 0.67% | 1.65% | | | | -11.62% | 0.85% |
| International Bonds | 3.16% | 0.44% | -1.95% | 1.44% | 3.01% | | | | -16.25% | -1.10% |
| Kuwaiti Equities | -3.03% | 2.11% | -6.20% | -7.56% | -3.49% | | | | 11.25% | 15.50% |
| International Equities | 3.09% | 1.75% | -1.00% | 8.52% | 7.73% | | | | -18.14% | 9.81% |
| Kuwaiti Real Estate | -5.41% | 7.08% | -1.73% | -5.90% | -10.58% | | | | -7.48% | 14.87% |
| International Real Estate | -3.08% | 1.84% | -4.81% | -2.56% | 0.51% | | | | -24.24% | -0.04% |
| Commodities | -1.07% | -0.76% | -6.11% | -11.42% | -4.94% | | | | 25.99% | 4.85% |
| Hedge Funds | -1.19% | 0.34% | -0.46% | -0.13% | -0.01% | | | | -4.40% | 2.18% |
| Private Equity | -4.62% | 2.96% | -0.77% | 9.23% | 6.92% | | | | -31.09% | 11.27% |

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 +4.11% (Low risk) to +8.01% (Dynamic risk) since 2016.

The composition of our strategies is available upon request