

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

June 2023

Private Banking strategies back on the rise in June

POSITIVE PERFORMANCES FOR THE THREE BEARBULL KUWAIT PRIVATE BANKING INVESTMENT STRATEGIES IN JUNE

Bearbull Kuwait Pension Strategy	« Low risk »	June	+ 1.62%	Year-to-Date	+ 1.93%
Bearbull Kuwait Pension Strategy	« Medium risk »	June	+ 2.61%	Year-to-Date	+ 2.85%
Bearbull Kuwait Pension Strategy	« Dynamic risk »	June	+ 3.61%	Year-to-Date	+ 3.78%

Comments (performances in KWD)

After a turbulent May due to the uncertainty surrounding US debt, the Bearbull Private Banking investment strategies Kuwait are back in positive territory. The low-risk strategy advanced by +1.62%, while the moderate-risk strategy outperformed by +2.61%. The dynamic-risk approach turned in the best performance of the month, climbing +3.61%. Since the beginning of the year, the three strategies have cumulated gains of +1.93%, +2.85% and +3.78%, respectively. The bond markets were still in the red in June. Indeed, the domestic segment lost -0.34%, while internationally the trend was similar, with the asset class declining very slightly by -0.01%. Since January, both asset classes are still in the green (+0.34% and +1.43% respectively). Equity markets returned to positive territory in June. The domestic segment gained +3.49%, wiping out some of the losses of the previous period (-6.20%). Internationally, the trend was similar, with the asset class climbing by +6.05%. Since January, both segments have been on either side of neutral performance. Kuwaiti shares posted a loss of -4.33%, while the international class jumped +15.09% YTD, already re-couping most of the losses incurred in 2022. The real estate sector returned to growth in June. In Kuwait, the asset class jumped +8.31% this month after a brief spell in negative territory in May (-1.73%), while internationally the trend was similar (+3.19%). In YTD terms, both segments returned to the green this month (+1.91% and +0.55%). Commodities turned in a positive performance for the first time in 2023 (+4.39%), breaking the long downward trend the segment had been suffering since the end of 2022. Nevertheless, the segment remains negative in cumulative terms since the beginning of the year (-7.54%). Private equity is also back in the green, with an increase of +6.17%, which could indicate renewed investor confidence. The segment posted the second-best cumulative YTD performance (+15.96%). Hedge Funds evolve horizontally this month, albeit slightly positively (+0.76%).

Financial market developments (performances in KWD)

The best inflation figures (CPI) recently published in several countries, including the USA (4%/year) and Switzerland (1.7%/year), suggest that the new, more reasonable inflation regime we announced in the summer of 2022 has indeed taken hold. Current inflation figures are already below central bank forecasts for the whole of 2023, and are close to our targets set in 2022 for June 2023. However, this more favorable environment for a further fall in yield curves has yet to develop significant effects in the capital markets and in the securitized real estate segments. The latter is still suffering from concerns about the expectations of central banks, which are still highly motivated to share their determination to fight inflation on a long-term basis. Despite an already clear downward trend in consumer and producer prices, the risks of several further rises evoked by central bankers are still being taken into consideration, and are holding back the recovery in these two asset classes. Equity markets, on the other hand, were less sensitive to this factor, and benefited from a recovery in the price readjustment phase initiated in Q4 2022. Initially driven by leading technology stocks, particularly those involved in the development of Artificial Intelligence (AI), equity markets gradually broadened their participation in this advance to other sectors, as the risks of a severe US recession seemed to fade in favor of a gradual slowdown in activity. While bond markets ended the month virtually unchanged in most regions, international securitized real estate began to recover on the stock market (+3.19%), albeit not to the same extent as the +6.05% rise recorded by the MSCI World index. Despite a timid recovery in China, commodities also found favour with investors, rising +4.39% thanks to a +5.99% rise in energy prices.

PERFORMANCES BY ASSET CLASS

JUNE

+ 8.31%	Kuwaiti Real Estate
+ 6.17%	Private Equity
+ 6.05%	International Equities
+ 4.39%	Commodities
+ 3.49%	Kuwaiti Equities
+ 3.19%	International Real Estate
+ 0.76%	Hedge Funds
-0.01%	International Bonds
-0.34%	Kuwaiti Sukuk

YTD

+ 15.96%	Private Equity
+ 15.09%	International Equities
+ 1.91%	Kuwaiti Real Estate
+ 1.43%	International Bonds
+ 0.63%	Hedge Funds
+ 0.55%	International Real Estate
+ 0.34%	Kuwaiti Sukuk
- 4.33%	Kuwaiti Equities
- 7.54%	Commodities



COMMENTS BY ASSET CLASSES

Bonds

Interest rates proved relatively non-volatile in June in most countries. With the exception of emerging markets (+1.49%) and high yield (+2.55%), regional performances were close to zero over the month. In the United States in particular, the calm observed contrasted with the good results obtained on the inflation front. Investors seemed stunned by the Fed's rhetoric, despite its decision to pause in June. Key rates of 5.25% are already 125 bps above annual inflation (+4%), and this gap could very quickly reach 225 bps if the CPI estimate of +3% for June is confirmed. The eurozone is not benefit-ing from the same paradigm, and is likely to see its yield curve rise further.

Equities

Equity market risk scores have risen, particularly in the USA and Japan, and remain high in Europe. Technical, quantitative and valuation factors are the main drivers of this rise in risk. Downward interest rate adjustments and the possibility of future monetary policy easing are factors supporting a continuation of the uptrend in the markets. Japan's risk score joins that of the eurozone and moves into the danger zone. Emerging markets and Swiss equities continue to benefit from low risk levels.

Commodities

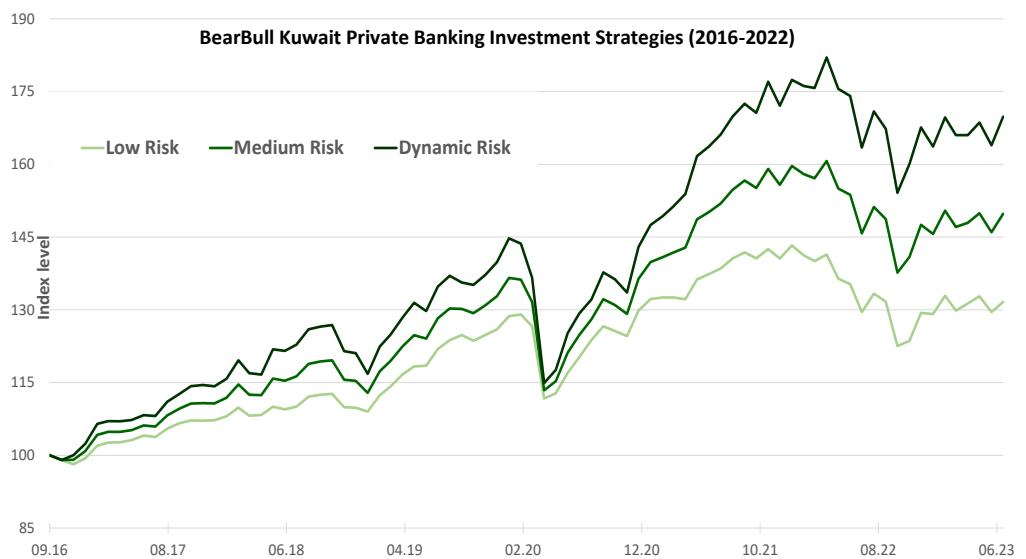
Commodities post their first upward month of 2023, interrupting the very long downtrend that has lasted since the end of 2022. The announcement of a further production cut by Saudi Arabia at the beginning of the month temporarily supported the development of crude prices. Nevertheless, the Chinese recovery continues to disappoint investors, and combined with relatively weak demand from OECD countries, is still weighing on oil prices.

Real Estate

International securitized real estate is back in positive territory in June. Indeed, the asset class posted a +3.19% gain and should further be supported by the new inflation regime which will ease the interest pressure in the coming weeks. In Kuwait, the real estate segment is back in the green as well and posts a stellar gain of +8.01% after undergoing some profit taking last month, the segment is moved back above neutral performance YTD (+1.91%).

BearBull Kuwait Private Banking Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	April 2023	May 2023	June 2023	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2022	2016 to this day
Bearbull Kuwaiti PB "low risk" (65% fixed income)	1.13%	-2.45%	1.62%	1.93%	1.67%	0.25%			-9.85%	4.32%
Bearbull Kuwaiti PB "medium risk" (45% fixed income)	1.35%	-2.62%	2.61%	2.85%	1.56%	1.27%			-8.78%	6.42%
Bearbull Kuwaiti PB "dynamic risk" (25% fixed income)	1.57%	-2.78%	3.60%	3.78%	1.45%	2.30%			-7.76%	8.49%
Sub-indices										
Kuwaiti Sukuk	0.88%	-1.82%	-0.34%	0.34%	1.65%	-1.29%			-11.62%	0.84%
International Bonds	0.44%	-1.95%	-0.01%	1.43%	3.01%	-1.53%			-16.25%	-1.09%
Kuwaiti Equities	2.11%	-6.20%	3.49%	-4.33%	-3.49%	-0.87%			11.25%	15.29%
International Equities	1.75%	-1.00%	6.05%	15.09%	7.73%	6.83%			-18.14%	9.67%
Kuwaiti Real Estate	7.08%	-1.73%	8.31%	1.91%	-10.58%	13.97%			-7.48%	14.67%
International Real Estate	1.84%	-4.81%	3.19%	0.55%	0.51%	0.04%			-24.24%	-0.04%
Commodities	-0.76%	-6.11%	4.39%	-7.54%	-4.94%	-2.73%			25.99%	4.78%
Hedge Funds	0.34%	-0.46%	0.76%	0.63%	-0.01%	0.64%			-4.40%	2.15%
Private Equity	2.96%	-0.77%	6.17%	15.96%	6.92%	8.46%			-31.09%	11.12%

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 +4.32% (Low risk) to +8.49% (Dynamic risk) since 2016.

The composition of our strategies is available upon request