

Bearbull Private Banking Investment Strategies Kuwait KWD

Bearbull exclusivity since 2016

August 2023

Minor setback for the private banking strategies

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

Bearbull Kuwait Pension Strategy	« Low risk »	Aug	- 1.48%	Year-to-Date	+ 2.09%
Bearbull Kuwait Pension Strategy	« Medium risk »	Aug	- 1.68%	Year-to-Date	+ 3.69%
Bearbull Kuwait Pension Strategy	« Dynamic risk »	Aug	- 1.89%	Year-to-Date	+ 5.29%

Comments (performances in KWD)

A slight consolidation phase on the financial markets in August. This month, all three Bearbull Private Banking investment strategies Kuwait are just below the neutral performance mark. The low-risk strategy declined by -1.48% in August, while the moderate-risk approach fared slightly worse, losing -1.68%. The dynamic-risk strategy recorded a loss of -1.89%. The bond markets were both in the red in August. Indeed, the domestic segment is once again in negative territory (-0.68%), and follows the negative trend that has been running for the past few months. Internationally, the decline is even slightly steeper (-1.37%). Since January, however, the international class is in positive territory (+0.73%) whereas the domestic one is negative (-0.46%). Equity markets were down in August. Indeed, the Kuwaiti class declined by -3.96% and breaks the positive trend of the past two months (+3.49% in June and +3.38% in July). Since January the segment is moving in negative territory (-5.01%). The international segment declined as well by -2.39% in August, but is still posting a clear gain since the beginning of the year (+16.11%). The real estate segment interrupts the positive trajectory begun in June and doesn't escape the widespread correction in August. The domestic segment loses -2.81% but is still cumulating gains since January (+2.55%). The international asset class is following a similar path, giving up -3.70%, but the segment is still slightly positive in YTD terms (+0.72%). Commodities one of the only asset class in positive territory this month, but are advancing only slightly (+0.60%). Since January, the segment has been consistently positive (+3.01%). Hedge funds were in the green in August (+0.33%), while private equity declined by -1.57%.

Financial market developments (performances in KWD)

August ended with mixed results for all asset classes, the vast majority of which posted negative results. Indeed, only 4 out of 33 segments in our international universe posted positive results, including energy (+2.94%) and European real estate (+1%). However, August was marked by satisfactory statistics on inflation and employment, suggesting a US soft landing accompanied by a reduction in price pressures. In the US, the CPI stabilized at 3.2%/year for July, while the index excluding food and energy slipped from -0.1% to +4.7%. Annualized GDP growth was revised down to just +2.1%, while the labor market also saw job creation fall from 324k to 177k in August. Such an environment should have been conducive to expectations regarding the evolution of monetary policy and the appropriate level of interest rates. However, this was not the case, with yield curves tightening slightly on the long side. An undoubted oversupply of new Treasury issues, coupled with the Fed's continued policy of reducing the size of its balance sheet, certainly contributed to this opposite trend in interest rates. Ten-year yields thus rose slightly (15bp), while two-year yields remained stable. Overall, investor sentiment is once again somewhat hesitant, while the risk of recession is also diminishing in Europe and other regions. The consolidation seen in the equity markets at the start of the period was followed by some recovery at the end of the month. After significant gains since mid-March, stock markets suffered understandable profit-taking during the summer, in reduced volumes due mainly to the lack of support from capital markets. After a good month in July, securitized real estate segments lacked the catalyst to continue their recovery. However, oil continued its upward trend, turning in one of the best performances in a month of widespread profit-taking.

PERFORMANCES BY ASSET CLASS

AUGUST

+ 0.60%	Commodities
+ 0.33%	Hedge Funds
- 0.68%	Kuwaiti Sukuk
- 1.37%	International Bonds
- 1.57%	Private Equity
- 2.39%	International Equities
- 2.81%	Kuwaiti Real Estate
- 3.70%	International Real Estate
- 3.96%	Kuwaiti Equities

YTD

+ 22.23%	Private Equity
+ 16.11%	International Equities
+ 3.01%	Commodities
+ 2.55%	Kuwaiti Real Estate
+ 2.13%	Hedge Funds
+ 0.73%	International Bonds
+ 0.72%	International Real Estate
- 0.46%	Kuwaiti Sukuk
- 5.01%	Kuwaiti Equities

COMMENTS BY ASSET CLASSES

Bonds

Rates continued to rise in August on many maturities, with low volatility and no real positive impact from statistics supporting a possible end to US restrictive policy in the near future. Developments on domestic indices were weak, with the exception of the AUD market decline. Emerging markets (-1.2%) and high-yield bonds (-0.51%) experienced the same trends as developed markets. In the United States, the Treasury's increased financing needs following the debt ceiling agreement and the Fed's shrinking balance sheet added to price pressures. In Europe, rates remained stable and are still too low in relation to price indices.

Equities

Risk factors for equity markets eased at the end of August. Price consolidation has led to a contraction in quantitative and technical scores in several markets. Valuations are still high in the USA, Switzerland and Japan, and look more favorable in Europe. The increasingly uncertain stock market climate over the summer contributed to an adjustment in overall risk levels. The earnings season brought no major negative surprises, so equity markets will have to rely on new support factors to resume their upward trend.

Commodities

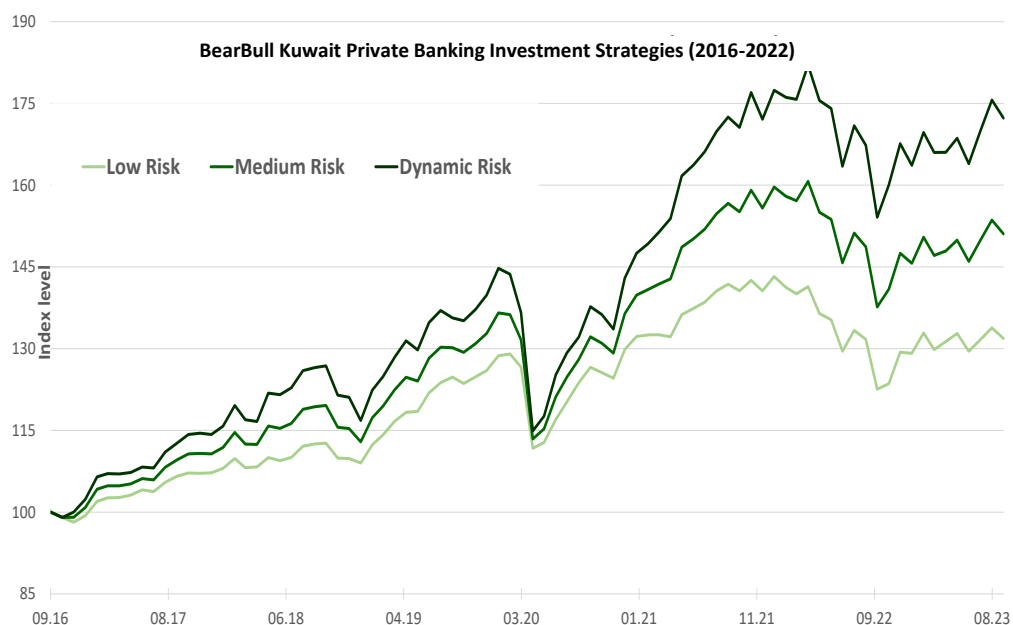
The Russo-Saudi alliance is particularly effective, and represents a challenge for the energy market. Indeed, crude oil prices rose steadily throughout August. This trend is set to continue following the announcement of an extension until the end of the year of the production reduction measures due to expire in September. OPEC+ is regaining control of the energy market, and will certainly not reverse its strategy until it is satisfied that inventories are at a satisfactory level, or that macroeconomic factors are sufficiently supportive of demand.

Real Estate

The Real estate segment in general has lost its upward momentum that has been running for the past couple of month. The international asset class is giving up -3.70% after two good performances in June (+3.19%) and July (+4.02%). The Kuwaiti real estate followed a similar path by losing -2.81% in August, the segment is still in the green YTD nevertheless (+2.55%).

BearBull Kuwait Private Banking Investment Strategies – Performances in KWD										
	3 last months			YTD	Current year				Annualized Perf.	
	June 2023	July 2023	August 2023	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2022	2016 to this day
BearBull Kuwait PB "low risk" (65% fixed income)	1.62%	1.67%	-1.48%	2.09%	1.67%	0.25%			-9.85%	4.23%
BearBull Kuwait PB "medium risk" (45% fixed income)	2.61%	2.54%	-1.68%	3.69%	1.56%	1.27%			-8.78%	6.38%
BearBull Kuwait PB "dynamic risk" (25% fixed income)	3.60%	3.41%	-1.89%	5.29%	1.45%	2.30%			-7.76%	8.50%
Sub-indices										
Kuwaiti Sukuk	-0.34%	-0.12%	-0.68%	-0.46%	1.65%	-1.29%			-11.62%	0.75%
International Bonds	-0.01%	0.69%	-1.37%	0.73%	3.01%	-1.53%			-16.25%	-0.96%
Kuwaiti Equities	3.49%	3.38%	-3.96%	-5.01%	-3.49%	-0.87%			11.25%	16.05%
International Equities	6.05%	3.36%	-2.39%	16.11%	7.73%	6.83%			-18.14%	10.94%
Kuwaiti Real Estate	8.31%	3.53%	-2.81%	2.55%	-10.58%	13.97%			-7.48%	16.26%
International Real Estate	3.19%	4.02%	-3.70%	0.72%	0.51%	0.04%			-24.24%	1.03%
Commodities	4.39%	10.74%	0.60%	3.01%	-4.94%	-2.73%			25.99%	6.96%
Hedge Funds	0.76%	1.16%	0.33%	2.13%	-0.01%	0.64%			-4.40%	2.39%
Private Equity	6.17%	7.08%	-1.57%	22.23%	6.92%	8.46%			-31.09%	12.98%

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 +4.23% (Low risk) to +8.50% (Dynamic risk) since 2016.

The composition of our strategies is available upon request