

# BearBull Private Banking Investment Strategies Saudi

**SAR**

**+3.90% to +7.45%**  
Annualized return since 2016

BearBull exclusivity since 2016

September 2023

## Markets affected by uncertainty

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

BearBull Saudi PB Investment Strategy « Low risk »	Sep	- 1.40%	Year-to-Date	+ 3.30%
BearBull Saudi PB Investment Strategy « Moderate risk »	Sep	- 1.46%	Year-to-Date	+ 5.20%
BearBull Saudi PB Investment Strategy « Dynamic risk »	Sep	- 1.53%	Year-to-Date	+ 7.11%

## Comments (performances in SAR)

September continued the downward trend that began in August, with the vast majority of asset classes posting negative returns this month. Indeed, all three Bearbull Private Banking investment strategies KSA are in the red. The low-risk strategy fell by -1.40%, the moderate-risk approach followed the same trajectory, losing -1.46%, and the dynamic-risk strategy shed -1.53%. Since the beginning of the year, however, the three strategies have continued to perform positively (+3.30%, +5.20% and +7.11%). Bond markets are below the neutral performance mark. The domestic segment continued the downward trend which began in August, losing -1.22% this month. Internationally, the decline is slightly greater (-1.29%). Since January, Saudi bonds have remained in the green (+0.20%), while the international segment has also posted a gain of +1.81%. Equity markets are on either side of the flat performance in September. The domestic stock market lost -5.72%, interrupting its positive trend. International equities on the other hand are posting a gain reverting the declining trajectory that has been running for the past couple of months (+1.01%). These last two months of profit-taking have not erased the positive cumulative performance over the year of the domestic equities (+31.57% YTD), the international asset class has been in the green as well since January (+8.80%). International real estate markets were again under pressure in September, with the asset class contracting by -7.07%, while the domestic class followed a similar path (-7.14%). Since the start of the year, the domestic asset is back in the red (-1.50%) while the international segment has just about held its own (+2.79%). Commodities rebounded by +3.73% to post the best performance of the month, propelled by record crude oil prices. Over 2023, the segment is still negative (-0.67%). Private equity was no exception and was also hit by uncertainty (-0.84%).

## Investment climate (performances in SAR)

September continued the trend of the summer, ending with negative results for the vast majority of asset classes by region, with the exception of commodities, which rose by +4.1% thanks to higher energy prices. Swiss real estate was the exception, with an increase of +2.9%, in contrast to the -5.8% fall in international real estate. In September, the surprise acceleration in interest rate rises was the determining factor in the evolution of financial markets and the stock market climate. Yet neither economic statistics nor inflation developments were particularly strong to justify such a move. The pause announced by the Fed at the end of the month should have been positive news, but J. Powell's comments suggesting higher rates for longer seem to have been the main determinant of investor sentiment at the end of Q3. In our view, however, the Fed is overestimating the need for higher rates to dampen an economy that is now facing real financing rates that we believe are already high enough to dampen economic activity, just as it had underestimated the long-lasting nature of inflation when it mistakenly deemed it transitory. The soft-landing scenario is still the most likely for the coming months, but the risks of the current momentum collapsing increase with the level of rates reached in September. The US Treasury's exceptional financing needs, coupled with the Fed's continued policy of reducing the size of its balance sheet, certainly contributed to this contrasting trend in interest rates. Long-term interest rates thus rose further, while inflation expectations declined. Overall, investor sentiment remains largely hesitant at the start of the 4th quarter. However, we believe that the excessive levels of interest rates on medium and long maturities in relation to current and future macro-economic parameters should adjust downwards and improve the stock market climate.

### PERFORMANCES BY ASSET CLASS

#### SEPTEMBER

+ 3.73%	Commodities
+ 1.01%	International Equities
- 0.84%	Private Equity
- 1.22%	Saudi Sukuk
- 1.29%	International Bonds
- 5.72%	Saudi Equities
- 7.07%	International Real Estate
- 7.14%	Saudi Real Estate

#### YTD

+ 31.57%	Saudi Equities
+ 22.23%	Private Equity
+ 8.80%	International Equities
+ 2.79%	International Real Estate
+ 1.81%	International Bonds
+ 0.20%	Saudi Sukuk
- 0.67%	Commodities
- 1.50%	Saudi Real Estate

## COMMENTS BY ASSET CLASSES

### Bonds

Another difficult month for bond markets, which are still suffering from the effects of negative expectations, pushing up ten-year rates in USD, CAD, AUD, and EUR by around 40 to 50 bps. The economic slowdown and falling inflation had no positive impact. The Fed's assertion that rates will remain higher for longer is a cause for concern, as US policy continues to increase uncertainty over budget funding, with the risk of a government shut-down once again looming. The substantial issuance of US Treasury debt in recent months comes at a time when bond sales by the Fed and China are further unbalancing the market. The rise in real yields resulting from these developments, however, reinforces the likelihood of a more pronounced economic slowdown. Against this backdrop, all national indices are undergoing a sharp correction, but risk scores are now lower across the board.

### Equities

Equity markets were also hit by rising interest rate uncertainties and recorded orderly consolidations that were sometimes significant. Price declines in August and September lowered quantitative and technical scores in most markets. Valuations have also improved in the USA, Switzerland, and Japan. They remain more attractive in Europe and the UK. Contrary to the Fed's assertions, we believe that key rates and yield curves will have to adjust to the economic reality, which is already pointing to a decline in growth. The interest-rate factor should now help to lower risk levels.

### Commodities

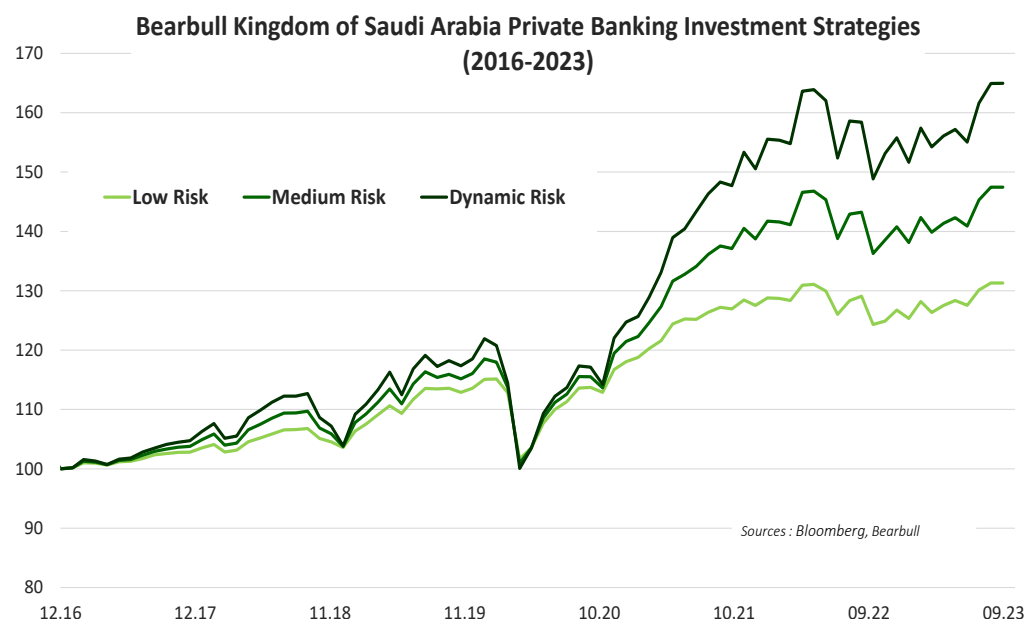
The commodity segment of our index rebounded in September (+3.73%) on the back of a sharp rise in crude oil prices to their highest level in 10 months. Concerns about the stability of crude supply pulled prices up in October after Russia and Saudi Arabia made public their decisions to extend production cuts until the end of the year. Despite fears of recession, rekindled by the return of interest rate tensions, and weakening demand, the onset of winter should still support a positive development in crude prices until 2024.

### Real Estate

Securitized real estate is still being unfairly penalized by what we believe are overestimated risks of tighter credit conditions and higher financing costs.

BearBull KSA PB Investment Strategies – Performances in SAR										
	3 last months			YTD	Current year				Annualized Perf.	
	July 2023	August 2023	September 2023	current year	1st quarter	2nd quarter	3rd quarter	4th quarter	2022	2016 to this day
Bearbull KSA PBIS "low risk" (65% f.i)	0.92%	-0.01%	-1.40%	3.30%	1.76%	2.02%	0.92%		-2.70%	3.90%
Bearbull KSA PBIS "medium risk" (45% f.i)	1.49%	0.01%	-1.46%	5.20%	2.34%	2.78%	1.49%		-2.55%	5.69%
Bearbull KSA PBIS "dynamic risk" (25% f.i)	2.06%	0.02%	-1.53%	7.11%	2.93%	3.53%	2.06%		-2.50%	7.45%
<b>Sub-indices</b>										
Saudi Sukuk	0.10%	-0.27%	-1.22%	0.20%	0.63%	-0.25%	-1.39%		-7.26%	-0.70%
International Bonds	0.32%	-0.37%	-1.29%	1.81%	0.70%	1.16%	-1.34%		-2.71%	2.93%
Saudi Equities	3.74%	3.96%	-5.72%	31.57%	6.06%	15.02%	1.68%		14.82%	19.42%
International Equities	-0.25%	-0.62%	1.01%	8.80%	5.54%	3.99%	0.13%		-1.24%	8.06%
Saudi Real Estate	2.68%	-2.47%	-7.14%	-1.50%	1.30%	-2.90%	-7.01%		-30.65%	0.62%
International Real Estate	0.54%	-2.97%	-7.07%	2.79%	4.81%	0.53%	-9.34%		-28.48%	6.49%
Commodities	7.70%	0.46%	3.73%	-0.67%	-5.23%	-3.13%	12.24%		24.08%	4.50%
Private Equity	7.08%	-1.57%	-0.84%	22.23%	6.92%	8.46%	4.52%		-31.09%	12.16%

Sources: BearBull Global Investments Group, Bloomberg



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**The systematic diversified strategies of the BearBull Saudi Private Banking Investment Strategies have produced annualized returns of +3.90% (Low risk) to +7.45% (Dynamic risk) since 2016.**

The composition of our strategies is available upon request

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