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BBGI GROUP Global Investments

INDICES BBGI OPP2 COMPLIANT CHF

A BBGI exclusivity since 1999

January 2021

Slightly negative start to the year for most asset classes

NEGATIVE PERFORMANCE FOR ALL BBGI OPP2 INDICES IN JANUARY

BBGI OPP2 Index « Low risk »	**-0.77%**	**(YTD -0.77%)**
BBGI OPP2 Index « Moderate risk »	**-0.72%**	**(YTD -0.72%)**
BBGI OPP2 Index « Dynamic risk »	**-0.67%**	**(YTD -0.67%)**

Comments (performances in Swiss Francs)

After a positive month of December, the BBGI OPP2 Compliant indices start the year 2021 in slightly negative territory. Indeed, the low-risk index achieves a performance of -0.77%, the moderate-risk index falls by -0.72% and the dynamic-risk index loses -0.67% in January. The bond markets are in the red this month. The Swiss market falls below the zero return bar (-0.35%) after having moved horizontally for two months. The international segment also moved into negative territory for the second consecutive month. The real estate market experienced a correction in January, with the domestic segment recording the worst performance of all asset classes (-3.45%), while the decline in the international segment was less pronounced (-0.51%). The equity market performance was flat on both sides of the zero return after a year-end marked by a meteoric rise. The international segment continues its upward trend and gains +0.14% after having jumped +10.95% in November and +2.25% in December. The national market, for its part, eventually reversed the upward trend that had driven it in the last few months of 2020 (+8.41% in November and +2.50% in December). In January, commodities made the best start of all asset classes and ended their third consecutive month of rise (+2.55%), capitalizing in particular on the rise in crude oil prices. The private equity sector is once again at the top of the table (+1.86%) after having strongly enjoyed the renewed optimism of investors at the end of 2020 (+18.35% in November and +9.00% in December). The hedge fund sector reversed the upward trend of the last two months and lost -0.26%.

Financial market developments (performances in local currencies, USD)

The beginning of 2021 is already clearly characterised by new expectations of an economic recovery in the United States, fears of an uncontrolled increase in debt, a resumption of inflation in 2021 and a resurgence of speculative activity. The US Treasury's 10-year rates initially jumped by nearly 30 basis points, from 0.9% to 1.18% in the first week. In the euro zone, there is a less significant movement, which for the moment is more related to a stabilization than a clear trend reversal. In Switzerland, the federal government's rates also underwent a clear adjustment, rising from -0.59%, the lowest in January, to -0.4%, the highest in the last six months. The start of the vaccination campaigns reassures but does not exclude various forms of restrictions that may have a negative impact on the economy for the first quarter. However, the Covid-19 factor does no longer have a direct influence on investor sentiment, which still seems very optimistic. The month of January will have been volatile in the equity markets, increasingly influenced by private investors "speculators" with extreme behaviors seeking to manipulate the markets. The manipulation of the Gamestop stock from $19 to nearly $500 in January alone is one example, but the explosion of the Goldman Sachs Non-Profitable Technology Index from 80 to 400 over the last six months is a broader testimony to the recent influence of these investors on the market as a whole. With the exception of emerging markets (+2.99%), all major equity markets ended the month down. Swiss (-3.4%) and international (-1.1%) real estate investments are also in the red. Commodities (+4.9%) are boosted by the rise in crude oil (+7%) and the return to growth in 2021, while private equity (+2.6%) continues to grow. The investment climate remains optimistic due to the lack of alternatives to risky assets despite a PE of 22x earnings for 2021 in the USA for example. However, the current speculative frenzy as well as the deterioration of technical and quantitative indicators should suggest caution.

PERFORMANCE BY ASSET CLASS

JANUARY

+ 2.55%	Commodities
+ 1.86%	Private Equity
+ 0.14%	International Equities
- 0.26%	Hedge Funds
- 0.31%	International Bonds
- 0.32%	Swiss Bonds
- 0.51%	International Real Estate
- 1.01%	Swiss Equities
- 3.45%	Swiss Real Estate

YTD

+ 2.55%	Commodities
+ 1.86%	Private Equity
+ 0.14%	International Equities
- 0.26%	Hedge Funds
- 0.31%	International Bonds
- 0.32%	Swiss Bonds
- 0.51%	International Real Estate
- 1.01%	Swiss Equities
- 3.45%	Swiss Real Estate

COMMENTS
BY ASSET CLASS

Bond Market

Beginning of the year slightly "bearish" for the capital markets. Long-term interest rates are beginning to take into account the more positive outlook for economic recovery in 2021, despite some signs of weakness in the European economies, in particular. Volatility remains low and risk premiums are stabilizing at low levels A rise in inflation in the coming months could develop up to 2.5%-3% in the United States and favour inflation-linked bonds (Treasury Inflation Protected Securities) as well as Floating Rate Notes. In Switzerland, the spread between the yield on BBB bonds (0.36%) and the 10-year federal government bond (-0.41%) narrowed further to 77bp (2.46% at the year's high in March). Yield pick-up strategies at risk.

Equities

The correction at the end of the month erased the strong start for the year in the equity markets. A slight doubt seems to cloud the optimism that prevailed before the excessive speculation of retail investors in the United States once again demonstrated the fragility of the equity markets, boosted by the liquidity of central banks technical and quantitative factors point to a high risk of a short-term trend ending and suggest an increase in the likelihood of price corrections. The persistence of low interest rates and the support of central banks currently outweigh the risks associated with overvalued equity markets.

Real Estate

Real estate markets are undergoing a logical correction after having been greatly favored by investors at the end of 2020. The Domestic segment loses -3.45%, the correction is weaker internationally. (-0.51%).

Private Equity

The sector is still at the top of the best monthly performance table (+1.86%) after an extraordinary performance at the end of last year (+18.35% in November and +9.00% in December).

BBGI OPP2 Compliant Indices (Monthly Indices)

Performances in Swiss Francs	3 months			YTD	Année en cours				Perf annualisées	
	November 2020	December 2020	January 2020	Year to date	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2020	Annualized perf fm 1984 to date**
BBGI OPP2 Compliant "Low Risk"	3.15%	1.54%	**-0.77%**	**-0.77%**					2.63%	5.29%
BBGI OPP2 Compliant "Medium Risk"	3.15%	2.00%	**-0.72%**	**-0.72%**					3.03%	5.56%
BBGI OPP2 Compliant "Dynamic Risk"	1.54%	2.46%	**-0.67%**	**-0.67%**					3.37%	5.80%
Swiss Bonds	0.05%	0.35%	**-0.32%**	**-0.32%**					2.92%	3.98%
International Bonds	0.92%	-1.30%	**-0.31%**	**-0.31%**					5.85%	3.84%
Swiss Real Estate	3.97%	6.06%	**-3.45%**	**-3.45%**					20.68%	6.54%
International Real Estate	11.56%	0.73%	**-0.51%**	**-0.51%**					20.46%	4.72%
Swiss Stocks	8.41%	2.50%	**-1.01%**	**-1.01%**					30.59%	8.70%
International stocks	10.95%	2.26%	**0.14%**	**0.14%**					24.48%	6.32%
Commodities*	3.37%	4.88%	**2.55%**	**2.55%**					4.19%	-3.31%
Private Equity*	18.35%	9.00%	**1.86%**	**1.86%**					38.24%	15.88%
Hedge Funds*	2.72%	2.25%	**-0.26%**	**-0.26%**					3.13%	0.68%
** hedged in Swiss Francs*										
Forex										
USD/CHF	-0.88%	-2.61%	**0.58%**	**0.58%**					-8.42%	-2.79%
EUR/CHF	1.50%	-0.26%	**-0.02%**	**-0.02%**					-0.40%	-1.92%

***Annualized data for international bonds, commodities, private equity and alternative investments are calculated from their introduction on January 1, 2009. International real estate was introduced in November 1989. The annualized performance of the EUR/CHF exchange rate has been calculated since December 1999.*

Sources : Bloomberg/BBGI