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BBGI GROUP Global Investments

BBGI OPP2 COMPLIANT INDEX CHF

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February 2022

European geopolitical risks send markets tumbling

NEGATIVE PERFORMANCES FOR THE THREE BBGI OPP2 COMPLIANT INDICES IN FEBRUARY

BBGI OPP2 Compliant Index « Low Risk »	**- 2.41%**	**(YTD -4.03%)**
BBGI OPP2 Compliant Index « Medium Risk »	**- 2.43%**	**(YTD -4.34%)**
BBGI OPP2 Compliant Index « Dynamic Risk »	**- 2.45%**	**(YTD -4.66%)**

Comments (performances in Swiss Francs)

All three BBGI OPP2 Compliant indices fell again in February. The invasion of Ukraine by the Russian army and the subsequent sanctions caused the international markets to fall dramatically. The low risk index fell by -2.41%, the moderate risk strategy followed a similar pattern (-2.43%) while the dynamic risk index also dropped by -2.45%. The bond markets are again in the doldrums this month. The domestic segment is down by -2.04% while the international segment is more affected (-2.30%). The real estate sector was hit hard, with the downward trend continuing in Switzerland (-3.45%) and further intensifying its momentum compared to January (-0.19%). The international segment reiterated last month's negative performance of -3.11% followed by -3.64%. The equity markets are themselves once again in negative territory. The Swiss Domestic market lost 2.20% but narrowed its bearish momentum in comparison to last month (-5.67%), while the international equities segment fell more severely in February and retreated by -3.76%. The commodities sector price movements are the only ones to have taken advantage of the climate of extreme nervousness in Europe (+6.08%). This is because fears about the supply of gas and oil have increased, and have pushed the price of a barrel of oil above the $100 threshold. Gold also responded to the uncertainty by rising above the $1,900 per ounce bar. The private equity segment continued to fall and posted the worst performance of the month (-5.11%). Hedge funds held up slightly better than other asset classes to the extent of profit taking (-0.43%).

Financial market developments (performances in local currencies, USD)

Geopolitical concerns totally disrupted the investment climate at the end of February, interrupting the stock market recovery that began on 24 January. The geopolitical situation in Europe became very strained in the last few days of the month, reminiscent of the darkest hours of the Cold War and leading to fears of an uncontrollable escalation of the crisis in Ukraine, which could durably call into question the geopolitical balances built up since the fall of the USSR. The outbreak of the war in Ukraine on 24 February quickly triggered a large number of political and economic sanctions by Europe as well by Switzerland and Japan that have never been seen before in history, in a peaceful attempt to restrain the action of the Russian President. The unity of European and NATO countries was reflected in a series of measures to pressure Russia to find a diplomatic solution to the crisis. But today, the threat remains not only serious in military terms, with the possible use by Russia in Ukraine of equipment never before used in the European theater and with devastating effects, but it is also increasingly significant in economic aspects. A disruption of Russian gas and crude oil supplies in March would create significant problems for power generation in Europe and cause a sharp rise in energy prices. Such a shock would undoubtedly have international repercussions and inflationary effects on top of the already existing pressures. The economic outlook can therefore deteriorate very sharply in this context. The risks of a slowdown in consumption caused by a fall in purchasing power should not be underestimated in Europe. In the long term, there is now a risk of a cyclical slowdown accompanied by higher inflation and an emerging risk of stagflation. In this context, commodities were the only asset class to post positive returns (+8.77%) in February, while all other asset classes finished down by around -1.2% for bonds, -2.5% for equities, -5.1% for private equity and -2.5% for real estate.

PERFORMANCE OF ASSET CLASSES

FEBRUARY 2022

+ 6.08%	Commodities
- 0.43%	Hedge Funds
- 2.04%	Swiss fixed Income
- 2.20%	Swiss Equities
- 2.30%	International fixed Income
- 3.45%	Swiss Real Estate
- 3.64%	International Real Estate
- 3.76%	International Equities
- 7.34%	Private Equity

YTD

+ 15.31%	Commodities
- 2.34%	Hedge Funds
- 2.80%	International fixed Income
- 3.42%	Swiss fixed Income
- 3.63%	Swiss Real Estate
- 6.61%	International Equities
- 6.63%	International Real Estate
- 7.74%	Swiss Equities
- 12.07%	Private Equity

COMMENTS BY ASSET CLASS

Fixed Incomes

The bond markets continue to adjust their yield curves in a simultaneous shift to higher rates. The markets are suffering losses in the ranges of 1% to 2% with Swiss bonds (-2.04%) which are among the most affected and almost as much as the European bonds markets themselves (-2.21%). The year 2022 was expected to look positive in economic terms, but the crisis situation in Ukraine and its indirect effects on Russian gas prices have reignited the uncertainties about growth in European countries and with more widespread inflationary risks to purchasing power and global consumption. Inflation may not be declining as quickly as expected, but it is the risks of a cyclical deceleration that may come back to the foreground and reignite the prospect of a certain degree of stagflation in 2022.

Equities

The slump in the equity markets resumed at the end of the month with the Russian invasion of Ukraine in a surge of extreme volatility. Europe was logically more affected and recorded a decline of -6%. Swiss equities fell by -2.2%, slightly less than US stocks (-3%). Risk scores are improving and would normally support an increase in equity exposure, but indirect geopolitical implications are not measured by our indicators. In this context, we believe that the risks are exceptionally higher than our valuation model suggests. This is where our experience and understanding of the geopolitical environment comes into play.

Commodities

The commodities sector is the only sector to be boosted by the recent geopolitical tensions in Eastern Europe. Indeed, following the invasion of Ukrainian territory by the Russian army, oil prices have made significant upside adjustments. The European sanctions have reinforced fears of the disruption of supplies of these energy sources, with the price of crude oil jumping by +11.88% to over 100 dollars a barrel. Gold prices also resumed an ascending momentum, propelled by financial market volatility and European political uncertainty.

Private Equity

The private equity sector continues its free fall and is the worst performer of all the asset classes this month. This risky asset class is being penalized by the general uncertainty that hit the financial markets in February and is causing investors to re-evaluate their tolerance for investment risk (-5.11%).

BBGI OPP2 Compliant Indices (Monthly Indices)

Performances in Swiss Francs	last 3 months			YTD	Current Year				Annualized performances	
	January 2022	February 2022		Year to date	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2021	Annualized perf fm 1984 to date**
BBGI OPP2 Compliant "Low Risk"	-1.66%	-2.41%		**-4.03%**					5.61%	5.19%
BBGI OPP2 Compliant "Medium Risk"	-1.96%	-2.43%		**-4.34%**					9.36%	5.54%
BBGI OPP2 Compliant "Dynamic Risk"	-2.26%	-2.45%		**-4.66%**					13.22%	5.86%
Assets										
Swiss Bonds	-1.41%	-2.04%		**-3.42%**					-1.82%	3.73%
International Bonds	-0.52%	-2.30%		**-2.80%**					-1.72%	3.73%
Swiss Real Estate	-0.19%	-3.45%		**-3.63%**					7.32%	6.54%
International Real Estate	-3.11%	-3.64%		**-6.63%**					25.63%	5.27%
Swiss Stocks	-5.67%	-2.20%		**-7.74%**					23.38%	8.85%
International stocks	-2.97%	-3.76%		**-6.61%**					22.05%	6.50%
Commodities *	8.71%	6.08%		**15.31%**					25.81%	-0.93%
Private Equity *	-7.34%	-5.11%		**-12.07%**					49.92%	16.52%
Hedge Funds *	-1.92%	-0.43%		**-2.34%**					2.55%	0.81%
* hedged in Swiss Francs										
Forex										
USD/CHF	1.57%	-1.12%		**0.43%**					3.81%	-2.77%
EUR/CHF	0.37%	-1.22%		**-0.86%**					-3.66%	-1.97%

****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