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BBGI GROUP Global Investments

BBGI PRIVATE BANKING STRATEGIES & INDICES USD

A BBGI exclusivity since 1999

August 2022

Annualized performance
Of +5.34% to +6.50%

Return of volatility in the financial markets in August

NEGATIVE PERFORMANCE FOR ALL THREE BBGI PRIVATE BANKING USD INDICES IN AUGUST

BBGI Private Banking Index « Low Risk »	**- 3.40%**	**(YTD - 12.12%)**
BBGI Private Banking Index « Medium Risk »	**- 3.51%**	**(YTD - 12.05%)**
BBGI Private Banking Index « Dynamic Risk »	**- 3.63%**	**(YTD - 12.02%)**

Comments (performances in USD)

The bullish rally of the last 6 weeks comes to an end at the end of August. Indeed, all three BBGI Private banking USD indices are performing negatively this month. The low-risk strategy fell by -3.40% while the moderate risk approach did slightly worse (-3.51%). The dynamic risk index is the worst performer of the month, falling by -3.63%. All three indices have been in negative territory since January (-12.12%, -12.05 and -12.02% respectively) but remain more resilient in a context where equities (-18.34%) and international bonds (-17.05%) are undergoing strong corrections. The bond markets started to decline again in August. U.S. bonds fell by -2.46% and erased last month's surge (+1.34%). The international segment fell even more sharply (-4.35%). Since January, both asset classes have suffered losses (-9.95% and -17.05%). The equity markets are also below the neutral performance in August. Indeed, the domestic segment lost -3.97% while the international segment followed a similar path, losing -3.22%. Both asset classes have been on a negative trajectory since the beginning of the year and are accumulating losses in 2022 (-17.38% and -18.34% respectively). The private equity segment fell back into the red in August (-7.38%) after an exceptional performance in July (+14.68%). The real estate segment is under pressure this month. Indeed, fears that central banks will maintain their restrictive monetary policy are rekindling pressure on interest rates. This is a factor to which securitized real estate is very sensitive, and it fell again in August (-6.44%). Commodities are also in negative territory despite growing European energy tensions. Indeed, the negative developments in crude oil prices weighed on the sector's performance, which fell by 2.68%. Nevertheless, it remains the only asset class to make a gain since the beginning of the year (+32.10%).

Financial market developments (performances in local currencies)

Widespread return of volatility in August after six weeks of financial market recovery. The hope that inflation may have finally stopped rising in July is no longer sustaining the enthusiasm of investors who are now worried that a new downward trend in prices will not be enough to change the Federal Reserve's monetary policy. The Fed's comments have raised concerns that it is pursuing a potentially too dogmatic and risky strategy for an economy already in recession, which would still mean a further increase with a 75 bp rate hike in September. This eventuality supports a dynamic that would bring key rates to nearly 4% at the end of the first quarter of 2023 and is already causing a rapid rise in long-term rates above 3.2%. While this prospect is still favorable for the dollar, it has rekindled the short-term fears of investors worried about the rise in long-term rates. All asset classes reacted in the same way at the end of the month, suffering declines that partially offset the increases of July. International bond markets fell by an average of -4.35%, with Gilts even falling by -8.5%. International equities also lost a little more than -3%, while yield curve pressures further penalized real estate (-6.44%) and private equity (-7.38%). Commodities also ended lower (-2.68%), led by the fall in oil (-7.38%) in the context of increasing recession risks.

PERFORMANCE OF ASSET CLASSES (USD)

AUGUST

+ 0.95%	Hedge Funds
- 2.46%	US Bonds
- 2.68%	Commodities
- 3.22%	International Equities
- 3.97%	US Equities
- 4.35%	International Bonds
- 6.44%	International real estate
- 7.38%	Private equity

YTD

+ 32.10%	Commodities
- 3.97%	Hedge Funds
- 9.95%	US Bonds
- 17.05%	International Bonds
- 17.38%	US Equities
- 18.34%	International Equities
- 19.53%	International real estate
- 28.80%	Private equity

COMMENTS BY ASSET CLASS

Bonds

The effects of changing expectations were again very strong in August in most markets. Recession risks have been pushed to the back burner. The Fed's policy has put the heat back on by overemphasizing its desire to fight inflation at any cost. Despite a likely price spike supported by a drop in commodities, the fear of inflation has once again pushed long rates to new highs. The United Kingdom led the way this month with a 100 bp increase in 10-year yields, closely followed by the increase in Europe (80 bp). Yield curves are again close to their mid-June levels.

Equities

With the end of the corporate earnings season, which on average was better than expected, the equity markets were affected by changing sentiment and less favorable expectations regarding monetary policy. The asset class was penalized by the rise in long-term interest rates and the prospect of more significant increases in key interest rates in September. Risk appetite decreased after an already substantial six-week stock market rally. Technology stocks were again subject to profit taking at the end of the month.

Commodities

The commodities segment slightly dropped in August (-2.68%). Nevertheless, the asset class remains the only one to achieve a positive performance since the beginning of the year (+32.10%). In a global context of historically high inflation, commodities are proving to be an effective hedge against the restrictive monetary policies of the central banks that affect other financial assets. They are becoming an essential component of diversification when equities (-18.34%) and bonds (-17.05%) are declining YTD.

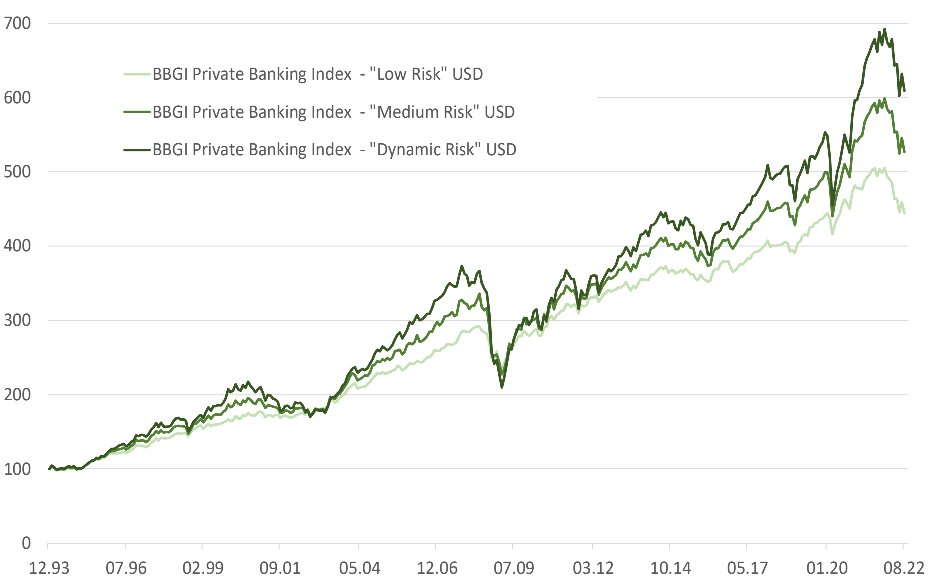
Real Estate

Fears that central banks will continue to pursue an overly aggressive monetary policy have once again put pressure on real estate prices. The securitized real estate segment, which is very sensitive to these factors, took profits in August and is back in the red. The international class fell by -6.44%. The segment has been in negative territory since January (-19.53%).

BBGI Group Private Banking Indices - Historical Performances in USD

	Last three months			YTD	Full Year				Annualized Perfomances	
	June 2022	July 2022	August 2022	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2021	1993 to date
BBGI Group PBI "Low risk" (65%fxd income)	-3.93%	3.10%	-3.40%	-12.12%	-3.79%	-8.29%			4.96%	5.34%
BBGI Group PBI "Medium risk" (45%fxd income)	-5.27%	4.02%	-3.51%	-12.05%	-2.87%	-9.78%			10.40%	5.97%
BBGI Group PBI "Dynamic risk" (25%fxd income)	-6.61%	4.93%	-3.63%	-12.02%	-1.95%	-11.27%			16.05%	6.50%
Sub-Indices										
US Bonds	-0.72%	1.34%	-2.46%	-9.95%	-5.45%	-3.65%			-2.30%	4.26%
International Bonds	-3.15%	1.78%	-4.35%	-17.05%	-6.46%	-8.91%			-6.97%	3.70%
US Equities	-8.32%	9.29%	-3.97%	-17.38%	-5.31%	-16.87%			26.45%	9.43%
International Equities	-8.60%	3.42%	-3.22%	-18.34%	-5.44%	-13.73%			7.82%	5.02%
Private equity	-14.84%	14.68%	-7.38%	-28.80%	-12.08%	-23.75%			51.75%	8.95%
Hedge Funds	-1.80%	0.54%	0.95%	-3.97%	-1.69%	-3.75%			3.68%	5.53%
International Real Estate	-8.56%	7.99%	-6.44%	-19.53%	-3.77%	-17.23%			27.21%	7.21%
Commodities	-7.64%	-0.04%	-2.68%	32.10%	32.13%	2.01%			40.35%	2.06%
Forex										
USD/EUR	2.38%	2.58%	1.66%	11.28%	2.76%	7.01%			7.42%	-0.91%

Sources : Bloomberg, BBGI Group SA



Sources : Bloomberg, BBGI Group SA