BBGI Group SA – Place de Longemalle 1 - 1204 Genève - Suisse
www.BBGI.ch

BBGI GROUP Global Investments

BBGI PRIVATE BANKING INDICES USD

A BBGI exclusivity since 1999

February 2022

European tensions are affecting financial markets globally

NEGATIVE PERFORMANCES FOR ALL THREE BBGI PRIVATE BANKING INDICES IN FEBRUARY

BBGI Private Banking Index « Low Risk »	**- 0.88%**	**(YTD - 3.04%)**
BBGI Private Banking Index « Medium Risk »	**- 0.94%**	**(YTD - 3.26%)**
BBGI Private Banking Index « Dynamic Risk »	**- 0.99%**	**(YTD - 3.47%)**

Comments (performances in USD)

The three BBGI Private Banking indices USD delivered negative performances in February. The conflict that broke out in Ukraine at the end of the month of February dragged the financial markets down indiscriminately. The low-risk index fell by only -0.88%, the moderate-risk strategy suffered slightly more, losing -0.94%, while the dynamic-risk approach dropped by just under -1%. The bond markets were again in decline in February. The US segment retreated by -0.74% and indicated a deceleration of its bearish momentum (January; -1.83%). International bonds suffered more and dropped by -1.06%. Equity markets were severely impacted by the European geopolitical environment and ended the month in negative territory. The US segment lost -2.97%, however less than the previous month (-5.69%), while the international segment was relatively less affected (-1.98%). The private equity segment continued its free fall in February and recorded the worst performance of the month (-5.26%), in an environment of higher volatility the segment is undergoing the re-evaluation of investors' level of risk tolerance. Hedge funds proved to be quite resilient during this period of crisis, losing only -0.36%. The real estate segment fell again this month (-2.43%) but still managed to decrease its negative dynamic compared to January's performance (-5.72%). The commodities asset class is the only one that took advantage from the climate of high anxiety in Europe, climbing by +8.77%, driven by the prices of crude oil and gas exceeding the 100 US dollars threshold for oil while gold regained its attractiveness, fueled by the high level of insecurity in the markets.

Financial market developments (performances in local currencies)

Geopolitical turmoil completely disrupted the investment climate at the end of February, halting the stock market recovery that began on January 24th. The situation in Europe became very strained in the last few days of the month, a reminder of the darkest periods of the Cold War and leading to fears of an uncontrollable escalation of the crisis in Ukraine, which could jeopardize the political stability built up since the fall of the USSR. The outbreak of hostilities in Ukraine on February 24th quickly triggered a series of unprecedented political and economic sanctions by Europe and many other countries in the World in an attempt to restrain peacefully the Russian President in his actions. The unity of European and NATO countries was demonstrated by a series of measures to pressure Russia to find a diplomatic solution to the crisis. But today, the threat is not only serious in military terms, with the possible use by Russia in Ukraine of equipment never before used in the European sphere which could bring with devastating effects. It is also growing in economic and supply terms. An interruption of Russian gas and crude oil supplies in March would significantly affect power generation in Europe and cause a substantial rise in energy prices. Such a shock would undoubtedly have international repercussions and inflationary effects on top of existing concerns. The economic outlook could therefore deteriorate very sharply in this context. The risks of a slowdown in consumption caused by a fall in purchasing power should not be overlooked in Europe. In the long term, we can now see a risk of a cyclical deceleration accompanied by more sustained inflation and a looming risk of stagflation. In this context, commodities were the only assets to record strong returns (+8.77%), while all other asset classes ended with declines of around -1.2% for bonds, -2% for equities, -5.2% for private equity and -2.5% for real estate.

PERFORMANCE BY ASSET CLASS (USD)

FEBRUARY

+ 8.77%	Commodities
- 0.36%	Hedge Funds
- 0.74%	US Fixed Income
- 1.06%	International Fixed Income
- 1.98%	International Equities
- 2.43%	International Real Estate
- 2.97%	US Equities
- 5.26%	Private Equity

YTD

+ 21.43%	Commodities
- 2.16%	Hedge Funds
- 2.56%	US Fixed Income
- 3.15%	International Fixed Income
- 5.59%	International Equities
- 8.01%	International Real Estate
- 8.49%	US Equities
- 12.18%	Private Equity

COMMENTS BY ASSET CLASS

Fixed Income

The bond markets continue to adjust their yield curves in a simultaneously rising interest rate environment. The markets are experiencing negative returns in the range of -1% to -2%, with Swiss bonds (-2.04%) being among the most affected but slightly less than the European bonds (-2.21%). The year 2022 was expected to be a positive one in economic terms, but the Ukrainian invasion by Russia and its direct effects on Russian gas prices are reigniting renewed concerns about growth in European countries and, more broadly, everywhere where inflationary risks threaten purchasing power and consumption. Inflation may not drop as quickly as expected, and the risks of a cyclical deceleration could come back to the foreground and raise the threat of some kind of stagflation in 2022.

Equities

The decline in the equity markets resumed at the end of the month with the Russian invasion of Ukraine in a wave of extreme volatility. Europe was logically more affected and recorded a drop of -6%. Swiss equities fell by -2.2% but slightly less than US stocks (-3%). The risk scores are improving and would normally support an increase in equity exposure, but the indirect geopolitical implications are not measured by our indicators. In this context, the risks seem to us to be exceptionally higher than our valuation model would suggest.

Commodities

The commodities sector is the only one to be supported by the recent geopolitical tensions in Eastern Europe. Indeed, following the invasion of Ukrainian territory by the Russian army, oil prices have made strong upward movements. The European sanctions have reinforced fears of disruption of supplies of these energy sources, the price of crude oil has respectively jumped +11.88% to exceed 100 US dollars per barrel. Gold prices also resumed an upward trajectory, driven by financial market volatility and European political uncertainties.

Private Equity

Private equity continues its free fall and has the worst performance of any asset class this month. This risky asset class is penalized by the general uncertainty that hit the financial markets in February and is causing investors to reassess their risk tolerance (-5.26%).

BBGI Group Private Banking Indices - Historical Performances in USD

	Last three months			YTD	Full Year				Annualized Perfomances	
	October 2021	February 2022		Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2021	1993 to date
BBGI Group PBI "Low risk" (65% fxd income)	-2.18%	-0.88%		-3.04%					4.96%	5.80%
BBGI Group PBI "Medium risk" (45% fxd income)	-2.34%	-0.94%		-3.26%					10.40%	6.44%
BBGI Group PBI "Dynamic risk" (25% fxd income)	-2.50%	-0.99%		-3.47%					16.05%	6.98%
Sub-Indices										
US Bonds	-1.83%	-1.83%		-2.56%					-2.30%	4.54%
International Bonds	-2.11%	-2.11%		-3.15%					-6.97%	4.17%
US Equities	-5.69%	-5.69%		-8.49%					26.45%	9.85%
International Equities	-3.69%	-3.69%		-5.59%					7.82%	5.53%
Private equity	-7.31%	-7.31%		-12.18%					51.75%	9.63%
Hedge Funds	-1.81%	-1.81%		-2.16%					3.68%	5.74%
International Real Estate	-5.72%	-5.72%		-8.01%					27.21%	7.59%
Commodities	11.63%	11.63%		21.43%					40.35%	1.70%
Forex										
USD/EUR	1.24%	0.13%		1.38%					7.42%	-1.22%

The **BBGI Group Private Banking indices** can be obtained free of charge from the BBGI Group Analysis & Research Department (reception@bbgi.ch).
They provide the first objective benchmarks for the performance of the wealth management industry.

Sources : Bloomberg / BBGI Group SA