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BBGI GROUP Global Investments

BBGI PRIVATE BANKING STRATEGIES & INDICES USD

A BBGI exclusivity since 1999

July 2022

Annualized performance Of **+5.48%** to **+6.66%**

FINANCIAL MARKETS REBOUND SHARPLY IN JULY

POSITIVE PERFORMANCE FOR ALL THREE BBGI PRIVATE BANKING USD INDICES IN JULY

BBGI Private Banking Index « Low Risk »	**+ 3.10%**	**(YTD - 9.03%)**
BBGI Private Banking Index « Medium Risk »	**+ 4.02%**	**(YTD - 8.85%)**
BBGI Private Banking Index « Dynamic Risk »	**+ 4.93%**	**(YTD - 8.71%)**

Comments (performances in USD)

The downward trend of the last few months was interrupted in July. Indeed, all three BBGI Private Banking USD indices Banking USD indices all achieved positive performances. The low risk strategy advances by +3.10% while the moderate risk index is doing even better with a gain of +4.02%. The dynamic risk approach is in the lead, climbing by +4.93%. All three strategies are still negative YTD but demonstrate the benefits of a 6 asset class diversification compared to the performance of equities (-15.63%) and international bonds (-13.27%). Fixed income markets are finally moving back into positive territory this month, with the domestic segment advancing +1.34% while the international segment has a similar movement (+1.78%). The markets regained their breath in July and interrupted their downward trend. The international segment recovered +3.42%, but the strongest increase was in the United States (+9.29%), which even erased the losses of June (-8.32%). The two asset classes are still clearly negative from a year to date perspective despite these good performances (-15.63% and -13.97%). The private equity segment achieved the best performance of the month across all asset classes, jumping by +14.68%. This spectacular performance could represent a change in risk appreciation by investors who are reconsidering risky assets. However, the asset class remains the source of the biggest cumulative loss since the beginning of the year (-23.12%). The real estate sector also returned to the upside in July. The asset class made a gain of +7.99% which almost erased the losses incurred in June (-8.56%) by taking advantage of the easing of interest rate pressure. Commodities are just below the neutral performance mark this month and are down -0.04%, a move due to the correction in crude oil prices. However, the asset class remains the big winner of these first 7 months of the year (+35.74% cumulative).

Financial market developments (performances in local currencies)

July ended with a positive performance for most financial assets. The S&P500 index even recorded its best monthly result (+9.2%) since November 2020 and international bonds ended the month in positive territory (+1.78%) with their best result since July 2020. However, this period was full of negative surprises with the publication of persistent US inflation (+9.1%) and a surprise negative growth of the US GDP (-0.9%) in the second quarter, against the backdrop of a 0.75 bp increase in the US Federal Reserve's key rates. The financial markets thus took the opposite view of these elements, certainly relieved by the rapid reversal of the trend in long-term rates. Hedge funds (+0.54%) largely underperformed during this period of recovery in international equities (+3.42%), real estate (+7.99%) and private equity (+14.68%) and do not seem to have anticipated the stock market recovery that has begun. The fears that caused financial assets to fall have thus been realized in recent weeks, with the exception of those related to the evolution of corporate results. The earnings season has indeed so far gone better than many had feared, with a high proportion of companies beating analysts' expectations. The rapid adjustment in 10-year bond yields (-100 bps) has largely contributed to the change in risk perception and will support the flow of funds into risky assets. A stabilization of long rates at current levels is likely in the coming months if the inflation trajectory finally shows the expected signs of easing.

PERFORMANCE OF ASSET CLASSES

JULY

+ 14.68%	Private equity
+ 9.29%	US Equities
+ 7.99%	International Real Estate
+ 3.42%	International Equities
+ 1.78%	International Bonds
+ 1.34%	US Bonds
+ 0.54%	Hedge Funds
- 0.04%	Commodities

YTD

+ 35.74%	Commodities
- 4.87%	Hedge Funds
- 7.68%	US Bonds
- 13.27%	International Bonds
- 13.97%	US Equities
- 13.99%	International Real Estate
- 15.63%	International Equities
- 23.12%	Private equity

COMMENTS BY ASSET CLASS

Fixed Income

The effects of changing expectations were even more extreme in July than in June in most markets. The focus on recessionary risks outweighed inflationary fears and thus caused long rates to accelerate downwards by about 50 bps. accelerated the decline in long rates by about 50 bps. As a result, ten-year rates have corrected by almost 100 bps since their peak level in June. Yields fell from 1.5% to 0.5% in Switzerland, from 3.5% to 2.5% in the United States and from 1.75% to 0.77% in Germany. The yield curves are now lower at the end of July than they were in June and even in May in the central part in particular.

Equities

Equity markets finally reacted favorably in July to lower interest rates after being rather cautious in June. A better earnings season also encouraged some risk-taking. Risk appetite partly returned in July, particularly in technology stocks, which were particularly badly hit in the first half of the year. Enthusiasm is not yet total as we note the still exceptional level of short positions by large speculative investors and the historically very low allocations of institutional investors. Sentiment remains cautious but it could be difficult to hold the massive short positions still held by hedge funds if the S&P500 manages to rise above its 100-day average of 4,120 points.

Commodities

The commodities sector is again moving just below the neutral performance mark in July. Indeed, after having experienced a lightning correction in June (-7.64%), the segment still drastically reduced its negative momentum (-0.04%). The performance of the asset class is mainly due to the correction in crude oil prices, which even reached 87 dollars during the month under the pressure of the recession outlook. Nevertheless, the asset class remains the big winner of the first seven months of the year, accumulating a spectacular gain of +35.74%.

Real Estate

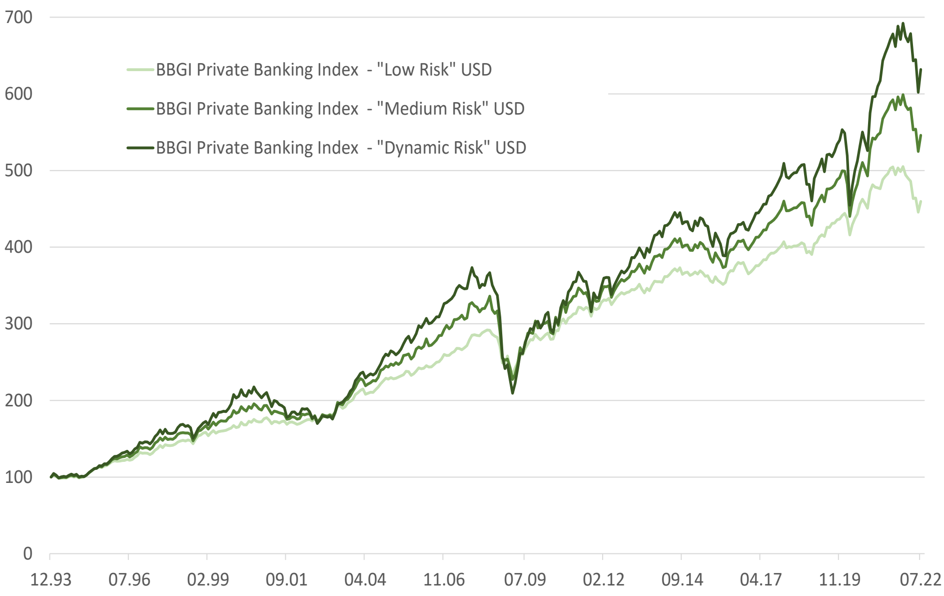
The sector suffered greatly in the first part of the year from the tightening of monetary policy by central banks and the increase in interest rates. However, securitised real estate investments benefited in July from the easing of the trend on these rates and are regaining the interest of investors. The asset class is positive this month (+7.99%).

BBGI Group Private Banking Indices - Historical Performances in USD

	Last three months			YTD	Full Year				Annualized Perfomances	
	May 2022	June 2022	July 2022	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2021	1993 to date
BBGI Group PBI "Low risk" (65% fxd income)	0.11%	-3.93%	3.10%	-9.03%	-3.79%	-8.29%			4.96%	5.48%
BBGI Group PBI "Medium risk" (45% fxd income)	0.18%	-5.27%	4.02%	-8.85%	-2.87%	-9.78%			10.40%	6.12%
BBGI Group PBI "Dynamic risk" (25% fxd income)	0.25%	-6.61%	4.93%	-8.71%	-1.95%	-11.27%			16.05%	6.66%
Sub-Indices										
US Bonds	0.12%	-0.72%	1.34%	-7.68%	-5.45%	-3.65%			-2.30%	4.23%
International Bonds	-0.07%	-3.15%	1.78%	-13.27%	-6.46%	-8.91%			-6.97%	3.65%
US Equities	-0.27%	-8.32%	9.29%	-13.97%	-5.31%	-16.87%			26.45%	9.12%
International Equities	0.72%	-8.60%	3.42%	-15.63%	-5.44%	-13.73%			7.82%	4.91%
Private equity	2.73%	-14.84%	14.68%	-23.12%	-12.08%	-23.75%			51.75%	8.45%
Hedge Funds	-1.10%	-1.80%	0.54%	-4.87%	-1.69%	-3.75%			3.68%	5.53%
International Real Estate	-4.28%	-8.56%	7.99%	-13.99%	-3.77%	-17.23%			27.21%	6.94%
Commodities	5.07%	-7.64%	-0.04%	35.74%	32.13%	2.01%			40.35%	2.07%
Forex										
USD/EUR	-1.77%	2.38%	2.58%	11.28%	2.76%	3.19%			7.42%	-0.96%

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



Sources : Bloomberg, BBGI Group SA