BBGI Group SA – Place de Longemalle 1 - 1204 Genève - Suisse
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# BBGI PRIVATE BANKING INDICES USD

A BBGI exclusivity since 1999

September 2021

## Commodities is the only asset class in positive territory this September

### NEGATIVE PERFORMANCE FOR THE THREE BBGI PRIVATE BANKING INDICES IN SEPTEMBER

| | | |
|---|---|---|
| **BBGI Private Banking Index « Low Risk »** | **-2.01%** | **(YTD +2.73%)** |
| **BBGI Private Banking Index « Moderate Risk »** | **-2.23%** | **(YTD +6.78%)** |
| **BBGI Private Banking Index « Dynamic Risk »** | **-2.44%** | **(YTD +10.96%)** |

## Comments (performances in USD)

All three BBGI Private Banking indices finish September in troubled territory. Indeed, the low-risk strategy realized a negative result of -2.01%. The moderate risk index did slightly poorer and slipped by -2.23%, while the dynamic risk strategy lost -2.44%. The three strategies are under the zero-performance level for only the second time this year while still showing positive YTD performances (+2.73%, +6.78% and +10.96%). Bond markets are once again in the red in September, establishing a bearish trend. The US segment performed the less poorly, slipping by only -1.15%. The international segment lost -2.26% and remains at the bottom of the list in YTD (-5.93%). The equity markets are now starting to suffer from the rise in bond yields. The US segment is dropped for the second time in a row and has fallen sharply this month (-4.75%). The international equity class fell back into negative territory in September after a brief surge above the zero-performance level last month (+1.90%). The private equity sector, which until now has attracted capital from all sides and produced spectacular performances since the beginning of the year (+38.27%) is experiencing its first month of decline since December 2020 (-5.14%). Hedge funds, which have performed very poorly since the beginning of the year, proved to be more resilient in the context of the widespread drop in asset classes (-0.38%). The international real estate segment is the most affected this month, falling by 5.71% and achieving the worst performance of all asset classes included. Commodities were boosted by the rise in crude oil prices, making them the only asset class to post an increase this month (+6.03%).

## Financial market developments (performances in local currencies)

September was dominated by the Fed's comments on inflation and monetary policy. The Fed meeting was highly anticipated after a long summer break. It did not fundamentally surprise any of the interested observers, but by announcing a forthcoming shift in its policy of liquidity injections, it did significantly alter the investment climate. Finally, the Chair of the Fed also referred to the progression of inflation in the United States, pointing out that the phenomenon appears to be more persistent than previously anticipated. The difficulties in supply chains and the distribution logistics, as well as the stress in the labor market, have already been contributing to increasing inflation figures for several quarters already, which are often at historically high levels. At the very end of the month, we witnessed the first adjustments to the capital and equity markets. Long-term yields tightened by about 30 basis points and were once more heading toward the rates we witnessed in January 2021. The rise in yield curves initiated in the United States by the Fed's announcement of change in its monetary policy quickly spread to most of the other markets. It also coincided with the fading of concerns, which had previously emerged with the appearance of the Delta variant. This confirms again our previous forecast for a « tapering » that will begin at the end of this year. Financial markets finally responded to this eventuality. As for the capital markets, the decline in long-term yields was largely reversed, with all markets recording negative returns in September from -1% to -3%. In the United States, the ten-year US Treasury yields are back to almost 1.6% after having tumbled to 1.15% in August. On the equity markets, we also witnessed changes in the expectations that have become more realistic and that have caused the stock market indices to decline significantly (-3.2International real estate (-5.71%) also suffered from profit taking programs, while commodities (+6.03%) took advantage of the strong economy, higher energy prices and inflationary pressures.

### PERFORMANCES BY ASSET CLASSES (USD)

#### SEPTEMBER

| | |
|---|---|
| + 6.03% | Commodities |
| - 0.38% | Hedge Funds |
| - 1.15% | US Fixed Income |
| - 2.26% | International Fixed Income |
| - 3.20% | International Equities |
| - 4.75% | US Equities |
| - 5.14% | Private Equity |
| - 5.71% | International Real Estate |

#### YTD

| | |
|---|---|
| + 38.27% | Commodities |
| + 37.30% | Private Equity |
| + 15.26% | International Real Estate |
| + 14.99% | US Equities |
| + 5.90% | International Equities |
| + 3.57% | Hedge Funds |
| - 2.56% | US Fixed Income |
| - 5.93% | International Fixed Income |

## COMMENTS BY ASSET CLASS

### Fixed Income

A difficult end to the quarter for the bond markets, which all had negative performances. The majority of 10-year yields rebounded up to about 30 basis points in an environment that was characterized by central bank communications which were more committed to communicating about policy normalization than to highlight the risk of a slowdown in the economic growth. The uncertainties associated with the Delta variants have diminished and the threat of inflation finally seems to be taken more seriously. The expected turnaround in the perception of risk and in the trend did finally materialize when the Fed officially announced its intention to « tapering » as we expected.

### Equities

Equity markets are now recognising the risks of rising interest rates and the future earnings factor. Fear of not participating in the bull market (FOMO) is diminishing amid technical and quantitative factors suggesting a higher risk of a persistent trend reversal. Rising production prices, hiring difficulties added to logistical problems now pose risks to companies' profit growth expectations and margins. The forthcoming end of the year could also encourage a phase of widespread profit-taking with significant impacts on stock market index levels.

### Commodities

Despite a generalized decline in the vast majority of asset classes in the index, the commodities segment was the only positive performer in September (+6.03%). Despite the weakness of precious metals such as gold (-3.36%) and silver (-8.16%), the asset class was buoyed by the bullish rally in oil prices, which resumed in September after a slight easing in the previous period.

### Private Equity

For the first time since November 2020, the sector delivered a disappointing performance. Indeed, the asset class did not exempt itself from the general downturn seen in the all sectors that affected the financial markets in September. The rise in yield curves initiated in the United States by the Fed's announcement to modify its monetary policy has quickly spread to most of the other markets. Investors are starting to take into account the consequences of the commencement of « tapering » at the end of the year and the riskiest assets are already suffering (-5.14%).

**BBGI Group Private Banking Indices - Historical Performances in USD**

| | Last three months | | | YTD | Full Year | | | | Annualized Perfomances | |
|---|---|---|---|---|---|---|---|---|---|---|
| | July 2021 | August 2021 | September 2021 | Current Year | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr | 2020 | 1993 to date |
| BBGI Group PBI "Low risk" (65%fxd income) | 1.36% | 0.39% | -2.01% | 2.73% | -1.04% | 3.03% | 2.73% | | 9.08% | 5.93% |
| BBGI Group PBI "Medium risk" (45%fxd income) | 1.43% | 0.74% | -2.23% | 6.78% | 1.22% | 6.88% | 6.78% | | 8.60% | 6.53% |
| BBGI Group PBI "Dynamic risk" (25%fxd income) | 1.50% | 1.09% | -2.44% | 10.96% | 3.48% | 10.85% | 10.96% | | 7.79% | 7.05% |
| **Sub-Indices** | | | | | | | | | | |
| US Bonds | 1.27% | -0.15% | -1.15% | -2.56% | -4.33% | -2.53% | -2.56% | | 7.98% | 4.70% |
| International Bonds | 1.63% | -0.57% | -2.26% | -5.93% | -5.68% | -4.75% | -5.93% | | 10.11% | 4.40% |
| US Equities | 2.34% | 2.91% | -4.75% | 14.99% | 5.37% | 14.63% | 14.99% | | 22.73% | 9.98% |
| International Equities | -1.65% | 1.90% | -3.20% | 5.90% | 3.49% | 9.16% | 5.90% | | 10.65% | 5.77% |
| Private equity | 7.61% | 2.18% | -5.14% | 37.30% | 12.86% | 31.64% | 37.30% | | 10.47% | 9.90% |
| Hedge Funds | -0.44% | 0.68% | -0.38% | 3.57% | 1.29% | 3.72% | 3.57% | | 6.82% | 5.91% |
| International Real Estate | 3.87% | 1.35% | -5.71% | 15.26% | 6.11% | 16.11% | 15.26% | | -8.22% | 7.65% |
| Commodities | 1.57% | -2.30% | 6.03% | 38.27% | 13.55% | 31.40% | 38.27% | | -25.73% | 0.96% |
| **Forex** | | | | | | | | | | |
| USD/EUR | -0.08% | 0.49% | 2.01% | 5.52% | 4.14% | 3.03% | 5.52% | | -5.99% | -1.32% |

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