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BBGI GROUP Global Investments

BBGI OPP2 COMPLIANT STRATEGIES & INDICES CHF

A BBGI exclusivity since 1999

December 2022

Annualized performance of **+4.77%** to **+5.41%**

No year-end market rally in 2022

NEGATIVE PERFORMANCE FOR THE THREE BBGI OPP2 COMPLIANT INDICES IN DECEMBER

BBGI OPP2 Compliant Index « Low Risk »	**- 2.41%**	**(YTD -14.01%)**
BBGI OPP2 Compliant Index « Medium Risk »	**- 2.75%**	**(YTD -14.40%)**
BBGI OPP2 Compliant Index « Dynamic Risk »	**- 3.10%**	**(YTD -14.82%)**

Comments (performances in Swiss Francs)

The fourth quarter is ending in the same way as the year 2022. Indeed, the vast majority of asset classes are moving into negative territory and pulling the BBGI OPP2 Compliant indices down. The “Low Risk” index is down -2.41% this month, the moderate risk strategy is following a similar path and is down -2.75%. The dynamic risk approach achieves the worst performance of the month -3.10%. All three strategies have had negative performances since January in the context of a marked correction on the financial markets (-14.01%, -14.40% and -14.82% respectively). The bond markets were in the red in December, with the domestic segment falling by -2.62% and erasing the gains of the last two months (+0.67% and +1.48%). Internationally, the decline is slightly smaller (-1.71%) but the negative trend is confirmed (-1.11% in November). Both asset classes have accumulated losses since the beginning of the year (-12.10% and -15.18%). The equity markets are also in negative territory. The Swiss segment is making a loss this month (-3.27%), while the international segment is following a similar path and falling even more sharply (-6.91%). The asset classes suffered strongly from the general context and fell sharply YTD (-16.48% in Switzerland and -17.42% internationally). Real estate markets were also severely punished by the restrictive monetary policy of central banks during 2022. Nevertheless, Swiss securitized real estate advanced by +1.48% and was the only asset class to move into positive territory in December. Conversely, the international segment fell back below neutral performance and dropped sharply by -5.64% in December. Both segments recorded sharp corrections over the year (-15.17% in Switzerland and -23.37% internationally). Commodities are reversing their slightly positive trend of recent months. Indeed, the repeated contractions in oil and gas prices have weighed on the performance of the asset class, which has fallen by -2.80%. However, it remains the only asset class to post a positive performance since January (+12.97%) in a particularly tense context in which a negative correlation has been observed for the vast majority of asset classes.

Financial market developments (performances in local currencies, USD)

After nine particularly difficult months for the vast majority of financial markets and, in practice, all asset classes, which often marked historical records for negative performance, the last quarter of 2022 ended on a fairly positive note across the board. The stock market recovery seen mainly in October and November will thus have made it possible to reduce some of the stock market losses of the first nine months and to offer a perhaps finally better outlook for the year 2023, in contrast with the general feeling of extreme anxiety among investors that still prevailed at the end of September. The expectation in the third quarter that the Federal Reserve would slow down significantly as it approached its expected maximum policy rate target for 2023 helped to calm the situation somewhat. The bulk of the expected adjustment in monetary policy seemed to have already been achieved in December with the increase of 0.25% to 4.5% in the discount rate in only ten months, leaving only two potential increases of 0.25% in 2023, if the announced target of 5% were to be maintained. The Q4 stock market recovery still looks fragile, but 2023 should be a calmer year on the inflation and monetary policy fronts, which have been the two most important factors penalizing stock markets. The gradual decline in inflation should be accompanied by a decrease in capital market tensions and provide a more positive environment for financial assets.

PERFORMANCE OF ASSET CLASSES

DECEMBER

+ 1.48%	Swiss Real Estate
- 0.48%	Hedge Funds
- 1.71%	International Bonds
- 2.62%	Swiss Bonds
- 2.80%	Commodities
- 3.27%	Swiss Equities
- 5.64%	International Real Estate
- 6.61%	Private Equity
- 6.91%	International Equities

YTD

+ 12.97%	Commodities
- 6.98%	Hedge Funds
- 12.10%	Swiss Bonds
- 15.17%	Swiss Real Estate
- 15.18%	International Bonds
- 16.48%	Swiss Equities
- 17.42%	International Equities
- 23.37%	International Real Estate
- 32.99%	Private Equity

COMMENTS BY ASSET CLASS

Bonds

Despite the publication in December of virtually zero monthly inflation in the United States (+0.1%), fixed income markets were instead marked by profit-taking at the end of the year. The correlation remained high between the various bond markets, which fell across the board, particularly in Europe (-3.6%) and the UK (-4.3%). Ten-year US Treasury yields rose from 3.6% to 3.85%, while emerging markets (+0.85%) and the high yield segment (+0.66%) were the only ones to record small gains. Current yields still seem attractive in view of the expected inflation and global economic developments in 2023, as well as the positive risk scores.

Equities

Equity markets also reacted by taking profits before the end of the year after eight weeks of rising prices. Better than expected inflation and a softening of US Federal Reserve monetary policy were not enough to improve sentiment significantly to counteract year-end tax optimism selling. However, the year ended with a welcomed but still fragile quarterly stock market recovery, particularly in the technology sector, whose large stocks are not yet benefiting from the improvement in the stock market climate. The beginning of the year should benefit from risk scores that are still favorable.

Commodities

Commodities ended the last month of the year down. Indeed, the segment has been particularly volatile over the year 2022. With the announcement of Russia's entry into Ukraine, crude oil prices soared, and gas followed the same trajectory. Since then, energy supply fears have eased and the winter is proving less severe than usual, resulting in a massive correction in oil and gas in the second half of the year. Fears of a recession in 2023 completed a rather negative picture for energy at the end of the year as well as for industrial metals. The segment fell by -2.80% in December but remains the best performer for the year (+12.97%).

Real Estate

The restrictive monetary policy of central banks will have had an overall negative impact on the securitized real estate sector during 2022. Only the recent relief from interest rate pressure has been able to support the segment, particularly in Switzerland (+1.48%). Both asset classes nevertheless accumulated heavy losses over the year (-15.17% in Switzerland and -23.37% internationally).

BBGI OPP2 Compliant Indices (Monthly Indices)

Performances in Swiss Francs	last 3 months: October 2022	November 2022	December 2022	YTD: Year to date	Current Year: 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Annualized performances: 2021	Annualized perf fm 1984 to date**
BBGI OPP2 Compliant "Low Risk"	1.61%	1.47%	**-2.41%**	**-14.01%**	-4.96%	-2.40%	-2.86%	0.63%	5.61%	4.77%
BBGI OPP2 Compliant "Medium Risk"	2.34%	1.79%	**-2.75%**	**-14.40%**	-4.49%	-3.10%	-3.25%	1.30%	9.36%	5.11%
BBGI OPP2 Compliant "Dynamic Risk"	3.06%	2.10%	**-3.10%**	**-14.82%**	-4.02%	-3.80%	-3.65%	1.97%	13.22%	5.41%
Assets										
Swiss Bonds	0.67%	1.48%	**-2.62%**	**-12.10%**	-6.06%	-7.02%	-1.61%	-0.52%	-1.82%	3.39%
International Bonds	0.75%	-1.11%	**-1.71%**	**-15.18%**	-5.17%	-7.34%	-3.84%	-2.07%	-1.72%	3.64%
Swiss Real Estate	-1.11%	1.56%	**1.48%**	**-15.17%**	-4.17%	-11.68%	-2.21%	1.92%	7.32%	6.03%
International Real Estate	3.82%	2.58%	**-5.64%**	**-23.37%**	-2.39%	-10.28%	-8.98%	0.50%	25.63%	4.61%
Swiss Stocks	4.84%	2.87%	**-3.27%**	**-16.48%**	-5.51%	-8.81%	-4.83%	4.32%	23.38%	8.36%
International stocks	7.89%	2.42%	**-6.91%**	**-17.42%**	-4.24%	-10.56%	-3.88%	2.86%	22.05%	6.01%
Commodities *	1.67%	2.29%	**-2.80%**	**12.97%**	25.17%	1.86%	-4.86%	1.09%	25.81%	-1.10%
Private Equity *	10.01%	9.34%	**-6.61%**	**-32.99%**	-11.92%	-24.56%	-10.06%	12.33%	49.92%	13.91%
Hedge Funds *	-0.15%	-0.18%	**-0.48%**	**-6.98%**	-1.98%	-3.83%	-0.15%	-0.81%	2.55%	0.40%
* hedged in Swiss Francs										
Forex										
USD/CHF	0.97%	1.45%	**-5.55%**	**3.59%**	4.21%	-3.13%	3.34%	-6.33%	3.81%	-2.69%
EUR/CHF	-1.58%	2.32%	**-0.58%**	**-5.15%**	-5.55%	0.16%	-3.37%	2.29%	-3.66%	-2.07%

****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