BBGI Group SA – Place de Longemalle 1 - 1204 Geneva - Switzerland
www.BBGI.ch

BBGI GROUP Global Investments

# BBGI OPP2 COMPLIANT STRATEGIES & INDICES CHF

*A BBGI exclusivity since 1999*

*February 2023*

Annualized performance of +4.80% to +5.47%

# Uncertainty returns to markets in February

## NEGATIVE PERFORMANCES FOR THE THREE BBGI OPP2 COMPLIANT INDICES IN FEBRUARY

| | | |
|---|---|---|
| **BBGI OPP2 Compliant Index « Low Risk »** | **- 0.82%** | **(YTD + 2.00%)** |
| **BBGI OPP2 Compliant Index « Medium Risk »** | **- 0.85%** | **(YTD + 2.48%)** |
| **BBGI OPP2 Compliant Index « Dynamic Risk »** | **- 0.89%** | **(YTD + 3.88%)** |

## Comments (performances in Swiss Francs)

February was marked by a correction in the vast majority of asset classes in the financial markets. Indeed, all three BBGI OPP2 Compliant indices achieved negative performances this month. The Low Risk index is down by -0.82%, while the moderate risk strategy is slightly worse, losing -0.85%. The dynamic risk approach follows a similar path and loses -0.89%. Nevertheless, in cumulative terms, performance is still positive thanks to the exceptional month of January (+2.00%, +2.48% and +3.88% respectively). The bond markets fell back below the neutral performance mark in January. The domestic segment declined by -1.41% and almost erased last month's gains (+2.29%). The international segment proved to be a little more resilient this month and only fell by -0.58%. Since the beginning of the year, both asset classes remain positive (+0.85% and +1.76% respectively). The real estate segment is on either side of neutral performance this month. Indeed, the domestic segment is the only one to achieve a positive performance in February (+1.82%) and even erases the losses incurred last month (-0.36%). Conversely, the international segment is in negative territory (-2.45%) and is undergoing a correction after a spectacular January (+8.08%). Both asset classes are positive in YTD terms (+1.46% and +5.43% respectively). After reaching record highs and achieving a historic first month of the year, the equity markets were in the red in February. The Swiss equity market fell the most, losing -1.29%, while the international equity market declined less sharply (-0.77%). This correction is not enough to erase the positive performance of last month and overall, the asset classes are still clearly up YTD (+4.14% and +5.84%). Commodities are at the bottom of the table this year after being the only positive segment in 2022, they are down again in February (-5.05%). Fears of a hard landing are resurfacing and penalizing the sector. Private equity (-0.64%) and hedge funds (-0.78%) declined slightly, following the general trend.

## Financial market developments (performances in local currencies, USD)

After an exceptional January in terms of stock market performance for most assets, February proved to be marked by a clear return of uncertainty. A rebound in inflation in January (+0.5%) and a totally unexpected job creation figure (+517k) in the US disrupted the soft-landing scenario accompanied by a steady decline in inflationary risks. A seemingly stronger US economy has revived fears of further tightening of the Fed's monetary policy. In this context, expectations for a rate hike have been pushed back to September with a target rate of 5.4%, pulling yield curves up in their wake. In contrast to the still strong employment numbers, many statistics still suggest a significant slowdown in US growth and consumption. The recent rebound in yields reflects the return of fears that the Fed will be forced to tighten policy more significantly to control inflation. While not ruling out this possibility, we believe that the risks are now greater in Europe, where bond yields are still a long way from inflation levels, while the ECB's monetary policy has a long way to go to reach its zenith. After the euphoria of January and the doubts of February, the next few months will provide a little more information on the evolution of risks, especially for the overextended European equity markets.

## PERFORMANCE OF ASSET CLASSES

### FEBRUARY

| | |
|---|---|
| + 1.82% | Swiss Real Estate |
| - 0.58% | International Bonds |
| - 0.64% | Private Equity |
| - 0.77% | International Equities |
| - 0.78% | Hedge Funds |
| - 1.29% | Swiss Equities |
| - 1.41% | Swiss Bonds |
| - 2.45% | International Real Estate |
| - 5.05% | Commodities |

### YTD

| | |
|---|---|
| + 11.40% | Private Equity |
| + 5.84% | International Equities |
| + 5.43% | International Real Estate |
| + 4.14% | Swiss Equities |
| + 1.76% | International Bonds |
| + 1.46% | Swiss Real Estate |
| + 0.85% | Swiss Bonds |
| + 0.56% | Hedge Funds |
| - 5.80% | Commodities |

## COMMENTS BY ASSET CLASS

### Bonds

The rebound in monthly inflation came as a surprise in January and rekindled uncertainties about the sustainability of the more positive regime change observed in the second half of the year. The first monthly inflation figure (+0.5%) of the year 2023 contrasts with the negative figure of December in the United States (-0.1%) and revives the uncertainties of a prolonged tightening of the Fed's monetary policy. Capital markets reacted negatively and recorded declines of -3.3% erasing the January gains. The correlation between the various bond markets remained high. The current yields still seem attractive to us in view of the expected evolution of inflation and risk inflation and positive risk scores. Despite the neutral risk scores, the main risks are in Europe and the UK, which should suffer from further upward adjustments in yields.

### Equities

After a start to the year in risk-on mode, the return of uncertainty weighed on the markets, which stabilized in February after the significant gains of January. The strength of employment in the United States tends to reinforce the unlikely scenario of a no-landing scenario in inflation, which would force the Federal Reserve to raise interest rates any further. The most likely scenario remains that of a soft landing favorable to a repositioning in equities by investors after the 18% drop in global indices in 2022. However, risk scores are high in Europe and the United Kingdom.

### Commodities

Commodities correct sharply in February. Indeed, the segment is down by -5.05% this month. After having been the only asset class to be spared by the generalized correction, commodities are starting the year 2023 with two consecutive declines. The segment is very dependent on the evolution of the economic situation and fears of recession. The probability of a positive soft landing for energy prices still seems to us the most likely, despite the latest twists and turns in some economic figures such as US employment and inflation figures, which surprised on the upside, and which are pulling the segment down.

### Real Estate

The fixed income segment was on either side of neutral performance in February. Indeed, the Swiss class increased by +1.82% and erased the losses incurred in January (-0.36%). On the other hand, the international segment interrupted its positive trend by decreasing by -2.45% after having jumped last month by +8.08%. Since the beginning of the year, both asset classes are still in the green (+1.46% and +5.43%).

| BBGI OPP2 Compliant Indices (Monthly Indices) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Performances in Swiss Francs | last 3 months | | | YTD | Current Year | | | | Annualized performances | |
| | January 2023 | February 2023 | 2023 | Year to date | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | 2022 | Annualized perf fm 1984 to date** |
| **BBGI OPP2 Compliant "Low Risk"** | 2.84% | -0.82% | | **2.00%** | | | | | -14.01% | 4.80% |
| **BBGI OPP2 Compliant "Medium Risk"** | 3.36% | -0.85% | | **2.48%** | | | | | -14.40% | 5.15% |
| **BBGI OPP2 Compliant "Dynamic Risk"** | 3.88% | -0.89% | | **2.96%** | | | | | -14.82% | 5.47% |
| **Assets** | | | | | | | | | | |
| Swiss Bonds | 2.29% | -1.41% | | **0.85%** | | | | | -12.10% | 3.39% |
| International Bonds | 2.36% | -0.58% | | **1.76%** | | | | | -15.18% | 3.63% |
| Swiss Real Estate | -0.36% | 1.82% | | **1.46%** | | | | | -15.17% | 6.04% |
| International Real Estate | 8.08% | -2.45% | | **5.43%** | | | | | -23.37% | 4.78% |
| Swiss Stocks | 5.50% | -1.29% | | **4.14%** | | | | | -16.48% | 8.44% |
| International stocks | 6.66% | -0.77% | | **5.84%** | | | | | -17.42% | 6.14% |
| Commodities * | -0.79% | -5.05% | | **-5.80%** | | | | | 12.97% | -1.60% |
| Private Equity * | 12.12% | -0.64% | | **11.40%** | | | | | -32.99% | 14.94% |
| Hedge Funds * | 1.35% | -0.78% | | **0.56%** | | | | | -6.98% | 0.45% |
| * hedged in Swiss Francs | | | | | | | | | | |
| **Forex** | | | | | | | | | | |
| USD/CHF | -0.90% | 2.84% | | **3.21%** | | | | | 3.59% | -2.63% |
| EUR/CHF | 0.56% | 0.14% | | **-3.95%** | | | | | -5.15% | -1.24% |

**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*


**he systematic diversified strategies of the BBGI OPP2 COMPLIANT indexes have produced returns of +4.80% to +5.47% annualized since 1984 to date.**

The composition of our indices is available upon request.