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BBGI GROUP Global Investments

BBGI OPP2 COMPLIANT STRATEGIES & INDICES CHF

A BBGI exclusivity since 1999

May 2023

Annualized performance of +4.80% to +5.44%

Markets hit by US debt uncertainty

POSITIVE PERFORMANCES FOR TWO OF THE THREE BBGI OPP2 COMPLIANT INDICES IN MAY

BBGI OPP2 Compliant Index « Low Risk »	**+0.36%**	**(YTD +2.97%)**
BBGI OPP2 Compliant Index « Medium Risk »	**+0.06%**	**(YTD +3.15%)**
BBGI OPP2 Compliant Index « Dynamic Risk »	**- 0.23%**	**(YTD +3.33%)**

Comments (performances in Swiss Francs)

In May, most asset classes were in negative territory, but two of the three BBGI OPP2 Compliant strategies still achieved positive performance. Indeed, the low-risk approach advanced by +0.36% and the Medium Risk Index gained +0.06% over the month. The dynamic risk strategy, on the other hand, declined by -0.23% in May. Nevertheless, all three indices have been in positive territory since the start of the year, with cumulative gains of +2.97%, +3.15% and +3.33% respectively. The bond markets were once again on either side of neutral performance in May. The domestic market continued its positive trend of recent months, intensifying in May (+0.55% in March, +0.84% in April and +1.33% in May). The international class, on the other hand, declined by -0.19%, continuing the trend begun in April. Since the beginning of the year, the Swiss class has been in the green (+3.61%), while the international class has posted a negative performance (-0.08%). The real estate segment is also mixed. Swiss real estate is once again gaining ground but is reducing its momentum (+1.67% in April, then +0.35% in May). Internationally, the trend is still clearly negative (-2.46% in May). Since the beginning of the year, the domestic segment has grown by +1.59%, while internationally the trend has been the opposite (-3.36%). The equity markets that make up our indices achieve mixed performances in May. In Switzerland, the positive trend since the beginning of the year was temporarily interrupted (-1.89%). On the international front, performance was positive (+1.37%). Since the beginning of the year, however, both segments have posted excellent performances (+7.67% and +6.79% respectively). Commodities are continuing their free-fall and increasing their negative momentum. Fears of recession and Chinese demand still falling short of expectations dragged down energy and metals in May (-6.00%). Private equity declined this month (-1.13%), and alternative investments also fell below the neutral performance mark (-0.82%).

Financial market developments (performances in local currencies, USD)

The month of May was certainly more influenced by the political risks associated with the need to raise the US debt ceiling quickly to avoid a US government default in June than by economic statistics. Rates on T-Bills and US Treasury bonds temporarily took this insolvency risk into account, before easing at the end of the month when a political agreement was finally reached between Republicans and Democrats. Ten-year yields had risen from 3.42% to 3.85% during the period of uncertainty, while 1-month T-Bills jumped from 4.2% to 5.74%, before falling back to 5.13% at the end of the month. This uncertainty weighed on bond markets, which lost an average of nearly -2%, while equity markets were more mixed, with the Nikkei up +7% and the FTSE 100 down -5%, for an overall performance of -1% for the MSCI World index. The rebound in interest rates did not go unnoticed by international real estate stocks, which suffered a further decline of -4.8% on average. European listed real estate companies suffered a more brutal shock (-7.8%) and returned to their 2022 lows. As for commodities, the -6.1% decline in the S&P Commodities index essentially reflected investors' loss of patience with China's economic recovery, which is not materializing clearly enough and is pushing down energy (-8.4%) and industrial metals (-6.7%) prices. All asset classes were thus penalized during the month, although inflation, employment and growth statistics did not bring new sources of tension sufficient to call into question the ongoing stock market recovery.

PERFORMANCE OF ASSET CLASSES

MAY

+ 1.37%	International Equities
+ 1.33%	Swiss Bonds
+ 0.35%	Swiss Real Estate
- 0.19%	International Bonds
- 0.82%	Hedge Funds
- 1.13%	Private Equity
- 1.89%	Swiss Equities
- 2.46%	International Real Estate
- 6.00%	Commodities

YTD

+ 7.67%	Swiss Equities
+ 7.40%	Private Equity
+ 6.79%	International Equities
+ 3.61%	Swiss Bonds
+ 1.59%	Swiss Real Estate
- 0.08%	International Bonds
- 1.94%	Hedge Funds
- 3.36%	International Real Estate
- 12.91%	Commodities

COMMENTS BY ASSET CLASS

Bonds

The rebound in interest rates in May in most countries is only very partially justified by slipping inflation in some countries. On the contrary, we believe it is essentially linked to the American problem of raising the debt ceiling, which temporarily pushed up US Treasury yields. The resolution of this uncertainty should enable a new phase of downward adjustment in dollar yields as early as June, particularly if May inflation figures published in June turn out to be close to current expectations of barely +4%/year. Key rates of 5.25% would then be 125 bps above annual inflation, reinforcing expectations of further Fed monetary policy easing.

Equities

Equity market risk scores are broadly unchanged against this backdrop of temporary tensions on yield curves. A rather positive season of companies' results, prospects of yields adjusting downwards, and a possible easing of monetary policy are likely to be the main factors supporting a continuation of the upward trend in the markets. Japan's risk score has moved into the danger zone, while the United States, Canada and emerging markets are in the low-risk zone.

Commodities

Uncertainty and disappointment over China's recovery penalize the performance of the energy (-8.4%) and industrial metals (-6.7%) segments. The segment continued its freefall, plunging by -6.00% in May. Since the beginning of the year, the star sector of 2022 has posted a 5-month loss of -12.91%.

Real Estate

The real estate segment, which was hit by the credit crunch during the banking crisis in March, is still struggling to recover from this disruption and is enduring the short-term rise in interest rates. The international segment declined again in May (-2.46%), a loss that reinforces the negative performance since the beginning of the year (-3.36%). In Switzerland, the situation was different, and performance remained positive in May (+0.35%).

BBGI OPP2 Compliant Indices (Monthly Indices)

Performances in Swiss Francs	last 3 months			YTD	Current Year				Annualized performances	
	March 2023	April 2023	May 2023	Year to date	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2022	Annualized perf fm 1984 to date**
BBGI OPP2 Compliant "Low Risk"	-0.08%	0.67%	0.36%	**2.97%**	1.92%				-14.01%	4.80%
BBGI OPP2 Compliant "Medium Risk"	-0.20%	0.79%	0.06%	**3.15%**	2.28%				-14.40%	5.14%
BBGI OPP2 Compliant "Dynamic Risk"	-0.32%	0.91%	-0.23%	**3.33%**	2.63%				-14.82%	5.44%
Assets										
Swiss Bonds	0.55%	0.84%	1.33%	**3.61%**	1.40%				-12.10%	3.44%
International Bonds	0.22%	-1.83%	-0.19%	**-0.08%**	1.98%				-15.18%	3.60%
Swiss Real Estate	-1.85%	1.67%	0.35%	**1.59%**	-0.42%				-15.17%	6.01%
International Real Estate	-5.51%	-0.55%	-2.46%	**-3.36%**	-0.37%				-23.37%	4.49%
Swiss Stocks	1.70%	3.62%	-1.89%	**7.67%**	5.91%				-16.48%	8.47%
International stocks	0.50%	-0.95%	1.37%	**6.79%**	6.36%				-17.42%	6.13%
Commodities *	-0.53%	-1.13%	-6.00%	**-12.91%**	-6.30%				12.97%	-2.24%
Private Equity *	-4.94%	2.58%	-1.13%	**7.40%**	5.90%				-32.99%	14.59%
Hedge Funds *	-1.72%	0.04%	-0.82%	**-1.94%**	-1.17%				-6.98%	0.24%
* hedged in Swiss Francs										
Forex										
USD/CHF	-2.86%	-2.26%	1.80%	**-1.49%**	0.26%				3.59%	-2.69%
EUR/CHF	-0.44%	-0.68%	-1.22%	**-1.63%**	-4.37%				-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

The systematic diversified strategies of the BBGI OPP2 COMPLIANT indexes have produced returns of +4.80% to +5.44% annualized since 1984 to date.

The composition of our indices is available upon request.