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BBGI GROUP Global Investments

BBGI PRIVATE BANKING STRATEGIES & INDICES USD

A BBGI exclusivity since 1999

May 2023

Annualized performance of +5.22% to +6.37%

US debt uncertainty interrupts uptrend

NEGATIVE PERFORMANCE FOR THE THREE BBGI PRIVATE BANKING USD INDICES IN MAY

BBGI Private Banking Index « Low Risk »	**-1.78%**	**(YTD +2.71%)**
BBGI Private Banking Index « Medium Risk »	**-1.92%**	**(YTD +2.85%)**
BBGI Private Banking Index « Dynamic Risk »	**-2.06%**	**(YTD +2.98%)**

Comments (performances in USD)

Financial markets suffered in May from the instability caused by the US debt issue. Indeed, most of the asset classes making up our indices moved into negative territory this month. The low-risk approach declined by -1.78%, while the moderate-risk strategy followed a similar path, falling by -1.92%. The dynamic risk index posted the worst performance of the month, losing -2.06%. The three BBGI Private Banking USD strategies are still performing positively in YTD terms (+2.71%, +2.85, +2.98% respectively). The bond markets interrupted the trend that had been running for some months. Indeed, the domestic class is down by -1.15%, and the international trend is even stronger (-2.17%). Since the beginning of the year, the two asset classes have still achieved positive cumulative performances of +2.59% and +1.67% respectively. Equity markets were also mixed in May. The domestic segment nonetheless posted a slight increase of +0.60%, while the international asset class fell by -3.64%. Since January, however, both segments have posted good cumulative performances of +9.58% in the US and +4.77% internationally. Private equity also declined in May (-0.91%), after a brief surge into positive territory in April (+2.83%), demonstrating investors' loss of confidence this month. Since the start of the year, however, the asset class has posted one of the best cumulative gains, gaining +8.60% since January. The alternative investment segment also moved into negative territory in May. The asset class lost -0.46%, wiping out the gains made in April (+0.34%). In cumulative terms since January, the segment is down -0.37%. International real estate suffered from the temporary rebound in interest rates, falling by -4.41% and moving back into negative territory in cumulative terms since the start of the year (-1.55%). The commodities segment continued its negative trend and even increased it in May, falling by a massive -6.11%. Indeed, the Chinese economic recovery, which is still falling short of observers' expectations, and fears of a severe recession are dragging down metals and energy prices this month. Since the beginning of the year, the star segment of 2022 has posted a very negative performance of -11.42%.

Financial market developments (performances in local currencies)

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 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 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 almost -2% on average, while equity markets showed more contrasting trends, 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 averaging -4.41%. European-listed real estate companies suffered a more brutal shock (-7.8%), retesting 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 (USD)

MAY

+ 0.60%	US Equities
- 0.46%	Hedge Funds
- 0.91%	Private equity
- 1.15%	US bonds
- 2.17%	International Bonds
- 3.64%	International Equities
- 4.41%	International Real Estate
- 6.11%	Commodities

YTD

+ 9.58%	US Equities
+ 8.60%	Private equity
+ 4.77%	International Equities
+ 2.59%	US bonds
+ 1.67%	International Bonds
- 0.37%	Hedge Funds
- 1.55%	International Real Estate
- 11.42%	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 allow a new phase of downward adjustment in dollar yields as early as June, particularly if May inflation published in June turns out to be close to current expectations of just +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 globally unchanged against this backdrop of temporary yield curve tensions. A fairly positive corporate earnings season, the prospect of a downward adjustment in yields and the possible easing of monetary policy should be the main factors supporting a continuation of the uptrend in the markets. Japan's risk score has moved into the danger zone, while the USA, Canada and emerging markets are in the low-risk zone.

Commodities

Uncertainty and disappointment over China's recovery penalized the performance of the energy (-8.4%) and industrial metals (-6.7%) segments. The segment continued its free-fall, plunging -6.11% in May. Since the beginning of the year, the star sector of 2022 has posted a 5-month loss of -11.42%.

Real Estate

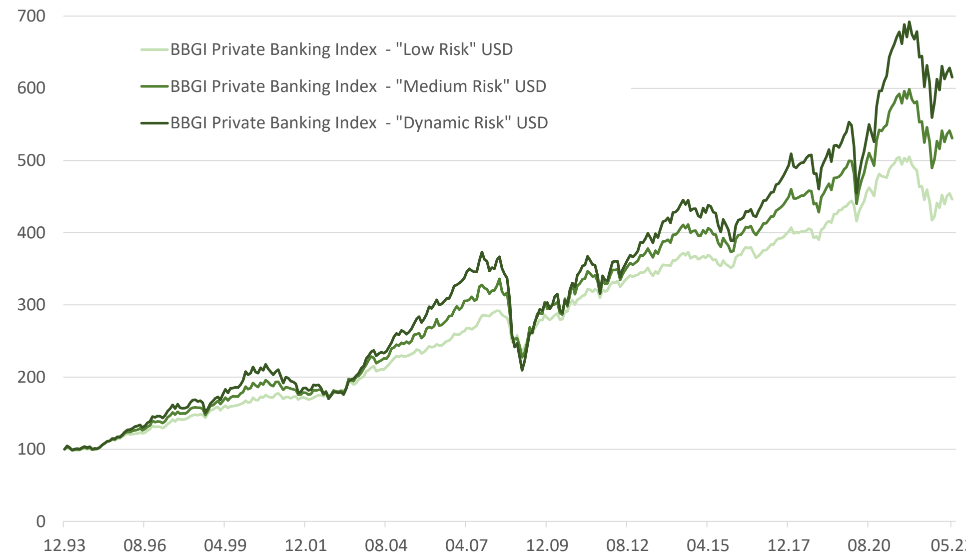
The real estate segment, which suffered from fears of access to credit during the banking crisis in March, is still struggling to recover from this disruption and is enduring the short-term rise in interest rates. The international segment fell once again in May (-4.41%), a loss which pushed the segment's cumulative performance for the year into negative territory (-1.55%).

BBGI Group Private Banking Indices - Historical Performances in USD

	Last three months			YTD	Full Year				Annualized Perfomances	
	March 2023	April 2023	May 2023	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2023	1993 to date
BBGI Group PBI "Low risk" (65% fxd income)	2,63%	0,74%	-1,78%	2,71%	3,80%				-14,00%	5,22%
BBGI Group PBI "Medium risk" (45% fxd income)	2,03%	0,90%	-1,92%	2,85%	3,93%				-13,79%	5,84%
BBGI Group PBI "Dynamic risk" (25% fxd income)	1,43%	1,06%	-2,06%	2,98%	4,04%				-13,65%	6,37%
Sub-Indices										
US Bonds	2,87%	0,54%	-1,15%	2,59%	3,23%				-12,61%	4,05%
International Bonds	3,78%	0,41%	-2,17%	1,67%	3,51%				-18,26%	3,45%
US Equities	3,50%	1,24%	0,60%	9,58%	7,59%				-19,85%	9,26%
International Equities	2,44%	1,74%	-3,64%	4,77%	6,87%				-16,00%	5,04%
Private equity	-4,59%	2,83%	-0,91%	8,60%	6,58%				-30,93%	8,62%
Hedge Funds	-1,42%	0,34%	-0,46%	-0,37%	-0,24%				-4,73%	5,38%
International Real Estate	-3,08%	1,94%	-4,41%	-1,55%	1,04%				-24,42%	6,49%
Commodities	-1,07%	-0,76%	-6,11%	-11,42%	-4,94%				25,99%	1,33%
Forex										
USD/EUR	-2,43%	-1,64%	3,09%	0,15%	-1,23%				6,23%	-1,14%

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