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BBGI GROUP Global Investments

BBGI OPP2 COMPLIANT STRATEGIES & INDICES CHF

A BBGI exclusivity since 1999

September 2023

Annualized performance of +4.74% to +5.39%

General uncertainty penalizes markets in September

NEGATIVE PERFORMANCES FOR THE THREE BBGI OPP2 COMPLIANT INDICES IN SEPTEMBER

BBGI OPP2 Compliant Index « Low Risk »	**-0.21%**	**(YTD +2.33%)**
BBGI OPP2 Compliant Index « Medium Risk »	**-0.34%**	**(YTD +2.78%)**
BBGI OPP2 Compliant Index « Dynamic Risk »	**-0.48%**	**(YTD +3.23%)**

Comments (performances in Swiss Francs)

September continued the downward trend that began in August, with the vast majority of asset classes posting negative returns this month. Indeed, all three BBGI OPP2 strategies are in negative territory. The low-risk index fell by -0.21%, the moderate-risk approach followed the same trajectory, losing -0.34%, and the dynamic-risk strategy shed -0.48%. Since the beginning of the year, however, the three indices have still achieved positive performances of +2.33%, +2.78% and +3.23%. Bond markets are on either side of neutral performance. Indeed, the domestic segment interrupted its slightly upward trend of recent months and lost -0.75% this month. Internationally, performance was positive (+0.58%), interrupting the downward trajectory of the last two months (-1.97% in July and -0.07% in August). Since January, Swiss bonds are still in the green (+3.63%), while the international segment has retreated by -3.18%. Real estate markets are also mixed. Swiss real estate is back in positive territory (+2.91%), after a brief episode of profit-taking in August (-2.62%), while international real estate is negative (-2.43%). Over the current year, only the domestic segment remained above neutral performance (+0.03%), while the international segment declined by -5.87%. Equity markets were once again in the red in September. Swiss equities were the worst performers, dropping -2.02%, while international equities fared better, losing just -0.70%. These last two months of profit-taking have not wiped out the year-to-date positive performance of the two asset classes (+4.61% and +9.17% respectively). Commodities continue on a negative trajectory (-1.02%), despite crude oil prices hitting record highs during the month. Over 2023, the segment is negative (-6.36%). Private equity and hedge funds are no exception, and were also hit by uncertainty this month (-1.17% and -0.42%).

Financial market developments (performances in local currencies, USD)

September continued the trend of the summer, ending with negative results for the vast majority of asset classes by region, with the exception of commodities, which rose by +4.1% thanks to higher energy prices. Swiss real estate was the exception, with an increase of +2.9%, in contrast to the -5.8% fall in international real estate. In September, the surprise acceleration in interest rate rises proved to be the decisive factor in the evolution of financial markets and the stock market climate. Yet neither economic statistics nor inflation developments were particularly strong to justify such a move. The pause announced by the Fed at the end of the month should have been positive news, but J. Powell's comments suggesting higher rates for longer seem to have been the main determinant of investor sentiment at the end of Q3. In our view, however, the Fed is overestimating the need for higher rates to curb an economy which is now facing real financing rates which we believe are already high enough to dampen economic activity, just as it had underestimated the sustainability of inflation when it mistakenly deemed it transitory. The soft-landing scenario is still the most likely for the coming months, but the risks of a fall in the current momentum increase with the level of rates reached in September. The US Treasury's exceptional financing needs, coupled with the Fed's continued policy of reducing the size of its balance sheet, have certainly contributed to this contrary trend in interest rates. As a result, long rates rose further, while inflation expectations declined. Overall, investor sentiment remains largely hesitant at the start of the 4th quarter. However, we believe that the excessive levels of interest rates on medium and long maturities in relation to current and future macro-economic parameters should adjust downwards and improve the stock market climate.

PERFORMANCE OF ASSET CLASSES

SEPTEMBER

+ 2.91%	Swiss Real Estate
+ 0.58%	International Bonds
- 0.42%	Hedge Funds
- 0.70%	International Equities
- 0.75%	Swiss Bonds
- 1.02%	Commodities
- 1.17%	Private Equity
- 2.02%	Swiss Equities
- 2.43%	International Real Estate

YTD

+ 17.63%	Private Equity
+ 9.17%	International Equities
+ 4.61%	Swiss Equities
+ 3.63%	Swiss Bonds
+ 0.03%	Swiss Real Estate
- 1.50%	Hedge Funds
- 3.18%	International Bonds
- 5.87%	International Real Estate
- 6.36%	Commodities

COMMENTS
BY ASSET CLASS

Bonds

Another difficult month for bond markets, which are still suffering from the effects of negative expectations, pushing up ten-year rates in USD, CAD, AUD and EUR by around 40 to 50 bps. Economic slowdown and falling inflation had no positive impact. The Fed's assertion that rates will remain higher for longer is worrying, while US policy continues to increase uncertainty over budget funding, with the risk of a government shutdown once again looming. The large-scale issuance of US Treasury debt in recent months comes at a time when bond sales by the Fed and China are further unbalancing the market. The rise in real yields following these developments, however, reinforces the likelihood of a more pronounced economic slowdown. Against this backdrop, all national indices are undergoing a sharp correction, but risk scores are now lower across the board.

Equities

Equity markets were also hit by rising interest-rate uncertainties, and recorded orderly consolidations that were sometimes significant. Price declines in August and September lowered quantitative and technical scores in most markets. Valuations have also improved in the USA, Switzerland and Japan. They remain more attractive in Europe and the UK. Contrary to the Fed's assertions, we believe that key rates and yield curves will have to adjust to the economic reality, which is already pointing to a decline in growth. The interest-rate factor should now contribute to lowering risk levels.

Commodities

The commodities segment of our OPP2 index declined in September (-1.02%), despite the sharp rise in crude oil prices to their highest level in 10 months. Concerns over the stability of crude supply pulled prices up in October after Russia and Saudi Arabia made public their decisions to extend production cuts until the end of the year. Despite fears of recession, rekindled by the return of interest-rate tensions, and of weakening demand, the onset of winter should still support a positive development in crude prices until 2024.

Real Estate

Securitized real estate is still being unfairly penalized by what we believe are overestimated risks of tighter credit conditions and higher financing costs.

BBGI OPP2 Compliant Indices (Monthly Indices)

Performances in Swiss Francs	last 3 months July 2023	last 3 months August 2023	last 3 months September 2023	YTD Year to date	Current Year 1st Quarter	Current Year 2nd Quarter	Current Year 3rd Quarter	Current Year 4th Quarter	Annualized performances 2022	Annualized performances Annualized perf fm 1984 to date**
BBGI OPP2 Compliant "Low Risk"	0.15%	-0.50%	-0.21%	**2.33%**	1.92%	0.97%	0.41%		-14.01%	4.74%
BBGI OPP2 Compliant "Medium Risk"	0.43%	-0.78%	-0.34%	**2.78%**	2.28%	1.20%	0.50%		-14.40%	5.08%
BBGI OPP2 Compliant "Dynamic Risk"	0.72%	-1.07%	-0.48%	**3.23%**	2.63%	1.43%	0.58%		-14.82%	5.39%
Assets										
Swiss Bonds	0.19%	0.62%	-0.75%	**3.63%**	1.40%	2.14%	0.06%		-12.10%	3.42%
International Bonds	-1.97%	-0.07%	0.58%	**-3.18%**	1.98%	-3.65%	-1.47%		-15.18%	3.57%
Swiss Real Estate	0.21%	-2.62%	2.91%	**0.03%**	-0.42%	0.02%	0.43%		-15.17%	5.91%
International Real Estate	1.09%	-2.22%	-2.43%	**-5.87%**	-0.37%	-2.05%	-3.54%		-23.37%	4.40%
Swiss Stocks	0.44%	-1.76%	-2.02%	**4.61%**	5.91%	2.16%	-3.32%		-16.48%	8.32%
International stocks	0.74%	-1.30%	-0.70%	**9.17%**	6.36%	3.96%	-1.26%		-17.42%	6.13%
Commodities *	5.91%	-1.09%	-1.02%	**-6.36%**	-6.30%	-3.61%	3.68%		12.97%	-1.64%
Private Equity *	6.73%	-1.89%	-1.17%	**17.63%**	5.90%	7.33%	3.49%		-32.99%	15.47%
Hedge Funds *	0.17%	0.33%	-0.42%	**-1.50%**	-1.17%	-0.41%	0.08%		-6.98%	0.28%
* hedged in Swiss Francs										
Forex										
USD/CHF	-2.65%	1.32%	3.61%	**-1.00%**	-1.00%	-2.15%	2.20%		3.59%	-2.66%
EUR/CHF	-1.86%	-0.09%	1.02%	**-2.22%**	0.26%	-1.53%	-0.96%		-5.15%	-1.29%

****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