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BBGI GROUP Global Investments

BBGI PRIVATE BANKING STRATEGIES & INDICES USD

A BBGI exclusivity since 1999

September 2023

Annualized performance of +5.12% to +6.38%

Uncertainty pulls markets down

NEGATIVE PERFORMANCE FOR ALL THREE BBGI PRIVATE BANKING USD INDICES IN SEPTEMBER

BBGI Private Banking Index « Low Risk »	**-2.78%**	**(YTD +1.53%)**
BBGI Private Banking Index « Medium Risk »	**-2.73%**	**(YTD +3.46%)**
BBGI Private Banking Index « Dynamic Risk »	**-2.67%**	**(YTD +5.40%)**

Comments (performances in USD)

September continued the downward trend that began in August, with the vast majority of asset classes posting negative performances this month. Indeed, all three BBGI Private Banking strategies are in the red. The low-risk index fell by -2.78%, the moderate-risk approach followed the same trajectory, losing -2.73%, and the dynamic-risk strategy shed -2.67%. Since the beginning of the year, however, the three indices have still achieved positive performances of +1.53%, +3.46% and +5.40%. Bond markets are below neutral performance. Indeed, the domestic segment continued the downward trend begun in August, losing -2.20% this month. Internationally, the decline is even more pronounced (-3.24%). Since January, US bonds are still in the red (-1.27%), while the international segment is also down -2.68%. Equity markets were also in negative territory in September. The US market was the worst performer, falling -4.72%, while international equities fared slightly better, shedding just -3.16%. These last two months of profit-taking did not wipe out the cumulative positive performance of the two asset classes over the year (+13.13% and +5.34% respectively). Real estate markets once again came under pressure in September, with the international asset class continuing to fall and increasing its downward momentum (-5.96%). Over the current year, the asset class is down -4.10%. Commodities rebounded by +4.12% to post the best performance of the month, propelled by record crude oil prices. Over 2023, the segment is now clearly positive (+7.24%). Private equity and hedge funds were no exception, and were also hit by uncertainty (-0.79% and -0.10%).

Financial market developments (performances in local currencies)

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 was the determining 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 dampen an economy that is now facing real financing rates that we believe are already high enough to dampen economic activity, just as it had underestimated the long-lasting nature 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 the current momentum collapsing 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, certainly contributed to this contrasting trend in interest rates. Long-term interest rates thus 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 (USD)

SEPTEMBER

+ 4.21%	Commodities
- 0.10%	Hedge Funds
- 0.79%	Private Equity
- 2.20%	US Bonds
- 3.16%	International Equities
- 3.24%	International Bonds
- 4.72%	US Equities
- 5.96%	International Real Estate

YTD

+ 20.66%	Private Equity
+ 13.13%	US Equities
+ 7.24%	Commodities
+ 5.34%	International Equities
+ 1.79%	Hedge Funds
- 1.27%	US Bonds
- 2.68%	International Bonds
- 4.10%	International Real Estate

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 a cause for concern, as US policy continues to increase uncertainty over budget funding, with the risk of a government shutdown once again looming. The substantial 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 resulting from 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 help to lower risk levels.

Commodities

The commodity segment of our index rebounded in September on the back of a sharp rise in crude oil prices to their highest level in 10 months. Concerns about 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

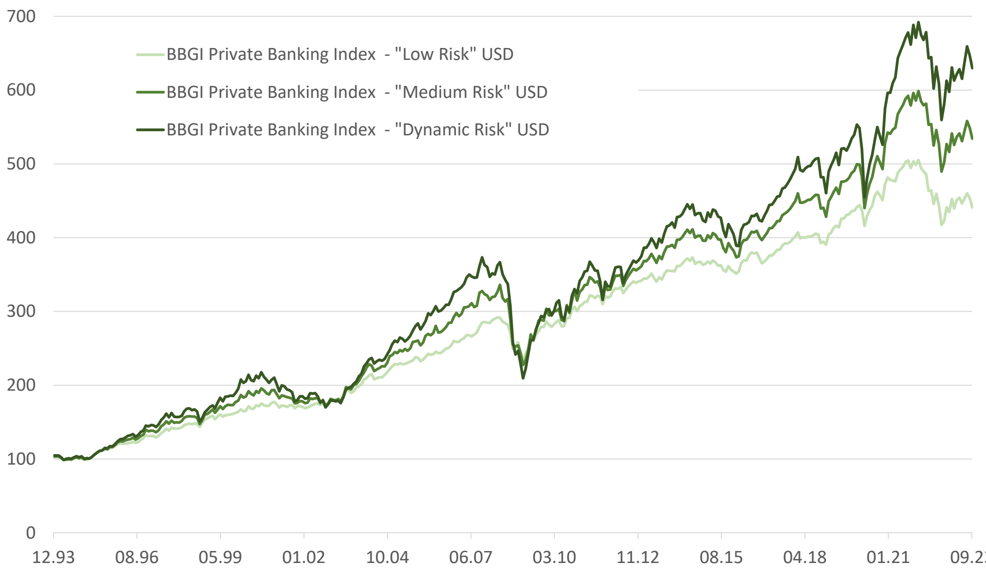
Securitized real estate is still being unfairly penalized by what we believe are overestimated risks of tighter credit conditions and higher financing costs.

BBGI Group Private Banking Indices - Historical Performances in USD

	Last three months			YTD	Full Year				Annualized Perfomances	
	July 2023	August 2023	September 2023	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2022	1993 to date
BBGI Group PBI "Low risk" (65% fxd income)	1,57%	-1,38%	-2,78%	1,53%	3,80%	0,44%	-2,61%		-14,00%	5,12%
BBGI Group PBI "Medium risk" (45% fxd income)	2,53%	-1,62%	-2,73%	3,46%	3,93%	1,46%	-1,88%		-13,79%	5,79%
BBGI Group PBI "Dynamic risk" (25% fxd income)	3,48%	-1,86%	-2,67%	5,40%	4,04%	2,48%	-1,15%		-13,65%	6,38%
Sub-Indices										
US Bonds	-0,35%	-0,51%	-2,20%	-1,27%	3,23%	-1,35%	-3,04%		-12,61%	3,87%
International Bonds	0,33%	-1,39%	-3,24%	-2,68%	3,51%	-1,79%	-4,27%		-18,26%	3,26%
US Equities	3,41%	-1,74%	-4,72%	13,13%	7,59%	8,60%	-3,18%		-19,85%	9,27%
International Equities	4,07%	-4,52%	-3,16%	5,34%	6,87%	2,44%	-3,77%		-16,00%	5,00%
Private equity	6,83%	-1,54%	-0,79%	20,66%	6,58%	8,50%	4,35%		-30,93%	8,90%
Hedge Funds	1,16%	0,33%	-0,10%	1,79%	-0,24%	0,64%	1,39%		-4,73%	5,40%
International Real Estate	3,81%	-3,30%	-5,96%	-4,10%	1,04%	0,54%	-5,59%		-24,42%	6,32%
Commodities	10,74%	0,60%	4,12%	7,24%	-4,94%	-2,73%	15,98%		25,99%	1,97%
Forex										
USD/EUR	-0,81%	1,42%	2,56%	-1,27%	-1,23%	-0,64%	3,17%		6,23%	-1,02%

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