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BBGI GROUP Global Investments

BBGI PRIVATE BANKING STRATEGIES & INDICES USD

A BBGI exclusivity since 1999

December 2023

Annualized performance of +5.31% to +6.60%

Positive trend continues in December

POSITIVE PERFORMANCE FOR ALL THREE BBGI PRIVATE BANKING USD INDICES IN DECEMBER

BBGI Private Banking Index « Low Risk »	**+3.89%**	**(YTD +8.79%)**
BBGI Private Banking Index « Medium Risk »	**+4.05%**	**(YTD +11.26%)**
BBGI Private Banking Index « Dynamic Risk »	**+4.22%**	**(YTD +13.74%)**

Comments (performances in USD)

The final month of 2023 ended on a positive note, with all three BBGI Private Banking USD indices continuing their upward trend. The low-risk index advanced by +3.89% in December, while the moderate-risk strategy did slightly better, gaining +4.05%. The dynamic risk approach follows a similar path, climbing by +4.22%. Over the full year 2023, the three strategies recorded gains of +8.79%, +11.26% and +13.74% respectively. Bond markets continue on their upward trajectory. The domestic segment advanced by +3.35% this month, while the international segment was also positive in December (+4.20%). Over the year as a whole, the domestic segment ended in positive territory (+4.28%), while the international segment performed slightly better (+5.18%). The securitized real estate market continued its strong recovery, after having been one of the segments most penalized by the high interest rate environment this year. International class once again jumped by +9.65%. Since January, the segment has posted an excellent performance of +10.85%. Equity markets were also in the green in December. US equities gained +4.67% this month, while international equities followed a similar and slightly stronger path (+5.02%). Over 2023, both asset classes are clearly positive, particularly domestic equities (+26.49%), while international equities are still up +15.62%. Commodities are the only asset class to have continued its downward trend over the last 3 months. The asset class fell by 3.31% this month, and continued its downward trend in December (-0.07% in October, then -2.61% in November). Private equity continued its stratospheric trajectory with an increase of +8.76%, the segment being far ahead of the pack in terms of cumulative performance over the year, with an exceptional gain of +43.00%.

Financial market developments (performances in local currencies)

The month of December was marked by a gradual strengthening of a number of new convictions that had gradually taken hold in investors' minds during November, significantly altering the consensus economic scenario. The economic data published reinforced the prospects of a slowdown in the US economy, and were accompanied by increasingly favorable statistics on the inflation front, allowing interest rates to accelerate their downward adjustment. The financial scenario then began to take increasing account of the growing likelihood of a change in Fed monetary policy sooner than initially expected, and possibly as early as March 2024. Our expectations of a likely correction in interest rates were confirmed by a fall in ten-year US Treasury yields from 5% in October to just 3.85% at the end of the month. Once again, better employment figures and a deflator of -0.1% in November, and only +2.6% year-on-year, contributed to this 115 bp drop in long-term yields. Over the month, virtually all segments of our investment universe recorded significant gains, with European real estate taking the prize, up +10.04%. The announced end of the rate hike cycle seems to be taking shape, with rate cuts observed in all segments monitored, confirming our positive scenario for the markets. This adjustment again had positive consequences this month for bond markets (+4.16%), securitized real estate (+9.02%), equities (+4.91%) and industrial metals (+3.80%). This positive trend should continue over the next few months, if expectations of an economic slowdown are confirmed and inflation follows suit. The Fed now seems receptive to the idea of lowering its key rates before the PCE index reaches 2%, raising hopes of monetary easing as early as March. In Europe, the faster-than-expected decline in inflation has also come as a surprise, supporting expectations of faster rate cuts.

PERFORMANCE OF ASSET CLASSES (USD)

DECEMBER

+ 9.65%	International Real Estate
+ 8.76%	Private Equity
+ 5.02%	International Equities
+ 4.67%	US Equities
+ 4.20%	International Bonds
+ 3.35%	US Bonds
+ 1.39%	Hedge Funds
- 3.31%	Commodities

YTD

+ 43.00%	Private Equity
+ 26.49%	US Equities
+ 15.62%	International Equities
+ 10.85%	International Real Estate
+ 5.18%	International Bonds
+ 4.28%	US Bonds
+ 3.51%	Hedge Funds
- 4.27%	Commodities

COMMENTS BY ASSET CLASS

Bonds

A complete change in investor sentiment has taken place after the October panic. They are now convinced that the Fed will modify its monetary policy as early as March, adopting a more flexible stance. Expectations of key rate cuts quickly resurfaced, with Fed funds rates now forecast at 5.25% in March and 4.75% in June, i.e. almost 75 bps of key rate cuts. The correlation is still total in all segments, which are benefiting from massive price rises in the case of the Australian market (+6.01%), or more modest ones in Switzerland (+1.26%) or Europe (+3.33%), but averaging +4.16%. In the end, it was a positive year for bond indices, all of which posted significant gains. Risk scores are rising, but remain neutral, while the prospects of capital gains have diminished significantly in this recent context.

Equities

As we had estimated in October, the interest rate factor proved to be the main driving force behind the sharp rebound in indices again in December. The fall in interest rates was the driving force behind the rise in equity markets, enabling a further average increase of +4.91% over the month. As a result, the markets could end the year with an excellent average performance of +23.79%. The Swiss market remained heavily penalized by the rise in the Swiss franc, gaining just +6.09%. Technical and quantitative factors deteriorated as prices rose. Risk levels are rising, pointing to a growing risk of temporary consolidation before prices pick up again.

Commodities

The downward trend in commodities continued in December. Investors' concerns about the strength of China's economic recovery, which still leaves much to be desired, pulled crude oil prices down. At the same time, production in the United States expanded. At the end of the month, tensions in the Middle East were back in the spotlight due to the disruption of the Red Sea supply route via the Suez Canal, which is now endangered by rebels in Yemen. This reorganization of around 10% of the world's crude will certainly have implications for prices in the medium term.

Real Estate

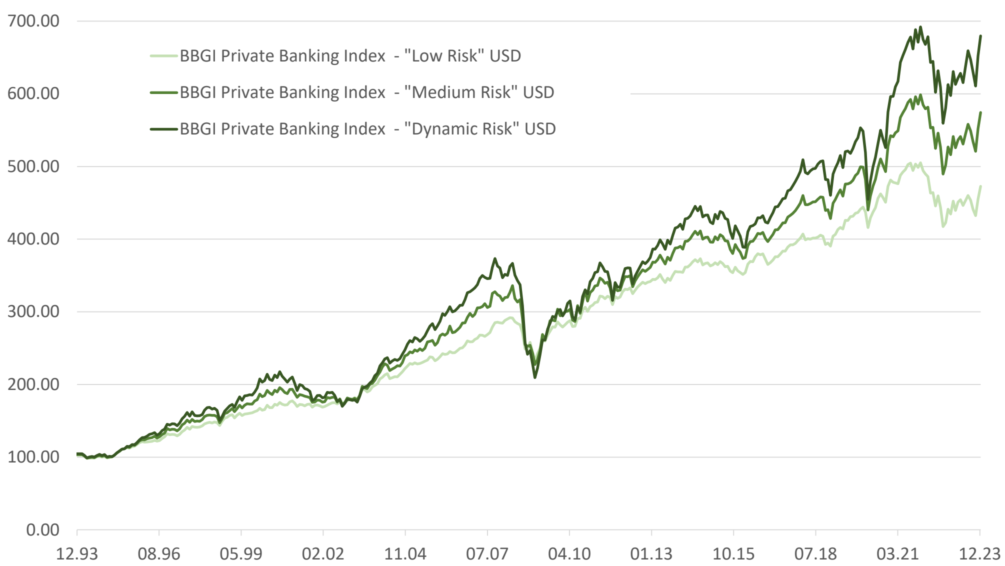
Finally, securitized real estate is benefiting greatly from lower rates and an adjusted outlook. The international segment continued its marked upward trajectory with a further gain of +9.65%.

BBGI Group Private Banking Indices - Historical Performances in USD

	Last three months			YTD	Full Year				Annualized Perfomances	
	October 2023	November 2023	December 2023	Current Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	2022	1993 to date
BBGI Group PBI "Low risk" (65% fxd income)	-1.97%	5.22%	3.89%	8.79%	3.80%	0.44%	-2.61%	7.16%	-14.00%	5.31%
BBGI Group PBI "Medium risk" (48% fxd income)	-2.50%	6.00%	4.05%	11.26%	3.93%	1.46%	-1.88%	7.54%	-13.79%	6.00%
BBGI Group PBI "Dynamic risk" (25% fxd income)	-3.02%	6.78%	4.22%	13.74%	4.04%	2.48%	-1.15%	7.91%	-13.65%	6.60%
Sub-Indices										
US Bonds	-1.21%	3.44%	3.35%	4.28%	3.23%	-1.35%	-3.04%	2.40%	-12.61%	4.03%
International Bonds	-1.10%	4.88%	4.20%	5.18%	3.51%	-1.79%	-4.27%	3.47%	-18.26%	3.50%
US Equities	-2.33%	9.37%	4.67%	26.49%	7.59%	8.60%	-3.18%	8.26%	-19.85%	9.59%
International Equities	-4.13%	9.00%	5.02%	15.62%	6.87%	2.44%	-3.77%	5.61%	-16.00%	5.29%
Private equity	-7.75%	18.12%	8.76%	43.00%	6.58%	8.50%	4.35%	23.66%	-30.93%	9.44%
Hedge Funds	-0.82%	1.13%	1.39%	3.51%	-0.24%	0.64%	1.39%	3.11%	-4.73%	5.41%
International Real Estate	-4.75%	10.68%	9.65%	10.85%	1.04%	0.54%	-5.59%	9.12%	-24.42%	6.78%
Commodities	-4.18%	-3.64%	-3.31%	-4.27%	-4.94%	-2.73%	15.98%	3.53%	25.99%	1.57%
Forex										
USD/EUR	-0.02%	-2.88%	-1.36%	-3.02%	-1.23%	-0.64%	3.17%	-4.22%	6.23%	-1.09%

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