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BBGI GROUP Global Investments

BBGI OPP2 COMPLIANT STRATEGIES & INDICES CHF

A BBGI exclusivity since 1999

May 2024

Annualized performance of +4.81% to +5.54 %

Financial markets rebound in May

POSITIVE PERFORMANCES FOR THE THREE BBGI OPP2 COMPLIANT INDICES IN MAY

BBGI OPP2 Compliant Index « Low Risk »	**+0.32%**	**(YTD +3.12%)**
BBGI OPP2 Compliant Index « Medium Risk »	**+0.97%**	**(YTD +4.60%)**
BBGI OPP2 Compliant Index « Dynamic Risk »	**+1.61%**	**(YTD +6.08%)**

Comments (performances in Swiss Francs)

Financial markets rebounded in May, driven by investors' changing assessment of economic signals. Indeed, all three BBGI OPP2 Compliant indices advanced this month. The low-risk index gained +0.32%, the moderate-risk strategy followed a similar path, advancing by +0.97%, and the dynamic-risk approach achieved the best performance of the month (+1.61%). Since the beginning of the year, performances have been very favorable (+3.12%, +4.60% and +6.08% respectively). Bond markets are still in the red, dragged down by the rebound - in our view excessive - in US long rates for most of the month. The domestic segment is down slightly by -0.93%, while the international segment is similarly down (-0.57%). In cumulative terms, both asset classes are still performing positively, despite this bearish episode. Equity markets are benefiting from the change in investor psychology. The international class gained +1.57%, while the domestic segment jumped +6.14%. Since January, both asset classes have made excellent cumulative gains, particularly the international segment (+17.19%). The real estate segment followed the trend in the interest-rate markets, and both asset classes were mixed in May. The domestic segment declined by -0.61%, while the international segment advanced by a modest +1.57%. Despite these uncertainties, both segments are still posting positive year-to-date performances of +2.67% and +3.31% respectively. Commodities continued their upward trend in May, gaining +1.40%, although this reflected a relative weakening of momentum. Private equity benefited from weakening pessimism and climbed +4.19%, while alternative investments moved horizontally (-0.02%).

Financial market developments (performances in local currencies, USD)

While April was largely affected by the new uncertainties linked to the resilience of the US economy and the very reduced likelihood of rate cuts in 2024, May witnessed a more positive shift in investor sentiment. Better job market statistics and an observable slowdown in activity, now in the key service sector too, have shed new light on the forthcoming trend in the US economy. The latter is perceived as significantly less robust, and on a growth trend probably lower than that recorded and revised downwards for Q1 (+1.3%), which is already significantly weaker than initially expected. Expectations for the Fed's monetary policy have not really been affected by these factors, as the consensus is still for a single rate cut in December. Against this backdrop, the consensus among forecasters certainly seems a little too pessimistic. The slowdown which is now materializing more clearly could well push the Fed into action before that date. However, the fixed-income markets have already reacted in part to this news by adjusting their yield curves downwards. Against this backdrop, May proved a positive month for most asset classes. Bond markets generally benefited from this adjustment, posting an overall gain of +1.31% and a less negative result over five months (-3.3%). International equities also benefited from the less pessimistic stock market climate, recording a +4.47% rise, taking the overall increase since the start of the year to +9.52%. Lower interest rates also benefited securitized real estate (+3.19%), particularly in Europe (+6.96%), which was the only region to rise in 2024 (+4.09%). Commodities also posted positive results for precious metals (+2.5%), while prospects of a slowdown weighed on energy prices, which declined by -4.71%.

PERFORMANCE OF ASSET CLASSES

MAY

+ 6.14%	Swiss Equities
+ 4.19%	Private Equity
+ 2.43%	International Equities
+ 1.57%	International Real Estate
+ 1.40 %	Commodities
- 0.02%	Hedge Funds
- 0.57%	International Bonds
- 0.61%	Swiss Real Estate
- 0.93%	Swiss Bonds

YTD

+ 17.19%	International Equities
+ 9.75%	Swiss Equities
+ 8.17%	Private Equity
+ 5.01%	Commodities
+ 3.70%	International Bonds
+ 3.31%	International Real Estate
+ 2.67%	Swiss Real Estate
+ 0.44%	Hedge Funds
- 0.64%	Swiss Bonds

COMMENTS BY ASSET CLASS

Bonds

A new cycle change began in May with the first decline in US 10-year government yields. The 20-bp drop is still small, but should continue in June with the expected increase in statistical data pointing to a weakening US economy. Bond indices were up +1.31% overall, with only Japan and Switzerland recording negative results. Yield adjustments are likely to be less significant in Europe, due to smaller spreads between observed inflation levels and current yields. Despite increasingly attractive and relatively similar risk scores, the greatest opportunities are to be found in the USA and in geographical zones correlated with US rates.

Equities

Earnings reports for the 1st quarter far exceeded expectations, and the outlook for the coming months has rather bolstered investor interest. Sentiment is still generally positive, even if the consensus no longer expects the Fed to act any time soon. As a result, indexes have surged to new highs without waiting for key rate cuts. Nor did the prospect of an economic slowdown affect current enthusiasm. In the absence of any real risk of recession, we believe the current uptrend is here to stay. However, valuations are high, particularly in the US. Quantitative and technical risk scores have risen again, and are now at the beginning of the consolidation risk zone.

Commodities

The commodities segment continues its upward trend (+1.40%) despite growing concerns over the pace of global growth. Indeed, signs of an economic slowdown in the United States are becoming more apparent, weighing on demand expectations and crude oil prices, despite continued OPEC+ production cuts. Over the month, gold made a further gain in a month marked by volatility, pulling the asset class upwards in May.

Real Estate

Securitized real estate is following the trend in the fixed-income markets, particularly in Europe. The domestic segment fell back slightly by -0.61%, while the international segment posted a positive performance of +1.57%. Since the beginning of the year, the two asset classes have made gains of +2.67% and +3.31% respectively.

BBGI OPP2 Compliant Indices (Monthly Indices)

Performances in Swiss Francs	last 3 months			YTD	Current Year				Annualized performances	
	February 2024	March 2024	Mai 2024	Year to date	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	2023	Annualized perf fm 1984 to date**
BBGI OPP2 Compliant "Low Risk"	2.21%	-1.07%	0.32%	**3.12%**	3.90%				5.40%	4.81%
BBGI OPP2 Compliant "Medium Risk"	2.65%	-1.30%	0.97%	**4.60%**	4.96%				5.88%	5.19%
BBGI OPP2 Compliant "Dynamic Risk"	3.09%	-1.54%	1.61%	**6.08%**	6.04%				6.34%	5.54%
Assets										
Swiss Bonds	0.74%	-0.17%	-0.93%	**-0.64%**	0.47%				7.36%	3.44%
International Bonds	2.47%	-0.58%	-0.57%	**3.70%**	4.90%				-3.79%	2.99%
Swiss Real Estate	3.04%	-2.47%	-0.61%	**2.67%**	5.93%				5.03%	6.01%
International Real Estate	5.31%	-3.91%	1.57%	**3.31%**	5.85%				-1.08%	4.68%
Swiss Stocks	3.94%	-2.44%	6.14%	**9.75%**	5.98%				6.09%	8.47%
International stocks	5.26%	-1.63%	2.43%	**17.19%**	16.31%				11.24%	6.50%
Commodities *	2.98%	2.34%	1.40%	**5.01%**	1.18%				-11.62%	-1.72%
Private Equity *	3.06%	-3.31%	4.19%	**8.17%**	7.38%				37.71%	17.76%
Hedge Funds *	0.91%	-1.06%	-0.02%	**0.44%**	1.54%				-0.48%	0.40%
* hedged in Swiss Francs										
Forex										
USD/CHF	1.91%	2.00%	-1.86%	**7.24%**	7.13%				-8.99%	-2.65%
EUR/CHF	1.81%	0.78%	-0.18%	**5.39%**	4.76%				-6.13%	-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