

Multi-Asset Performance Summary – December 2022/Full Year 2022

This monthly note summarises performance trends across key asset classes and detailed segments of equities and fixed income.

Slowing growth, persistent inflation, rising interest rates, elevated geopolitical risks have all caused acute volatility in financial markets. Global growth slowed materially in 2022 after having recovered nicely in 2021 from the pandemic related disruption. Inflation proved less transitory in part due to Russia's invasion of Ukraine and the prolonged conflict that followed. As well lingering virus and China's zero COVID policy meant persistent supply-side bottlenecks and resultant inflation. As a result, central banks around the world raced to raise interest rates to quell multi-decade high inflation despite slowing growth.

Against this backdrop, global stocks and bonds lost more than USD30trn during 2022. More concerning were the sharply higher correlations across assets with most assets falling and rising simultaneously. This posed challenges to diversification from an asset allocator's point of view. Rise in risk-free rates meant bouts of sell-off that saw most assets lose value in tandem. As a result, the 60/40 portfolio that invests 60% in equities and 40% in bonds just had its worst year in many decades.

Fixed income: The US 10-year government bond yield, a global benchmark for long-term borrowing costs, has shot up to 3.8% by end-2022 from about 1.5% at the end of 2021 — the biggest annual increase at least since 1960s. Staying with fixed income, global aggregate bond index lost 16% of its value during 2022 with both sovereigns and investment grade credit losing c17% each, and high-yield credit losing 13%. Global inflation linked bonds fell 23% despite the elevated inflation as interest rates increased. EM LCY bonds were the best performers, declining only 8%. US Treasuries posted annual losses of 13% in 2022. EM USD sovereign recorded annual losses of 18%, led by the underperformance in EM USD IG sovereigns.

Equities: The broad MSCI All Country World index of developed and emerging market equities has shed a fifth of its value in 2022, the biggest decline since 2008. Developed market equities lost 19% while emerging market equity losses touched 22%. Within developed equity markets, UK, Canada, and Japan outperformed in USD terms. In the emerging markets space, Latin American and GCC markets held up relatively well. Despite posting marginal losses GCC equities managed to outperform global equities during 2022. Higher oil prices, disciplined fiscal outlays, controlled inflation and strong growth have all helped. Within the region, Abu Dhabi and Oman stocks posted strong positive returns while Saudi and Qatar equities registered losses. Amongst sectors, energy equities not only outperformed but also posted significant positive gains over the year. Elsewhere, defensive sectors including utilities, health care, and consumer staples outperformed, albeit posted losses. Long-duration sectors including communication services, consumer discretionary, and IT were severely negatively impacted by rising interest rates.

Commodities: had a relatively strong year with aggregate commodity index rising 14% during 2022. However, looking inside this performance, two points can be made. First, most of the commodity price strength came in the first half of the year. Second, looking at sub-groups, prices of energy and agricultural commodities rose while prices of industrial and precious metals fell. Gold prices remained largely unchanged through 2022. Silver prices rose marginally, while platinum prices increased. Energy prices rose strongly in 2022 thanks to disruptions caused by the Russia's invasion of Ukraine, disciplined OPEC+, and some weather related disruptions. Industrial metals prices fell sharply during 2022 on weak demand outlook.

FX: The USD strength was dominant through to Q4'22 after which the greenback strength abated. However, for the entire year, most currencies lost against the USD. EUR lost significant ground against the USD in first three quarters of the year but rose strongly in Q4. GBP fell sharply against the USD on weakening UK economy, persistent inflation, and on controversial plans for larger fiscal deficit. USDJPY rose sharply on widening yield differentials between USTs and JGBs, and also on higher oil prices.

Others: According to Financial Times data, the value of the cryptocurrency market has tumbled by USD1.7tn since the start of 2022.

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Exhibit 1: Performance of major asset classes

Asset classes*	1Y	YTD	6M	3M	1M
Global HY Credit	-12.7%	-12.7%	5.0%	8.0%	0.7%
Global Aggregate Bonds	-16.2%	-16.2%	-2.7%	4.5%	0.5%
HF Fund weighted Composite	-3.9%	-3.9%	1.9%	2.6%	0.0%
Dollar Index spot	8.2%	8.2%	-1.1%	-7.7%	-2.3%
Commodity Aggregate	13.8%	13.8%	-3.6%	1.2%	-2.8%
Global REIT	-26.5%	-26.5%	-6.4%	6.1%	-4.0%
Global Equities	-18.4%	-18.4%	2.3%	9.8%	-3.9%
Cryptocurrencies index	-70.2%	-70.2%	-6.8%	-19.7%	-9.5%

Source: Bloomberg, and ADCB Asset Management | Notes: *based on Bloomberg total return indices in USD terms as at close of December 30, 2022.

Exhibit 2: Performance of major global bond indices

Global bond indices*	1Y	YTD	6M	3M	1M
EM Local currency sovereign	-8.4%	-8.4%	0.6%	5.9%	3.0%
EM USD Corp + Quasi-Sov	-13.6%	-13.6%	1.4%	5.3%	1.4%
Global Treasuries	-17.5%	-17.5%	-3.1%	4.8%	0.7%
Global High Yield	-12.7%	-12.7%	5.0%	8.0%	0.7%
Global Aggregate	-16.2%	-16.2%	-2.7%	4.5%	0.5%
Global Corporate	-16.7%	-16.7%	-1.4%	5.4%	0.2%
Global Aggregate Credit	-17.0%	-17.0%	-1.6%	5.3%	0.2%
EM USD sov	-17.4%	-17.4%	3.4%	8.3%	0.2%
US IG	-15.8%	-15.8%	-1.6%	3.6%	-0.4%
US Treasury	-12.5%	-12.5%	-3.7%	0.7%	-0.5%
US HY	-11.2%	-11.2%	3.5%	4.2%	-0.6%
EU HY	-10.6%	-10.6%	4.4%	4.7%	-0.7%
Global Infl-Linked (Series-L)	-22.9%	-22.9%	-6.3%	4.1%	-1.7%
EU IG	-13.6%	-13.6%	-2.0%	1.1%	-1.8%
EU Treasury	-18.5%	-18.5%	-7.1%	-2.1%	-4.6%

Source: Bloomberg, and ADCB Asset Management | Notes: *based on Bloomberg total return indices in USD terms as at close of December 30, 2022.

Exhibit 3: Performance of US Treasury index – by maturity

US Treasury Index by maturity*	1Y	YTD	6M	3M	1M
1-3 Year	-3.8%	-3.8%	-0.8%	0.7%	0.2%
3-5 Year	-8.0%	-8.0%	-2.1%	1.3%	-0.2%
5-7 Year	-11.2%	-11.2%	-3.2%	1.3%	-0.7%
7-10 Year	-14.9%	-14.9%	-4.6%	1.0%	-1.1%
10-20 Year	-25.2%	-25.2%	-7.8%	0.9%	-1.2%
20+ Year	-31.1%	-31.1%	-11.3%	-1.4%	-1.9%

Source: Bloomberg, and ADCB Asset Management | Notes: *based on Bloomberg total return indices in USD terms as at close of December 30, 2022.

Exhibit 4: Performance of EU Treasury index – by maturity

EU Treasury Index by maturity*	1Y	YTD	6M	3M	1M
1-3 Year	-4.8%	-4.8%	-2.6%	-0.8%	-0.9%
3-5 Year	-9.9%	-9.9%	-4.6%	-1.4%	-2.1%
5-7 Year	-14.3%	-14.3%	-6.1%	-1.7%	-3.2%
7-10 Year	-19.4%	-19.4%	-7.9%	-2.2%	-4.9%
10-20 Year	-32.3%	-32.3%	-12.2%	-4.0%	-9.7%
20+ Year	-4.8%	-4.8%	-2.6%	-0.8%	-0.9%

Source: Bloomberg, and ADCB Asset Management | Notes: *based on Bloomberg total return indices in USD terms as at close of December 30, 2022.

Exhibit 5: Performance of EM USD sovereign bonds – by grade and by region

EM USD sovereign bonds*	1Y	YTD	6M	3M	1M
EM USD sovereign HY	-12.8%	-12.8%	7.9%	11.8%	0.5%
EM USD sovereign	-17.4%	-17.4%	3.4%	8.3%	0.2%
EM USD sovereign IG	-20.8%	-20.8%	-0.2%	5.2%	-0.2%
Region					
ASIA	-15.6%	-15.6%	-0.3%	5.6%	0.5%
Philippines	-15.3%	-15.3%	1.2%	5.9%	0.7%
Indonesia	-13.4%	-13.4%	2.0%	6.4%	0.6%
China	-10.3%	-10.3%	-2.6%	0.9%	-0.6%
South Korea	-14.3%	-14.3%	-4.1%	0.4%	-0.9%
Malaysia	-13.9%	-13.9%	-3.4%	0.4%	-1.0%
EMEA	-19.4%	-19.4%	4.3%	7.9%	0.1%
Oman	-1.4%	-1.4%	6.1%	8.1%	1.4%
Bahrain	-1.7%	-1.7%	5.6%	6.7%	0.9%
Kuwait	-7.7%	-7.7%	-0.8%	2.4%	0.9%
UAE	-13.8%	-13.8%	-0.7%	4.1%	0.8%
Saudi Arabia	-14.5%	-14.5%	-1.0%	3.4%	0.6%
Qatar	-15.0%	-15.0%	-1.0%	4.0%	0.3%
Turkey	1.9%	1.9%	14.2%	10.7%	0.3%
Poland	-4.4%	-4.4%	0.8%	2.1%	0.3%
Hungary	-18.0%	-18.0%	-1.3%	8.3%	-0.3%
Egypt	-10.3%	-10.3%	16.9%	20.3%	-0.5%
South Africa	-10.3%	-10.3%	8.4%	10.8%	-1.7%
LATAM	-15.2%	-15.2%	3.9%	10.2%	0.1%
Argentina	-17.5%	-17.5%	13.1%	33.4%	4.6%
Colombia	-14.0%	-14.0%	4.2%	9.0%	2.0%
Brazil	-7.8%	-7.8%	4.7%	4.0%	-1.3%
Peru	-18.7%	-18.7%	-0.7%	5.7%	-1.3%
Chile	-20.1%	-20.1%	-2.2%	6.6%	-1.5%
Mexico	-17.3%	-17.3%	1.2%	6.3%	-2.6%

Source: Bloomberg, and ADCB Asset Management | Notes: *based on Bloomberg total return indices in USD terms as at close of December 30, 2022.

Exhibit 6: Performance of EM USD corporate bonds – by grade and by region

EM USD corporate bonds*	1Y	YTD	6M	3M	1M
EM USD Corp + Quasi-Sov HY	-11.6%	-11.6%	5.7%	9.2%	2.8%
EM USD Corp + Quasi-Sov	-13.6%	-13.6%	1.4%	5.3%	1.4%
EM USD Corp + Quasi-Sov IG	-14.4%	-14.4%	-0.3%	3.8%	0.9%
Region					
ASIA	-11.4%	-11.4%	-0.4%	4.0%	1.4%
Philippines	-12.8%	-12.8%	-9.1%	-5.7%	2.4%
China	-11.3%	-11.3%	-0.3%	4.4%	2.1%
Indonesia	-12.2%	-12.2%	2.5%	8.7%	0.5%
Thailand	-16.3%	-16.3%	-2.4%	2.9%	0.4%
India	-9.5%	-9.5%	1.2%	4.3%	0.3%
South Korea	-7.9%	-7.9%	-2.1%	0.7%	0.3%
Malaysia	-15.5%	-15.5%	-1.9%	2.8%	-0.7%
EMEA	-20.1%	-20.1%	1.8%	4.0%	0.9%
Turkey	4.9%	4.9%	11.0%	9.1%	2.2%
Bahrain	-1.0%	-1.0%	2.2%	3.7%	1.4%
UAE	-8.8%	-8.8%	0.3%	3.1%	1.4%
Kuwait	-6.8%	-6.8%	-0.3%	1.5%	1.0%
Poland	-14.9%	-14.9%	2.6%	2.2%	0.9%
Qatar	-10.7%	-10.7%	-0.6%	2.6%	0.8%
Saudi Arabia	-11.3%	-11.3%	-0.2%	3.2%	0.4%
South Africa	-8.4%	-8.4%	3.6%	5.7%	-0.1%
LATAM	-11.2%	-11.2%	4.7%	9.0%	2.0%
Argentina	10.8%	10.8%	19.4%	14.9%	5.1%
Colombia	-9.1%	-9.1%	6.2%	10.1%	2.3%
Chile	-13.8%	-13.8%	3.1%	8.7%	2.2%
Mexico	-15.2%	-15.2%	4.4%	10.0%	1.8%
Brazil	-7.9%	-7.9%	3.8%	7.1%	1.5%
Peru	-12.3%	-12.3%	2.6%	7.2%	1.2%

Source: Bloomberg, and ADCB Asset Management | Notes: *based on Bloomberg total return indices in USD terms as at close of December 30, 2022.

Exhibit 7: Performance of equities – by region

Equities: Regions*	1Y	YTD	6M	3M	1M
Japan	-16.6%	-16.6%	4.5%	13.2%	0.3%
Europe ex UK	-18.0%	-18.0%	8.2%	20.1%	0.1%
UK	-4.8%	-4.8%	4.4%	17.0%	-0.4%
APac ex Japan	-17.5%	-17.5%	-2.2%	12.1%	-0.5%
EM	-20.1%	-20.1%	-3.0%	9.7%	-1.4%
EM EMEA	-28.3%	-28.3%	0.1%	5.8%	-3.1%
ACWI	-18.4%	-18.4%	2.3%	9.8%	-3.9%
EM LatAm	8.9%	8.9%	9.5%	5.7%	-4.0%
DM	-18.1%	-18.1%	3.0%	9.8%	-4.2%
GCC	-2.7%	-2.7%	-6.3%	-6.3%	-4.3%
Canada	-12.9%	-12.9%	-1.1%	7.4%	-4.9%
US	-19.8%	-19.8%	1.8%	7.0%	-5.9%

Source: MSCI, Refinitiv, and ADCB Asset Management | Notes: *based on MSCI total return indices in USD terms as at close of December 30, 2022.

Exhibit 8: Performance of equities – by sector

Equities: Sectors*	1Y	YTD	6M	3M	1M
Utilities	-4.7%	-4.7%	1.5%	10.3%	0.0%
Health Care	-6.1%	-6.1%	5.2%	13.1%	-1.1%
Consumer Staples	-6.6%	-6.6%	3.8%	11.2%	-1.5%
Industrials	-13.1%	-13.1%	10.4%	17.5%	-2.1%
Financials	-9.8%	-9.8%	7.6%	14.3%	-2.4%
Materials	-11.6%	-11.6%	7.3%	16.2%	-2.7%
Real Estate	-24.6%	-24.6%	-7.2%	5.9%	-3.3%
Energy	33.1%	33.1%	15.9%	17.8%	-3.6%
Communication Services	-35.5%	-35.5%	-11.9%	2.4%	-4.5%
Consumer Discretionary	-31.8%	-31.8%	-3.5%	-0.8%	-7.1%
IT	-31.1%	-31.1%	-1.9%	5.8%	-7.8%

Source: MSCI, Refinitiv, and ADCB Asset Management | Notes: *based on MSCI total return indices in USD terms as at close of December 30, 2022.

Exhibit 9: Performance of equities – by factors and themes

Equities: Factors and themes*	1Y	YTD	6M	3M	1M
HK Tech**	-27.3%	-27.3%	-14.8%	20.4%	8.7%
Dividend yield	-4.7%	-4.7%	4.1%	14.4%	-1.4%
Value	-7.5%	-7.5%	5.5%	14.2%	-2.4%
Momentum	-19.2%	-19.2%	6.4%	13.0%	-2.5%
Mid cap	-18.8%	-18.8%	4.2%	11.7%	-2.8%
Small cap	-18.7%	-18.7%	4.6%	10.5%	-3.1%
Large cap	-18.3%	-18.3%	1.9%	9.4%	-4.1%
Quality	-23.7%	-23.7%	0.8%	9.4%	-4.6%
Growth	-28.6%	-28.6%	-1.0%	5.3%	-5.6%
US Large Cap Growth	-33.9%	-33.9%	-4.8%	-0.9%	-8.7%
Nasdaq-100**	-32.6%	-32.6%	-4.6%	-0.1%	-9.0%
NYSE FANG+**	-40.1%	-40.1%	-9.9%	-5.2%	-9.0%

Source: MSCI, NYSE, Hang Seng, Nasdaq, Refinitiv, and ADCB Asset Management | Notes: *based on MSCI total return indices in USD terms as at close of December 30, 2022; **price return indices in USD terms as at close of December 30, 2022.

Exhibit 10: Performance of select country equity indices

Equities: Select countries*	1Y	YTD	6M	3M	1M
Hong Kong	-4.7%	-4.7%	-1.8%	18.2%	8.1%
China	-21.9%	-21.9%	-12.0%	13.5%	5.2%
Spain	-7.3%	-7.3%	5.6%	22.9%	2.4%
China A	-25.9%	-25.9%	-14.7%	4.3%	2.0%
Japan	-16.6%	-16.6%	4.5%	13.2%	0.3%
Germany	-22.3%	-22.3%	8.9%	24.6%	0.0%
France	-13.3%	-13.3%	11.3%	22.2%	-0.2%
UK	-4.8%	-4.8%	4.4%	17.0%	-0.4%
Switzerland	-18.3%	-18.3%	2.1%	10.4%	-0.7%
Australia	-5.3%	-5.3%	7.9%	15.7%	-2.0%
Netherlands	-27.7%	-27.7%	8.0%	21.0%	-2.6%
Brazil	14.2%	14.2%	11.1%	2.4%	-3.0%
Saudi Arabia	-5.1%	-5.1%	-6.9%	-7.3%	-3.3%
South Africa	-3.9%	-3.9%	3.8%	18.3%	-3.9%
Kuwait	7.4%	7.4%	-1.6%	5.1%	-4.1%
Canada	-12.9%	-12.9%	-1.1%	7.4%	-4.9%
South Korea	-29.4%	-29.4%	-1.3%	18.1%	-5.2%
Taiwan	-29.8%	-29.8%	-6.2%	9.6%	-5.5%
India	-8.0%	-8.0%	8.6%	2.0%	-5.5%
UAE	-5.9%	-5.9%	-4.0%	-1.8%	-5.7%
US	-19.8%	-19.8%	1.8%	7.0%	-5.9%
Mexico	-2.0%	-2.0%	6.3%	12.5%	-6.8%
Qatar	-7.4%	-7.4%	-12.2%	-14.4%	-10.0%
Russia	-100.0%	-100.0%	-25.0%	-16.3%	-16.6%

Source: MSCI, Refinitiv, and ADCB Asset Management | Notes: *based on MSCI total return indices in USD terms as at close of December 30, 2022.

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