SGMC CAPITAL

Dabih Investments

February Monthly Review
Dabih Investments

A summary of key events and market trends during the month of February followed by your dedicated portfolio performance analysis.

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Global Markets Update

- As expected, asset markets in February have given up some of the strong gains recorded in January. Most broad market indices have retained their positive performance with the notable exceptions being China and the Dow Jones.

- The former has been hit by multiple geopolitical events while the latter has seen lesser buying interest

- Given the depressed valuation levels in technology, Nasdaq held up relatively better while still recording a negative monthly return of -0.49%.

- Balloons, (Anthony) Blinken and Bao Fan's disappearance hit confidence in China. Having said that the authorities continue to support markets and we expect the economy to gather momentum as the year progresses.

- Inflation continues to be sticky and while goods and manufacturing inflation has come off considerably the uptick in services inflation continues to be problematic.

- With growth and inflation continuing to come in towards the higher end of expectations the rates markets now price in higher terminal rates. The US overnight rate is seen peaking at around 5.4 %, 0.6% higher than at the start of February.

- We will now look at the ISM Services data which is forward looking to assess whether January was a positive blip or if the US and other economies are in fact accelerating.

- Most corporates have reported quarterly results and while top line numbers have mostly met expectations the bottom line has disappointed primarily in the Communications sector.

Uptick in US economic data is pushing terminal rate expectations higher

Europe too is seeing higher terminal rates with the ECB talking hawkish

Portfolio Review

(Refer to Official Statement)

- With growth and inflation continuing to come in towards the higher end of expectations asset prices were under pressure as the rates markets price in higher terminal rates. The US overnight rate is now seen peaking at around 5.4 % which is about 60 basis points over the level seen at the start of February.

- Similarly, over the last month, rates in Europe are seen around 65 basis points higher to around 4.0 % in twelve months time. Various European Central Bank Governors are taking a hawkish line when discussing policy.

- While China has impacted performance overall with a negative 11 % performance on the broad Hang Seng China Enterprises Index we continue to believe in the long term valuation and fundamental story.

- **Our 2023 year to date performance remains strong at +13.03% (profits of USD 133K) even after a February monthly decline of -2.71 % (USD – 35K). This year to date performance represents +1.30 % on the agreed average portfolio of USD 10 M.**

- **While we retain exposure to the upside with our cash exposures and long calls we continue to be mindful of downside risks and maintain various hedges through the options and futures markets**

Key markets

Index	Month to Date (%)	Year to Date (%)
Topix	0.91	5.37
Hang Seng China Enterprises	-11.36	-1.84
Dax	1.57	10.35
Euro Stoxx 50	1.80	11.72
S&P 500	-2.61	3.40
Dow Jones	-4.19	-1.48
Nasdaq 100	-0.49	10.08
US 10 Year Treasury	0.41	0.05
Bloomberg Barclays Global Aggregate Index	-3.32	-0.15
Bloomberg Barclays Global Corporate Bond High Yield Index	-1.89	2.21
EUR USD	-2.64	-1.21
USD JPY	4.67	3.85
Gold	-5.26	0.16

- The Federal Reserve now meets towards the end of March and while the broad expectation is for another 25 basis point hike in rates there are some analysts calling for 50 basis points. This expectation will be fine-tuned as the month progresses and the activity and Non Farm Payroll data over the next few days will set the tone.

- The change of guard at the helm of the Bank of Japan is being closely followed by the investor community. While Kazuo Ueda, the nominee for the Governor's role when current Goveror Kuroda steps down, has been provided a good amount of airtime to voice his views on policy he has, as expected, stuck close to the existing script of continuing support for the economy. Any deviation from this plan that arises will likely trigger volatility in Japanese asset markets and potentially have ramifications for global assets too.

- The headlines of potential Chinese support for the Russian military effort is concerning given the potential for increased sanctions on Chinese firms. We watch these developments closely as any escalation would hit investor confidence.

SGMC Forward Views

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Asset Class	**Avoid**	**Reduce**	**Hold**	**Add On**	**High Convinction**	**Notes**
Equities						
US Equities						Use the options markets to take advantage of possible upside and create obligations to buy lower into declines
EU Equities						While geopolitical risks have not completely dissipated we note the relative resilience of this space
Chinese Equities						Despite some hiccups the country and economy seems well set on it's path to normalizing and valuations continue to be attractive
Emerging Market Equities						With the weaker US Dollar and improving risk appetite we expect the bid to return to EM equities
Bonds						
High Yield						With the heavy lifting behind us in the US levels continue to be attractive to add
Investment Grade						While we still like this space we note that spreads have tightened a fair bit and further rates could head higher in the short term. Will look to add only at better levels
Government Bonds						Prefer the risk / reward profile of corporate and financial bonds and hence continue to have a "Hold" recommendation for the Government space
FX & Alternative Asset Classes						
US Dollar Index						Have not seen the rally that we expected and given the current negative momentum will wait for better levels to go long
Commodities						Improving risk appetite balanced with deteriorating demand fundamentals
Private Equity / Hedge Funds						We believe the current flush out being seen in this space will likely linger for some further peiod and will be some time before demand picks up again
Real Estate						Rentals will continue rising providing good yields, but prices will come under pressure with increased mortgage rates
Collectibles						Uncorrelated with markets

- We are currently not making any changes to our forward views and asset allocation. Though, this could change as we assess the tone and content that comes through from the monetary policy meetings over the coming weeks.

All information in this report has been obtained from Bloomberg sources except where indicated otherwise. All data in this report is as of the last international business day except where indicated otherwise.

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