6-Month Market & Fund Review

(as at June 30, 2024)

Tech Surge Amid Economic Shifts

Latest Developments

- **Global Markets Rise:** The MSCI World Index delivered an outstanding 13.5% return since the start of the year, indicating strong confidence in global equities despite policy uncertainties. US stocks spearheaded this rise with a 15% surge in the S&P 500 Index year-to-date.
- **Tech Sector Dominance:** The impressive market performance was primarily driven by significant gains in Big Tech stocks, especially those involved in artificial intelligence (AI). Notably, Nvidia, Apple, and Microsoft collectively drove over 90% of the market's gains in the second quarter.
- **Federal Reserve's Stance:** The US Federal Reserve ("the Fed") maintained a cautious tone at its June meeting, suggesting only one rate cut is likely in 2024 despite weakening US economic data since early May. This conservative approach disappointed markets hoping for more aggressive rate cuts to stimulate economic growth.
- **Strong US Corporate Earnings:** US companies reported robust earnings in Q1 2024, with S&P 500 Index earnings increasing by 11% year-over-year. This growth was led by the "Magnificent Seven" tech companies, which saw their earnings surge by over 50% year-over-year.

What this Means

- **Economic Stability:** The overall economic framework remains strong, underpinned by healthy business investments and continued job creation. These factors mitigate concerns about potential downturns and support a cautiously optimistic outlook for the rest of the year.
- **Inflation Moderation:** Central banks aim for a soft landing for their economies, with inflation rates gradually moderating. For example, US core personal consumption expenditures (PCE) inflation has decreased to 2.6% from a high of 5.6%, showing progress towards the Fed's 2% target.
- **Market Dynamics:** The concentration of gains in a few tech giants can lead to increased market volatility. While these companies have driven significant growth, reliance on a small group of stocks could cause greater market fluctuations if these behemoths face operational or financial setbacks. Investors should be aware of this concentration of risk and consider diversifying their portfolios to mitigate potential volatility.

ARGUS
Our Interest is You.

6-Month
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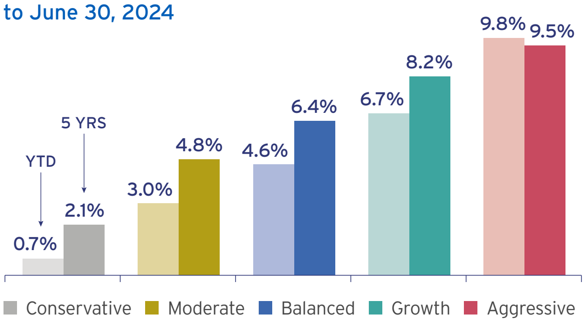
(as at June 30, 2024)

ARGUS SELECT FUNDS PERFORMANCE

YTD & 5-Year (Annualised) Returns
to June 30, 2024



Impact on Portfolios

- **Income Strategies:** Income-generating assets like dividend stocks and bonds can offer portfolio stability. Investors can achieve solid income without excessive risk, with fixed income yields now more attractive than pre-pandemic levels. Bonds and dividend-paying stocks remain reliable for generating regular income through interest and dividends, providing consistent returns regardless of, for example, short-term central bank policy.
- **Strategic Allocation:** Investors should consider a strategic allocation that balances growth and value stocks. This approach ensures that the portfolio can capture the potential upside from growth stocks while maintaining stability and income through value stocks. Emphasising strong financial health and adaptability allows investors to manage risks and seize opportunities in varying market conditions.
- **Market Outlook:** Despite a healthy economic backdrop, markets may face some challenges in the coming quarters. Expectations of solid corporate profitability have been crucial to sustaining the current market rally. We've seen the extent to which global growth stocks have driven higher returns despite economic and political uncertainty. Notably, the relentless surge in Big Tech has elevated the valuation of the S&P 500 Index. Analysts remain optimistic about the second-quarter earnings of tech companies, but the market will be vulnerable if these companies do not follow through with earnings that support these valuations.

  Despite the short-term volatility the November election may bring, the performance of equity markets usually improves with greater certainty, regardless of which party wins the election. Data going back to 1928 suggests that average full-year price returns in election vs. non-election years are basically the same – at 7.3% and 7.5%, respectively – but the path to getting there is very different.
- **Argus Select Funds:** Both equity and bond markets were largely positive over the quarter in anticipation of lower interest rates in the US. Our active fixed income and equity managers provided excess returns, while our exposure to US real estate detracted from performance over the quarter. Both, our YTD and 5-year returns, remain positive across all strategies.

Fact sheets are updated monthly and are available on the Argus website: www.argus.bm

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GUARANTEED ACCOUNT (INTEREST ACCUMULATOR) – gross of fees

The continued increase in interest rates has had a positive impact on the yield of the interest accumulator. The gross declared yield on the five-year accumulator is 3.50% and 3.65% on the one-year accumulator. The advantage of this investment is that there is no volatility in the value. However, consider the return after pension administration fees.

If you would like to change your investment selection, please visit www.argus.bm to learn more about all the available investment options.

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