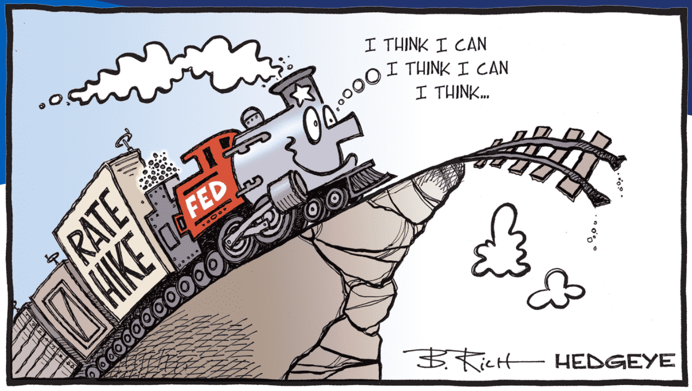
12-Month Market & Fund Review

(as at December 31, 2022)



Surging Interest Rates cause a Breakdown in Stocks and Bonds

Latest Developments

Stocks and bonds saw heavy losses in 2022, triggered by sharply rising interest rates (due to inflation) and extensive geopolitical turmoil (largely due to the war in Ukraine).

- Core US stocks had a "bear market" in 2022 and registered their largest decline since the 2008 financial crisis, falling by 18% (about a fifth of their value). European stocks fared better, declining by 10%, and tech stocks fared worse, losing about a third of their value.
- Bonds, traditionally a source of stability, lurched lower with the Bloomberg US Aggregate index (measuring US core fixed income) down by 13%.
- Investors usually focus on the direction of interest rates. Except for the Bank of Japan, all the world's major central banks rapidly increased interest rates over the past 12 months.
- The US technology sector, which performed so well during the Pandemic, took the brunt of damage. Tesla fell by almost two-thirds last year; Apple and Microsoft slumped nearly 30%; Google parent Alphabet is off nearly 40%; and Facebook owner Meta lost over 60% of its value.
- Chinese equities didn't fare well either. The economy was disrupted by the government's strict zero-Covid measures and China is now battling a huge wave of infections as it opens up again. Chinese stocks fell 13% over the year.
- The only areas of safety were cash (which still lost value relative to inflation) and oil (up 28%).

What this Means

- The market corrections, increases in interest rates and high levels of inflation highlight the changed landscape for investors. Since 2009, investors have grown accustomed to outrageously low interest rates and extreme levels of government support. This has reversed and markets are adjusting, brutally.
- Higher interest rates make borrowing more expensive, which reduces economic activity, risking a recession. Higher interest rates also reduce the appeal of stocks but, conversely, make bonds a more attractive investment.
- The consensus outlook is that inflation may have peaked, but it will be some time before it reduces to the 2-to-3% level targeted by the US central bank. The most recent statement from the US Federal Reserve (the Fed) is that inflationary pressure could "prove to be more persistent than anticipated". Interest rates will continue to increase, putting pressure on economic activity.

ARGUS
Our Interest is You.

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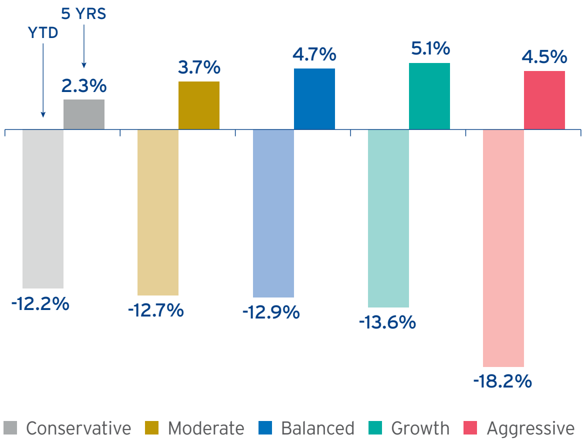
Impact on Portfolios

- The Fed's willingness to do whatever it takes to combat inflation, and the lack of clarity on the geopolitical front, is likely to produce continued volatility over the months ahead, even for the balanced portfolio.
- The outlook for stock markets therefore remains challenging. Even if interest rates level off, company earnings will struggle under the impact of a weaker economy.
- The sharp downturn in markets has reset the long-term outlook. Higher fixed income yields and more attractive equity valuations are creating good opportunities for a balanced portfolio.
- While 2023 will be challenging, it will also be an excellent time for the long-term investor to put cash to work.

ARGUS SELECT FUNDS PERFORMANCE

YTD & 5-Year (Annualised) Returns to December 31, 2022



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 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 2.9 % and 2.0% on the one-year accumulator. The advantage of this investment is 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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