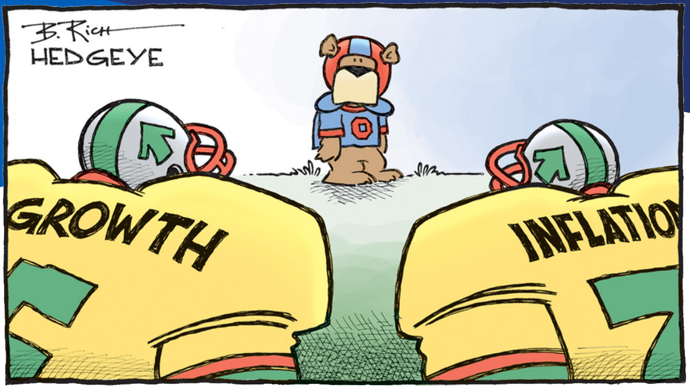
# 9-Month
# Market & Fund Review

(as at September 30, 2023)




## Financial Markets React to Interest Rates and Government Spending

### Latest Developments

- **U.S. Treasury Bond Prices Plunge:** The prices of United States (U.S.) Treasury bonds, essentially government IOUs, have plummeted, leading to a significant rise in interest rates, the highest since 2007.
- **Global Stock Market Declines:** As a consequence of rising interest rates, major stock markets worldwide experienced declines over the most recent quarter, although they still maintain overall gains for the year. The MSCI World Index gained 10% since the start of the year, and the S&P 500 Index and the Bloomberg European 500 Index rose by 13% and 8%, respectively.
- **Inflation on the Rise**: The U.S. Consumer Price Index recorded a 3.7% increase in September year-on-year, surpassing the U.S. Federal Reserve's 2% target. Globally, the International Monetary Fund (IMF) revised its global inflation forecast upward to 5.8% for the next year.
- **Improved U.S. Economic Outlook:** The IMF upgraded its expectations for U.S. economic growth to 2.1% from the previous estimate of 1.8%. The U.S. Labor Department reported strong employment data with 336,000 jobs added in September, exceeding expectations.
- **Geopolitical Tensions in Israel:** Recent events in Israel have heightened geopolitical tensions, potentially leading to instability in the region.

### What this Means

- **Impact of Treasury Bonds on Interest Rates:** U.S. Treasury bond prices influence interest rates, impacting various loan products, including mortgages and car loans. Rising rates raise concerns about corporate debt and vulnerable sectors like regional banks and commercial real estate.
- **U.S. Economic Dilemma:** Positive employment and economic growth predictions contrast with the bond market's lack of trust, causing interest rates to surge, potentially straining the broader economy.
- **U.S. Deficit's Influence:** High interest rates are limited in coming down due to the U.S. deficit, which leads to increased Treasury bond issuance (supply), driving bond prices down and interest rates up.

ARGUS
Our Interest is You.

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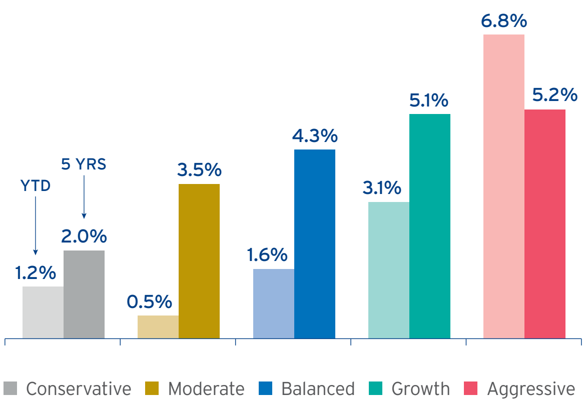
## Impact on Investments

- **Sector Performance:** In the event that bond yields and interest rates remain 'higher for longer', certain market sectors generate more stable and less cyclical earnings than others and can make for better defensive investments if the economy were to come under strain. Investments in consumer staples, utilities, and healthcare sectors tend to be more stable and less affected by economic fluctuations.
- **Value Stocks Shine:** Historically, value stocks, considered undervalued, perform well relative to growth stocks in high-interest-rate environments. Stock selection should consider business quality and resilience in tough economic conditions.

ARGUS SELECT FUNDS PERFORMANCE

YTD & 5-Year (Annualised) Returns to September 30, 2023




- **Argus Select Funds:** Both bond and equity markets declined over the quarter, resulting in more muted performance YTD. The more fixed income oriented strategies were impacted by the significant rise in interest rates over the quarter. Interest rates are expected to stay higher for a longer period of time. The good news is that the 5-year returns remain positive across all strategies.
- **Market Outlook:** The Fed is reaching a critical point in its fight against inflation, and the next couple of months may determine whether or not it can navigate a so-called soft landing for the U.S. economy without tipping it into a recession. Further, the uncertainty surrounding current geopolitical tensions will likely increase market volatility in the near term with potential knock on impacts to energy prices, inflation and central banks' monetary policies. Therefore, our outlook remains cautious.

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

## 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 3.60% and 3.70% 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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