

6-Month Market & Fund Review

(as at June 30, 2025)



Market Resilience and the Resurgence of Tech

Latest Developments

- **Continued Uncertainty:** The world remains in a holding pattern, waiting for the next tariff announcement or list of concessions to avoid tariffs. Financial markets are currently less volatile than they were following the initial tariff announcements due to continued delays and exceptions provided by the Trump Administration. Equity markets have been resilient through this uncertainty, recovering quickly on any dip.
- **US Rebounds while International Markets Remain Strong:** In the second quarter, the US stock market rallied after a turbulent start to the year. As of June 30th, the S&P 500 Index was up 6.2% year-to-date, while the Nasdaq Index is up 5.9%, weighed down by a few underperforming technology stocks. Regionally, European shares continue to outperform the US, with the FTSE 100 index up 9.5% YTD and S&P Europe 350 Index up 8.8% YTD.
- **Artificial Intelligence (AI) & Technology:** AI regained positive momentum over the quarter. Meta is making moves to be a key player in the AI space, offering attractive compensation packages for top AI minds to join. Google, another major player in the AI space, announced investments of over \$25 billion on data centers. Google may be highly incentivised as their flagship 'Google Search' is a tool that could be negatively impacted by AI.

What this Means

- **Central Bank Uncertainty:** After years of strong gains in the technology sector, investors are adjusting their portfolios in response to changing conditions. Concerns about higher costs, delayed AI payoffs, and renewed inflation risk have prompted a broader rotation toward more defensive and value-based areas of the market.
- **Tariff Slow Down:** After a relatively calm 2024, sharp market swings have returned, driven largely by policy unpredictability – especially on trade.
- **Diversification:** A diversified portfolio will likely remain a key attribute in managing volatility this year amid a patient Fed, trade policy, and geopolitical uncertainties.

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Impact on Portfolios

- **Long Term Horizon:** Pension funds are designed to support your long term retirement goals. The day-to-day market fluctuations during periods of high volatility are not as relevant as the long-term outlook. It is important to have a well-diversified investment strategy that is aligned with your financial goals, time horizon and risk profile.
- **Market Outlook:** Global trade tensions and uncertainty have impacted the global economy. The current outlook on risk assets is more positive than last quarter, but if the proposed tariff rates go into effect on August 1st, risk assets may react negatively. However, the potential for tax cuts, deregulatory policies and substantial infrastructure investment expected from the Trump Administration may boost productivity and employment, helping to stimulate the economy. A disciplined long-term investment strategy remains the best defense against short-term market volatility.
- **Argus Select Funds:** Following a negative and volatile first quarter, global equity and fixed income markets rebounded strongly as the Trump Administration extended the deadline for tariff negotiations and implementation, and geopolitical tensions were somewhat de-escalated. The US Treasury yield curve steepened as investors priced additional interest-rate cuts at the short end but demanded a higher yield on longer-term bonds. Although interest rate volatility remained high in the second quarter, the spread between the yields on junk and US Treasury bonds has settled back down to a level last seen in February after rising sharply in April - indicating a perception of only modest risk. The overall net result is reflected in the YTD returns achieved by our funds - all strategies recorded positive performance with a similar story reflected over the trailing 5-year period.

Fact sheets containing trailing performance and benchmark comparisons 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 2.90% and 2.85% on the one-year accumulator. The advantage of this investment is that there is no volatility in the value. However, be sure to 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.

Disclaimer¹: Past performance is not indicative of future results. All returns shown are net of underlying investment manager fees but gross of fees charged by your pension administrator unless otherwise stated. Pension administration fees are disclosed in your quarterly pension statement.

¹Argus Select Funds and Guaranteed Account.

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ARGUS SELECT FUNDS PERFORMANCE

YTD & 5-Year (Annualised) Returns
to June 30, 2025

