9-Month Market & Fund Review

(as at September 30, 2024)

Rate Cuts and Election Jitters

Latest Developments

- **Sustained Market Gains:** The US Federal Reserve's 50 basis point interest rate cut in September – its first reduction in over four years – helped global equities extend their gains in Q3 2024, with the MSCI World Index up 2%. Small caps and value stocks had a particular spring in their step, with the Russell 2000 Index gaining 7%. Over the quarter, investors rotated into sectors more sensitive to economic growth and interest rates.
- **US Election Uncertainty:** The upcoming US presidential election is a key factor driving stock market volatility. Investors are weighing the contrasting economic agendas of the candidates: Kamala Harris advocates for higher corporate taxes and increased government spending, particularly on social programs and infrastructure, while Donald Trump has pledged further deregulation and tax cuts aimed at stimulating business.
- **Oil Price Decline:** Oil prices saw a notable drop in Q3 2024, with Brent crude falling by 17%. This decline was driven by concerns over global demand, particularly from China, where slower-than-expected economic growth impacted energy consumption.

What this Means

- **Fed's Impact on Growth and Inflation:** The Fed's rate cut is designed to stimulate economic growth by making borrowing cheaper for companies and individuals. The move could encourage more spending and investment, which helps the economy expand. However, the future direction of Fed policy remains uncertain. Inflation has been cooling, but global growth remains fragile.
- **Election Impact on Different Sectors:** The US election will likely have a major impact on specific sectors of the market. If Kamala Harris wins, her plan to raise corporate taxes could lead to lower profits for companies, particularly in sectors like technology, finance, and healthcare. However, sectors such as infrastructure and clean energy could benefit from increased government spending. If Donald Trump wins, his proposed tax cuts could boost corporate profits in the short term, especially for businesses that were hit hard during the pandemic. But the increase in government borrowing to fund these cuts could exert upward pressure on interest rates, which could weigh on growth.

ARGUS
Our Interest is You.

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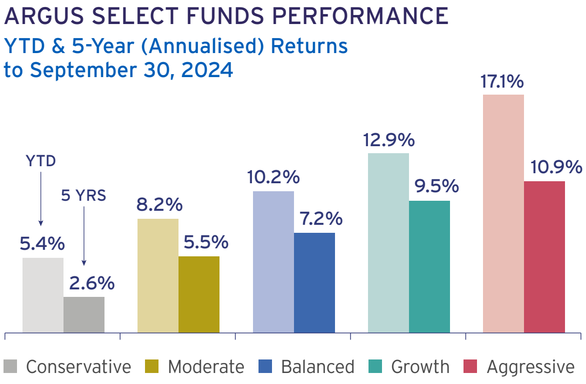
Impact on Portfolios



- **Opportunities in US Fixed Income:** US bonds have become a compelling option for income-seeking investors. As rates decrease, bond prices go up, making them a good way to balance riskier stock investments.
- **Diversification is Key:** By spreading investments across sectors, asset classes, and global regions, investors can better manage risks and capture growth opportunities. Balancing exposure between emerging markets like China and more stable, developed economies will help cushion against volatility and position portfolios for long-term success.
- **Market Outlook:** As we enter the final quarter of 2024, the dominant theme remains policy uncertainty. The Fed's rate cut has provided a much-needed boost to equities, but questions about inflation and future cuts linger. The US election adds yet another layer of complexity, with potential shifts in taxation, regulation, and government spending depending on the outcome. However, we think the volatility resulting from the election on the market will be short-lived. In this environment, we remain vigilant and prudently optimistic. We believe a well-diversified portfolio that balances exposure to growth sectors with defensive positions is essential in managing potential volatility and unpredictable policy shifts.
- **Argus Select Funds:** Both equity and bond markets across the risk spectrum were positive over the quarter in anticipation of lower interest rates in the US. In particular, bond valuations appreciated significantly during the quarter giving a boost to our more fixed income oriented strategies. Both, our YTD and 5-year returns, remain positive across all strategies.

Fact sheets are updated monthly and are available on the Argus website: 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 3.0% and 3.2% 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 argus.bm to learn more about all the available investment options.

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