3-Month
Market & Fund Review

(as at March 31, 2025)

A New World Unfolds: Markets Recalibrate

Latest Developments

- **A turbulent start:** Global markets have experienced extraordinary volatility in 2025. The catalyst was President Trump's tariff announcement on April 2nd, dubbed "Liberation Day." He declared a blanket 10% tariff on all trading partners and additional "reciprocal" tariffs for countries with trade deficits with the United States. This announcement was more severe than the markets had anticipated, sending shockwaves through the global economy. It triggered significant market volatility due to the uncertainty surrounding these tariffs and their potential impact on the global supply chain, inflation, and economic growth. Markets have calmed slightly since Trump's announcement on April 9th, which put most global tariffs, except those on Canada and Mexico, on pause for 90 days.
- **Global markets diverged:** US stock markets fell sharply since the start of the year. As of April 15th, the S&P 500 Index was down 8.2% year-to-date, while the Nasdaq Index had fallen 12.9%, dragged lower by a steep sell-off in technology stocks. European shares held up better, buoyed by Germany's large stimulus program. In contrast, the Euro Stoxx 50 Index rose 2.1%.
- **US economic signals mixed:** While growth is slowing, the labor market continues to show resilience. Consumer confidence, however, has declined for four consecutive months. Inflation continues to trend lower but remains above the US Federal Reserve's target at 2.4%, and the Fed is currently on hold. Meanwhile, recession fears are growing, and the term "stagflation" – a combination of slowing growth and rising prices – has re-emerged in market conversations.

What this Means

- **Markets are rebalancing:** 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.
- **Volatility has returned:** After a relatively calm 2024, sharp market swings have returned, driven largely by policy unpredictability – especially on trade.
- **Slower US growth expected:** Most forecasts now point to sub-2% growth in the US for 2025. New tariffs, budget constraints, and weak consumer confidence are all expected to weigh on spending and investment. Investors are concerned that if tariffs raise the cost of imported goods, inflation may prove harder to bring down.
- **Central banks are cautious:** The US Federal Reserve has opted to keep interest rates unchanged, awaiting greater clarity. Meanwhile, the ECB and Bank of England have each made modest rate cuts to support growth. Further easing is likely only if inflation comes down in tandem with slowing activity.

ARGUS
Our Interest is You.

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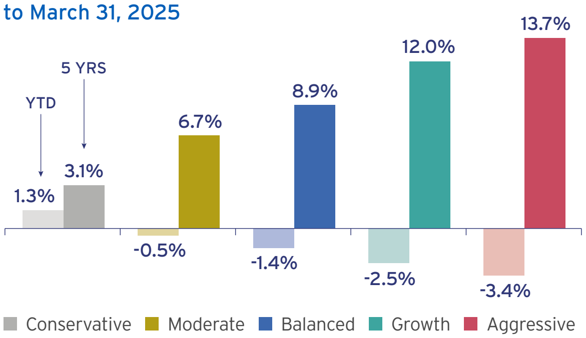
Impact on Portfolios

ARGUS SELECT FUNDS PERFORMANCE

YTD & 5-Year (Annualised) Returns to March 31, 2025



- **Diversification:** After years of dominance by growth stocks, particularly in the technology sector, we're witnessing a rotation towards other areas of the market, including value stocks and international equities. This change presents both challenges and opportunities, highlighting the critical importance of portfolio diversification.
- **Market Outlook:** Due to the significant escalation in global trade tensions and the uncertainty surrounding tariffs and their impact on the global economy, we expect continued pressure on risk assets in the short term. While markets have become more volatile, well-diversified portfolios continue to offer resilience. A measured, disciplined investment approach remains the best defense against short-term turbulence. We believe that, in the long run, what we have experienced lately will just be a blip in an upward trend. While tariff uncertainty could weigh on economic growth in the near term, we maintain that the current fundamentals of the US economy are solid. We are confident that the market will fully recover, so we stay invested.
- **Argus Select Funds:** After rising for the first half of the quarter, uncertainty about Trump's policies began to weigh on global equity markets, and likewise negatively impacted the funds. In contrast, bonds had a strong quarter, as US interest rates fell broadly, leading to higher valuations. Bonds benefited from the same concerns over economic growth that put downward pressure on stocks. Additionally, core US real estate provided incremental value over the quarter. The overall net result is reflected in the YTD returns achieved by our funds – the fixed income oriented strategies outperformed relative to the equity oriented strategies. Our 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 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.

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