

9-Month Market & Fund Review

(as at September 30, 2025)



Weaker Labour Markets & AI Investments

Latest Developments

- **Labour Market Weakness:** The US labour market showed signs of softening. ADP employment data for August was revised from a gain of 54,000 jobs to a decline of 3,000. September followed with a further reduction of 43,000 jobs. Declining employment figures may be an early signal of economic slowdown, as reduced incomes may lower consumer spending and increase financial stress. **However, economic indicators should be evaluated in context with other market factors, and no single indicator should be viewed as determinative of future economic conditions.**
- **Technology Sector: Valuations and Investment Flow:** One consideration regarding current tech valuations is the nature of investment flows: a significant portion of profits from software and AI firms is being reinvested into semiconductor and hardware companies to acquire additional processing power. Meanwhile, energy infrastructure companies are benefiting from rising demand, with some data center clients committing to fixed minimum power usage contracts.
- **US Government Shutdown:** The fourth quarter began with a US government shutdown, as the federal budget remained stalled in the Senate despite having passed the House of Representatives as of the date of this commentary. As a result, funding has been suspended for non-essential government functions, leading to furloughs for

affected staff. Policymakers face a difficult balance: controlling government spending to address rising national debt and long-term inflation risks, while avoiding prolonged budget delays that may contribute to higher unemployment and reduced household income.

What this Means

- **Markets Resiliency:** Markets have remained notably resilient in 2025 through September 30, extending positive performance despite persistent economic and geopolitical uncertainty. Positive investor sentiment has been supported by strong corporate earnings, easing global trade tensions, and more accommodative central bank policies.
- **Interest Rate Decisions:** Weaker employment figures may provide further scope for the US Federal Reserve to continue its rate-cutting cycle. Earlier in the year, the Fed was hesitant to ease policy due to robust labour market data, despite elevated inflation. However, with mounting signs of labour market weakness, the Fed may be positioned to act more decisively. Federal Reserve policy decisions are subject to numerous factors and remain uncertain.

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Impact on Portfolios

- **Shifting Return Expectations:** A more moderate pace of growth may occur heading into year-end based on current market conditions, though actual results may vary significantly. Fixed income yields have begun to decline as the US Federal Reserve joins the global rate-cutting trend. While this may benefit existing bondholders through capital appreciation, future returns are uncertain and will depend on various market factors including interest rate movements, credit conditions, and economic performance.
- **Market Outlook:** The end of the third quarter marks the strongest quarter-end of 2025 so far, despite ongoing concerns about a US government shutdown. Most major tariff issues affecting developed economies have now been addressed through negotiated agreements, reducing uncertainty for those markets. However, many emerging economies remain excluded from these discussions, leading to continued volatility and heightened sensitivity to external risks.
- **Argus Select Funds:** The Funds participated in the strong equity rally in the third quarter - with returns ranging from 3.4% in the Conservative Fund to 7.9% in the Aggressive Fund. These returns represent past performance for the specific period indicated and should not be considered indicative of future results. Continued enthusiasm for artificial intelligence fueled tech stocks coupled with strong second quarter earnings, with 81% of S&P 500 companies beating Earnings Per Share (EPS) estimates according to Investing.com. Leadership broadened beyond mega-cap growth stocks to include small-cap and value stocks. Bond markets showed modest but positive returns over the quarter, supported by falling yields and Fed rate cuts. On a YTD basis, 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)

As interest rates decline, this may have a negative impact on the yield of the interest accumulator for future investments and reinvestments. The gross declared yield on the five-year accumulator is 2.90% and 2.85% on the one-year accumulator. One advantage of this investment is that the principal value is guaranteed and does not fluctuate with market conditions, subject to the creditworthiness of the issuer. However, investors should consider the return after pension administration fees and should also consider inflation risk, opportunity cost, and their individual investment objectives and time horizon before selecting this investment option. If you would like to learn more about investment options or make changes to your investment selection, please visit www.argus.bm for additional information or consult with a qualified financial advisor. Investment decisions should be based on your individual circumstances, risk tolerance, time horizon, and financial goals.

Important Disclaimers¹: Past performance does not guarantee future results. All investments involve risk including possible loss of principal. Returns shown are net of investment manager fees but gross of pension administration fees disclosed in quarterly statements. This commentary is for informational purposes only and does not constitute investment advice or recommendations. Forward-looking statements are subject to change and actual results may differ materially. Argus does not guarantee information accuracy or completeness. Consult a qualified financial advisor before making investment decisions. For complete details on risks, fees, and objectives, refer to fund prospectuses at www.argus.bm.

¹Argus Select Funds and Guaranteed Account.

ARGUS SELECT FUNDS PERFORMANCE

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

