

6-Month Fund Review

(as at June 30, 2021)

Stocks continue to rally while vaccine distribution fuels economic recovery.

Latest Developments

- Strong signs of a booming economy continue to drive stock market returns higher. Robust GDP growth has been limited to the US and China though, as COVID-19 outbreaks have resulted in lockdowns and/or restrictions elsewhere for much of the April to June period.
- While the US has done an excellent job of distributing vaccines among its people, unfortunately, they will fall short of their goal of having 70% of the adult population vaccinated by July 4th.
- An aversion to the vaccine is hampering the US's ability to achieve herd immunity while economic growth is largely dependent on reducing the spread of COVID-19. Flare-ups might negatively impact risk assets such as equities, high yield bonds, commodities, and crypto currencies.
 - The Delta variant is highly contagious and may cause more severe illness than previous strains which increases the risk of economic activity falling short of expectations.
 - Globally, vaccination rates have been highly disproportionate. Even in the US, vaccination rates are lower in certain States and within certain demographic groups.
- Fiscal spending in the US has been driving equity prices higher. After \$4 trillion in expenditures in 2020, this year the US:
 - has approved the American Rescue Plan at \$1.9 trillion.
 - is close to securing a deal for a \$1.0 trillion infrastructure plan.

- What has been good for stocks has not been as rewarding for bond investors.

Future Returns will be Lower

- US equities have experienced remarkable returns. 31% in 2019, 18% in 2020 and 12% year to date in 2021. It remains to be seen if this trend continues.
- The average return for the last 10 years has been 14% for US equities which is significantly above the long-term average rate of 11% for the last 50 years.
- With lower interest rates, higher valuations and modest economic growth, the future will likely look different than the past.
- There is no definitive way to predict whether stocks will have positive or negative years. Remaining invested and taking a long-term perspective is the best approach for success in the long run.
- Given current market conditions, now is a good time to review your investment portfolio and make adjustments if necessary to align with your long-term financial goals.

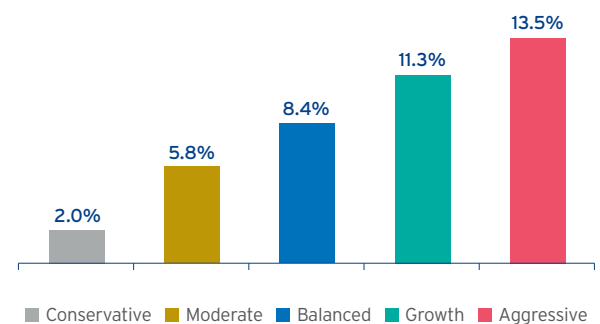
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Impact on Portfolios

- All Argus Select Funds (ASF) performed equally as good or slightly better than their relative targets for the six months ending on June 30, 2021.
- The latest developments mentioned on the front page resulted in higher risk portfolios performing exceptionally well.
- Fiscal spending has been driving equity prices higher, resulting in strong positive returns YTD for all risk profiles.
- We replaced our international value manager (Aegon Asset Management) with First Eagle Investment Management, a New York based investment firm whose heritage dates back to 1864. This decision was based on technical as opposed to performance reasons. We are looking forward to our partnership with First Eagle.
- Fixed income returns will likely be lower for the foreseeable future. Therefore, we have increased exposure in private real estate which has been funded by fixed income as we anticipate real estate returns will be highly beneficial to your funds, relative to fixed income.

AIS FUND PERFORMANCE
January 1 to June 30, 2021



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

GUARANTEED ACCOUNT (INTEREST ACCUMULATOR) – gross of fees

The gross declared yield on the five-year accumulator is 0.45% and 0.0% on the one-year accumulator. Because there is no volatility with this investment, many clients select this option. However, after pension administration fees there is very little for the five-year investor and rarely any real return remaining for the one-year investor. If you would like to change your investment selection, please visit www.argus.bm to learn more about other investment options that may be more suitable to your specific needs.