12-Month Market & Fund Review

(as at December 31, 2024)

Shifting Gears: Global Impact of US Policy Change

Latest Developments

- **Global Markets Surge:** The MSCI World Index posted an impressive 18% gain in 2024, reflecting broad strength across global equities. In the US, the S&P 500 Index surged 25%, fueled by strong consumer spending and resilient corporate earnings. Europe's DAX Index rose 19%, driven by industrial recovery and supportive monetary policies, while Japan's Nikkei 225 Index gained 21% on robust corporate performance and heightened investor optimism. Smaller US companies also delivered solid results, with the Russell 2000 Index rising 12%, supported by steady domestic growth.
- **US Election Ushers in New Policy Regime:** Donald Trump's re-election as President signals a significant shift in US economic priorities. Markets are preparing for substantial infrastructure spending, tax cuts, and a renewed focus on reshoring jobs. While these policies could drive near-term growth, uncertainties over global trade dynamics and inflationary pressures loom large.
- **US Federal Reserve Adjusts Monetary Policy:** The US Federal Reserve cut its benchmark interest rate by one percentage point over the last three meetings, lowering it to a range of 4.25–4.5%. This easing supports economic growth amid slowing global demand, though inflation concerns remain. Projections for 2025 indicate further but measured rate cuts as the Fed balances growth with price stability.
- **US Labor Market and GDP Growth:** The labor market showed resilience, with unemployment holding steady at 4.1% and 256,000 new jobs added in December. Q4 GDP grew at an annualized 2.3%, driven by strong consumer spending but tempered by weaker exports. These figures underscore a solid economic foundation entering 2025, despite inflation and potential trade headwinds.

What this Means

- **Market Volatility:** The new US administration's agenda, with its focus on fiscal expansion and deregulation, brings opportunities and risks. At the same time, trade tensions and tariff threats are fueling uncertainty, with potential supply chain disruptions that could weigh on corporate earnings and investor sentiment.
- **China's Role in Global Growth:** Global trade and growth are influenced not only by US policies but also by developments in major economies like China. China's efforts to stabilize its economy include fiscal and monetary measures, but structural challenges in real estate and demographics could limit their impact. Weaknesses in China's economy may spill over into global trade and commodity markets, creating risks for countries heavily dependent on Chinese demand.

ARGUS
Our Interest is You.

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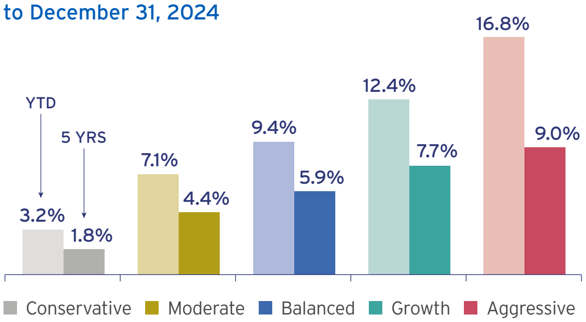
ARGUS SELECT FUNDS PERFORMANCE
YTD & 5-Year (Annualised) Returns
to December 31, 2024



Impact on Portfolios

- **Balancing Growth and Stability:** Pro-growth US policies are likely to favor sectors such as technology and infrastructure, offering attractive opportunities for long-term gains. However, heightened market volatility underscores the importance of balancing these investments with defensive sectors like healthcare and consumer staples, which can provide resilience and consistent returns during periods of uncertainty.
- **Global Diversification:** While US equities remain key, international exposure can enhance portfolio resilience. Japanese equities are supported by strong corporate performance and favorable monetary policies, while European stocks present value opportunities amid industrial recovery and green technology investments. However, both regions must contend with challenges from potential global trade disruptions.
- **Market Outlook:** US policy changes are set to be one of the dominant forces in shaping global markets in 2025, and investors will need to navigate a complex landscape where economic policies across major regions reflect differing priorities. The US emphasis on fiscal expansion and deregulation is expected to drive growth in key sectors, while Europe's industrial recovery and green technology initiatives present selective opportunities amid ongoing structural challenges. Meanwhile, China's pivot toward domestic stabilization, despite its structural headwinds, offers targeted opportunities in consumption-led industries. Adaptability will be crucial in the year ahead, requiring a balance between seizing growth opportunities and protecting portfolios against potential volatility.
- **Argus Select Funds:** Equity markets continued their strong performance over the fourth quarter led by AI related US large-cap equites, and against the backdrop of two interest rate cuts by the US Federal Reserve. This provided a boost to our equity-oriented strategies. In contrast, bond markets delivered mostly negative results as yields ended higher (and valuations lower) for the quarter. Both, our 1-year 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 3.20% and 3.05% 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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