

3-Month Fund Review

(as at March 31, 2021)

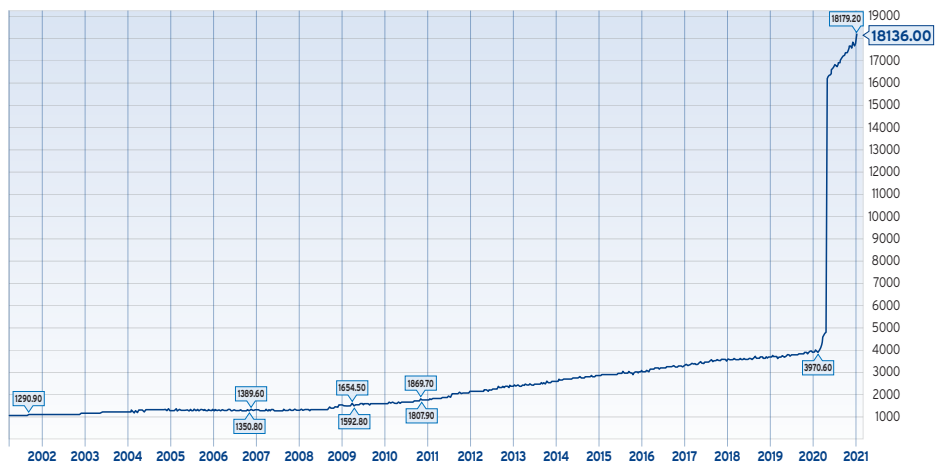
Inflation concerns hamper bond performance while equities continue to perform well

Latest Developments

- The outlook for economic growth in 2021 depends greatly on the distribution of COVID-19 vaccines. Countries that are leading the way in vaccinating their population will see stronger growth and faster recovery in 2021.
- The US has done an excellent job of distributing the vaccine. As of March 30, over 30% of the adult population in the US had received at least one dose of the vaccine. According to the CDC, more than 145 million doses have been administered in the US to date.
- The US government expects that every adult who wants to be vaccinated can receive a shot by May 31, and is hoping to have a “normal” 4th of July holiday celebration.
- Because of the effective distribution of the vaccine, economic growth in the US is estimated to be very strong at between 6.5 and 8%.
- Europe has been struggling with the distribution of the vaccine with only about 14% of its adult population having received the first dose and further, is facing new or extended lockdowns. Unfortunately, this is impacting economic recovery overseas.
- A strong US economy with an increase in consumer spending has been fuelling equity markets and has resulted in a shift from growth-oriented to value and early cycle companies.
- What has been good for equities has had a negative impact on bonds. An increased supply of money, and a promise by the US central bank to keep interest rates low, has investors concerned about inflation.
- Unfortunately, as a result, bonds experienced the worst first quarter this decade.

Twenty Years of US\$ Money Supply measures as M1

As at February 1, 2021



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Please see the “Perils of Inflation” section on the back for more information.

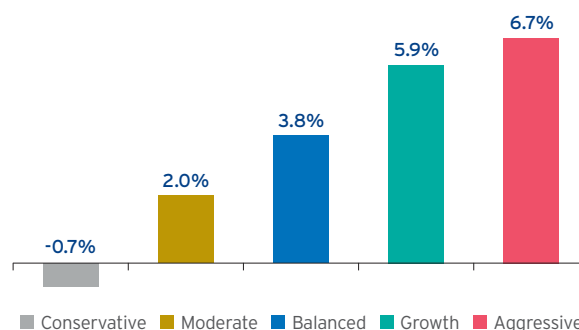
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Impact on Portfolios

- All Argus Select Funds (ASF) performed better than their respective benchmark targets.
- The latest developments, mentioned on the front page, resulted in higher risk portfolios performing exceptionally well.
- On the flip side, it has caused weakness in bonds resulting in a slight decline in our Conservative fund, which has an 80% fixed income exposure.
- All underlying fund managers remained unchanged.

AIS FUND PERFORMANCE
January 1 to March 31, 2021



The Perils of Inflation?

- Inflation erodes purchasing power over time. For example, at 2% inflation, your purchasing power will decrease by 50% over 35 years. In other words, a \$2.00 cup of coffee will cost \$4.00.
- If inflation rises to 3.5%, purchasing power will be cut in half in about 20 years, the time-horizon many of us plan to retire. It will have a significant impact on spending and saving patterns.
- While inflation has a real impact on financial health, it also erodes investor confidence.
- People who borrowed money will benefit from inflation as loans can be repaid with “less”. This will significantly benefit governments that borrowed to finance pandemic relief.
- Inflation has a negative affect on those living on a fixed income as their lifestyle diminishes.
- Lenders will increase interest rates if inflation rates rise, to compensate for a reduction in purchasing power.

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 0.5% 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.