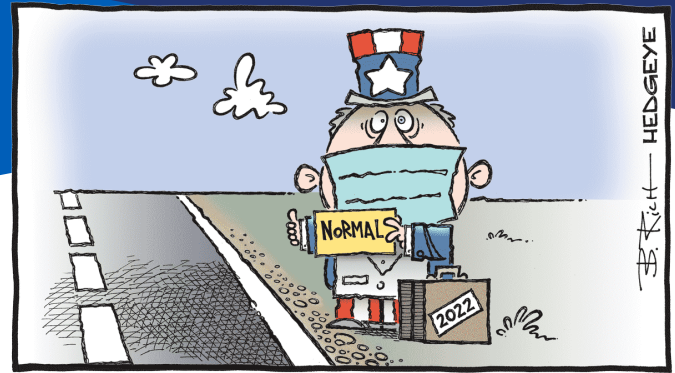


12-Month Market & Fund Review

(as at December 31, 2021)



Stellar Year for Stocks – the Future is Less Certain.

Latest Developments

2021 was a stellar year for global equities - the third year in a row with double-digit returns. The outsized economic recovery, supported by ongoing stimulus, caused robust growth on both sides of the Atlantic, with the US growing at 5.6% and the eurozone growing by 5.2%.

We saw a 27% surge of the S&P 500 Index (which consists of major US companies) and European stocks grew by 20%. On a broader scale, the MSCI World, which tracks global stocks, gained an impressive 20%.

Bonds fared poorly last year as ultra-low interest rates produced paltry income, which did not overcome the decline in bond prices. US core bonds lost ground with a return of negative 1.5%. The last time bonds lost money was in 2013.

Further, rising inflation presents a major challenge to bonds and equities. Oil prices surged 62% and labor shortages are pushing up wages.

Supply chains and inventory control became so efficient over the last decade that producers could rely on inventory to arrive "just-in-time". The disruption in inputs caused by Covid created global supply chains bottlenecks in everything from semiconductors to building supplies.

With pent up demand, trillions of dollars in stimulus money and increasing confidence for employment, consumers pushed prices higher. The consumer price index increased by 7.0% in December; its highest reading in 40 years.

Consequently, central bankers have become more and more concerned about inflation after initially deeming it to be "transient". Valuations, the concept of the perceived value of a stock based on its future earnings, are at peak levels and the discovery of Omicron late in the year added to the uncertainty.

What this Means

- Inflation is toxic for bond markets as it lessens the purchasing power of the future stream of (fixed) payments.
- To reduce inflation, central bankers will increase interest rates in 2022. This will create a headwind for both bonds and equities.
- High equity valuations will also restrict stocks from repeating the returns of the last three years.
- Earnings growth will be a focus for investors.
- Stock markets will exhibit a greater degree of volatility and a pull-back or correction would not be surprising.

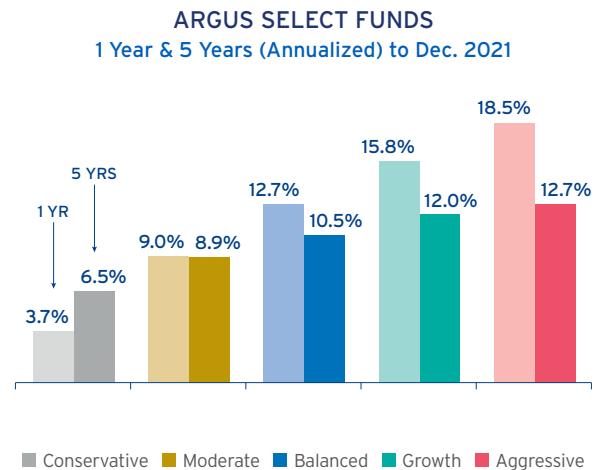
The beginning of the year is a good time to review your investment portfolio and make adjustments if necessary to align with your long-term financial goals.

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Impact on Portfolios

- Valuations are more attractive outside of the US, so a global approach will work in favor of investors.
- Over 4 billion of the world's population are unvaccinated. This creates an opportunity for new variants to form. The economic impact of these variants cannot be predicted. However, the western world is learning to accept Covid, with each successive variant having less of a psychological impact on behavior.
- Future returns will be lower because stock market valuations are high and interest rates are low.
- There is no reliable 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.
- Stocks have enjoyed three years of record highs. This is not sustainable. Whilst not necessarily a concern for those with a long timeline, persons close to retirement, would benefit from having a review of their strategy to ensure it is aligned with their retirement goals.



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 0.60% 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.