

# 6-Month Market & Fund Review

(as at June 30, 2022)



## Markets Fall Dramatically.

### Latest Developments

The most notable development in recent months was the collapse in global markets itself.

### Stocks and Bonds both Decline

- Major stock indexes were down by around 20% year to date (“YTD”), putting them in “Bear Market” territory.
- Bonds, which usually cushion a decline in stocks, did not provide ballast. US core bonds also declined by about 10% YTD. This was caused by the central bankers raising interest rates to combat inflation.
- In addition to inflation, investors are now concerned over the possibility of a US recession. A contraction of economic output combined with high inflation rate is called stagflation - something that has not been experienced since the 1970s.

### Inflation and a Possible Recession

- US consumer confidence, consumer sentiment, retail sales and business confidence have all declined sharply in June compared to May.
- US companies exporting their goods and services are selling into a weakening global economy and with a very strong dollar, making US products more expensive to sell overseas.
- Energy and food prices have surged due to supply disruptions caused by Russia’s invasion of the Ukraine.
- US inflation at 8.6% is at a 40-year high.
- Eurozone inflation hit a record high of 8.6%.

### What this Means

- Central bankers are willing to risk a recession to control inflation.
- With continued high levels of inflation, central banks will continue to raise rates. Investors are anticipating higher rates for the remainder of this year.
- Inflation creates a toxic climate for fixed income. If there is a recession, however, the worst may be over for fixed income investors.
- As rates rise, bonds become a more attractive alternative, adding more pressure to equities.
- Investors can continue to expect a high degree of volatility and aversion to risk assets.

---

*In the current quarter, investors added concern about a recession to already stubbornly high inflation. The recognition of this possibility, along with already nervous investors, caused an acute pull-back in nearly all asset classes. With the exception of certain commodities, there was no place to hide.*

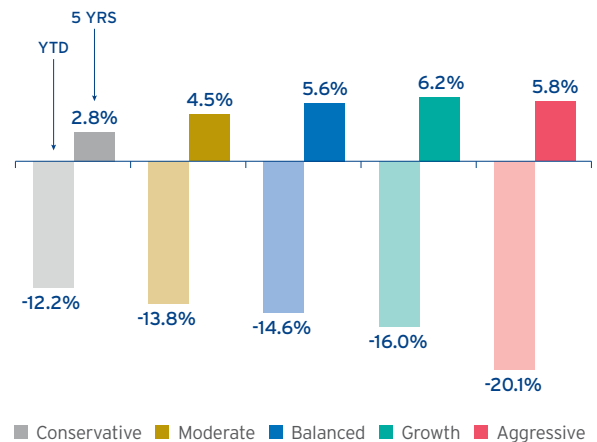
# 6-Month Market & Fund Review

(as at June 30, 2022)

## Impact on Portfolios

- It has been a horrible start to the year with double digit declines in all risk profiles.
- Conservative investors have been particularly hard hit with the unusual occurrence of both bonds and equities declining together.
- Outsized declines as we experienced are VERY unusual and caused by the exceptionally low interest rates used as a tool to promote economic growth during the pandemic.
- Consider that bonds have largely given up the artificial gains of the last two years.
- Declines in portfolio values are a normal part of an economic cycle and over investment horizon investors are ultimately rewarded for accepting risk.
- Even with the declines of the current quarter, ALL portfolios are on target for returns by strategy objectives over a 5-year period.
- When the market reminds us that it can go down as well as up, it is a good time to assess and to make adjustments to your portfolio, if necessary, to align your long-term financial goals with your risk tolerance.

ARGUS SELECT FUNDS PERFORMANCE  
YTD & 5-Year Annualised Returns to June 30, 2022



Fact sheets are updated monthly and are available on the Argus website: [www.argus.bm](http://www.argus.bm)

## GUARANTEED ACCOUNT (INTEREST ACCUMULATOR) – gross of fees

The 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 1.9% and 1.6% 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 little return remaining for investors. If you would like to change your investment selection, please visit [www.argus.bm](http://www.argus.bm) to learn more about other investment options that may be more suitable to your specific needs.