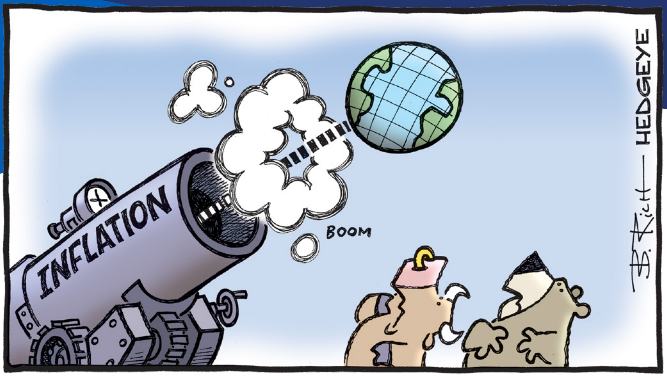
3-Month Market & Fund Review

(as at March 31, 2022)



War – Inflation – Rising Rates make for a tough Quarter.

Latest Developments: Russia invades the Ukraine

- Global response has been swift and sharp, imposing substantial sanctions intended to exert economic pressure on Russia.
- Russia, its satellites, and the Ukraine are major suppliers of essential commodities including wheat, natural gas, seed oils, fertilizer and materials that are critical for digital technology.
- Commodity prices have surged by 25%, led by natural gas (up 70%), nickel (up 60%), iron (up 40%) and wheat (up 36%).
- Major supply chain disruption continues for motor vehicle parts and semiconductor production.

Inflation and Rising Rates

- To contain the threat of inflation, central banks began their widely anticipated process of increasing rates. Investors continue to speculate how far rates will go up, but it is already having an impact on mortgage rates, slowing down the housing market.
- Core US bonds had their worst quarter in over 40 years, down around 6%.
- Much attention is focused on the structure of US bond yields, with the yield curve inverted in places – shorter rates are higher than longer rates. This has traditionally been an indicator of a recession.
- A resurgence of COVID in China may add to the shocks of global supply chains. A zero-tolerance approach to the Omicron variant may be more challenging given its higher degree of transmission, possibly leading to more manufacturing facilities and ports being shut down.

What this Means

- Food and energy prices will continue to experience upward pressure.
- Supply chains, still recovering from Covid disruptions, continue to face challenges.
- Lower crop yields are highly likely in sub-Saharan Africa and South Asia with reduced access to fertilizer.
- Consumer inflation is up, way up.
  - The US saw inflation at a 40-year high of 7.9% in February.
  - Eurozone inflation was up a record 7.5% in March from a year ago.
- Inflation creates a toxic climate for fixed income. As rates rise, bonds become a more attractive alternative to equities. Despite the need to maintain growth, central banks are likely to continue to normalize monetary policy, having extended emergency levels of support during the pandemic. This is the equivalent of swimming upstream.
- Investors are anticipating much more aggressive rate hikes for the remainder of the year.
- Stock and bond markets will exhibit a higher degree of volatility.

Unsurprisingly, equities reacted unfavourably to this negative news. While they recovered during March, major indexes closed the quarter in negative territory with the MSCI World Index, the S&P 500 Index, and the Bloomberg European 500 Index all ending down by around 5%.

ARGUS
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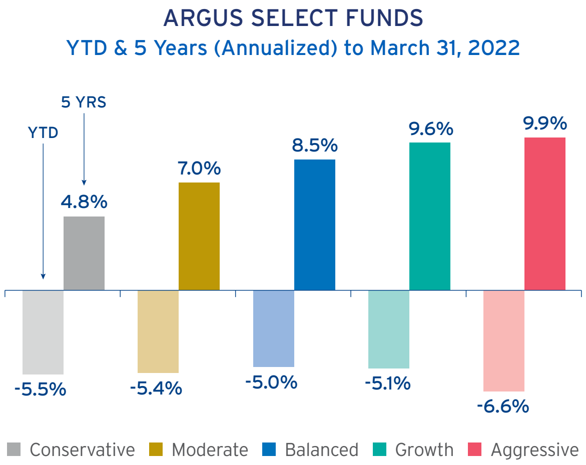
Impact on Portfolios



- Take the long-term perspective. Declines in portfolio values are a normal part of an economic cycle and over an investment time horizon.
- While the landscape has changed dramatically over the last 3 months, a sound investment strategy pays off over time.
- Even with the declines of the current quarter, gains made over the last 5 years have been retained.
- There is no reliable way to predict whether stocks or bonds will have positive or negative years therefore remaining invested and taking a long-term perspective is the best approach for success in the long run.
- 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.

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

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GUARANTEED ACCOUNT (INTEREST ACCUMULATOR) — gross of fees

The gross declared yield on the 5-year accumulator is 0.80% and 0.30% on the 1-year accumulator. Because there is no volatility with this investment, many clients select this option. However, after pension administration fees there is rarely any real return remaining for the 1-or 5 year investor at present. 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.

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