

2021 Year in Review

Market Review

Things weren't perfect throughout the year, yet 2021 turned out to be an excellent year for the stock market. Low-interest rates, strong earnings growth, and lots of available cash were as good a combination as any for the stock market, and investors certainly made the most of it. There were setbacks now and then, but investors remained resilient and looked past several pandemic-related setbacks.

The S&P 500 and Dow Jones Industrial Average hit new record highs to end 2021; the S&P 500 closed out the year up 26.9%. Energy, Real Estate, Information Technology were the top-performing sectors for 2021. The MSCI EAFE Index ended the year with positive returns of 8.79%.

Investors initially looked towards EM opportunities outside of expensive-looking, low-yielding developed markets in 2021. The IMF forecasted that large emerging market economies would recover faster than developed economies which proved premature. It took longer for emerging markets to get vaccinated; combined with China's slowdown and property debt crisis and worries about rising rates globally, the MSCI EM Index ended the year -5.68%.

In contrast to the favorable economic backdrop for stocks in 2021, it was a challenging year for most types of bonds investors. Surging inflation sent bond prices lower as investors weighed out inflation data and looked to riskier areas for higher yields. The US 10-year yield finished 2021 at 1.52%, from its high reached in March at 1.75%.

Investment Perspectives

Hopes that vaccines would quash COVID-19 and efforts to contain the virus were jeopardized by the rapid spread of the Omicron variant. The virus's path will continue to shape the course of global economies in the near term, keeping the pandemic front and center heading into 2022.

Healthy household savings and pent-up demand still support a positive 2022 global growth outlook; however, inflation tops the list of investor concerns. A challenging labor environment, higher labor costs, supply chain issues, and increased costs of shipping have been and continue to be critical factors towards rising inflation.

Moderate inflation isn't necessarily bad for stocks. However, if rising inflation persists, it may be hard for central bankers to avoid a more aggressive response contrary to what markets expect. Tighter monetary conditions will likely cause stock market volatility to increase as investors begin adjusting to slower growth and more moderate investment returns.

From potential Russia-Ukraine hostilities to Iran's nuclear program and tensions between China and Taiwan, geopolitical friction could also flare up and sour market sentiment.

It is important to maintain realistic expectations for returns, taking a diversified approach, aligned to meet your investment goals. This will provide you with the confidence to remain invested, remain patient and stick to your financial/retirement plan.

If you have any questions or concerns over your portfolio, please contact us at +1 441 298 0358 or via email at customer@bfm.bm.

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Target Date Performance by Profile	Annualized Returns at Dec31, 2021				
	10 years	5 years	3 years	1 year	YTD
GlidePath Retirement	4.60	6.86	9.68	4.79	4.79
Index	4.59	6.50	9.00	5.29	5.29
GlidePath 2020	6.04	7.68	10.46	5.35	5.35
Index	5.90	7.58	10.19	6.36	6.36
GlidePath 2030	8.44	11.11	15.82	9.60	9.60
Index	7.90	9.64	13.14	9.29	9.29
GlidePath 2040	9.42	12.63	18.26	12.74	12.74
Index	9.65	12.22	17.31	14.44	14.44
GlidePath 2050	9.94	13.45	19.69	14.95	14.95
Index	10.48	13.18	18.88	16.86	16.86
GlidePath 2060			20.30	15.41	15.41
Index			19.00	17.07	17.07

Risk-Based Performance by Profile	Annualized Returns at Dec31, 2021				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest	0.80	0.80	0.63	0.10	0.10
Index	0.80	0.80	0.63	0.10	0.10
Conservative Risk	3.88	4.55	6.00	3.52	3.52
Index	3.13	3.73	5.00	2.99	2.99
Moderate Risk	4.90	5.46	7.61	5.50	5.50
Index	4.02	4.96	7.03	4.86	4.86
Accumulator	7.99	9.28	13.13	9.02	9.02
Index	5.98	7.07	10.28	7.41	7.41
Stable Growth	9.35	11.42	15.77	10.68	10.68
Index	7.41	9.18	13.11	9.67	9.67
Growth Risk	10.73	14.82	20.70	12.37	12.37
Index	8.35	11.31	16.22	12.17	12.17
Aggressive Risk	13.88	18.34	25.38	15.08	15.08
Index	11.60	15.08	21.50	16.60	16.60



Performance by Fund	Annualized Returns at Dec31, 2021				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest Account (GIA5)	0.80	0.80	0.63	0.10	0.10
Enhanced Cash – Payden USD Liquidity (MMKT)	1.01	1.70	1.69	0.17	0.17
Bank of America ML US Treasury Bill 3 Month TR USD	0.63	1.14	0.99	0.05	0.05
Short Duration - Vanguard Global Short Term Bond Index (BFMSDF)	n/a	2.08	2.32	-0.72	-0.72
BofAML US Treasuries 1-3 Year TR USD	1.09	1.61	2.02	-0.55	-0.55
Global Bond - GS Global Fixed Income (GBF1)	n/a	n/a	5.87	-2.36	-2.36
Bloomberg Global Aggregate TR USD	1.77	3.36	3.59	-4.71	-4.71
US Bond - PIMCO Total Return (BF1)	3.54	4.05	5.52	-1.25	-1.25
Bloomberg US Aggregate Bond TR USD	2.90	3.57	4.79	-1.54	-1.54
Inflation Strategy - PIMCO Inflation Strategy (INFLTN)	2.05	5.14	8.99	11.18	11.18
PIMCO Inflation Strategy Benchmark USD	2.98	4.90	8.07	12.31	12.31
Global TIPS - Standard Life Global Inflation Linked Bond	4.03	4.89	7.27	4.36	4.36
Bloomberg Gbl. Inflation Linked TIPS TR USD	3.09	5.34	8.44	5.96	5.96
High Yield Bond – Alliance Bernstein Global High Yield (HYLDBD)	5.48	4.35	6.50	3.35	3.35
Bloomberg Global High Yield TR USD	6.29	5.21	6.75	0.99	0.99
Emerging Mkt Bond - MFS Meridian EM Debt (EMKBD)	4.73	4.55	6.30	-2.26	-2.26
JPM EMBI Plus TR USD	4.23	3.36	4.80	-4.52	-4.52
Global Value Stock - Dodge & Cox Worldwide Global (GVF1)	11.67	10.59	16.10	20.14	20.14
MSCI ACWI NR USD	11.85	14.40	20.38	18.54	18.54
Global Growth Stock - Artisan Global Opportunities (IGF1)	n/a	20.91	29.25	13.80	13.80
MSCI ACWI NR USD	11.85	14.40	20.38	18.54	18.54
US Growth Stock - Franklin US Opportunities (USGF)	17.33	23.42	31.23	17.65	17.65
MSCI US Large Cap Growth PR USD	19.14	25.48	35.54	27.47	27.47
US Value Stock - MFS Meridian US Value (USVF)	12.57	11.47	18.21	24.57	24.57
MSCI US Large Cap Value PR USD	9.58	8.24	13.50	22.79	22.79
US Stock Index - Vanguard US 500 Stock Index (INDUSE)	15.72	17.72	25.32	28.08	28.08
S&P 500 NR USD	15.86	17.82	25.41	28.16	28.16
Global Stock Index - Vanguard Global Stock Index (INDGEQ)	12.53	14.91	21.61	21.73	21.73
MSCI World Free NR USD	12.70	15.03	21.70	21.82	21.82
Global Small Cap Stock - Vanguard Glb. Small Cap Index (GSMCEQ)	12.04	12.14	19.00	15.61	15.61
MSCI World Small Cap NR USD	12.30	12.35	19.20	15.75	15.75
Emerging Market Stock - Schroder Global EM Opp. (EMKEQ)	7.10	12.32	15.13	-4.39	-4.39
MSCI EM PR USD	3.00	7.40	8.45	-4.59	-4.59

The Current Guaranteed Interest Crediting Rate is 0.10%

Data obtained from Morningstar Direct. Risk profile performance is based on historical blend of actual managers. Individual fund performance reflects only the manager currently used for that asset class. Past performance is no guarantee of future performance. The price of the shares of each Profile and the income received from each Profile may go down as well as up, and investors may not get back the full amount that they invested. Investment in any of the Profiles involves risks. Currency fluctuations will affect the value of overseas investments. Information has been provided by BF&M Investment Services Limited, which is licensed to conduct Investment Business by the Bermuda Monetary Authority under the Investment Business Act.