

Vaccinations Spark Stock Rally

Market Review

The MSCI AC World Index was up 4.6% in Q1 in an eventful start to 2021. Investors cautiously navigated a fraught political climate in the US, the risk of rising interest rates and inflation given an increasingly optimistic economic growth and COVID-19 vaccination backdrop. Meanwhile, an online cohort of Reddit users drove a short squeeze in a group of stocks, contributing to increased market volatility.

With vaccination rates accelerating investors turned their attention to undervalued stocks that were heavily sold when the pandemic picked up speed a year ago. This allowed value stocks to outpace their growth peers during the first quarter, largely led by cyclical sectors such as industrials, materials, consumer discretionary, financials, and the more economically sensitive portion of technology.

Interest rates moved higher in the quarter, driven by the bumpy and materially uneven distribution of vaccines worldwide, the resurgence of COVID-19 cases, the imposition of economically punishing lockdowns alongside subsequent reopening, and fiscal stimulus initiatives on a country-by-country basis. With short-term official rates expected to be anchored at ultra-low levels for the near future, intermediate to longer-term bonds bore the brunt of the rate sell-off that resulted in steeper yield curves. The Barclays Global Aggregate Bond Index was down \$4.5% for the quarter.

The economic recovery in the US has sparked a rise in commodity prices as investors begin to anticipate a robust recovery around the globe in late 2021. The Bloomberg Commodity index finished the quarter up 6.9%

Investment Perspectives

Central banks and governments are determined to keep monetary/financial conditions accommodative because the economic recovery in many countries is still in the early stages - fragile and mixed, although the pace of vaccine rollout appears to be improving.

Inflation expectations have risen this year and are a constant debate among managers about whether or not the governments are throwing too much money into the economy in an effort to support the recovery effort. Some form of inflation protection would be a good idea for your portfolios.

Short-term interest rates are likely to stay low for 2021, but longer-term bond markets could see marginal rate rises depending on the speed of the economic recovery globally.

Stocks are close to all-time highs again but the policy noted above will continue to provide support for stocks to rise higher.

As a reminder from last quarter – having an effective investment process and plan ahead of time will help you be better prepared for the twists and turns, which are inevitable.

The first step in your process should be to review your investment portfolio and ensure that your investments still align with your risk tolerance. Diversification should remain a focus for the remainder of 2021.

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.



Target Date Performance by Profile	Annualized Returns at March 31, 2021				
	10 years	5 years	3 years	1 year	YTD
GlidePath Retirement	3.92	6.02	6.85	18.82	-0.54
Index	3.96	5.55	6.40	15.46	-0.46
GlidePath 2020	4.69	7.05	7.06	22.09	-0.20
Index	4.96	6.87	7.01	19.57	0.06
GlidePath 2030	6.49	10.35	10.34	40.01	1.73
Index	6.48	9.14	8.52	28.72	1.72
GlidePath 2040	7.23	11.79	11.57	49.90	3.20
Index	7.75	11.35	10.89	43.63	3.35
GlidePath 2050	7.61	12.50	12.05	56.86	4.14
Index	8.35	12.23	11.54	50.18	4.31
GlidePath 2060			12.55	58.56	4.31
Index			11.61	50.84	4.40

Risk-Based Performance by Profile	Annualized Returns at March 31, 2021				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest	0.87	0.90	0.98	0.21	0.03
Index	0.87	0.90	0.98	0.21	0.03
Conservative Risk	3.44	4.28	4.55	11.20	0.39
Index	2.83	3.42	3.71	8.82	0.09
Moderate Risk	4.20	5.21	5.83	17.00	1.34
Index	3.44	4.47	4.62	14.80	0.65
Accumulator	6.70	8.60	8.88	29.14	1.70
Index	5.07	6.38	6.57	22.09	0.93
Stable Growth	7.75	10.34	10.52	35.06	1.60
Index	6.07	7.96	8.10	28.02	0.77
Growth Risk	8.90	13.03	13.71	45.92	0.82
Index	6.72	9.51	9.72	35.86	1.07
Aggressive Risk	11.26	16.09	16.52	54.57	0.21
Index	9.19	12.56	12.95	45.97	1.09

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.



Performance by Fund	Annualized Returns at March 31, 2021				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest Account (GIA5)	0.87	0.90	0.98	0.21	0.03
Enhanced Cash – Payden USD Liquidity (MMKT)	1.01	1.86	2.19	3.60	0.06
Bank of America ML US Treasury Bill 3 Month TR USD	0.63	1.19	1.49	0.12	0.03
Short Duration - Vanguard Global Short Term Bond Index (BFMSDF)	N/A	2.29	3.05	2.25	-0.36
BofAML US Treasuries 1-3 Year TR USD	1.29	1.71	2.77	0.24	-0.05
Global Bond - Lazard Global Bond Core Plus (BFMGBF1)	2.06	3.04	3.42	9.81	-4.63
Barclays Global Aggregate TR USD	2.23	2.66	2.80	4.67	-4.46
US Bond - PIMCO Total Return (BF1)	3.50	3.84	4.84	3.38	-3.36
Barclays US Aggregate Bond TR USD	3.44	3.10	4.65	0.71	-3.37
Inflation Strategy - PIMCO Inflation Strategy (INFLTN)	1.20	3.52	4.41	29.35	1.52
PIMCO Inflation Strategy Benchmark USD	1.74	3.02	3.85	25.96	1.98
Global TIPS - Standard Life Global Inflation Linked Bond	4.28	4.51	4.76	5.09	-2.70
Barclays Gbl. Inflation Linked TIPS TR USD	3.44	3.86	5.68	7.54	-1.47
High Yield Bond – Alliance Bernstein Global High Yield (HYLDBD)	4.89	5.78	3.40	25.88	-0.37
Barclays Global High Yield TR USD	5.95	6.77	4.74	24.74	-0.95
Emerging Mkt Bond - MFS Meridian EM Debt (EMKBD)	5.03	5.20	4.37	17.82	-4.04
JPM EMBI Plus TR USD	4.77	3.48	2.62	8.76	-7.22
Global Value Stock - Causeway Global Value (GVF)	8.81	11.13	10.19	79.86	10.60
MSCI ACWI NR USD	9.14	13.21	12.07	54.60	4.57
Global Growth Stock - Artisan Global Opportunities (IGF)	14.34	18.31	18.28	57.73	-1.51
MSCI ACWI NR USD	9.14	13.21	12.07	54.60	4.57
US Growth Stock - Franklin US Opportunities (USGF)	14.19	20.05	20.79	61.22	-2.25
MSCI US Large Cap Growth PR USD	16.07	20.88	23.45	64.57	0.36
US Value Stock - MFS Meridian US Value (USVF)	10.29	10.74	9.82	47.08	8.43
MSCI US Large Cap Value PR USD	7.50	8.18	7.19	42.76	9.06
US Stock Index - Vanguard US 500 Stock Index (INDUSE)	13.06	15.52	16.01	55.48	6.05
S&P 500 NR USD	13.21	15.61	16.12	55.56	6.05
Global Stock Index - Vanguard Global Stock Index (INDGEQ)	9.70	13.23	12.71	53.94	4.91
MSCI World Free NR USD	9.88	13.36	12.81	54.03	4.92
Global Small Cap Stock - Vanguard Glb. Small Cap Index (GSMCEQ)	9.70	13.41	11.35	81.10	9.44
MSCI World Small Cap NR USD	9.94	13.63	11.52	81.43	9.43
Emerging Market Stock - Schroder Global EM Opp. (EMKEQ)	4.87	15.61	9.71	70.76	1.91
MSCI EM PR USD	1.18	9.48	3.98	55.13	1.95

The Current Guaranteed Interest Crediting Rate is 0.10%

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