

Halfway Through a Troubling Year

Market Review

Almost everything on the list of investor concerns at the start of the year have come true—yet U.S. stocks are up, even as many of the world's markets suffer.

The main worries in January were rising interest rates, a too-good-to-be-true world economy, Donald Trump's policies, and the return of volatility and European politics. All of those items have taken a turn for the worse, but the U.S. equity markets have been miraculously unharmed.

The S&P 500 rose 3.3% for quarter and is up 2.4% year to date. Global stocks have not fared as well with the MSCI All Country World index up 0.5% for the quarter but posting a 0.4% loss year to date in US Dollar terms.

Emerging market equities recorded sharp falls with US dollar strength being a significant headwind. Escalating trade tensions contributed to weakness across a number of emerging markets. The MSCI Emerging Markets index was down 8.7% for the quarter and down 7.7% year to date.

Investment-grade US corporate bonds recorded a second negative quarter in the three months to the end of June, marking the first back-to-back losses since the financial crisis, as the Federal Reserve raised interest rates and foreign buyers of corporate bonds retreated in the first half of this year. The Barclay US Aggregate Bond Index was down 0.2% for the quarter and 1.6% year to date.

Investment Implications

Most analysts are predicting lower returns and higher volatility throughout the remainder of the year. This is a stark contrast to 2017 where we saw double digit returns and very little volatility.

Investors shouldn't expect this American exceptionalism to continue. The concerns remain as they did last quarter – rising interest rates, global trade war and uncertain European politics. Rising US protectionism in the form of tariffs and trade wars are the largest risk factor to near term performance.

We reiterate: it will be very important to remember to keep a long term focus during periods of volatility and large market movements. Our investment specialists can assist.

We suggest you contact one of our investment specialists if you have any questions or concerns over your portfolio. They can be contacted at 295-5566 or via email at retirement@bfm.bm.

The information and opinions in this newsletter are intended to provide a general commentary on areas which may be of interest to readers. This publication is not intended to provide specific financial advice or recommendations. Readers should consult with their personal financial advisor before acting on any information or opinions contained in this publication.

Target Date Performance by Profile	Annualized Returns at June 30, 2018				
	10 years	5 years	3 years	1 year	YTD
GlidePath Retirement	2.77	2.85	2.75	3.38	-0.25
Index	3.16	3.01	3.11	3.70	-0.33
GlidePath 2010	2.41	3.21	2.79	3.46	-0.26
Index	3.34	3.22	3.22	3.79	-0.33
GlidePath 2020	2.75	4.27	3.64	4.44	-0.27
Index	4.00	4.43	4.29	4.89	-0.38
GlidePath 2030	3.37	6.09	5.32	6.97	0.09
Index	4.99	6.42	6.14	7.33	-0.47
GlidePath 2040	3.78	6.96	6.15	8.40	0.43
Index	5.55	7.51	7.12	8.84	-0.24
GlidePath 2050	4.05	7.51	6.77	9.36	0.64
Index	5.92	8.24	7.82	9.91	-0.07
GlidePath 2060					0.71
Index					-0.06

Risk-Based Performance by Profile	Annualized Returns at June 30, 2018				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest	1.28	0.79	0.81	0.92	0.54
Index	1.28	0.79	0.81	0.92	0.54
Conservative Risk	2.83	3.01	2.52	2.71	0.44
Index	2.55	2.44	2.05	2.06	-0.29
Moderate Risk	3.42	4.00	3.40	3.62	0.15
Index	2.77	2.96	2.50	2.44	-1.14
Accumulator	4.60	5.97	4.67	4.84	-0.02
Index	3.81	4.47	3.51	3.31	-1.72
Stable Growth	5.31	7.21	5.69	7.76	1.79
Index	4.15	5.66	4.56	5.63	-0.68
Growth Risk	5.59	7.93	7.10	10.40	3.01
Index	4.28	6.14	5.55	7.34	-0.49
Aggressive Risk	7.07	10.78	8.70	14.52	5.33
Index	5.46	8.76	7.31	10.80	0.96

Performance by Fund	Annualized Returns at June 30, 2018				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest Account (GIA5)	1.28	0.79	0.81	0.92	0.54
Money Market – Payden USD Liquidity (MMKT)	0.56	0.78	1.17	1.60	0.89
Bank of America ML US Treasury Bill 3 Month TR USD	0.35	0.42	0.68	1.36	0.81
Short Duration - Logan Circle Short Duration 1-3yr (BFMSDF)	2.37	1.08	1.09	1.38	1.60
BofAML US Treasuries 1-3 Year TR USD	1.24	0.58	0.42	0.08	0.09
Global Bond - Lazard Global Bond Core Plus (BFMGBF1)	1.96	0.90	1.70	0.11	-1.85
Barclays Global Aggregate TR USD	2.58	1.50	2.58	1.36	-1.46
US Bond - PIMCO Total Return (BF1)	4.31	2.38	2.08	-0.42	-1.94
Barclays US Aggregate Bond TR USD	3.72	2.27	1.72	-0.40	-1.62
Inflation Strategy - PIMCO Inflation Strategy (INFLTN)	0.43	0.17	-0.53	0.54	-2.11
PIMCO Inflation Strategy Benchmark USD	1.71	0.54	0.77	1.65	-1.14
Global TIPS - Standard Life Global Inflation Linked Bond	4.13	3.89	4.00	3.10	0.48
Barclays Gbl. Inflation Linked TIPS TR USD	3.03	1.68	1.93	2.11	-0.02
High Yield Bond – Alliance Bernstein Global High Yield (HYLDBD)	6.88	4.50	4.51	0.63	-1.76
Barclays Global High Yield TR USD	7.90	5.15	5.49	1.11	-2.53
Emerging Mkt Bond - MFS Meridian EM Debt (EMKBD)	6.32	3.66	3.39	-1.90	-5.32
JPM EMBI Plus TR USD	6.19	4.04	3.97	-4.31	-6.09
Global Value Stock - Templeton Global (GVF)	5.34	6.95	3.42	4.94	-2.11
MSCI ACWI NR USD	5.80	9.41	8.19	10.73	-0.43
Global Growth Stock - Artisan Global Opportunities (IGF)	11.75	13.41	11.76	14.40	4.55
MSCI ACWI NR USD	5.80	9.41	8.19	10.73	-0.43
US Growth Stock - Franklin US Opportunities (USGF)	10.40	14.71	11.37	24.13	12.16
MSCI US Large Cap Growth PR USD	10.33	15.07	13.09	21.08	7.30
US Value Stock - MFS Meridian US Value (USVF)	7.77	9.73	7.59	3.27	-4.05
MSCI US Large Cap Value PR USD	5.13	7.13	6.17	3.50	-3.96
US Stock Index - Vanguard US 500 Stock Index (INDUSE)	9.28	12.60	11.15	13.57	2.27
S&P 500 NR USD	9.46	12.72	11.23	13.71	2.36
Global Stock Index - Vanguard Global Stock Index (INDGEQ)	6.03	9.76	8.31	10.93	0.38
MSCI World Free NR USD	6.26	9.94	8.48	11.09	0.43
Global Small Cap Stock - Vanguard Glb. Small Cap Index (GSMCEQ)	N/A	11.32	9.89	14.58	2.59
MSCI World Small Cap NR USD	9.01	11.57	10.13	14.81	2.70
Emerging Market Stock - Schroder Global EM Opp. (EMKEQ)	3.72	7.17	8.88	11.47	-4.69
MSCI EM PR USD	-0.16	2.61	3.23	5.81	-7.68