

“Risk Off” or “Risk On”

Market Review

Investor angst, at the end of 2018, morphed into a relief rally entering into 2019 that has propelled the S&P 500 to record its best first half performance for the index since 1997; rising more than 17% to close out the first half of this year.

However, in the face of a resilient equity market, bond and equity markets continue to argue with each other. Bond markets see trade-war escalation, weak global data and declining inflation expectations. Equity markets see Fed easing, China stimulus and a trade deal with China ahead of U.S. President Donald Trump’s 2020 re-election campaign.

The ongoing Brexit uncertainty continues to weigh on the British economy and European Central Bank (ECB) has started to address the growing unease in terms of growth prospects in Europe. After its June meeting, ECB president Draghi adjusted market guidance in terms of the bank’s intention of keeping policy rates ultra-low by stating that they would be unlikely to rise until the first half of 2020. The MSCI ACWI has returned over 16% heading into the second half of 2019.

Emerging market equities also registered a strong return to end the first half of 2019, with the index returning 10.58%. Many foreign companies are looking to diversify operations away from China which could deliver a boost to some countries, especially neighboring Asian nations.

The broad US bond market as measured by the Bloomberg Barclays US Aggregate Index, was up 6.11% with the big debate focused on the recent yield-curve inversion and whether it is a false signal or a sign of an impending recession, which many market watchers believe. Historically, when shorter-term Treasuries are yielding as much or more than their longer-term counterparts, it is an indicator of an economic downturn lurking.

Investment Implications

Global equity market returns have been solid and there still remains an ongoing confidence in the health of the underlying US economy. Whilst there is economic data to support that, we continue to think that the stock market will remain a ‘punching bag’ for the remainder of this year. The market may struggle to hang on to most of its first half gains and investors will have to once again contemplate their place in the business and market cycle.

The unsettled trade issue between the U.S. and China, rising conflict in the Middle East, uncertainty around the Federal Reserve’s rate policies and the expectation of weakening earnings could combine to create a bumpy ride over the summer and into the second half of the year.

It may be a good exercise to reassess your asset allocation mix and rebalance your portfolio back to a risk tolerance level you are comfortable with. The benefit of acting now is that you will be doing so from a position of strength, which is always a good position to start from.

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, 2019				
	10 years	5 years	3 years	1 year	YTD
Target Date Retirement	4.40	2.30	4.49	5.81	8.49
Index	4.59	2.62	4.26	6.22	8.07
Target Date 2020	5.97	2.93	5.96	5.87	9.87
Index	6.03	3.46	5.84	6.35	9.33
Target Date 2030	7.06	3.90	8.22	5.46	13.30
Index	7.77	4.49	7.94	5.45	11.64
Target Date 2040	7.43	4.42	9.40	4.96	14.86
Index	8.54	5.37	9.59	5.98	14.05
Target Date 2050	7.64	4.72	10.06	4.52	16.07
Index	9.01	5.78	10.40	5.66	15.14
Target Date 2060				4.56	16.07
Index				5.66	15.17

Risk-Based Performance by Profile	Annualized Returns at June 30, 2019				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest	1.13	0.98	1.12	1.70	0.88
Index	1.13	0.98	1.12	1.70	0.88
Conservative Risk	3.83	2.63	3.84	4.11	5.59
Index	3.21	2.07	3.06	3.51	4.59
Moderate Risk	4.61	2.80	4.31	4.50	6.17
Index	3.82	2.27	3.92	3.76	6.54
Accumulator	7.31	4.56	7.29	6.55	11.82
Index	5.72	3.11	5.46	5.02	9.26
Stable Growth	8.37	5.41	9.05	6.84	13.93
Index	6.57	3.89	6.88	5.04	11.04
Growth Risk	8.44	6.23	10.37	6.51	16.06
Index	6.69	4.50	7.94	4.94	13.09
Aggressive Risk	11.44	8.01	13.60	8.20	20.47
Index	9.31	6.05	10.53	5.92	16.19

Performance by Fund	Annualized Returns at June 30, 2019				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest Account (GIA5)	1.13	0.98	1.12	1.70	0.88
Money Market – Payden USD Liquidity (MMKT)	0.73	1.33	1.88	2.79	1.77
Bank of America ML US Treasury Bill 3 Month TR USD	0.49	0.87	1.38	2.31	1.24
Short Duration - Logan Circle Short Duration 1-3yr (BFMSDF)	2.12	1.51	1.85	3.52	2.26
BofAML US Treasuries 1-3 Year TR USD	1.20	1.21	1.29	3.96	2.44
Global Bond - Lazard Global Bond Core Plus (BFMGBF1)	2.89	0.80	1.91	6.12	5.90
Barclays Global Aggregate TR USD	2.89	1.20	1.62	5.85	5.57
US Bond - PIMCO Total Return (BF1)	4.15	2.88	3.07	7.34	6.38
Barclays US Aggregate Bond TR USD	3.90	2.95	2.31	7.87	6.11
Inflation Strategy - PIMCO Inflation Strategy (INFLTN)	3.11	-0.10	2.29	7.85	10.71
PIMCO Inflation Strategy Benchmark USD	4.59	0.23	2.05	6.84	9.63
Global TIPS - Standard Life Global Inflation Linked Bond	4.73	4.26	3.64	6.09	6.91
Barclays Gbl. Inflation Linked TIPS TR USD	3.64	1.76	2.08	4.84	6.15
High Yield Bond – Alliance Bernstein Global High Yield (HYLDBD)	8.50	3.39	5.96	5.57	9.25
Barclays Global High Yield TR USD	9.08	3.99	6.83	7.76	9.49
Emerging Mkt Bond - MFS Meridian EM Debt (EMKBD)	7.12	3.90	4.77	10.75	10.52
JPM EMBI Plus TR USD	7.11	4.21	3.50	11.68	10.78
Global Value Stock - Causeway Global Value (GVF)	11.74	3.86	9.14	0.08	11.61
MSCI ACWI NR USD	10.15	6.16	11.62	5.74	16.23
Global Growth Stock - Artisan Global Opportunities (IGF)	15.74	10.38	14.66	7.57	22.87
MSCI ACWI NR USD	10.15	6.16	11.62	5.74	16.23
US Growth Stock - Franklin US Opportunities (USGF)	15.07	11.53	18.84	11.12	25.87
MSCI US Large Cap Growth PR USD	14.68	12.11	16.82	10.48	21.54
US Value Stock - MFS Meridian US Value (USVF)	11.69	7.70	9.43	9.64	17.99
MSCI US Large Cap Value PR USD	9.56	4.96	7.61	6.55	12.80
US Stock Index - Vanguard US 500 Stock Index (INDUSE)	13.79	9.95	13.39	9.66	18.14
S&P 500 NR USD	13.99	10.03	13.50	9.75	18.18
Global Stock Index - Vanguard Global Stock Index (INDGEQ)	10.48	6.43	11.59	6.16	16.92
MSCI World Free NR USD	10.72	6.60	11.77	6.33	16.98
Global Small Cap Stock - Vanguard Glb. Small Cap Index (GSMCEQ)	N/A	5.49	10.29	-2.94	15.86
MSCI World Small Cap NR USD	12.15	5.72	10.52	-2.73	15.96
Emerging Market Stock - Schroder Global EM Opp. (EMKEQ)	5.87	4.12	14.19	3.94	17.88
MSCI EM PR USD	3.32	0.08	8.14	-1.37	9.22

The Current Guaranteed Interest Crediting Rate is 1.75%