

Pension Matters

Good riddance 2022!



Q4 Market Review

2022 was a challenging year. However, unlike the first three quarters of 2022, performance was mixed during the fourth quarter, with the S&P 500 solidly higher to close the year's final quarter, while the tech heavy Nasdaq Index was essentially flat in the fourth quarter. Despite a positive return of 7.56% for the fourth quarter, the S&P 500 registered a negative return of -19.4% to close out 2022; the Nasdaq Composite fell -0.04% for the quarter and posted a negative -33.1% for 2022.

The war in Ukraine and global central banks' battle against inflation were the primary sources of bond and equity markets' losses within the same calendar year.

Internationally, we saw the same, with both developed and emerging markets closing the year with negative 2022 returns.

Decades-high inflation, which peaked in the U.S. at 9.1% in June, combined with the U.S. Fed's aggressive rate hikes, continued to pressure U.S. bond markets. The 10-yr U.S. Treasury yield began the year at 1.51% and closed the year at 3.88%. The Bloomberg U.S. Bond Aggregate Index closed out 2022 posting a negative return for the year of -13.01%.

The U.S. dollar soared in 2022. The dollar's strength was primarily a result of weak overseas growth, geopolitical and macroeconomic uncertainty, and the Fed's aggressive tightening cycle compared to other central banks.

Despite rising interest rates helping to boost the U.S. dollar, which made dollar-denominated commodities like U.S. Crude Oil more costly for holders of other currencies, U.S. Crude settled at \$80.26 a barrel on the last trading day of the year, marking a 7% increase for 2022.

Investment Perspectives

To put it simply, 2022 was a year many of us would prefer to forget. The Federal Reserve and other central banks tightened far more than expected because inflation was far worse than expected. But while those factors were clear negatives for both stock and bonds, keeping this year's performance in context of your overall investment time horizon is essential. Those of us with several years until retirement should not allow disappointing returns in the short-term to take us off track; the stock market tends to rise over long periods.

Market corrections are part of investing and occur more frequently than we realize. A simple, classic investment strategy — a diversified portfolio with 60 percent invested in stocks, represented by the S&P 500 Index and 40 percent in bonds, represented by the Bloomberg U.S. Bond Index did terribly in 2022. Although, even taking into account 2022's awful returns, the same investment strategy, over the last 20 years, has provided close to 6 percent annualized returns.

There is no guarantee a 60/40 investment strategy will continue to generate those returns in the future; however, history tells us that strong recoveries, not further weakness, usually follow declines of the magnitude we saw in 2022.

A well-diversified pension plan can survive short-term market ups and downs; however, it is essential to consider whether your investing time horizon, gives you the time to recover. Take this time to review your pension plan and ensure your investments are based on your financial position, risk tolerance, and timeline until retirement.

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.

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 Dec 31, 2022				
	10 years	5 years	3 years	1 year	YTD
GlidePath Retirement	2.38	2.19	0.65	-13.17	-13.17
Index	2.43	2.04	0.33	-12.79	-12.79
GlidePath 2020	3.45	2.39	0.77	-13.10	-13.10
Index	3.45	2.40	0.70	-13.18	-13.18
GlidePath 2030	5.24	3.92	2.44	-16.28	-16.28
Index	4.89	2.91	1.38	-16.03	-16.03
GlidePath 2040	6.07	4.72	3.48	-17.04	-17.04
Index	6.34	4.44	3.05	-16.97	-16.97
GlidePath 2050	6.52	5.10	3.94	-17.47	-17.47
Index	7.06	4.93	3.67	-17.46	-17.46
GlidePath 2060			4.40	-17.56	-17.56
Index			3.72	-17.51	-17.51

Risk-Based Performance by Profile	Annualized Returns at Dec 31, 2022				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest	0.84	0.93	0.61	1.38	1.38
Index	0.84	0.93	0.61	1.38	1.38
Conservative Risk	2.64	1.98	0.97	-6.49	-6.49
Index	2.13	1.52	0.66	-5.58	-5.58
Moderate Risk	3.40	2.64	1.69	-7.20	-7.20
Index	2.57	1.57	0.61	-8.41	-8.41
Accumulator	5.10	3.28	1.57	-14.83	-14.83
Index	3.62	1.90	0.47	-13.29	-13.29
Stable Growth	5.95	3.89	1.78	-18.29	-18.29
Index	4.51	2.57	0.91	-16.49	-16.49
Growth Risk	6.99	5.42	3.28	-21.70	-21.70
Index	5.10	3.18	1.54	-19.31	-19.31
Aggressive Risk	9.00	6.39	3.54	-26.90	-26.90
Index	7.22	4.64	2.58	-23.99	-23.99

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 Dec 31, 2022				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest Account (GIA5)	0.84	0.93	0.61	1.38	1.38
Enhanced Cash – Payden USD Liquidity (MMKT)	1.07	1.55	0.96	0.79	0.79
Bank of America ML US Treasury Bill 3 Month TR USD	0.76	1.26	0.72	1.46	1.46
Short Duration - Vanguard Global Short Term Bond Index (VGVILUH)	0.00	0.76	-0.84	-5.07	-5.07
BofAML US Treasuries 1-3 Year TR USD	0.67	0.77	-0.41	-3.65	-3.65
Global Bond - GS Global Fixed Income (GBF1)	0.00	0.00	-2.02	-12.81	-12.81
Bloomberg Global Aggregate TR USD	-0.44	-1.66	-4.48	-16.25	-16.25
US Bond - PIMCO Total Return (BF1)	0.92	-0.30	-2.97	-15.26	-15.26
Bloomberg US Aggregate Bond TR USD	1.06	0.02	-2.71	-13.01	-13.01
Inflation Strategy - PIMCO Inflation Strategy (INFLTN)	0.95	3.22	3.15	-5.12	-5.12
PIMCO Inflation Strategy Benchmark USD	1.10	2.86	2.46	-5.31	-5.31
Global TIPS - Standard Life Global Inflation Linked Bond	1.62	0.44	-1.69	-16.94	-16.94
Bloomberg Gbl. Inflation Linked TIPS TR USD	1.12	2.11	1.21	-11.85	-11.85
High Yield Bond – Alliance Bernstein Global High Yield (HYLDBD)	2.53	0.21	-2.31	-11.89	-11.89
Bloomberg Global High Yield TR USD	2.99	0.38	-1.92	-12.71	-12.71
Emerging Mkt Bond - MFS Meridian EM Debt (EMKBD)	1.23	-0.68	-3.71	-15.22	-15.22
JPM EMBI Plus TR USD	-0.35	-3.87	-8.34	-24.67	-24.67
Global Value Stock - Dodge & Cox Worldwide Global (GVF1)	8.89	5.00	5.91	-6.30	-6.30
MSCI ACWI NR USD	7.98	5.23	4.00	-18.36	-18.36
Global Growth Stock - Artisan Global Opportunities (IGF1)	0.00	6.60	3.68	-30.03	-30.03
MSCI ACWI NR USD	7.98	5.23	4.00	-18.36	-18.36
US Growth Stock - Franklin US Opportunities (USGF)	11.04	7.27	2.47	-36.52	-36.52
MSCI US Large Cap Growth PR USD	12.63	9.84	6.22	-34.18	-34.18
US Value Stock - MFS Meridian US Value (USVF)	10.19	6.51	6.07	-6.92	-6.92
MSCI US Large Cap Value PR USD	7.59	4.25	3.64	-7.16	-7.16
US Stock Index - Vanguard US 500 Stock Index (VANUIPU)	0.00	8.80	7.10	-18.53	-18.53
S&P 500 NR USD	11.91	8.85	7.14	-18.51	-18.51
Global Stock Index - Vanguard Global Stock Index (VANPLUD)	0.00	6.13	4.94	-18.15	-18.15
MSCI World Free NR USD	8.85	6.14	4.94	-18.14	-18.14
Global Small Cap Stock - Vanguard Glb. Small Cap Index (GSMCEQ)	8.01	3.30	2.82	-18.79	-18.79
MSCI World Small Cap NR USD	8.22	3.46	2.93	-18.76	-18.76
Emerging Market Stock - Schroder Global EM Opp. (EMKEQ)	3.23	0.31	-2.53	-20.81	-20.81
MSCI EM PR USD	-0.98	-3.76	-4.98	-22.37	-22.37

The Current Guaranteed Interest Crediting Rate is 2.25%

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.