

Deal or No Deal?

Market Review

Investors still remained cautiously optimistic throughout Q3 despite building evidence that trade wars were throwing sand in the gears of the global economy. With unemployment near historic lows at 3.7%, the US consumer has remained resilient, although consumer confidence has been 'fraying' recently. Concerns still remain about the strength of the US economy and the outlook for global growth; with central banks showing their commitment to addressing a possible slowdown by providing stimulus.

For the S&P 500, despite the volatile price swings, the benchmark closed out the quarter, not far from where it started, with a positive 1.7% return whilst maintaining its strong YTD performance of 20.6%.

Despite falling rates in the US, the US dollar still remained relatively strong and with German markets continuing to face disappointing economic data; the MSCI EAFE index ended the quarter down 1%; the index still maintains a positive YTD return of 12.8%. Emerging markets have generated robust returns YTD of 5.9%, however, economic weakness in Asia combined with the strong dollar created a strong headwind throughout the third quarter and the MSCI EM posted a negative 4.3% to end Q3.

The US fixed-income market generated relatively strong returns in the third quarter, driven mainly by the decrease in interest rates, which pushed bond prices higher across the board. The 10-Year Treasury Yield ended the quarter at 1.66%, falling 34 bps in Q3. The broad US bond market as measured by the Bloomberg Barclays US Aggregate Index, returned 2.3% for Q3, and YTD maintains a positive 8.5% return.

Investment Implications

Rising geopolitical risks, persistent trade tensions depressing global manufacturing and uncertainty surrounding the business cycle is reigniting global recession fears; making a strong rally in Q4 hard to justify.

It is possible we could get a temporary rally in the near-term as Trump will probably want to reach a 'headline' deal with China by next year, leading up to the 2020 US Presidential elections. However, equity markets rise, in part, because earnings move higher and/or investors are willing to pay more for future earnings. And while there has been an active effort to stimulate global economies with the relaunch of quantitative easing and lowering of interest rates; the damage to business confidence and global supply chains may already have been done, causing some economists to question how much 'runway' monetary policies have left to provide meaningful and coordinated global stimulus.

'Time is money' and with unpredictable trade negotiations on both sides, it could lead to rising pessimism, less private-sector spending; likely causing a decline in corporate profits and equity markets; tipping the balance more towards recession. Investor caution is warranted heading into Q4 and leading into 2020.

Market volatility can play a big role in the performance of investments over time. And while you can't control it, there are actions you can take to potentially minimize the impact on your retirement portfolio. If you have any questions or concerns over your portfolio, contact us at 295-5566 or via email at retirement@bfm.bm.



Target Date Performance by Profile	Annualized Returns at September 30, 2019				
	10 years	5 years	3 years	1 year	YTD
GlidePath Retirement	3.67	3.14	4.37	6.54	10.01
Index	4.01	3.38	4.36	6.97	9.80
GlidePath 2020	4.63	3.79	5.39	5.80	11.00
Index	5.15	4.26	5.51	6.28	10.74
GlidePath 2030	5.50	4.75	7.01	3.43	13.67
Index	6.51	5.27	6.98	3.34	12.38
GlidePath 2040	5.82	5.18	7.83	2.03	14.82
Index	7.16	6.05	8.27	2.96	14.51
GlidePath 2050	6.01	5.41	8.28	0.97	15.76
Index	7.53	6.38	8.86	1.98	15.37
GlidePath 2060				0.95	15.70
Index				1.96	15.38

Risk-Based Performance by Profile	Annualized Returns at September 30, 2019				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest	1.10	1.01	1.18	1.68	1.24
Index	1.10	1.01	1.18	1.68	1.24
Conservative Risk	3.39	2.82	3.53	3.49	6.13
Index	2.82	2.28	2.88	3.07	5.23
Moderate Risk	4.03	3.08	3.85	3.45	6.84
Index	3.25	2.54	3.54	2.95	7.11
Accumulator	6.30	4.97	6.42	4.83	12.45
Index	4.80	3.54	4.84	3.77	10.09
Stable Growth	7.14	5.69	7.69	3.94	13.89
Index	5.54	4.34	6.03	2.97	11.72
Growth Risk	7.26	6.44	9.03	2.87	15.88
Index	5.69	4.87	7.02	2.02	13.44
Aggressive Risk	9.70	8.12	11.29	2.82	19.42
Index	7.92	6.51	9.18	1.69	16.61

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 September 30, 2019				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest Account (GIA5)	1.10	1.01	1.18	1.68	1.24
Money Market – Payden USD Liquidity (MMKT)	0.78	1.45	2.00	2.76	2.41
Bank of America ML US Treasury Bill 3 Month TR USD	0.54	0.98	1.54	2.39	1.81
Short Duration - Logan Circle Short Duration 1-3yr (BFMSDF)	2.00	1.85	2.35	4.82	3.96
BofAML US Treasuries 1-3 Year TR USD	1.18	1.32	1.52	4.36	3.03
Global Bond - Lazard Global Bond Core Plus (BFMGBF1)	2.26	1.54	1.59	7.53	6.46
Barclays Global Aggregate TR USD	2.34	1.99	1.59	7.60	6.32
US Bond - PIMCO Total Return (BF1)	3.89	3.54	3.45	9.95	8.89
Barclays US Aggregate Bond TR USD	3.75	3.38	2.92	10.30	8.52
Inflation Strategy - PIMCO Inflation Strategy (INFLTN)	2.44	1.03	2.00	8.31	10.82
PIMCO Inflation Strategy Benchmark USD	3.62	1.50	2.30	7.86	10.74
Global TIPS - Standard Life Global Inflation Linked Bond	4.75	4.90	3.14	11.14	10.94
Barclays Gbl. Inflation Linked TIPS TR USD	3.46	2.45	2.21	7.13	7.58
High Yield Bond – Alliance Bernstein Global High Yield (HYLDBD)	6.76	4.05	4.75	5.61	10.55
Barclays Global High Yield TR USD	7.43	4.54	4.77	4.97	8.76
Emerging Mkt Bond - MFS Meridian EM Debt (EMKBD)	5.92	4.27	3.63	9.75	11.12
JPM EMBI Plus TR USD	5.89	4.31	1.87	8.20	8.92
Global Value Stock - Causeway Global Value (GVF)	9.08	3.62	6.33	-7.40	9.85
MSCI ACWI NR USD	8.35	6.65	9.71	1.38	16.20
Global Growth Stock - Artisan Global Opportunities (IGF)	14.10	10.66	11.82	4.72	23.68
MSCI ACWI NR USD	8.35	6.65	9.71	1.38	16.20
US Growth Stock - Franklin US Opportunities (USGF)	13.05	10.86	15.04	1.81	22.44
MSCI US Large Cap Growth PR USD	13.43	12.03	15.68	2.78	23.21
US Value Stock - MFS Meridian US Value (USVF)	10.62	8.34	9.46	6.30	20.66
MSCI US Large Cap Value PR USD	8.14	5.17	7.06	1.81	14.00
US Stock Index - Vanguard US 500 Stock Index (INDUSE)	12.35	10.07	12.61	3.55	19.95
S&P 500 NR USD	12.54	10.15	12.71	3.62	20.01
Global Stock Index - Vanguard Global Stock Index (INDGEQ)	8.78	7.01	10.04	1.68	17.49
MSCI World Free NR USD	9.01	7.18	10.21	1.83	17.61
Global Small Cap Stock - Vanguard Gbl. Small Cap Index (GSMCEQ)	N/A	6.78	7.44	-5.66	14.83
MSCI World Small Cap NR USD	9.82	6.99	7.67	-5.42	14.97
Emerging Market Stock - Schroder Global EM Opp. (EMKEQ)	3.68	3.92	9.87	5.35	16.15
MSCI EM PR USD	0.91	-0.09	3.48	-4.48	3.65

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