

Q3 Market Review

Markets resumed their downward trend in August and September after a bounce early in the quarter. However, the third quarter was capped by a sharp September drop in markets, as we saw the Fed get serious about inflation and markets drop, as investors got the message.

The S&P 500 lost -4.88% for the third quarter and -24.8% YTD; the Nasdaq Composite fell -3.91% for the quarter and -32.4% YTD.

Internationally, we saw the same behavior, with both developed and emerging markets down sharply in September and for the quarter.

The US Federal Reserve's strong commitment to higher short-term rates drove rates up across the curve. To start of the quarter, the U.S. Treasury 10-year yield was 2.97 percent, and rose to 3.80 percent by quarter-end. As a result of rising interest rates throughout the year, the US Bond market was down -14.6% YTD to Sept 30 (Bloomberg US Bond Agg), while the broad Global bond index was down 20% YTD (Bloomberg Global Bond Agg).

The US dollar has appreciated by 7.2% over the past quarter.

The stronger US dollar and rising real Treasury yields have been headwinds for gold prices. The price of gold has dropped by 19% from its peak earlier this year.

Similarly, oil prices have fallen on rising fears of a global recession and a stronger USD, ending the quarter at \$88.22/barrel.

Investment Perspectives

There has been nowhere to hide for investors this year, with global equities in a bear market and bond yields rising. Unfortunately, the factors that have crushed markets this year – sticky inflation, slowing growth, and hawkish central banks – are likely to persist. Aggressive central bank tightening and the threat of higher energy prices from the Russia/Ukraine war make a U.S. recession in 2023 possible.

A slower economy typically leads earnings down, and rising rates are starting to weigh on growth projections. Higher rates can lead the way for lower stock valuations, which was a significant driver for market volatility. With the rise in rates set to continue, there could be more pressure on markets heading into year-end.

Rising interest rates affect different types of retirement savings and investments in various ways. A rising interest rate environment will cause bond fund values to decrease over the short term. However, the price declines will eventually be more than offset as individual bonds within the fund mature as they can be reinvested in new bonds with much higher coupon rates.

Market corrections are part of investing and occur more frequently than we realize. The best way to avoid making impulse decisions, is to annually review your retirement goals, your time horizon until retirement age, and your current investments. A well-diversified pension plan can survive short-term market ups and downs; however, it is essential to consider whether this coincides with your retirement timeline.

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 (except YTD) at Sept 30, 2022				
	10 years	5 years	3 years	1 year	YTD
GlidePath Retirement	2.14	1.82	0.14	-14.67	-16.16
Index	2.15	1.76	-0.24	-13.88	-15.81
GlidePath 2020	3.33	2.01	0.43	-14.99	-16.46
Index	3.13	2.05	0.13	-14.82	-16.90
GlidePath 2030	4.97	3.28	2.38	-18.96	-21.27
Index	4.43	2.42	0.85	-18.10	-21.17
GlidePath 2040	5.69	3.95	3.44	-19.99	-22.92
Index	5.75	3.81	2.75	-19.07	-23.05
GlidePath 2050	6.05	4.24	3.92	-20.59	-23.94
Index	6.42	4.25	3.44	-19.54	-24.01
GlidePath 2060			4.37	-20.71	-24.16
Index			3.49	-19.60	-24.11

Risk-Based Performance by Profile	Annualized Returns (except YTD) at Sept 30, 2022				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest	0.80	0.85	0.49	0.84	0.81
Index	0.80	0.85	0.49	0.84	0.81
Conservative Risk	2.48	1.71	0.81	-7.76	-8.65
Index	1.89	1.16	0.27	-7.22	-8.36
Moderate Risk	3.15	2.18	1.40	-9.06	-10.45
Index	2.13	0.87	-0.17	-11.42	-13.09
Accumulator	4.73	2.64	1.24	-17.19	-19.21
Index	3.06	1.02	-0.45	-16.64	-19.02
Stable Growth	5.63	3.45	1.91	-19.96	-22.11
Index	3.97	1.88	0.43	-18.84	-21.79
Growth Risk	6.59	5.03	3.81	-23.06	-25.62
Index	4.43	2.41	1.09	-21.84	-25.34
Aggressive Risk	8.66	6.27	4.64	-27.31	-30.20
Index	6.60	4.20	2.84	-24.73	-29.28

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 (except YTD) at Sept 30, 2022				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest Account (GIA5)	0.80	0.85	0.49	0.84	0.81
Enhanced Cash – Payden USD Liquidity (MMKT)	0.97	1.41	0.81	-0.40	-0.25
Bank of America ML US Treasury Bill 3 Month TR USD	0.68	1.15	0.59	0.62	0.61
Short Duration - Vanguard Global Short Term Bond Index (VGVILUF)	0.00	0.60	-1.04	-6.43	-5.93
BofAML US Treasuries 1-3 Year TR USD	0.60	0.57	-0.48	-4.86	-4.35
Global Bond - GS Global Fixed Income (GBF1)	0.00	0.00	-2.52	-14.44	-14.23
Bloomberg Global Aggregate TR USD	-0.93	-2.32	-5.74	-20.43	-19.89
US Bond - PIMCO Total Return (BF1)	0.81	-0.68	-3.58	-17.12	-16.90
Bloomberg US Aggregate Bond TR USD	0.89	-0.27	-3.26	-14.60	-14.61
Inflation Strategy - PIMCO Inflation Strategy (INFLTN)	0.40	2.54	2.08	-7.21	-8.95
PIMCO Inflation Strategy Benchmark USD	0.77	2.22	1.06	-7.32	-9.44
Global TIPS - Standard Life Global Inflation Linked Bond	1.67	0.63	-2.98	-15.59	-17.92
Bloomberg Gbl. Inflation Linked TIPS TR USD	0.98	1.95	0.79	-11.57	-13.61
High Yield Bond – Alliance Bernstein Global High Yield (HYLDBD)	2.28	-0.80	-3.08	-16.67	-16.67
Bloomberg Global High Yield TR USD	2.66	-0.98	-3.29	-19.72	-19.15
Emerging Mkt Bond - MFS Meridian EM Debt (EMKBD)	0.71	-2.18	-5.60	-22.99	-22.17
JPM EMBI Plus TR USD	-0.86	-5.52	-9.87	-30.93	-30.70
Global Value Stock - Dodge & Cox Worldwide Global (GVF1)	8.05	3.14	5.13	-14.49	-17.20
MSCI ACWI NR USD	7.28	4.44	3.75	-20.66	-25.63
Global Growth Stock - Artisan Global Opportunities (IGF1)	0.00	6.35	4.88	-30.70	-33.76
MSCI ACWI NR USD	7.28	4.44	3.75	-20.66	-25.63
US Growth Stock - Franklin US Opportunities (USGF)	10.97	8.29	5.24	-34.29	-36.84
MSCI US Large Cap Growth PR USD	12.49	11.63	10.35	-26.37	-33.50
US Value Stock - MFS Meridian US Value (USVF)	8.89	4.90	4.00	-10.98	-17.82
MSCI US Large Cap Value PR USD	6.20	2.62	1.65	-10.72	-18.10
US Stock Index - Vanguard US 500 Stock Index (VANUIPU)	0.00	8.61	7.60	-15.89	-24.15
S&P 500 NR USD	11.05	8.66	7.63	-15.86	-24.14
Global Stock Index - Vanguard Global Stock Index (VANPLUD)	0.00	5.28	4.57	-19.63	-25.42
MSCI World Free NR USD	8.11	5.30	4.56	-19.63	-25.42
Global Small Cap Stock - Vanguard Glb. Small Cap Index (GSMCEI)	7.28	2.25	2.49	-25.06	-26.65
MSCI World Small Cap NR USD	7.50	2.41	2.62	-25.01	-26.65
Emerging Market Stock - Schroder Global EM Opp. (EMKEQ)	2.32	-1.31	-3.18	-34.37	-30.92
MSCI EM PR USD	-1.34	-4.14	-4.36	-30.11	-28.91

The Current Guaranteed Interest Crediting Rate is 2.25%

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