

Halfway Through a Troubling Year

Market Review

After a tepid first half of the year, the S&P 500 surged 7.5% in the third quarter, registering its biggest quarterly gain since the end of 2013.

Investors credit the latest leg of the rally to faith in the U.S. economy, which has shown fresh vigor this year even as growth has cooled in the Eurozone and emerging markets.

But the rally has come at a cost: U.S. stocks have become increasingly expensive compared with major indexes elsewhere, something that some analysts worry could leave the market vulnerable to a snapback heading into the final months of the year.

Technology stocks faltered in September after a stunning run over the summer that included Amazon.com Inc. and Apple Inc. both topping \$1 trillion in market capitalization.

Global stocks were also positive with the MSCI All Country World index up 4.3% for the quarter.

Emerging market equities continued to fall with US dollar strength. The MSCI Emerging Markets index was down 2% for the quarter, down 9% year to date.

Rising rates continued to negatively affect bonds. After languishing in the middle of the year, the yield on the 10-year Treasury note has made a run above the 3% mark, pushing up borrowing costs for everything from homes to cars. The Barclay US Aggregate Bond Index was flat for the quarter and 1.6% year to date.

Investment Implications

Our investment implications remain unchanged from last quarter. We are predicting lower returns and higher volatility throughout the remainder of the year.

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 September 30, 2018				
	10 years	5 years	3 years	1 year	YTD
GlidePath Retirement	3.63	2.33	4.23	2.17	0.46
Index	3.85	2.66	4.34	2.76	0.55
GlidePath 2010	3.86	2.54	4.46	2.20	0.49
Index	4.12	2.80	4.61	2.82	0.60
GlidePath 2020	4.42	3.47	6.01	2.93	0.83
Index	5.03	3.91	6.45	3.72	0.98
GlidePath 2030	5.39	5.22	8.83	5.61	2.39
Index	6.52	5.86	9.53	6.33	2.24
GlidePath 2040	5.86	6.09	10.23	7.15	3.28
Index	7.25	6.93	11.16	7.94	3.10
GlidePath 2050	6.17	6.65	11.02	8.21	3.90
Index	7.75	7.64	12.06	9.11	3.75
GlidePath 2060					3.97
Index					3.75

Risk-Based Performance by Profile	Annualized Returns at September 30, 2018				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest	1.23	0.82	0.87	1.11	0.92
Index	1.23	0.82	0.87	1.11	0.92
Conservative Risk	3.33	2.79	3.48	2.57	1.56
Index	2.91	2.28	2.89	1.94	0.74
Moderate Risk	4.13	3.73	4.89	3.37	1.77
Index	3.31	2.74	3.81	1.98	0.18
Accumulator	5.91	5.42	7.08	4.44	2.20
Index	4.80	4.05	5.63	2.77	0.22
Stable Growth	6.93	6.50	8.60	7.38	4.58
Index	5.44	5.13	7.24	5.22	1.93
Growth Risk	7.18	7.40	10.20	10.05	6.50
Index	5.59	5.75	8.44	6.86	2.68
Aggressive Risk	9.50	9.77	13.14	14.46	9.88
Index	7.46	8.13	11.61	11.07	5.55

Performance by Fund	Annualized Returns at September 30, 2018				
	10 years	5 years	3 years	1 year	YTD
Guaranteed Interest Account (GIA5)	1.23	0.82	0.87	1.11	0.92
Money Market – Payden USD Liquidity (MMKT)	0.58	0.91	1.42	1.87	1.55
Bank of America ML US Treasury Bill 3 Month TR USD	0.34	0.52	0.84	1.59	1.30
Short Duration - Logan Circle Short Duration 1-3yr (BFMSDF)	2.42	1.06	1.16	1.42	2.02
BofAML US Treasuries 1-3 Year TR USD	1.09	0.56	0.38	0.04	0.29
Global Bond - Lazard Global Bond Core Plus (BFMGBF1)	2.37	0.28	1.45	-2.10	-2.63
Barclays Global Aggregate TR USD	2.89	0.75	1.98	-1.32	-2.37
US Bond - PIMCO Total Return (BF1)	4.47	2.14	2.15	-1.95	-2.01
Barclays US Aggregate Bond TR USD	3.77	2.16	1.31	-1.22	-1.60
Inflation Strategy - PIMCO Inflation Strategy (INFLTN)	1.29	-0.15	2.10	-1.59	-2.42
PIMCO Inflation Strategy Benchmark USD	2.76	0.13	2.92	0.22	-1.08
Global TIPS - Standard Life Global Inflation Linked Bond	4.15	3.62	3.65	1.65	-0.47
Barclays Gbl. Inflation Linked TIPS TR USD	3.32	1.37	2.04	0.41	-0.84
High Yield Bond – Alliance Bernstein Global High Yield (HYLDBD)	7.99	4.31	6.52	-0.10	-0.62
Barclays Global High Yield TR USD	9.22	4.85	7.54	0.27	-0.59
Emerging Mkt Bond - MFS Meridian EM Debt (EMKBD)	7.03	3.86	5.05	-3.01	-3.94
JPM EMBI Plus TR USD	6.84	4.24	4.81	-5.01	-4.70
Global Value Stock - Templeton Global (GVF)	7.29	5.37	8.78	3.87	0.72
MSCI ACWI NR USD	8.19	8.67	13.40	9.77	3.83
Global Growth Stock - Artisan Global Opportunities (IGF)	13.51	11.90	16.39	12.45	8.11
MSCI ACWI NR USD	8.19	8.67	13.40	9.77	3.83
US Growth Stock - Franklin US Opportunities (USGF)	13.31	13.38	16.54	25.49	19.08
MSCI US Large Cap Growth PR USD	12.48	15.25	18.82	25.48	16.92
US Value Stock - MFS Meridian US Value (USVF)	9.12	9.82	12.34	6.19	1.21
MSCI US Large Cap Value PR USD	6.40	8.01	11.17	6.42	1.57
US Stock Index - Vanguard US 500 Stock Index (INDUSE)	11.06	13.14	16.49	17.07	9.96
S&P 500 NR USD	11.25	13.25	16.59	17.23	10.09
Global Stock Index - Vanguard Global Stock Index (INDGEQ)	8.32	9.11	13.37	11.05	5.32
MSCI World Free NR USD	8.56	9.28	13.54	11.24	5.43
Global Small Cap Stock - Vanguard Glb. Small Cap Index (GSMCEQ)	N/A	9.35	14.48	10.04	4.60
MSCI World Small Cap NR USD	11.00	9.58	14.70	10.18	4.71
Emerging Market Stock - Schroder Global EM Opp. (EMKEQ)	6.05	4.86	13.15	-2.11	-7.35
MSCI EM PR USD	2.91	1.20	9.78	-3.13	-9.54