

If You Predicted this, Raise Your Hand!

Market Review

At the start of 2019 stock markets had declined in the fourth quarter of 2018 as the Federal Reserve tightened money and Donald Trump's trade war accelerated. Fears of recession were widespread, and even Mr. Trump had stopped touting stock prices on twitter. Yet anyone who sold a year ago missed one of the best years for stock returns every.

One lesson is that no one knows how stocks will perform in any given year because so much can change. In 2019 the Fed quickly corrected its December 2018 mistake of raising interest rates. Inflation stayed under control. Mr. Trump decided that he wanted a trade truce with China and the momentum built by tax reform and deregulation helped the economy, and especially the job market, stay remarkably buoyant despite a trade-induced recession in manufacturing.

If you predicted all this, raise your hand. We didn't think so.

The S&P 500 index finished the year up 30% while Global stocks as measure by the MSCI All Country World index were up over 26%. Emerging market equities surprising lagged with, the MSCI Emerging Markets index was up 15%.

The U.S. Federal Reserve acted quickly in 2019 lowering rates from a range of 2.25% to 2.50% to 1.5% to 1.75%. The Barclay US Aggregate Bond Index was up 8.7% in a spectacular year for bond returns.

Investment Implications

The same uncertainty applies to stocks in 2020, a U.S. election year that adds political volatility to the usual economic and policy variables. Will Mr. Trump revert to trade populism if his re-election looks to be in jeopardy? Will markets fall, at least for a while, if Bernie Sanders or Elizabeth Warren appear likely to win the Democratic presidential nod?

Will the 20's roar again? The truth is no one knows!

We reiterate: it will be very important to reevaluate your asset allocation mix in relation to your risk tolerance and financial goals. Remember to keep a long term focus during periods of volatility and large market movements.

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.

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.



Annual Target Date Profile Adjustments

Annually the Target Date Profile allocations are adjusted as each target-date profile moves along its glide path towards its target year. These allocation adjustments are routine and normally occur near the beginning of each year. For 2020, the following changes will be made to the glide paths for the Target Date Profiles:

1) Shift from Stocks to Fixed Income in All Profiles

Following the strong performance in the stock markets in 2019 we will be reducing stock exposure across all profiles. These monies will flow mainly in bonds and marginally into the inflation product.

Asset Class Changes

In the December, we changed the Short Duration manager from Logan Circle to the Vanguard Global Short Term Bond Index.

Unfortunately Logan Circle had recently been acquired by MetLife and our assets in the strategy were below those required to maintain the account with MetLife given their new account minimums.

The Pension Investment Committee took the decision to use a low cost index fund while we perform a new manager search. If a capable manager is found, we will like move to that new manager in the 2Q of 2020.



Target Date Performance by Profile	Annualized Returns at December 31, 2019			
	10 years	5 years	3 years	1 year
GlidePath Retirement	3.73	3.59	5.87	12.34
Index	4.02	3.72	5.76	11.83
GlidePath 2020	4.73	4.46	7.11	14.43
Index	5.19	4.75	6.99	13.74
GlidePath 2030	5.91	6.12	9.66	20.98
Index	6.67	6.18	8.84	17.84
GlidePath 2040	6.38	6.85	10.71	23.84
Index	7.54	7.36	10.52	22.49
GlidePath 2050	6.67	7.29	11.37	26.04
Index	8.02	7.86	11.23	24.47
GlidePath 2060				26.11
Index				24.58

Risk-Based Performance by Profile	Annualized Returns at December 31, 2019			
	10 years	5 years	3 years	1 year
Guaranteed Interest	1.06	1.01	1.19	1.45
Index	1.06	1.01	1.19	1.45
Conservative Risk	3.44	3.07	4.31	8.20
Index	2.89	2.55	3.59	7.16
Moderate Risk	4.13	3.50	4.80	9.96
Index	3.42	3.06	4.63	10.24
Accumulator	6.49	5.63	8.20	17.69
Index	5.04	4.25	6.36	14.66
Stable Growth	7.38	6.56	10.00	20.25
Index	5.82	5.25	8.03	17.59
Growth Risk	7.49	7.27	11.47	22.08
Index	6.08	6.08	9.61	20.98
Aggressive Risk	10.02	9.33	14.90	28.79
Index	8.30	7.91	12.44	26.31

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 December 31, 2019			
	10 years	5 years	3 years	1 year
Guaranteed Interest Account (GIA5)	1.06	1.01	1.19	1.45
Money Market – Payden USD Liquidity (MMKT)	0.83	1.57	2.14	3.00
Bank of America ML US Treasury Bill 3 Month TR USD	0.58	1.07	1.67	2.28
Short Duration - Vanguard Global Short Term Bond Index (BFMSDF)	0.00	2.16	2.61	4.40
BofAML US Treasuries 1-3 Year TR USD	1.22	1.39	1.84	3.55
Global Bond - Lazard Global Bond Core Plus (BFMGBF1)	2.32	1.98	4.44	7.21
Barclays Global Aggregate TR USD	2.48	2.31	4.27	6.84
US Bond - PIMCO Total Return (BF1)	3.80	3.28	4.20	8.96
Barclays US Aggregate Bond TR USD	3.75	3.05	4.03	8.72
Inflation Strategy - PIMCO Inflation Strategy (INFLTN)	2.10	1.25	3.56	11.92
PIMCO Inflation Strategy Benchmark USD	3.18	1.65	3.79	11.12
Global TIPS - Standard Life Global Inflation Linked Bond	4.30	3.78	3.53	7.89
Barclays Gbl. Inflation Linked TIPS TR USD	3.36	2.62	3.32	8.43
High Yield Bond – Alliance Bernstein Global High Yield (HYLDBD)	6.57	5.02	5.36	14.15
Barclays Global High Yield TR USD	7.26	5.80	6.05	12.56
Emerging Mkt Bond - MFS Meridian EM Debt (EMKBD)	5.97	5.24	5.85	14.05
JPM EMBI Plus TR USD	6.10	5.20	4.90	12.60
Global Value Stock - Causeway Global Value (GVF)	9.99	6.07	9.61	24.29
MSCI ACWI NR USD	8.79	8.41	12.44	26.60
Global Growth Stock - Artisan Global Opportunities (IGF)	14.42	12.73	17.59	35.05
MSCI ACWI NR USD	8.79	8.41	12.44	26.60
US Growth Stock - Franklin US Opportunities (USGF)	13.16	11.96	19.10	33.33
MSCI US Large Cap Growth PR USD	13.78	13.14	19.55	36.76
US Value Stock - MFS Meridian US Value (USVF)	10.84	8.55	10.31	28.84
MSCI US Large Cap Value PR USD	8.50	6.01	7.40	21.91
US Stock Index - Vanguard US 500 Stock Index (INDUSE)	12.67	10.93	14.48	30.61
S&P 500 NR USD	12.85	11.01	14.59	30.70
Global Stock Index - Vanguard Global Stock Index (INDGEQ)	9.26	8.58	12.43	27.56
MSCI World Free NR USD	9.47	8.74	12.57	27.67
Global Small Cap Stock - Vanguard Glb. Small Cap Index (GSMCEQ)	10.27	8.17	9.82	25.89
MSCI World Small Cap NR USD	10.54	8.42	10.07	26.19
Emerging Market Stock - Schroder Global EM Opp. (EMKEQ)	4.19	7.65	15.20	30.52
MSCI EM PR USD	1.20	3.11	8.93	15.42

The Current Guaranteed Interest Crediting Rate is 0.75%

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