

# Pension Matters

A 'Perfect Storm'  
2<sup>nd</sup> Quarter, 2022



## Q2 Market Review

The second quarter of 2022 was challenging for investors. Stocks officially dipped into bear-market territory, defined as a fall of 20% or more from a recent high, with the S&P 500 closing out Q2 with a YTD decline of -20.6%.

Persistent inflation, central bank tightening, supply chain disruption, China COVID-19 aftershocks, and the ongoing war in Ukraine, has created 'perfect storm' circumstances that continued to pressure global markets throughout Q2. The MSCI World Index closed out the quarter down -20.18%, while MSCI Emerging Market Index ended Q2 down -17.5%.

US economic growth shrank by 1.6% y/y in Q1 2022 as consumer incomes and corporate profits were hit by higher prices for food and energy and the end of Covid-related stimulus payments. U.S. inflation reached a four-decade high of 8.6% in May.

The Barclays US Aggregate Bond index, which acts as a proxy for the investment-grade bond market, ended the quarter -10.35% YTD. Government bonds were not spared from a difficult first half of the year, failing to provide the protection that investors usually look to them for. The 10-year Treasury yield had a wild ride during the first half: starting the year at 1.51% and ended Q2 at 3.01%.

Losses were not confined only to equities and bonds; overall commodity prices also declined. U.S. crude oil closed at \$106 a barrel, well off its earlier highs of \$120 a barrel.

## Investment Perspectives

Inflation is a global problem. Most central banks are raising rates to combat inflation although it isn't coming down fast enough. The US Federal Reserve feel the importance of fighting inflation is worth the risk of slowing economic activity too much. In response, market rates are moving quickly higher while economic growth forecasts are moving quickly lower. Bearish implications for the stock market based on the idea that weaker economic growth will ultimately translate to weaker earnings growth.

Recession warning bells are ringing internationally, with Europe's economic growth reliant on the supply of Russian gas, China's reopening remaining at risk of further lockdowns, and the Japanese yen under pressure. These independent risk factors may become trigger factors that could adversely impact global and U.S. economic growth

However, investors should be excited about now higher interest rates. Although the market prices of bonds have declined, the reinvestment of maturities and coupons, and further investment contributions you make, will now earn much higher yields than in the past several years. This is good news for your pension nest egg.

In these types of market environments, it is especially important for our members to avoid impulse decisions. Good financial goals, tied to a sound long-term financial plan, typically will survive short-term market ups and downs and help you weather the impacts of inflation and other economic conditions.

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](mailto: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 June 30, 2022				
	10 years	5 years	3 years	1 year	YTD
<b>GlidePath Retirement</b>	<b>2.97</b>	<b>3.14</b>	<b>2.18</b>	<b>-10.57</b>	<b>-12.26</b>
Index	3.00	3.15	1.96	-9.40	-11.53
<b>GlidePath 2020</b>	<b>4.34</b>	<b>3.52</b>	<b>2.44</b>	<b>-10.85</b>	<b>-12.36</b>
Index	4.12	3.68	2.40	-10.24	-12.25
<b>GlidePath 2030</b>	<b>6.18</b>	<b>5.25</b>	<b>4.62</b>	<b>-14.46</b>	<b>-16.49</b>
Index	5.63	4.46	3.20	-13.37	-16.08
<b>GlidePath 2040</b>	<b>6.96</b>	<b>6.10</b>	<b>5.73</b>	<b>-15.42</b>	<b>-17.93</b>
Index	7.01	6.04	5.15	-14.34	-17.86
<b>GlidePath 2050</b>	<b>7.34</b>	<b>6.50</b>	<b>6.23</b>	<b>-15.97</b>	<b>-18.86</b>
Index	7.70	6.60	5.83	-14.78	-18.78
<b>GlidePath 2060</b>			<b>6.70</b>	<b>-16.05</b>	<b>-19.00</b>
Index			5.88	-14.85	-18.87

Risk-Based Performance by Profile	Annualized Returns (except YTD) at June 30, 2022				
	10 years	5 years	3 years	1 year	YTD
<b>Guaranteed Interest</b>	<b>0.79</b>	<b>0.81</b>	<b>0.48</b>	<b>0.48</b>	<b>0.43</b>
Index	0.79	0.81	0.48	0.48	0.43
<b>Conservative Risk</b>	<b>2.90</b>	<b>2.35</b>	<b>1.65</b>	<b>-5.98</b>	<b>-6.88</b>
Index	2.29	1.85	1.24	-5.15	-6.26
<b>Moderate Risk</b>	<b>3.74</b>	<b>3.02</b>	<b>2.52</b>	<b>-6.71</b>	<b>-7.98</b>
Index	2.76	2.03	1.33	-8.07	-9.59
<b>Accumulator</b>	<b>5.77</b>	<b>4.22</b>	<b>3.25</b>	<b>-13.05</b>	<b>-15.00</b>
Index	4.05	2.74	1.80	-11.81	-14.06
<b>Stable Growth</b>	<b>6.69</b>	<b>5.11</b>	<b>3.68</b>	<b>-16.01</b>	<b>-18.16</b>
Index	5.01	3.70	2.62	-13.99	-17.06
<b>Growth Risk</b>	<b>7.61</b>	<b>6.87</b>	<b>5.56</b>	<b>-19.09</b>	<b>-21.76</b>
Index	5.54	4.53	3.47	-16.51	-20.19
<b>Aggressive Risk</b>	<b>9.84</b>	<b>8.24</b>	<b>6.14</b>	<b>-23.47</b>	<b>-26.72</b>
Index	7.92	6.50	5.29	-19.32	-24.38

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 June 30, 2022				
	10 years	5 years	3 years	1 year	YTD
<b>Guaranteed Interest Account (GIA5)</b>	<b>0.79</b>	<b>0.81</b>	<b>0.48</b>	<b>0.48</b>	<b>0.43</b>
<b>Enhanced Cash – Payden USD Liquidity (MMKT)</b>	<b>0.91</b>	<b>1.36</b>	<b>0.81</b>	<b>-0.88</b>	<b>-0.85</b>
Bank of America ML US Treasury Bill 3 Month TR USD	0.64	1.11	0.63	0.17	0.14
<b>Short Duration - Vanguard Global Short Term Bond Index (VGVILUH)</b>	<b>n/a</b>	<b>1.07</b>	<b>-0.11</b>	<b>-4.67</b>	<b>-4.20</b>
BofAML US Treasuries 1-3 Year TR USD	0.79	0.94	0.24	-3.30	-2.84
<b>Global Bond - GS Global Fixed Income (GBF1)</b>	<b>n/a</b>	<b>0.00</b>	<b>-0.68</b>	<b>-11.48</b>	<b>-11.48</b>
Bloomberg Global Aggregate TR USD	0.11	-0.55	-3.22	-15.25	-13.91
<b>US Bond - PIMCO Total Return (BF1)</b>	<b>1.60</b>	<b>0.63</b>	<b>-1.17</b>	<b>-12.66</b>	<b>-12.59</b>
Bloomberg US Aggregate Bond TR USD	1.54	0.88	-0.93	-10.29	-10.35
<b>Inflation Strategy - PIMCO Inflation Strategy (INFLTN)</b>	<b>1.46</b>	<b>4.27</b>	<b>4.36</b>	<b>-1.21</b>	<b>-2.81</b>
PIMCO Inflation Strategy Benchmark USD	2.06	3.95	3.77	-0.68	-2.94
<b>Global TIPS - Standard Life Global Inflation Linked Bond</b>	<b>2.34</b>	<b>1.84</b>	<b>0.05</b>	<b>-9.40</b>	<b>-13.26</b>
Bloomberg Gbl. Inflation Linked TIPS TR USD	1.73	3.21	3.04	-5.14	-8.92
<b>High Yield Bond – Alliance Bernstein Global High Yield (HYLDBD)</b>	<b>3.05</b>	<b>-0.08</b>	<b>-2.14</b>	<b>-15.15</b>	<b>-15.23</b>
Bloomberg Global High Yield TR USD	3.57	0.13	-2.61	-17.76	-16.87
<b>Emerging Mkt Bond - MFS Meridian EM Debt (EMKBD)</b>	<b>1.86</b>	<b>-0.84</b>	<b>-4.08</b>	<b>-20.08</b>	<b>-18.79</b>
JPM EMBI Plus TR USD	0.38	-4.02	-8.66	-27.71	-26.65
<b>Global Value Stock - Dodge &amp; Cox Worldwide Global (GVF1)</b>	<b>10.10</b>	<b>6.56</b>	<b>8.75</b>	<b>-8.24</b>	<b>-7.97</b>
MSCI ACWI NR USD	8.76	7.00	6.21	-15.75	-20.18
<b>Global Growth Stock - Artisan Global Opportunities (IGF1)</b>	<b>n/a</b>	<b>8.26</b>	<b>6.38</b>	<b>-26.61</b>	<b>-31.21</b>
MSCI ACWI NR USD	8.76	7.00	6.21	-15.75	-20.18
<b>US Growth Stock - Franklin US Opportunities (USGF)</b>	<b>11.96</b>	<b>10.29</b>	<b>5.77</b>	<b>-31.21</b>	<b>-34.10</b>
MSCI US Large Cap Growth PR USD	13.69	13.68	12.38	-22.14	-30.71
<b>US Value Stock - MFS Meridian US Value (USVF)</b>	<b>10.13</b>	<b>6.48</b>	<b>6.52</b>	<b>-5.99</b>	<b>-13.67</b>
MSCI US Large Cap Value PR USD	7.42	4.55	4.24	-5.85	-12.62
<b>US Stock Index - Vanguard US 500 Stock Index (VANUIPU)</b>	<b>n/a</b>	<b>10.66</b>	<b>10.02</b>	<b>-11.04</b>	<b>-20.15</b>
S&P 500 NR USD	12.29	10.71	10.05	-11.01	-20.15
<b>Global Stock Index - Vanguard Global Stock Index (VANPLUD)</b>	<b>n/a</b>	<b>7.65</b>	<b>7.01</b>	<b>-14.32</b>	<b>-20.48</b>
MSCI World Free NR USD	9.51	7.67	7.00	-14.34	-20.51
<b>Global Small Cap Stock - Vanguard Glb. Small Cap Index (GSMCEQ)</b>	<b>8.56</b>	<b>4.61</b>	<b>4.04</b>	<b>-22.06</b>	<b>-22.57</b>
MSCI World Small Cap NR USD	8.79	4.78	4.19	-21.97	-22.56
<b>Emerging Market Stock - Schroder Global EM Opp. (EMKEQ)</b>	<b>4.34</b>	<b>3.22</b>	<b>0.38</b>	<b>-30.53</b>	<b>-21.87</b>
MSCI EM PR USD	0.66	-0.20	-1.74	-27.20	-18.78

The Current Guaranteed Interest Crediting Rate is 1.50%

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