



BF&M pension *matters*



U.S. Stocks Continue Their Record Setting Run in 2017

Market Review

The S&P 500 notched its eighth consecutive quarter in September, finishing 4.8 percent higher. Since data began being recorded in 1928 the index has only achieved this five times. September culminated in the benchmarks sixth straight monthly rise and the longest such winning streak since May 2013.

The late run-up in stocks came as US Republicans unveiled a sweeping tax reform proposal aiming to lower the corporate tax rate to 20 per cent from 35 per cent, which markets think could unleash growth if the proposal makes it past Congress. Investors appear to have moved past geopolitical tensions between the US and North Korea over Pyongyang's nuclear weapons program, which had curbed risk appetite in recent months.

The gains in the quarter were powered by a large rise in the technology, energy and materials sectors. The aging bull market has also been aided by a solid earnings season. The third quarter also marked the first time the index reported back-to-back quarters of double-digit earnings growth since 2011, according to FactSet data. Moreover a record number of S&P 500 companies have issued positive revenue guidance for the third quarter.

Bond yields were little changed over the quarter, reflecting a largely unchanged global economic backdrop. Corporate bonds made positive returns, outperforming government bonds.

Investment Implications

With the economic environment as good as it can get and high valuations in the stock market, most of our managers are stressing caution, capital preservation and smaller more risky positions.

Political risk is still high on our list of worries, and investors should be diligent in what can happen in North Korea, Brexit negotiations, and US-China trade tensions.

With yields moving higher this year, most market participants are calling for the period of declining interest rates to be over. Most believe we have seen the lows, and a slow path to normal interest rate levels has begun. This means investors should be aware of their bond holdings and be mindful of potential spikes in inflation.

We suggest you contact one of our financial consultants if you have any questions or concerns over your portfolio. They can be contacted at 295-5566 or via email at retirement@bfm.bm.

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Multiple Manager Plan

Performance by Profile	% Annualized Returns at September 30, 2017				YTD
	10 Years	5 Years	3 Years	1 Year	
Guaranteed Interest	1.48%	0.75%	0.75%	0.75%	0.56%
Index	1.48%	0.75%	0.75%	0.75%	0.56%
Conservative Risk	2.59%	3.26%	2.69%	4.54%	4.86%
Index	2.38%	2.62%	2.13%	3.63%	3.90%
Moderate Risk	2.96%	4.53%	3.60%	7.19%	7.57%
Index	2.37%	3.40%	2.59%	5.72%	5.99%
Accumulator	3.70%	6.86%	5.19%	10.09%	10.55%
Index	3.03%	5.14%	3.73%	8.07%	8.33%
Stable Growth	4.12%	7.87%	5.72%	11.89%	12.93%
Index	3.13%	6.10%	4.50%	10.03%	10.56%
Growth Risk	4.25%	8.18%	6.47%	14.49%	16.14%
Index	3.18%	6.49%	5.17%	12.44%	13.27%
Aggressive Risk	4.98%	11.10%	7.88%	17.13%	19.51%
Index	3.68%	9.05%	6.66%	15.23%	16.19%

Performance by Fund	% Annualized Returns at September 30, 2017				YTD
	10 Years	5 Years	3 Years	1 Year	
Guaranteed Interest (GIA5)	1.48%	0.75%	0.75%	0.75%	0.56%
GIA	1.48%	0.75%	0.75%	0.75%	0.56%
Bond Fund - PIMCO Total Return (BF1)	5.16%	2.32%	3.34%	2.70%	4.87%
Barclays US Aggregate Bond	4.27%	2.06%	2.71%	0.07%	3.14%
U.S. Value Stock - MFS US Value (USVF)	6.26%	13.04%	9.75%	16.19%	11.35%
MSCI US Large Cap Value - Price	2.44%	9.90%	5.90%	13.26%	6.91%
Global Value Stock - Templeton Global (GVF)	3.58%	10.16%	3.99%	18.88%	14.80%
MSCI EAFE Value - Price	-3.03%	4.21%	0.04%	18.53%	14.32%
Global Growth Stock - Artisan Global Opportunities (IGF)	9.47%	13.86%	12.12%	18.76%	26.47%
MSCI EAFE Growth - Price	-0.08%	6.70%	4.40%	13.45%	20.31%
U.S. Growth Stock - Franklin U.S. Opportunities (USGF)	7.45%	13.71%	9.44%	19.18%	21.43%
MSCI US Large Cap Growth - Price	7.77%	13.36%	11.02%	20.01%	19.37%
Money Market - Payden USD Liquidity (MMKT)	0.67%	0.54%	0.88%	1.38%	1.20%
Bank of America ML US Treasury Bill 3 Month TR USD	0.47%	0.22%	0.32%	0.66%	0.57%
Short Duration - Logan Circle Short Duration 1-3yr (BFMSDF)	2.64%	0.85%	1.03%	0.84%	1.14%
BofAML US Treasuries 1-3 Year TR USD	1.70%	0.63%	0.76%	0.24%	0.67%
Global Bond - Lazard Global Bond Core Plus (BFMGBF1)	N/A	-0.23%	0.84%	-0.40%	7.46%
Barclays Global Aggregate TR USD	3.31%	0.48%	1.30%	-1.26%	6.25%
Inflation Strategy - PIMCO Inflation Strategy (INFLTN)	1.80%	-1.70%	-0.42%	-0.42%	3.18%
PIMCO Inflation Strategy Benchmark USD	2.34%	-0.01%	0.67%	1.40%	5.53%
U.S. Stock Index - Vanguard US Stock 500 (INDUSE)	6.56%	13.36%	10.05%	17.78%	13.65%
S&P 500 - Net	6.74%	13.50%	10.11%	17.88%	13.72%
Global Stock Index - Vanguard Global Stock (INDGEQ)	3.98%	10.79%	7.52%	18.01%	15.92%
MSCI World Free - Net	4.22%	10.99%	7.69%	18.17%	16.01%
Emerging Market Stock - Schroder Gbl. EM Opp. (EMKEQ)	3.15%	6.09%	5.53%	28.61%	31.91%
MSCI Emerging Markets Free - Price	-1.07%	1.53%	2.47%	19.73%	25.45%
Emerging Market Bond - MFS EM Debt (EMKBD)	7.02%	3.69%	5.01%	4.53%	8.55%
JPM EMBI Plus	7.10%	4.03%	6.30%	2.86%	8.64%
Global Small Cap Stock - Vanguard Gbl. Small Cap (GSMCEQ)	N/A	12.57%	10.17%	19.45%	16.37%
MSCI World Small Cap - Net	6.62%	12.84%	10.39%	19.76%	16.57%
High Yield Bond - AB Global High Yield Bond (HYLDBD)	6.67%	5.47%	4.95%	8.94%	7.36%
Barclays High Yield Credit Bond	7.95%	6.44%	5.87%	9.28%	9.49%

GIA Current Crediting Rate is 0.75%

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.