

## The Stock Market and the Media: Turn It on, but Tune It Out

### Market Review

The current investment landscape is vastly different than the one we faced at the beginning of the quarter. As markets wrapped up a period of historic market volatility sparked by the coronavirus pandemic, the Dow and S&P 500 closed out with their worst first-quarter performances ever, with the S&P losing -20%.

Uncertainty around corporate earnings growth in the face of COVID-19, depressed oil prices and the slowing pace of global growth have damaged investor confidence. MSCI All Country World Index (ACWI) closed the quarter down -20.5%; and U.S. crude, at one point fell, below \$20 a barrel, as the virus outbreak cut demand worldwide and Saudi Arabia got into a price war with Russia.

There is no question that many different pathways now exist for the global economy, and some of these could lead to recession. There has been unprecedented global support applied in the form of emergency rate cuts, fiscal relief and specific backstops designed to keep credit flowing and markets from seizing up.

In this environment of heightened uncertainty, investors have flocked to safe-haven government bonds, sending yields to historically low levels that are unlikely to be sustained.

UST 10yr yield declined from a Feb high of 1.68% to close the quarter yielding 0.70%.

The Bloomberg Barclays U.S. Aggregate Bond Index returned +3.15% for Q1.

The big question that many people are asking is whether this economic disruption will be short-term or long-term in nature.

### Investment Perspectives

Gaining perspective is difficult during a global emergency. It's hard to ignore the endless flow of dramatic news; but it's important to disconnect from the internet, take a deep breath and don't look at just the stock market portion of your pension plan. It is very easy (and natural) to focus on short-term market moves, the challenge, is not acting on emotion and deviating from your financial plan and following the 'investing crowd'.

A market that acts randomly and irrationally cannot be explained logically. Remember; the stock market leads and the news follows.

The depth and duration of any potential recession will depend on the extent to which fiscal and monetary policies pair up to ensure that unemployment is prevented from spiraling higher and bankruptcies of sound businesses are prevented.

Investing is all about balance and trade-offs. Balance your reactions, actions and attitude to the market.

Leverage this moment to reveal to yourself what your true risk tolerance level is and do not wait for the next downturn in the markets to realize that diversification can provide more protection within your pension plan.

**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).**



| Target Date Performance by Profile | Annualized Returns at March 31, 2020 |             |             |               |               |
|------------------------------------|--------------------------------------|-------------|-------------|---------------|---------------|
|                                    | 10 years                             | 5 years     | 3 years     | 1 year        | YTD           |
| <b>GlidePath Retirement</b>        | <b>2.97</b>                          | <b>2.09</b> | <b>2.69</b> | <b>-0.13</b>  | <b>-6.19</b>  |
| Index                              | 3.34                                 | 2.54        | 3.11        | 0.80          | -5.20         |
| <b>GlidePath 2020</b>              | <b>3.64</b>                          | <b>2.28</b> | <b>2.61</b> | <b>-1.94</b>  | <b>-8.62</b>  |
| Index                              | 4.18                                 | 2.93        | 3.10        | -0.91         | -7.46         |
| <b>GlidePath 2030</b>              | <b>4.05</b>                          | <b>2.34</b> | <b>2.18</b> | <b>-6.01</b>  | <b>-14.86</b> |
| Index                              | 5.14                                 | 3.37        | 3.05        | -3.52         | -11.13        |
| <b>GlidePath 2040</b>              | <b>4.06</b>                          | <b>2.10</b> | <b>1.46</b> | <b>-9.08</b>  | <b>-18.44</b> |
| Index                              | 5.24                                 | 3.01        | 1.99        | -8.03         | -17.12        |
| <b>GlidePath 2050</b>              | <b>3.95</b>                          | <b>1.75</b> | <b>0.68</b> | <b>-11.74</b> | <b>-21.43</b> |
| Index                              | 5.34                                 | 2.81        | 1.40        | -10.36        | -19.77        |
| <b>GlidePath 2060</b>              |                                      |             |             | <b>-11.61</b> | <b>-21.31</b> |
| Index                              |                                      |             |             | -10.59        | -20.03        |

| Risk-Based Performance by Profile | Annualized Returns at March 31, 2020 |             |             |              |               |
|-----------------------------------|--------------------------------------|-------------|-------------|--------------|---------------|
|                                   | 10 years                             | 5 years     | 3 years     | 1 year       | YTD           |
| <b>Guaranteed Interest</b>        | <b>1.05</b>                          | <b>1.08</b> | <b>1.31</b> | <b>1.55</b>  | <b>0.54</b>   |
| Index                             | 1.05                                 | 1.08        | 1.31        | 1.55         | 0.54          |
| <b>Conservative Risk</b>          | <b>2.90</b>                          | <b>2.03</b> | <b>2.32</b> | <b>0.31</b>  | <b>-3.77</b>  |
| Index                             | 2.43                                 | 1.68        | 1.93        | 0.56         | -3.31         |
| <b>Moderate Risk</b>              | <b>3.24</b>                          | <b>1.77</b> | <b>1.72</b> | <b>-1.81</b> | <b>-6.78</b>  |
| Index                             | 2.55                                 | 1.42        | 1.40        | -1.78        | -6.87         |
| <b>Accumulator</b>                | <b>5.00</b>                          | <b>2.68</b> | <b>2.62</b> | <b>-3.39</b> | <b>-11.09</b> |
| Index                             | 3.76                                 | 1.78        | 1.64        | -2.99        | -9.93         |
| <b>Stable Growth</b>              | <b>5.74</b>                          | <b>3.19</b> | <b>3.46</b> | <b>-4.16</b> | <b>-12.26</b> |
| Index                             | 4.31                                 | 2.24        | 2.23        | -3.56        | -11.64        |
| <b>Growth Risk</b>                | <b>5.96</b>                          | <b>4.08</b> | <b>4.61</b> | <b>-3.97</b> | <b>-11.65</b> |
| Index                             | 4.30                                 | 2.54        | 2.43        | -4.82        | -13.94        |
| <b>Aggressive Risk</b>            | <b>7.83</b>                          | <b>4.65</b> | <b>5.35</b> | <b>-6.26</b> | <b>-16.24</b> |
| Index                             | 6.20                                 | 3.68        | 3.90        | -4.60        | -15.66        |

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 March 31, 2020 |              |              |               |               |
|--|--------------------------------------|--------------|--------------|---------------|---------------|
|  | 10 years                             | 5 years      | 3 years      | 1 year        | YTD           |
| <b>Guaranteed Interest Account (GIA5)</b>                              | <b>1.05</b>                          | <b>1.08</b>  | <b>1.31</b>  | <b>1.55</b>   | <b>0.54</b>   |
| <b>Enhanced Cash – Payden USD Liquidity (MMKT)</b>                     | <b>0.67</b>                          | <b>1.20</b>  | <b>1.47</b>  | <b>0.45</b>   | <b>-1.56</b>  |
| Bank of America ML US Treasury Bill 3 Month TR USD                     | 0.64                                 | 1.19         | 1.83         | 2.25          | 0.57          |
| <b>Short Duration - Vanguard Global Short Term Bond Index (BFMSDF)</b> | <b>N/A</b>                           | <b>2.15</b>  | <b>2.69</b>  | <b>3.49</b>   | <b>0.69</b>   |
| BofAML US Treasuries 1-3 Year TR USD                                   | 1.43                                 | 1.85         | 2.70         | 5.42          | 2.81          |
| <b>Global Bond - Lazard Global Bond Core Plus (BFMGBF1)</b>            | <b>1.92</b>                          | <b>1.68</b>  | <b>2.42</b>  | <b>1.61</b>   | <b>-3.09</b>  |
| Barclays Global Aggregate TR USD                                       | 2.47                                 | 2.64         | 3.55         | 4.20          | -0.33         |
| <b>US Bond - PIMCO Total Return (BF1)</b>                              | <b>3.74</b>                          | <b>3.24</b>  | <b>4.43</b>  | <b>8.00</b>   | <b>2.06</b>   |
| Barclays US Aggregate Bond TR USD                                      | 3.88                                 | 3.36         | 4.82         | 8.93          | 3.15          |
| <b>Inflation Strategy - PIMCO Inflation Strategy (INFLTN)</b>          | <b>0.00</b>                          | <b>-2.96</b> | <b>-4.14</b> | <b>-14.99</b> | <b>-18.34</b> |
| PIMCO Inflation Strategy Benchmark USD                                 | 0.98                                 | -2.28        | -3.78        | -14.65        | -18.12        |
| <b>Global TIPS - Standard Life Global Inflation Linked Bond</b>        | <b>4.32</b>                          | <b>3.50</b>  | <b>3.70</b>  | <b>5.13</b>   | <b>1.50</b>   |
| Barclays Gbl. Inflation Linked TIPS TR USD                             | 3.48                                 | 2.67         | 3.46         | 6.85          | 1.69          |
| <b>High Yield Bond – Alliance Bernstein Global High Yield (HYLDBD)</b> | <b>3.75</b>                          | <b>0.38</b>  | <b>-2.92</b> | <b>-12.64</b> | <b>-18.97</b> |
| Barclays Global High Yield TR USD                                      | 5.07                                 | 2.28         | -0.59        | -10.04        | -15.02        |
| <b>Emerging Mkt Bond - MFS Meridian EM Debt (EMKBD)</b>                | <b>4.13</b>                          | <b>2.05</b>  | <b>0.11</b>  | <b>-5.72</b>  | <b>-12.24</b> |
| JPM EMBI Plus TR USD   | 4.77                                 | 2.93         | 0.53         | -3.13         | -8.67         |
| <b>Global Value Stock - Causeway Global Value (GVF)</b>                | <b>4.62</b>                          | <b>-2.70</b> | <b>-6.72</b> | <b>-28.80</b> | <b>-35.03</b> |
| MSCI ACWI NR USD   | 5.88                                 | 2.85         | 1.50         | -11.26        | -21.37        |
| <b>Global Growth Stock - Artisan Global Opportunities (IGF)</b>        | <b>12.35</b>                         | <b>8.70</b>  | <b>8.85</b>  | <b>2.18</b>   | <b>-12.28</b> |
| MSCI ACWI NR USD   | 5.88                                 | 2.85         | 1.50         | -11.26        | -21.37        |
| <b>US Growth Stock - Franklin US Opportunities (USGF)</b>              | <b>11.19</b>                         | <b>7.50</b>  | <b>10.00</b> | <b>-2.11</b>  | <b>-12.65</b> |
| MSCI US Large Cap Growth PR USD  | 11.78                                | 9.40         | 10.87        | 2.99          | -12.90        |
| <b>US Value Stock - MFS Meridian US Value (USVF)</b>                   | <b>7.36</b>                          | <b>2.59</b>  | <b>-0.91</b> | <b>-13.13</b> | <b>-24.13</b> |
| MSCI US Large Cap Value PR USD   | 4.87                                 | 0.52         | -3.38        | -17.44        | -25.39        |
| <b>US Stock Index - Vanguard US 500 Stock Index (INDUSE)</b>           | <b>9.67</b>                          | <b>5.99</b>  | <b>4.38</b>  | <b>-7.62</b>  | <b>-19.75</b> |
| S&P 500 NR USD   | 9.84                                 | 6.07         | 4.48         | -7.53         | -19.72        |
| <b>Global Stock Index - Vanguard Global Stock Index (INDGEQ)</b>       | <b>6.37</b>                          | <b>3.10</b>  | <b>1.80</b>  | <b>-10.49</b> | <b>-21.07</b> |
| MSCI World Free NR USD   | 6.57                                 | 3.25         | 1.92         | -10.39        | -21.05        |
| <b>Global Small Cap Stock - Vanguard Gbl. Small Cap Index (GSMCEQ)</b> | <b>5.64</b>                          | <b>-0.14</b> | <b>-4.13</b> | <b>-22.53</b> | <b>-30.03</b> |
| MSCI World Small Cap NR USD  | 5.89                                 | 0.06         | -3.95        | -22.39        | -30.06        |
| <b>Emerging Market Stock - Schroder Global EM Opp. (EMKEQ)</b>         | <b>0.74</b>                          | <b>1.66</b>  | <b>0.19</b>  | <b>-15.06</b> | <b>-27.02</b> |
| MSCI EM PR USD   | -1.73                                | -2.73        | -3.97        | -19.80        | -23.87        |

The Current Guaranteed Interest Crediting Rate is 0.50%

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