BIAS

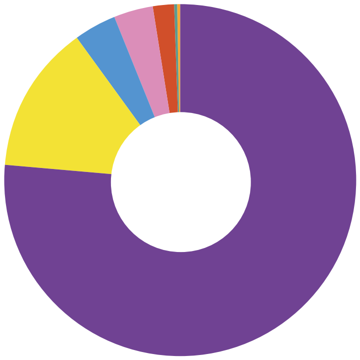
MARKETS FORWARD

JUNE 30, 2020

STRATEGY POINTS (ALLOCATION)

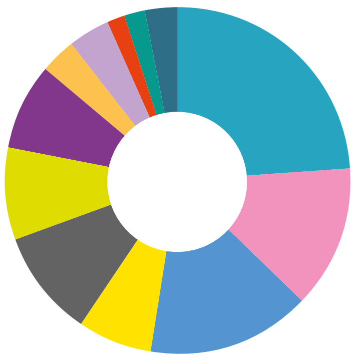
AS AT JUNE 30, 2020

GEOGRAPHIC



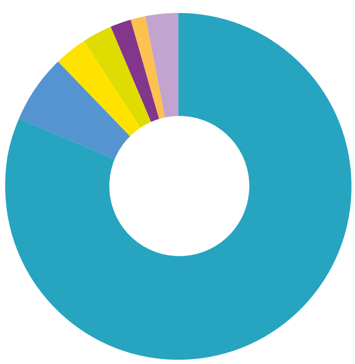
	Portfolio	Index*
North America	76.6%	81.0%
Europe	13.6%	11.6%
Emerging Asia	3.8%	2.4%
Japan	3.6%	3.6%
Cash	2.0%	0.0%
Latin America	0.4%	0.4%
Australia	0.1%	1.0%

SECTOR



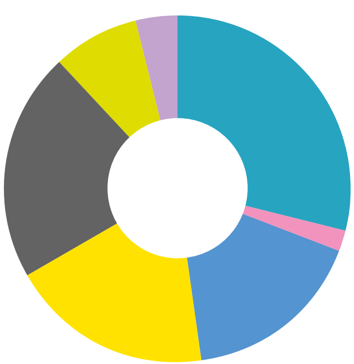
	Portfolio	Index*
Technology	24.1%	23.6%
Financials	13.2%	12.2%
Healthcare	15.4%	13.9%
Industrials	7.0%	9.0%
Comm. Services	9.8%	10.3%
Consumer Disc.	8.6%	10.6%
Consumer Staples	8.2%	7.7%
Energy	3.3%	3.3%
Materials	3.9%	3.4%
Utilities	1.7%	3.2%
Cash	2.0%	0.0%
Real Estate	2.8%	2.8%

CURRENCIES



	Portfolio	Index*
US dollar	81.6%	79.6%
Canadian dollar	0.0%	1.5%
Euro	6.2%	6.7%
Sterling	3.2%	2.9%
Australian dollar	0.1%	1.0%
Japanese yen	2.7%	3.6%
Swiss franc	2.0%	2.0%
Indian Rupee	1.2%	0.0%
Other	3.0%	2.7%

FIXED INCOME



	Portfolio	Index**
LIBOR FRN	29.1%	0.0%
CPI FRN	1.8%	0.0%
0-1 YR	16.9%	0.0%
1-2 YR	19.1%	52.9%
1-3 YR	21.2%	47.1%
3-5 YR	8.1%	0.0%
Cash	3.8%	0.0%

* 50% S&P Global 1200 and 50% S&P 500 ** FTSE 1-3 year US Treasury

FORWARD OUTLOOK

We expect the economic decline to bottom-out in Second Half 2020 but global economic growth will not turn positive until 2021.

The duration of the pandemic is uncertain but policy stimulus, pent-up demand, and a lack of major imbalances in the financial system argue for a solid recovery when the virus threat passes. We believe that the export-driven eurozone will experience a strong rebound as the scale of the damage inflicted by the pandemic seems to have helped political leaders to overcome the divisions that hampered the region in the past.

We maintain an optimistic view on equity markets given unprecedented monetary as well as fiscal stimulus and believe that we are at the start of a new economic cycle coming out of the COVID-19 induced recession. In our opinion, accelerating GDP growth, rising inflation, yields, PMIs, and consumer confidence should favour cyclical sectors which is why we have increased our exposure in Financial stocks as they are highly levered to rebounding growth and trade and have attractive valuations (Forward Price to Book ratio relative to S&P 500 is close to Global Financial Crisis trough). We are also overweight in the Healthcare sector where we prefer reasonably priced medical devices companies with a technologically competitive advantage. On the flip side, we are underweight Utility companies given our expectations of rising yields which will reduce the attractiveness of their dividends. We also maintain our underweight in hotels, restaurants, and leisure companies within the Consumer Discretionary sector.

Regionally, we are overweight Europe and believe that the EU recovery fund will lead to a rebound in economic growth. Four years of Brexit drama has led UK stocks to trade at the lowest multiple relative to the MSCI World Index since the financial crisis and a 14 percent discount against Europe ex-UK which warrants gradual investment. We also like Emerging Asia ex China as accommodative financial conditions and strict virus containment measures combined with widespread testing, especially in South Korea, will result in them leading in economic rebound. Although economic growth in India is expected to slow due to COVID-19, significant central bank easing (115 bps reduction in the policy rate in 2020) has steepened the yield curve and expanded forex reserves both of which are accompanied by positive equity returns historically.

We position our portfolios for modestly higher yields and favour investment grade corporate bonds over US Treasuries on expectations of tighter corporate spreads over Treasuries on the back of a gradual economic recovery and the Federal Reserve's corporate bond purchases. Duration is kept short as we expect the yield curve to steepen on 1) Monetary and fiscal policies around the globe are expansionary and pose the risk of higher inflation, 2) The Fed and other central banks anchor shorter term yields, 3) De-globalization, with companies bringing production closer to the end consumer, may become another source of inflation, and 4) Yield curves often steepen after recessions. Should the pandemic worsen, yields will fall from already historically low levels, bonds become overpriced, and we will look to make measured selling.

The US dollar is set for some weakness once safe-haven demand wanes and the global economy shows signs of rebounding. The recent EU debt proposal, issuing bonds backed by all member states for pandemic recovery aid means that some of the risk premium for EU break-up risk will abate. Further, the proposal will create a new large 'AAA' asset in the eurozone and attract inflows from investors and ultimately support the euro. Sterling is likely to remain soft against most majors as the UK negotiates Brexit terms. Barring a dramatic rise in oil prices, the Canadian dollar should trade in a range with the US dollar as domestic economic data is soft.

KEY ECONOMIC FACTORS

AS AT JUNE 30, 2020

Macro Economic

US	−	●	+
Canada	−	●	+
United Kingdom	−	●	+
European Union	−	●	+
Japan	−	●	+
China	−	●	+
India / South East Asia	−	●	+
Australia	−	●	+
Latin America	−	●	+

In our previous Markets Forward we said that we are likely to see single digit negative growth for the year 2020. Bloomberg consensus estimates have joined our lead and expect full-year growth of negative 3.7 percent, down from 2.5 percent on March 31, 2020. Rapid and large-scale monetary and fiscal responses around the globe amid the COVID-19 crisis have served to mitigate the damage but more easing is needed, particularly on the fiscal side. We believe that both consumers and companies are adapting to a 'new normal' including a shift towards dining at home versus dining out, reduced spending on travel and tourism, but increased spending on home improvement and home offices. Another round of fiscal stimulus in the US is in the works and the next package could be passed in July. In Europe, notoriously frugal Germany announced an emergency spending package which exceeded expectations. We agree with the IMF that the strength of the economic recovery is highly uncertain in the absence of a medical solution.

Monetary Policy

US	-	●	+
Canada	-	●	+
United Kingdom	-	●	+
European Union	-	●	+
Japan	-	●	+
China	-	●	+
India / South East Asia	-	●	+
Australia	-	●	+
Latin America	-	●	+

Central banks around the globe have eased monetary policy by cutting interest rates, injecting liquidity, and creating credit support facilities amid the COVID-19 crisis. Our view is that central banks will err on the side of caution before reducing monetary stimulus. The Fed's scope for lowering interest rates further is quite low. As such, the central bank is working to support the flow of credit in the US economy by buying US Treasury, mortgage bonds and, more recently, investment grade corporate bonds. The ECB has nearly doubled the quantitative easing programme (basically money printing) to €1.35 trillion to ensure a steady flow of cheap credit to eurozone consumers and businesses. The Bank of Canada is purchasing provincial and corporate bonds to add liquidity into the system. In Latin America, both Brazil and Mexico have cut their benchmark interest rates and further cuts are likely.

Global Trade

Global Trade	−	●	+

Trade tensions between the US and China and the US and the EU have resurfaced. We doubt President Trump will escalate trade conflicts much further from here given the already negative backdrop from the pandemic. Still, he may become more confrontational in the coming months to boost his support ahead of the election.

Geopolitical

Geopolitical	-	●	+

Market attention to geopolitical risks are low.

MARKETS FORWARD - GEOGRAPHIC

AS AT JUNE 30, 2020

Valuations

US	-	**●**	+
Canada	-	**●**	+
United Kingdom	-	**●**	+
European Union	-	**●**	+
Japan	-	●	**+**
China	-	**●**	+
India / South East Asia	-	●	**+**
Australia	-	**●**	+
Latin America	-	**●**	+

Given the recent rebound in equity markets, relative valuations are reasonable compared to historical averages and Emerging Asia looks particularly attractive.

Source: Bloomberg

Earnings Growth

US	**-**	●	+
Canada	**-**	●	+
United Kingdom	**-**	●	+
European Union	**-**	●	+
Japan	**-**	●	+
China	-	**●**	+
India / South East Asia	**-**	●	+
Australia	**-**	●	+
Latin America	**-**	●	+

Earnings growth is expected to decline around the globe but rebound late in 2020 as the COVID-19 pandemic abates.

Source: Bloomberg

MARKETS FORWARD - SECTORS

Valuations

Technology	-	**●**	+
Healthcare	-	●	**+**
Financials	-	●	**+**
Industrials	-	**●**	+
Consumer Disc.	**-**	●	+
Comm. Services	-	**●**	+
Consumer Staples	-	●	**+**
Energy	-	**●**	+
Materials	-	**●**	+
Utilities	-	**●**	+
Real Estate	-	●	**+**

The sharp selloff in Financials have led them to trade close to the price to earnings multiple last seen during the Global Financial Crisis.

Source: Bloomberg

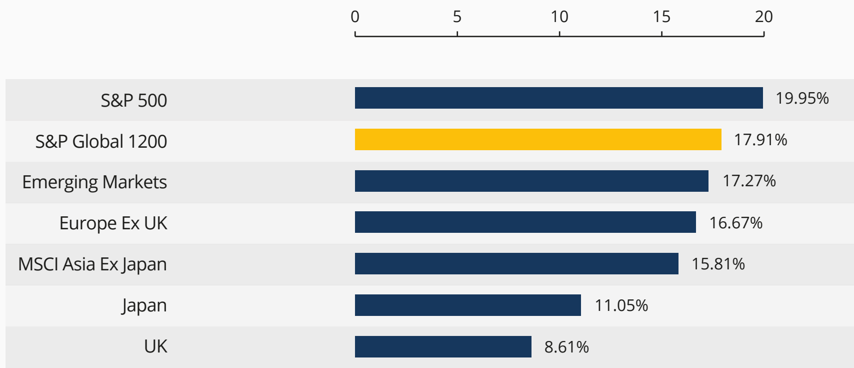
Earnings Growth

Technology	-	**●**	+
Healthcare	**-**	●	+
Financials	**-**	●	+
Industrials	**-**	●	+
Consumer Disc.	**-**	●	+
Comm. Services	**-**	●	+
Consumer Staples	**-**	●	+
Energy	**-**	●	+
Materials	**-**	●	+
Utilities	-	**●**	+
Real Estate	**-**	●	+

Earnings are expected to decline, specially in economically sensitive sectors amid less demand due to widespread COVID-19 lockdowns.

Source: Bloomberg

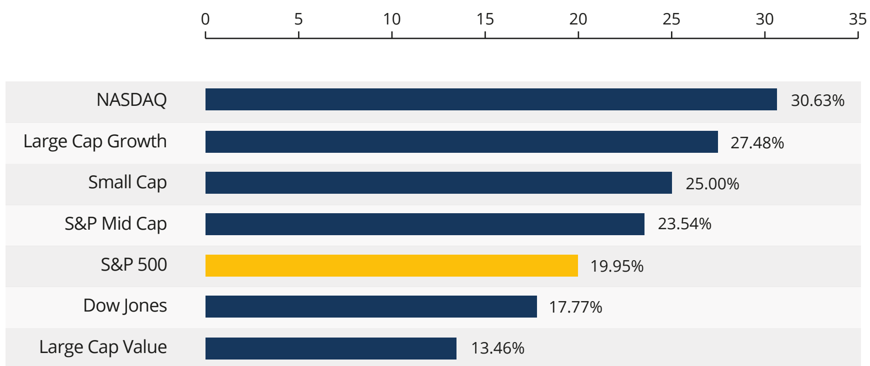
GLOBAL MARKET COMPARISON



All returns are expressed in US dollars. Source: Bloomberg.

Global equities rebounded in Second Quarter 2020 as economies started to reopen and governments as well as central banks continued to provide fiscal and monetary support. US stocks outperformed on improving jobs and retail sales data.

US MARKET INDICES

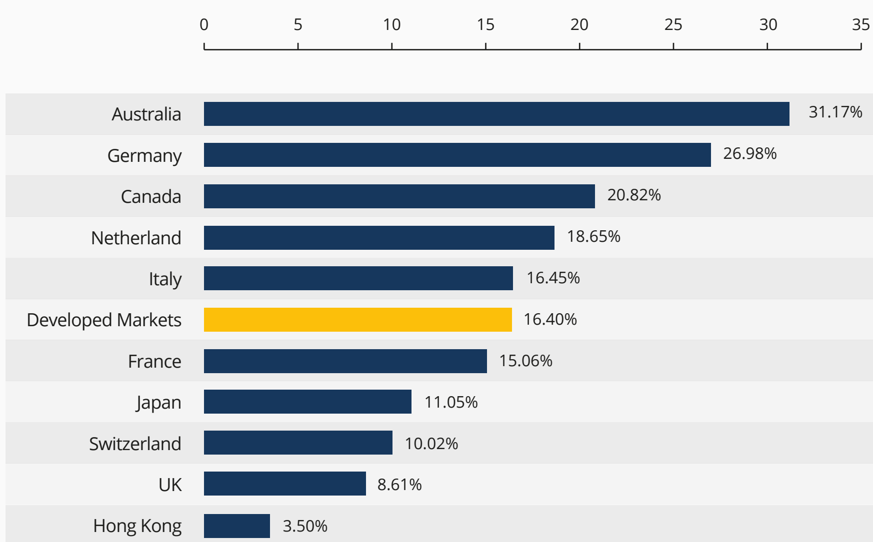


All returns are expressed in US dollars. Source: Bloomberg.

US equities rallied on easing of the lockdown restrictions in some states, loose monetary policy from the Federal Reserve, and better than expected economic data. The technology-heavy NASDAQ index outperformed large cap peers led by Apple and Amazon. Economically sensitive small cap stocks outperformed the S&P 500.

Overall, the S&P 500 rallied 19.95 percent for the quarter and growth stocks outperformed value stocks.

DEVELOPED MARKETS

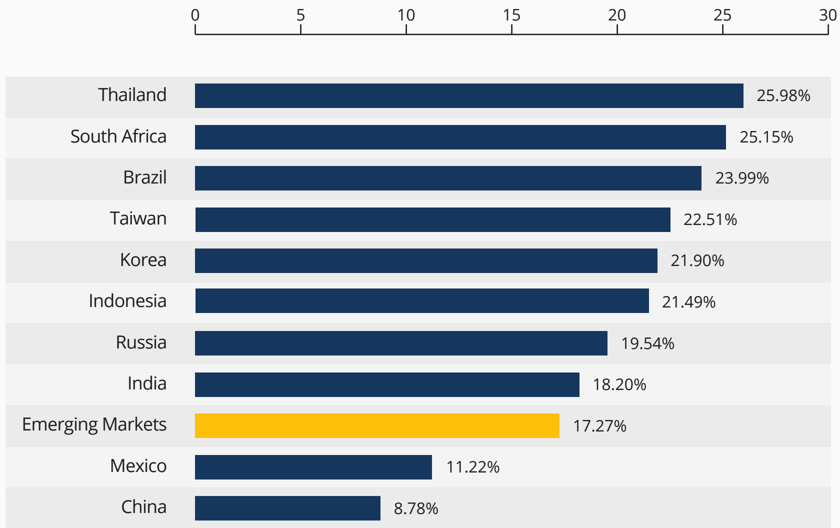


All returns are expressed in US dollars. Source: Bloomberg.

Equity prices rose across the eurozone as lockdown restrictions were eased and a €750 billion recovery fund was proposed by the EU. Australia and Canada, both resource-based economies, outperformed as commodity prices rose and the gains were amplified by currency appreciation. UK stocks rose but underperformed other Developed Markets.

Australia was the best performing Developed Market for the quarter in US dollar terms.

EMERGING MARKETS

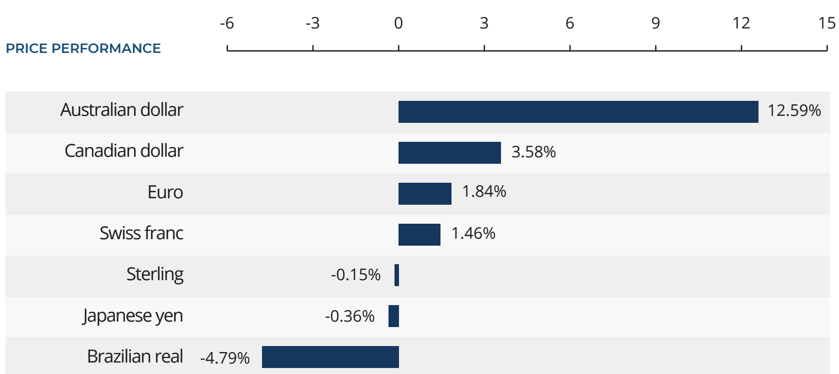


All returns are expressed in US dollars. Source: Bloomberg.

Emerging Market shares rose led by export-oriented economies like Thailand and Taiwan on hopes of a recovery in global demand. Historically oil prices and additional stimulus from the central bank helped India outperform other Emerging markets. By contrast, China underperformed as its new National Security Law for Hong Kong sparked tensions with the US.

Overall, Emerging Markets appreciated by 17.27 percent.

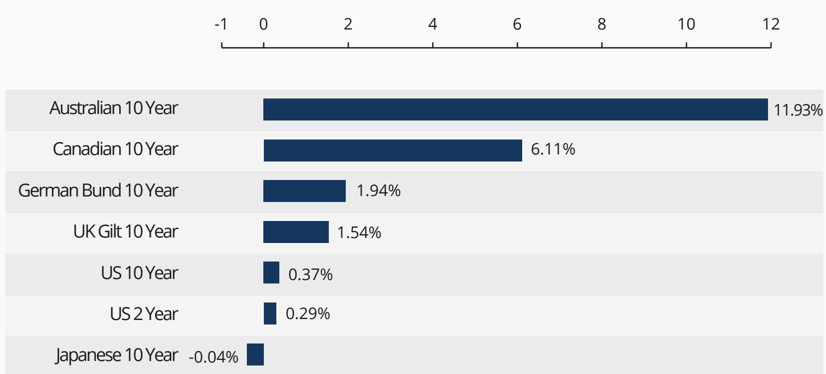
MAJOR CURRENCIES



All returns are expressed in US dollars. Source: Bloomberg.

The US dollar depreciated against most major currencies on a rebound in risk assets as central banks and governments provided enormous amounts of stimulus and economies started to reopen. The euro appreciated against the US dollar as the number of virus cases in the region calmed and on the prospect of joint bond issuance backed by EU member states to aid the economic recovery. Commodity currencies appreciated as oil prices recovered.

BONDS



All returns are expressed in US dollars. Source: Bloomberg.

US Treasury yields fell slightly on weak economic data and as the unemployment rate soared. The Fed left the benchmark interest rate unchanged and added liquidity to the market by increasing its bond purchase programme which was extended to include investment grade corporate bonds. The Bank of Canada also left the benchmark rate unchanged and increased its bond purchase programme. German yields rose as the European Commission proposed a wide recovery plan that should help EU countries with already high debt levels to access funding.

MISSION STATEMENT

The entire BIAS staff is committed to exacting ethical standards and professional conduct as dictated by the CFA Institute.

As a team we pledge to add value by anticipating and addressing client needs proactively and by providing consistent and exceptional customer service.

In a time when investors are overwhelmed by the vast amount of information available, we consider our responsibility at BIAS to bring clarity to our clients so that they can achieve their financial goals.

BIAS

BERMUDA INVESTMENT ADVISORY SERVICES LIMITED

Wessex House, Second Floor, 45 Reid Street, Hamilton HM 12
P.O. Box HM 988, Hamilton, HM DX, Bermuda
T: (441) 292-4292 | F: (441) 292-7292 | E: info@bias.bm
www.bias.bm

BIAS (CAYMAN) LIMITED

Piccadilly Center, 4th Floor, 28 Elgin Avenue, George Town.
P.O. Box 30862, Grand Cayman, KY1-1204, Cayman Islands
T: (345) 943-0003 | F: (345) 943-0004 | E: info@bias.ky
www.bias.ky