Silver Thatch Pensions
BUILDING WEALTH ON YOUR TERMS

An educational bulletin for members of the Silver Thatch Pension Plan | Volume 17 | Number 2 | May 2021

Long-term saving: One brick at a time

In the Cayman Islands, the average person retiring at 65 has saved enough money to last only four years. That's not enough.

We've all heard that saving for retirement is as easy as giving up the cost of a daily cup of coffee – and setting this money aside. However, it can be hard to see how small savings over time can grow into big savings for your future.

The challenge is that more and more people reaching retirement age haven't been contributing to their pensions for long enough, or regularly enough, to amass significant savings. Living in retirement is expensive, and your savings need time to grow and compound to be able to provide you with an income when the time comes.

It's easy to feel unmotivated, or just unable to save. And this is especially true during times of financial hardship, which a lot of us are experiencing during the COVID-19 crisis.

Does it make sense to save for retirement when you've lost your job, or closed your business, or were forced to cover unexpected emergency costs? Probably not. The pandemic has impacted financial outlooks, no matter your personal circumstance.

Getting back on track

If you've had to dip into your savings or take advantage of the emergency withdrawal of pension funds over the past year to get by, that's OK. Savings are a safety net. But as the world recovers, your finances can, too. It's not too late to turn things around and get back on track.

Think of your retirement savings like building a house, brick by brick. You start with one – add another, then another – until, eventually, you've built a stable dwelling to live out the rest of your life.

Saving for retirement doesn't happen overnight. You have to start at the foundation and keep adding bricks. If you take bricks away, you won't have a completed structure with a roof to protect you once you're ready to move in. The same applies for long-term saving: steady contributions – even small ones – are key when it comes to financial security.

Resisting the urge to splurge

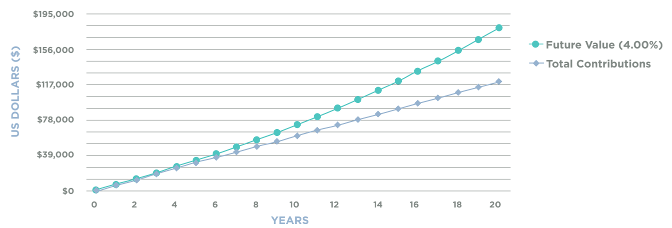
The recent COVID-19 emergency withdrawal program, when combined with the pension contribution holiday, may mean you've taken money out of your savings AND haven't had any new contributions going into your account for a while.

Whether you really needed the money or just took advantage of the emergency program to dip into your savings, do everything you can to replace that money when possible. The sooner you invest it to benefit from the effects of compounding, the more you'll have down the road – by a lot.

After over a year of going without, you might feel the urge to splurge. Money has the power to burn holes in our pockets, and make purchases that feel good in the moment, like a new car. However, consider what the value of that car will be when you're ready to retire. It will only depreciate over time, whereas an investment in your savings will continue to grow.

So, save your money where you can. Re-examine your financial goals and set realistic strategies. Build your house one brick at a time, and keep debt to a minimum. You'll thank yourself in the long run.

LONG-TERM **COMPOUNDING**



$500/month over 20 years – the longer it's invested, the more you earn through compounding

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Monday to Friday • **10:00 a.m. to 6:30 p.m.**

Want to talk to someone to get back on track?

We're happy to help! If you have questions, please contact us:

Phone or WhatsApp: 1-345-943-7770
Email: support@silverthatch.org.ky

Investment highlights - Q1 2021

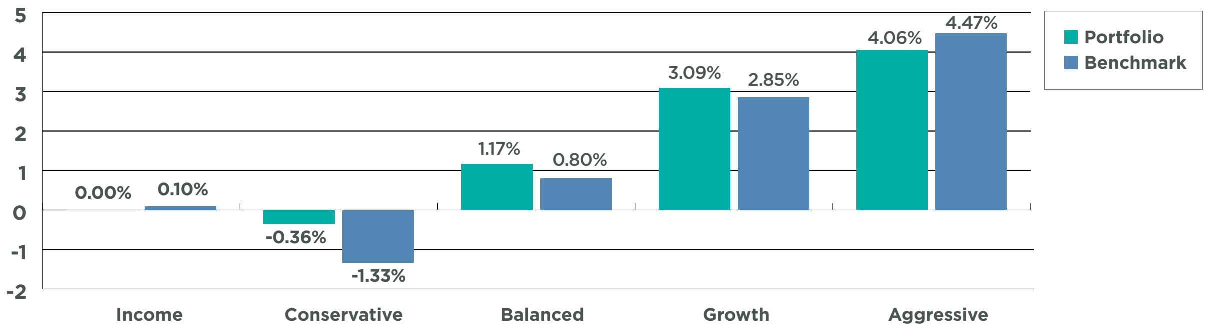
The following is an edited commentary on the third quarter of 2021 (Q1), as prepared by Deutsche Bank, Silver Thatch Pensions' investment manager. The full, unedited investment commentary is available at silverthatch.org.ky.

Performance Summary

As of December 31st, 2020, the combined value of the plan's five investment portfolios was

US$558,817,144

The following chart summarizes the performance of the portfolios for 3 months ended March 31, 2021:



Q1 Market Review

The international equity markets largely continued their rising trend (MSCI ACW +4.7%) in several waves in the first quarter of 2021. Political developments and decisions in the U.S., such as the comprehensive Covid-19 aid package, the fast progress in vaccinations, and the fiscal program were the main factors contributing to the price surges.

However, price increases in the broad indices masked a strong sector rotation which set in during the quarter due to the rise in yields in U.S. government bonds. Due to concerns that technology stocks, which had risen sharply, might have gotten ahead of valuations, real sales and earnings potential, investors made significant shifts into other sectors, primarily into cyclical stocks. With the new U.S. administration in place and expectations for a large fiscal program, longer-dated government rates began to rise in January.

In addition, inflation rates and expectations moved upwards towards the Fed's target, which maintained a "steady hand" policy in recent months, not allowing inflation to create distortions in the markets. This also applies largely to the policy of the European Central Bank (ECB) which increased purchases under the PEPP in order to keep yields in the Eurozone low.

Manager Comments

Rising rates contributed to profit-taking in stocks with high valuations and to some sector rotation. Numerous major equity indices were able to reach highs again during the quarter. U.S. Treasuries fell -4.3% over the quarter, dragging down Credit, -3.8%, while Equities posted positive returns, +4.7% (MSCI ACW), on the back of the cyclical recovery.

In relative terms, only the Aggressive profile ended up behind the benchmark while the other profiles delivered some outperformance. The relative strength came mainly from the Fixed Income underweight positioning, and the Sovereigns underweight, thanks to the Pension Plan constraints and our tactical stance. This was reinforced by the overall overweight in Equities, compensating some underperformance in certain regions.

Market Outlook

Pandemics, progress on vaccinations, fiscal programs, along with inflation expectations and the level of government bond yields will likely remain the key topics and market drivers in 2Q21.

We continue to anticipate slightly rising U.S. yields. Increasing inflation expectations and inflation rates close to or even above the Fed's target in the short term are likely to cause speculation throughout the year as to when the Fed may change its monetary policy stance. The Fed's quantitative easing program has so far smoothed out U.S. government bond yield movements, but the market is likely to remain nervous and prone to short-term price swings and volatility.

A sustained and sharp rise in inflation rates seems unlikely long term. We expect the major central banks to see through short-term rises and stick to their supportive monetary policy stance. However, these developments may cause uncertainty and trigger major fluctuations in price trends. Maintaining a diversified orientation for portfolios, which also takes defensive elements and hedging instruments into account, therefore still seems appropriate.