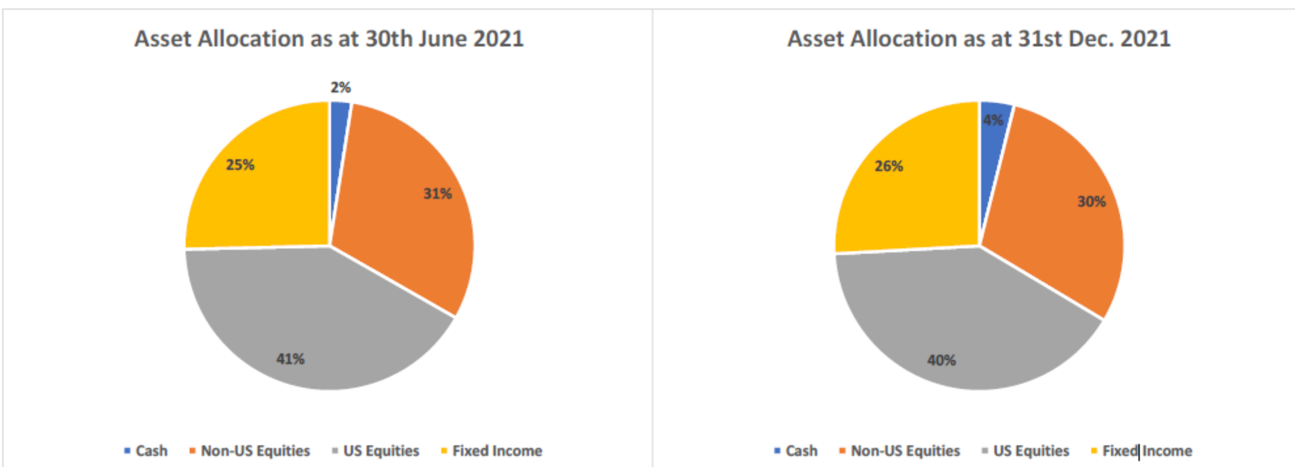
23rd February 2022
Investment Advisor's Report

In the six months ended 31st December 2021, the Plan returned 2.59% compared to 4.60% for its benchmark. Over the last 12 months the Plan returned 11.95% compared to 12.60% for its benchmark. Since inception, the Plan returned 4.29% per annum compared to 5.76% per annum for the benchmark.

The charts below show that the Plan's asset allocation remains 70% equities and 30% fixed income. Regarding the equity holdings, 30% of the portfolio is invested in non-US equities, while 40% is invested in US equities.

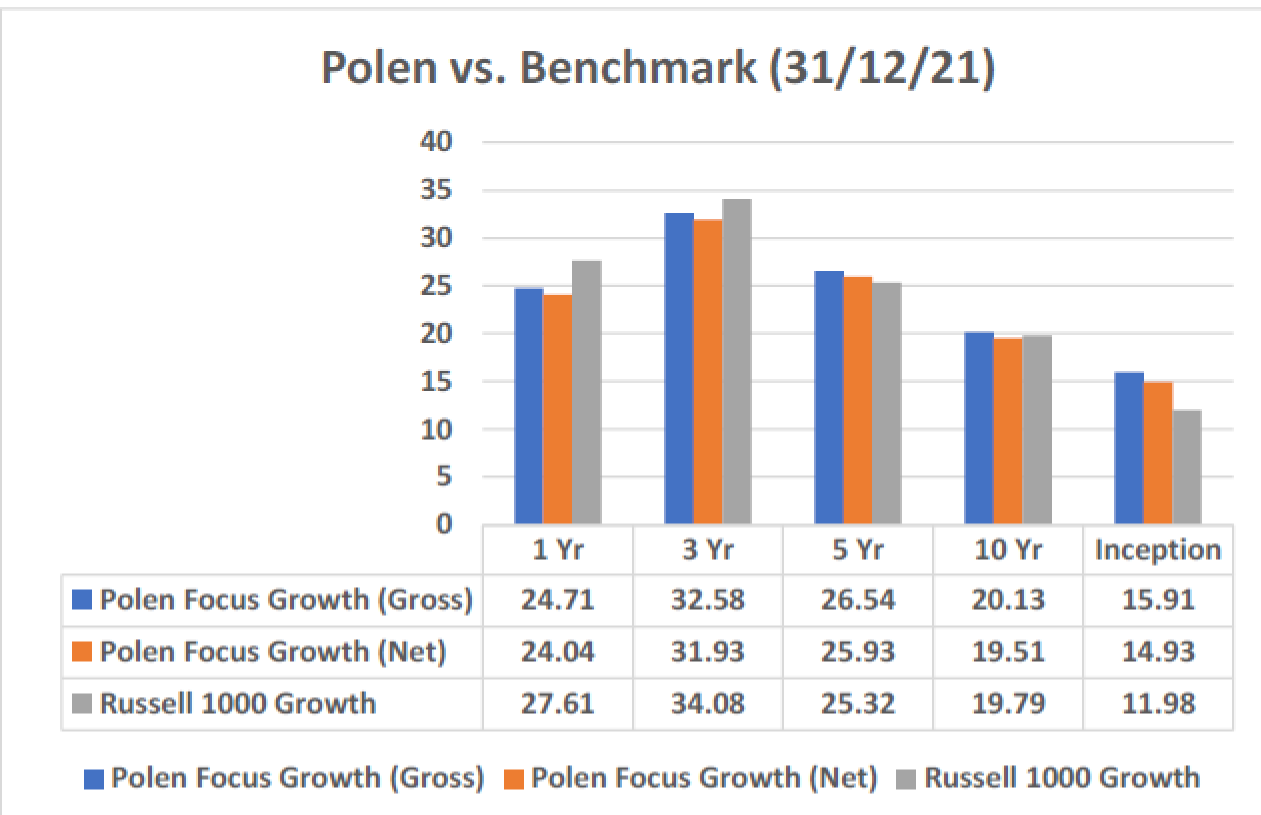


The table below notes the individual asset managers selected by RF and their performance. The fixed income portfolio is managed by Weaver C. Barksdale, the US equity portfolio is managed by Polen Capital, Aristotle Capital Management, Fuller & Thaler Asset Management, and Janus Henderson Global Life Science. The non-US equity portfolio is invested in the OAM Asian Recovery Fund and the OAM European Value Fund.

Grand Cayman Pension Plan
Performance (Net) vs. Benchmark (As at December 31, 2021)

Manager	Strategy	Portfolio	Benchmark	Difference	Comment
Weaver C. Barksdale	USD Fixed Income	-1.93%	-1.44%	-0.49%	Underperformed
Polen Capital - Large Cap	US Large Cap Growth	24.24%	27.60%	-3.36%	Underperformed
Aristotle Value Equity	US Large Cap Value	26.09%	25.16%	0.93%	Outperformed
Fuller & Thaler SC Behav Eq	US Small Cap	32.02%	14.82%	17.20%	Outperformed
Janus Henderson Global Life Science	Health Care	1.88%	3.73%	-1.85%	Underperformed
OAM Asian Recovery	Asian Equities	9.27%	-6.36%	15.63%	Outperformed
OAM European Value	European Equities	25.85%	13.58%	12.27%	Outperformed
Grand Cayman Pension Plan		11.95%	12.60%	-0.65%	Underperformed

The Plan underperformed by 0.65% over the last 12 months. The portfolio's performance was primarily impacted by Polen Capital, which accounts for approximately 15% of the total portfolio. The chart below details the performance of Polen Capital versus the Russell 1000 Growth index since inception. Polen has a strong history of beating the benchmark (adding alpha), so its underperformance in Q4 2021 is not a major concern at this time but we will continue to monitor their performance.



	1 Yr	3 Yr	5 Yr	10 Yr	Inception
Polen Focus Growth (Gross)	24.71	32.58	26.54	20.13	15.91
Polen Focus Growth (Net)	24.04	31.93	25.93	19.51	14.93
Russell 1000 Growth	27.61	34.08	25.32	19.79	11.98

In August of 2021 we invested approximately 5% of the portfolio in the health care sector, to reduce exposure to the broader market. According to Morgan Stanley, our primary financial advisor, their 2022 year-end target for the S&P500 is 4,400. This implies little upside for the broader US equity market. We will look to reposition a portion of the Plan's US equity allocation to gain more direct exposure to sectors expected to outperform the broader market.

In our previous report the focus was on whether inflation was transitory or not, and how the COVID-19 delta variant would impact markets. Since then, the risk of more persistent inflation and the need for Central Bank action to address it has increased. Also, the delta variant was effectively replaced by the omicron variant which is now waning.

One of the five key functions of the Federal Reserve (the "FED") is conducting U.S. monetary policy. Since the start of the COVID-19 pandemic the FED added trillions of dollars into the U.S. monetary system. This occurred in order to offset the rapid slowdown in economic growth.

Milton Friedman famously said, "Inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output." Therefore, inflation in the prices of tangible and intangible assets was inevitable.

The excess liquidity injected into the U.S. monetary system was invested and consumed. The result was inflation in the prices of commodities, goods, equities, bonds, real estate, and speculative investments like crypto currencies. The U.S. rate of inflation, as measured by the consumer price index, hit 7.5% in January, which is a 40-year high. Average hourly wages in the U.S. increased by 4.7% in 2021, but in real terms workers effectively took a pay cut.

In late 2021 the FED started to reduce asset purchases, which were $120 billion per month. In March 2022 repurchases will be reduced to zero. Also, markets expect the FED to increase the FED funds rate between 4 and 7 times in 2022. These actions will slow down money supply growth, which according to Milton Friedman will reduce inflation. In the case of equities this means lower P/E multiples and for bonds increasing yields (lower prices).

In addition to the struggle between monetary policy and inflation, markets are now burdened with the additional risk caused by the "Soviet" leader Putin and his Soviet era geopolitics. It is possible that both U.S. equity indices and fixed income underperform in 2022 versus historic returns. Non- U.S. equity indices are not as richly priced as their U.S. counterparts but are exposed to risks caused by the Ukraine/Russia conflict. This is especially true for European markets.

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