Annual Report **2018**

Sagicor

BARBADOS
SEGREGATED
PENSIONS FUND

OUR VISION

To be a great company, committed to improving the lives of people in the communities in which we operate.

For 177 years, Sagicor's business has been based on long-term relationships with its customers, employees, and communities, who entrust us with their financial well-being. Our name and reputation draw on the strength, stability and financial prudence that are our heritage, and this identity defines the flexibility that wise financial thinking can bring to our customers throughout their lives. Through local expertise, and in partnerships with world-class asset managers, reinsurers, together with sound risk management practices, Sagicor is able to provide wise financial advice, and continue to meet the needs of our customers now and in the future.

4 THE SEGREGATED PENSION FUNDS POLICY

5 *Financial Highlights*

8 CHAIRMAN'S STATEMENT

14 TRUSTEE OF THE SEGREGATED PENSION FUNDS

14 *Directors*
15 *Pension Services Department Management*
15 *Portfolio Management Team*
15 *Auditor*

18 FINANCIAL STATEMENTS BONDS FUND

18 *Auditor's Report - Bonds Fund*
22 *Statement of Financial Position - Bonds Fund*
23 *Statement of Changes in Net Assets Attributable to Unit Holders - Bonds Fund*
24 *Statement of Comprehensive Income - Bonds Fund*
25 *Statement of Cash Flows - Bonds Fund*
27 *Notes to the Financial Statements - Bonds Fund*

58 FINANCIAL STATEMENTS EQUITY FUND

58 *Auditor's Report - Equity Fund*
62 *Statement of Financial Position - Equity Fund*
63 *Statement of Changes in Net Assets Attributable to Unit Holders - Equity Fund*
64 *Statement of Comprehensive Income - Equity Fund*
65 *Statement of Cash Flows - Equity Fund*
67 *Notes to the Financial Statements - Equity Fund*

Our Values

Sagicor is Timeless, Borderless, and Colourless. These values speak to the all-encompassing nature of our company, guiding our behaviour, procedures, business decisions and relationships.

TIMELESS

We are building a company for today which, while relevant to the current time, will continue to remain relevant for all times. Therefore we will always be innovative and embrace change, never allowing ourselves to become staid or obsolete so that we can retain our edge to compete in the future.

COLOURLESS

We conduct our business and interpersonal relationships on that consciously high level which creates an environment characterised by a philosophy of equitable treatment and equal opportunity for all.

BORDERLESS

We view ourselves as members of one organisation, and will not be constrained by any self-imposed physical, intellectual or cultural limitations. We will conduct our business in a way that truly reflects this philosophy.

Consistent Results & Returns

Achieving Strategic and Operational Goals.

Sagicor exists to achieve results for the stakeholders in the communities in which it operates.

BARBADOS SEGREGATED PENSIONS FUNDS POLICY

Under this policy, Sagicor manages and administers Pension Funds registered in Barbados and facilitates investments in diversified portfolios of securities. Sagicor allows investment in either or both of the two Unit Trusts, in proportions chosen by the client.

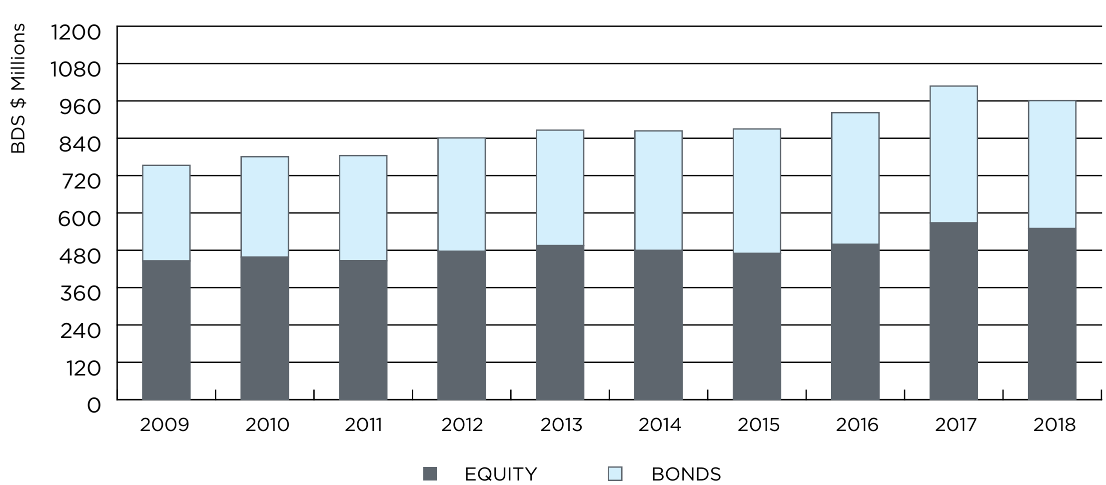
Administration services include design of plans, computerized record keeping, regular monthly billing, payment of pension and other benefits and optional provision of actuarial advice.

Actuarial advice is provided through our actuary, Sylvain Goulet, FSA, FCIA,MAAA, Affiliate Member of the (British) Institute of Actuaries.

At Present, Pension Funds of 231 companies in Barbados amounting to approximately $960.4 million are invested in these segregated funds; all but fifty-nine of these Pension Plans are also administered by Sagicor. The total membership stood at 10,115 which includes 1,241 Pensioners.

BONDS & EQUITY FUNDS - NET ASSETS, UNIT VALUE, YIELD						
	Equity Fund			Bonds Fund		
	Assets (000)	Unit Value	Change	Assets(000)	Unit Value	Change
2008	$435,613	$41.01	-3.98%	$284,074	$16.89	5.56%
2009	$445,717	$41.95	2.30%	$307,154	$18.26	8.10%
2010	$458,067	$43.52	3.70%	$322,608	$19.32	5.83%
2011	$446,569	$42.74	-1.79%	$337,633	$20.12	4.14%
2012	$476,581	$45.67	6.86%	$364,525	$21.63	7.54%
2013	$495,060	$47.76	4.58%	$371,004	$22.51	4.05%
2014	$479,484	$47.73	-0.05%	$383,091	$23.97	6.79%
2015	$470,493	$48.15	0.88%	$398,466	$24.89	3.80%
2016	$499,022	$51.23	6.39%	$423,156	$25.36	1.89%
2017	$567,830	$58.08	13.37%	$439,872	$26.72	5.36%
2018	$549,787	$56.41	-2.88%	$410,590	$24.99	-6.50%

GROWTH OF THE SEGREGRATED FUND ASSETS



Stephen McNamara

Sagicor Group Chairman

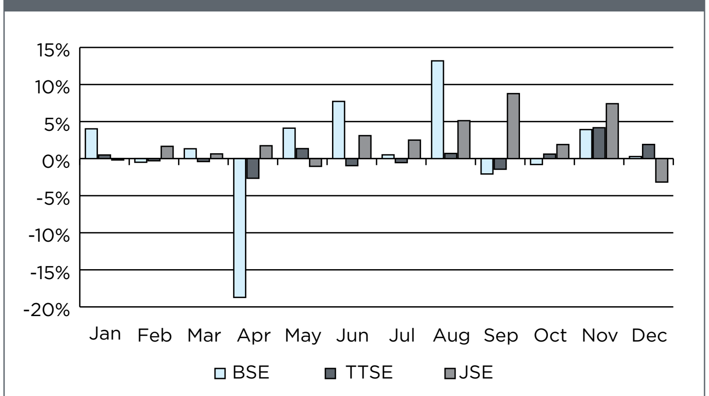
EQUITY FUND ASSETS – $549.8m
BOND FUND ASSETS - $410.6m

2018 was characterised by volatility in equity and debt markets as evidenced by the Government of Barbados (GOB) debt restructure and international equity market performance. The GOB debt restructure had the greatest negative impact on performance within the Sagicor (Bonds) Fund as the Barbados dollar denominated holdings were written down by 30%. A debt restructure proposal has been offered to holders of US denominated debt, while the Government focuses on the next stage of the fiscal consolidation programme. This however will not significantly impact the Fund's performance.

International equity markets' momentum waned in the fourth quarter of 2018 with significant declines against the backdrop of persistent global trade tensions, lower global growth and continued monetary tightening in the US. On an absolute basis, key international indices ended the year in negative territory. However, US equities outperformed emerging market equities on a relative basis and was the best performing global equity segment. The S&P 500 Index declined 4.4% for the year while the MSCI Emerging market index declined by 14.6%.

Generally, global growth remained subdued for 2018 was largely attributable to trade policy uncertainty across developed and emerging market economies as well as weakened investor sentiment. The World Bank estimated global growth at 3.1% for the year.

REGIONAL INDICIES



In the USA, GDP growth of 2.9% was estimated for 2018. The US economy benefited from the ongoing fiscal stimulus and the relatively higher level of consumption. The unemployment rate edged lower to the lowest level in eighteen years and stood at 3.9% in December 2018 down from 4.1% as at December 2017. The US Federal Reserve Bank continued tightening of its monetary policy as short-term interest rates were increased four times during the year from a range of 1.25% to 1.50% as at December 2017 to a range of 2.25% – 2.50% as at December 2018. The moderate momentum in growth coupled with increased interest rates supported a relative strengthening of the US dollar against other major currencies.

Europe and Japan experienced growth of 1.9% and 0.8%, respectively as their respective Central Banks generally continued accommodative fiscal and monetary policies throughout 2018. The Bank of England raised its interest rates incrementally during the period from 0.50% to 0.75% while Japan's short-term rates remained unchanged.

Global equity markets declined during 2018 with US equity markets outperforming international and emerging market equities. The Nasdaq Composite Index was down 2.8% for the year, while the Dow Jones Industrial Average Index and the S&P 500 Index declined 3.5% and 4.4% respectively. The MSCI Emerging Market Index was down 14.6% for the year. Interest rate hikes saw the yield on 10- year treasury increased from 2.4% to 2.7%.

Economic growth within the Caribbean trended upwards for most islands except for Anguilla, Dominica and Sint Maarten as the aftermath from hurricanes Maria and Irma in 2017 continued to adversely impact these economies. Barbados' real gross domestic product also contracted due to fiscal consolidation and the fall in construction activity. Grenada was considered the fastest growing Caribbean economy in 2018 with growth of 5.2% according to the Caribbean Development Bank. Grenada's upward growth was a result of continued improvement of the fiscal position, which reflected strengthening expenditure management and tax compliance.

The year proved to be a challenging one for the Barbados economy. The worrisomely low level of foreign reserves, the high fiscal deficit and the decreased level of investor confidence following multiple credit downgrades led to the engagement of the International Monetary Fund (IMF) for funding, which resulted in the island entering into a four-year Extended Fund Facility arrangement on October 1, 2018. Under the four-year economic adjustment programme with the IMF, through the Barbados Economic Recovery and Transformation (BERT) programme, the Government aims to deepen fiscal adjustment, stimulate medium-term economic growth and maintain the fixed exchange rate anchor. With the BERT plan, Barbados is provided with phased access to US $290 million over the programme period, this is expected to further catalyzed funding from other multilateral financial institutions such as the Caribbean Development Bank and the Inter-American Development Bank.

In November 2018, Standard and Poor's(S&P) credit rating agency gave Barbados its first credit rating upgrade in several years. The completion of the domestic debt restructuring and the improved outlook for fiscal and debt sustainability contributed to S&P raising its credit ratings for domestic securities from Selective Default (SD) to B-. Unemployment for the four quarters ending September 2018 was 9.2%, slightly lower than it stood the prior year. However, layoffs in the public sector impacted unemployment in the fourth quarter of 2018.

The Central Statistical Office estimates Trinidad and Tobago's economy expanded by 1.9% for 2018, up from the 1.9% contraction in 2017. Trinidad recorded an average unemployment rate of 4.6 per cent in 2017. Headline inflation declined to approximately 1.1% in December 2018. In December 2018, Central Bank of Trinidad and Tobago kept its main policy rate, the repo rate at 5% since its last 25 basis points increase in July 2018. At the end of September 2018, gross official reserves were approximately $7,465.3 million or 8.1 months of prospective imports of goods and services. The domestic stock market recorded an increase of 2.9% for the year.

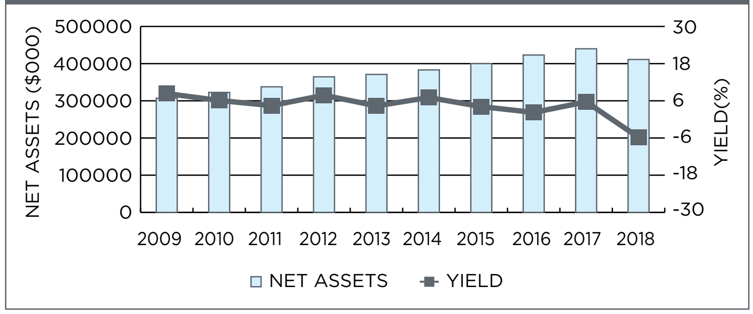
The Jamaica economy grew by approximately 1.7% in 2018. Moreover, S&P Global Ratings issued a revised outlook on Jamaica from stable to positive on September 25th, 2018. The Bank of Jamaica reduced the policy interest rate from 3.25% to 1.75% for the 2018 period. This monetary policy action supported greater credit expansion and job creation. The Bank was mandated to maintain inflation within the range of 4.0% to 6.0%; however, inflation fell below the lower bound on numerous occasions in 2018. The labour market also improved as the unemployment rate declined to 8.7% as at October 2018. Market interest rates also trended downwards, which was exhibited in the Government of Jamaica 180-day Treasury Bill declining to 2.07% at the end of 2018 from 4.63% at the end of 2017. At the end of 2018 the Jamaican Dollar depreciated by 2.2% on a year on year basis against the US dollar. This depreciation was primarily a consequence of the buoyant Jamaican dollar liquidity and the periodic increases in demand.

Regional equity markets continued to record moderate gains in the fourth quarter of 2018 except for Eastern Caribbean Stock exchange, which recorded a modest decline. During 2018 the Barbados and Jamaica stock exchanges returned 10.1% and 31.7% respectively. While the Trinidad & Tobago and Eastern Caribbean stock exchanges returned 2.9% and -2.6% respectively.

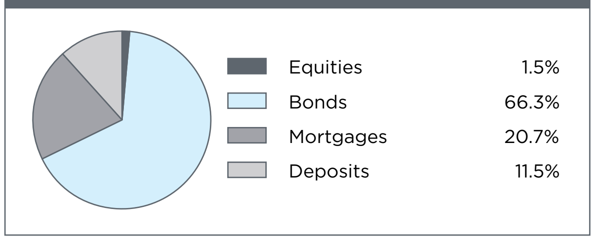
SAGICOR (BONDS) FUND

In 2018, the Sagicor (Bonds) Fund benefited from the sustained efforts to diversify its bond portfolio and

UNIT VALUE & YIELDS (BONDS) 2009 – 2018



ASSET ALLOCATION (BONDS)



steadfast commitment since 2013, to systematically unwinding its exposure to the Government of Barbados debt prior to the domestic debt restructure. At the beginning of 2018, exposure to the Government of Barbados domestic debt represented 25.1% of the Fund's net assets and totaled $110.4 million. The conclusion of the domestic debt restructure terms included extension of maturity to 35 years and an average reduction in coupons, which resulted in a relative decline in the pre-restructure value of 30%. This impairment was fully incorporated in the Fund's performance for the year. Furthermore, the restructure of the external debt remained ongoing, however; the relatively higher level of liquidity in international markets resulted in significant declines in the fair values following the announcement to default. The relative decline in valuation for external Government of Barbados debt was also reflected in the Fund's 2018 performance and given the relatively small exposure of $8.9 million, any future impact following the conclusion of the restructure is anticipated to be marginal.

During the year, the investible universe remained limited coupled with an even tighter foreign exchange domestic environment, which severely constrained reinvestment opportunities. The reinvestment yields on fixed income securities across all maturity profiles favored the extremely liquid market conditions and remained low, especially within the investment grade space where new primary issuances continued to be sparse. Aggressive competition within the mortgage space for loans and refinancing was evidenced through further compression of interest spreads and fierce competition among financial institutions, particularly commercial banks. The highly competitive mortgage industry coupled with the low mortgage interest rate environment favours increase requests for refinancing and prepayments. Despite the systemic adverse event with respect to the impairment from the Government of Barbados debt restructure, as well as the reinvestment constraints, the Fund ended the year down 6.5% following a return of 5.4% for 2017. The Fund's NAV decreased to $24.99 as at December 31, 2018 from $26.72 at the end of 2017. Net assets attributable to unit holders decreased by 6.5% relative to the end of the prior year and totaled $410.6 million as at December 31, 2018. The Fund's performance has shown recovery for the first quarter of 2019 and returned 2.4% for the year-to-date period ended March 31st, 2019.

The Fund remained principally allocated to bonds, which accounted for 66.3% of financial investments and totaled $248.0 million at December 31, 2018. Investment in sovereign debt accounted for 87.0% of the bond portfolio while 13.0% was allocated to corporate issuances. As at December 31, 2018 the exposure to Government of Barbados debt represented 22.6% of financial investments and totaled $84.6 million. Other significant debt holdings included government bonds issued by Bermuda, Aruba, Trinidad, Panama, Bahamas and St. Lucia. Significant corporate bond exposures included debt issued by Trinidad Generation Unlimited. The yield on the bond portfolio trended lower to 6.2% for 2018 as compared with 6.7% for 2017.

Investment in mortgage loans totaled $77.5 million as at December 31, 2018 as compared to $80.0 million for the previous reporting period and represented 20.7% of financial investments. Residential mortgages comprised the larger segment and accounted for 69.0% of the total mortgage portfolio while commercial facilities represented the residual 31.0%. The average interest yield on the mortgage portfolio increase slightly to 5.7% in 2018 relative to 5.4% in 2017 and associated interest income remained relatively consistent and totaled $4.3 million for 2018. Mortgage loan commitments totaled $4.7 million at year-end relative to $4.6 million at the end of 2017. Our efforts to buildout the mortgage book remained steadfast as we sought to maintain a competitive position through our recent campaign, which offered a rate of 3.75% on new mortgage facilities.

Net investment losses on financial investments totaled $46.1 million, which was principally attributable to the Government of Barbados debt restructure and outweighed interest income of $21.1 million earned during the year. Net loss and total comprehensive loss attributable to unit holders amounted to $27.1 million for the year.

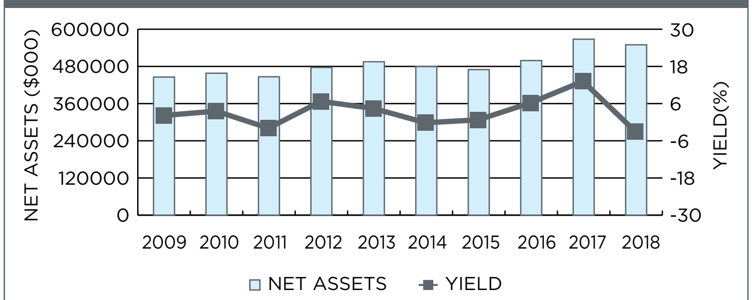
SAGICOR (EQUITY) FUND

The global investment climate remained challenging for equity investors. Persistent geo-political headwinds led by the US-China trade war and Brexit as well as concerns surrounding a slowdown in global growth and the accelerated pace of monetary tightening in the US, dominated market sentiment and spurred heightened volatility. International equity market experienced significant declined during the fourth quarter of 2018 and eroded the gains experienced during for the better part of the year.

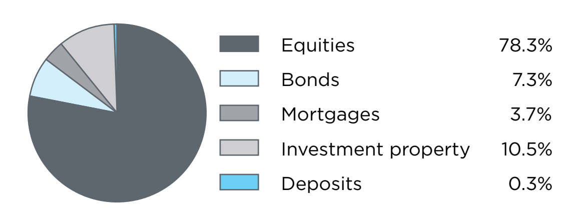
Developed international equity markets ended the year with moderate losses while emerging markets experienced double-digit declines. The lackluster performance of global equities outweighed the moderately positive performance of the local equity market and constrained the overall performance of the Fund, which registered a decline of 2.9% for 2018 following a return 13.4% for the prior year.

The Fund's net assets totaled $549.8 million at the end of December 2018, representing a decline of 3.2% for the calendar year. The Fund maintained its core exposure to the equity asset class, which totaled $417.4 million and accounted for 87.5% of financial investments. The equity asset class was well diversified with 35.8% of the portfolio allocated to local and regional equities, with 64.2% allocated to international equities. The Fund's international portfolio remained well diversified and consisted of global equities, international fixed income strategies and alternative investment strategies to provide enhanced diversification, to mitigate downside risk and improve the Fund's overall expected long-term risk adjusted returns. Across major regional holdings there was price improvement. Goddard Enterprises Limited and CIBC First Caribbean International Bank experienced moderate appreciation in their respective share prices while Massy Holdings Limited experienced a modest decline. The investment property portfolio decreased marginally by 1.2% and totaled $56.0 million, representing 10.2% of net assets attributable to unit holders.

UNIT VALUE & YIELDS (EQUITY) 2009 – 2018



ASSET ALLOCATION (EQUITY)



The investment property portfolio included commercial properties which are wholly owned or jointly operated and land. The portfolio experienced a moderate decline of $0.7 million, which resulted from the depreciation in the fair value of selective holdings and totaled $56.0 million at yearend. Investment property represented 10.0% of the Fund's total assets, while financial investments accounted for 85.6% of total assets.

The Fund realized a loss of $16.8 million in 2018, relative to a profit of $67.0 million in 2017. The overall outturn was largely attributable to net investment losses which totaled $28.2 million for the year as compared to a gain of $59.2 million in the prior year. Other income streams experienced a moderate improvement led by dividend income, which totaled $13.0 million for the year. The Fund maintained a well-diversified portfolio and poised to benefit from future recovery of international equity markets. Furthermore, the Fund experienced a significant reduction in cash and deposits and progressed towards being fully invested, which is expected to positively impact future performance and limit the drag on performance from holding excess lower yielding liquidity.

OUTLOOK

Global growth is expected to moderate in 2019 from the 3.7% projected for 2018 due to a deceleration in economic activity out of the US and further softening in China as the ongoing trade dispute persists. In the Euro zone geopolitical uncertainty is expected to weigh on GDP growth and the single currency, while inflation is anticipated to remain below the European Central Bank target. Unemployment levels among developed markets are expected to fall even further from already historical lows, prompting higher interest rates and tighter financial conditions. Emerging markets could see some recovery from its recent underperformance as the US dollar is expected to weaken in 2019 coupled with stability of oil prices.

Regionally, debt to GDP ratios are estimated to remain stable across most territories with Barbados progressing further in its economic reform proposal (Barbados Economic Recovery and Transformation Program). The region remains vulnerable to external shocks and heavily reliant on the tourism sector and sustained global growth, which is expected to moderate on further trade tensions between the US and China. Traditional source market currencies such as the British pound is forecasted to depreciate against the US dollar, which has the potential to limit tourist spend.

US interest rates have been gradually increasing each quarter in 2018, however, the market expectation is for a pause in the Federal Reserve hiking cycle for 2019, maintaining a generally accommodative interest rate environment both locally and regionally. A short to medium term duration strategy would be favored in such an environment. Value style equities will be preferred over growth moving towards a more defensive position with market volatility forecasted to persist. As we navigate with prudence, we will pursue opportunities to tactically enhance the portfolios composition, credit profile and diversification. The international segment remains a substantial source of value as we week to optimize portfolios and increase Funds' value.

On behalf of the Board of Directors, I wish to thank our management, staff and advisors for their steadfast commitment and contribution throughout the year. I also extend my gratitude to our unit holders for their confidence and trust and pledge our unwavering commitment to the execution of our fiduciary duty in the pursuit of your interests.

Stephen McNamara
Chairman

Accelerating Our Growth Strategy

Success occurs when preparation meets opportunity.

Our connected organization is the sum of its diverse and dynamic parts. In a world where change is constant, our experience, vigilance and creativity drive opportunity for investors.

PENSION SERVICES DEPARTMENT MANAGEMENT

Stephen Robinson, BMath (Hons)	Vice President
Patricia Greenidge, FCGA, ACIS, CSE	Vice President
Donna Gibbs, MSc, FLMI, ALHC, HIA, ACS	Manager
Marcella Sobers, CERT, AAPA, AIAA, AIRC	Manager
Nadia Chandler-Guy, BSc (Hons), FCCA	Corporate Accountant

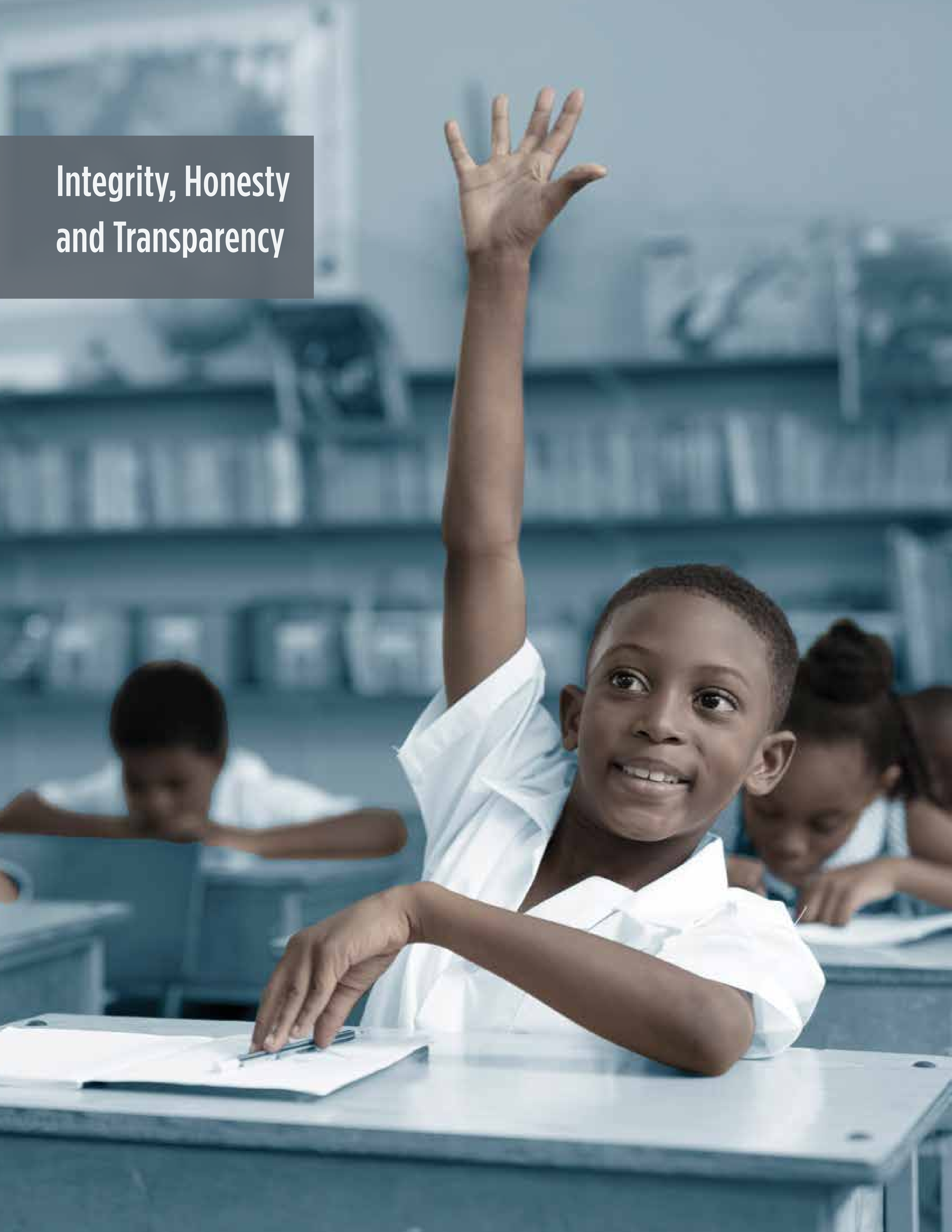
PORTFOLIO MANAGEMENT TEAM

Dexter Moe, BSc, MBA, ACIS, CFA	Vice President
Michael Millar, BSc, MSc, CFA	Assistant Vice President
Nicolette Blackett, BSc	Manager
Nicholas Neckles, BSc, CFA, OLY	Investment Analyst

AUDITORS

PricewaterhouseCoopers SRL

Integrity, Honesty and Transparency



Accountability to stakeholders.

Sagicor believes that the highest standards of financial management underpin the long-term success and sustainability of the company, creating trust between Sagicor and its stakeholders.

Independent auditor's report

To the Unit holders of Sagicor (Bonds) Fund

Our opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor (Bonds) Fund (the Fund) as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited
The Fund's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of changes in net assets attributable to unit holders for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information
Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the Fund's unit holders as a body. Our audit work has been undertaken so that we might state to the Fund's unit holders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unit holders as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
Bridgetown, Barbados
July 3, 2019

Amounts expressed in Barbados Dollars

	Notes	2018	2017
ASSETS			
Due from Sagicor (Equity) Fund	4	$ 5,834,325	$ 5,792,920
Due from Sagicor International Balanced Fund	4	43,093	267,586
Income tax assets	5	7,149,218	7,747,058
Interest and other receivables	6	6,160,136	997,220
Financial investments	7	374,029,189	412,273,117
Cash resources		18,849,842	18,743,206
Total assets		412,065,803	445,821,107
LIABILITIES			
Due to Sagicor Life Inc	4	400,136	5,634,392
Due to Sagicor Asset Management Inc	4	6,258	-
Accounts payable	9	1,069,816	314,737
Total liabilities		1,476,210	5,949,129
Net assets attributable to unit holders		$ 410,589,593	$439,871,978
Represented by:			
UNIT HOLDERS' EQUITY		$ 410,589,593	$439,871,978
No. of units outstanding at end of year		16,429,184	16,459,441
Net asset value per unit at end of year		$ 24.99	$ 26.72
(Decrease)/Increase in net asset value per unit for year		(6.5%)	5.4%

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors on July 3, 2019.

Chairman

Director

Amounts expressed in Barbados Dollars

	2018		2017	
	Number of Units	Total $	Number of Units	Total $
Balance, December 31, 2017	16,459,441	439,871,978	16,687,899	423,156,008
Opening IFRS 9 ECL Mortgages Adjustment	-	(438,415)	-	-
Opening IFRS 9 ECL Term Deposits Adjustment	-	(842,266)	-	-
Balance, January 1, 2018	16,459,441	438,591,297	16,687,899	423,156,008
Proceeds from issue of units	1,340,050	35,277,529	952,814	24,824,046
Redemption of units	(1,370,307)	(35,620,489)	(1,181,272)	(30,611,276)
Net decrease from unit transactions	(30,257)	(342,960)	(228,458)	(5,787,230)
Net (loss)/profit and total comprehensive (loss)/income for the year available to unit holders	-	(27,658,744)	-	22,503,200
Balance, end of year	16,429,184	410,589,593	16,459,441	439,871,978

The accompanying notes are an integral part of these financial statements.

Amounts expressed in Barbados Dollars

	Notes	2018	2017
REVENUE			
Interest income	10	$ 21,107,817	$ 23,184,774
Dividend income		199,019	53,961
Net investment (losses)/gains	11	(46,140,523)	1,450,815
		(24,833,687)	24,689,550
EXPENSES			
Management fee	12	2,157,491	2,163,452
Allowance for impairment losses on income tax assets		607,400	-
Investment expenses		11,234	11,832
Bank and interest charges		48,932	7,241
Exchange loss		-	3,825
Total operating expenses		2,825,057	2,186,350
(LOSS)/PROFIT BEFORE TAXES		(27,658,744)	22,503,200
Withholding taxes		-	-
NET (LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR AVAILABLE TO UNIT HOLDERS		$ (27,658,744)	$ 22,503,200

The accompanying notes are an integral part of these financial statements.

Amounts expressed in Barbados Dollars

	2018	2017
Cash flows from operating activities:		
(Loss)/Profit before taxes	$ (27,658,744)	$ 22,503,200
Adjustments for:		
Interest income	(21,107,817)	(23,184,774)
Dividend income	(199,019)	(53,961)
Allowance for impairment losses on income tax assets	607,400	-
Net losses/(gains) on financial investments	43,019,391	(2,426,369)
Expected credit losses movement	(74,724)	-
Allowances for impairment losses	1,620,594	294,674
Loss on bond restructure	1,575,262	680,880
	(2,217,657)	(2,186,350)
Changes in operating assets and liabilities		
Due from Sagicor International Balanced Fund	224,493	(264,249)
Due from Sagicor (Equity) Fund	(41,405)	2,339,668
Issue of mortgage loans	(9,188,676)	(8,365,696)
Repayment of mortgage loans	9,786,682	10,255,397
Purchase of debt securities	(228,925,849)	(50,898,447)
Redemption of debt securities	224,894,014	32,385,311
Purchase of equity securities	(60,972)	(1,110,583)
Sale of equity securities	5,510,084	-
Repayment of loans	-	5,500,000
Amounts deposited	(41,973,597)	(34,313,086)
Deposits redeemed	32,737,235	28,688,905
Other receivables	(4,151,421)	8,311,750
Due to Sagicor Life Inc	(5,234,256)	(4,372,412)
Due to Sagicor Asset Management Inc	6,258	-
Accounts payable	755,079	150,342
Cash used in operations	(17,879,988)	(13,879,450)
Interest received	18,140,126	24,085,218
Dividends received	199,019	53,961
Taxes paid	(9,561)	(503,732)
Net cash generated from operating activities carried forward	449,596	9,755,997

Amounts expressed in Barbados Dollars

	2018	2017
Net cash generated from operating activities brought forward	$ 449,596	$ 9,755,997
Cash flows from financing activities		
Proceeds from issue of units	35,277,529	24,824,046
Redemption of units	(35,620,489)	(30,611,276)
Net cash used in financing activities	(342,960)	(5,787,230)
Net increase in cash and cash equivalents	106,636	3,968,767
Cash and cash equivalents - beginning of year	18,743,206	14,774,439
Cash and cash equivalents - end of year	$ 18,849,842	$ 18,743,206
Cash and cash equivalents comprise:		
Cash resources	18,849,842	18,743,206
	$ 18,849,842	$ 18,743,206

The accompanying notes are an integral part of these financial statements.

1. REGISTRATION, PRINCIPAL ACTIVITY AND REGISTERED OFFICE

Sagicor (Bonds) Fund ("The Fund") was registered in April 1969 as a Unit Trust, responsible for the management of investments of Barbados registered pension plans.

The Fund's objective is to generate income and preserve capital through investment in competitively yielding fixed income securities including mortgages, bonds and other debt instruments.

Sagicor Life Inc. acts as Asset Manager and Trustee of the fund. Sagicor Life Inc. has subcontracted out certain asset management and custodian arrangements with Oppenheimer & Co. Inc. and Morgan Stanley Private Wealth Management. The registered office of the Fund is located at the Cecil F. de Caires Building, Wildey, St. Michael.

If required, these financial statements can be amended after issue, at the recommendation of the Audit Committee and with the approval of the Board of Directors of the Trustee.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by revaluation of financial investments held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

All amounts in these financial statements are shown in Barbados dollars unless otherwise stated.

(a) Adoption of IFRS 9 and IFRS 15

Effective January 1, 2018, the Fund adopted IFRS 9 - Financial Instruments ("IFRS 9"). As a result of the application of this new standard, the Fund has adopted new accounting policies for financial assets which are set out in note 2.3. As permitted by the transition provisions in IFRS 9, the Fund has elected not to restate comparative period results. Accordingly, the 2017 comparative information on financial assets is presented in accordance with IAS 39 – Financial Instruments – Recognition and Measurement (note 2.4). Adjustments to the carrying amounts of financial instruments as of January 1, 2018 were recognised in the statement of changes in net assets attributable to unitholders.

Effective January 1, 2018, the Fund adopted IFRS 15 – Revenue from Contracts with Customers (IFRS 15). This standard clarifies revenue recognition principles and provides a framework for recognising revenue and cash flows from service contracts from customers.

In accordance with the transition provisions in IFRS 15, the standard has been implemented using the modified-retrospective method with no restatement of comparative information. There was no significant impact on the Fund resulting from the implementation of the standard and consequently no transition adjustment has been recorded in the statement of changes in net assets attributable to unitholders.

There are new standards and amendments to standards and interpretations which are effective for annual periods beginning after January 1, 2018. These standards and amendments have not been adopted in preparing these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Future accounting developments and reporting changes

Certain new standards and amendments to existing standards have been issued but are not effective for the periods covered by these financial statements. The changes in standards and interpretations which may have a significant effect on future presentation, measurement or disclosure of the Fund's financial statements are summarised in the following tables.

IFRS 3 – Definition of a business, effective October 1, 2018
Subject / Comments
This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Interpretation 22 - Foreign Currency Transactions and Advance Consideration, effective January 1, 2019
Subject / Comments
This interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. Entities can choose to apply the interpretation: • retrospectively for each period presented • prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or • prospectively from the beginning of a prior reporting period • presented as comparative information. The Fund is yet to assess the impact of this interpretation.

IAS 1 and IAS 8 – The Definition of Materiality, effective October 1, 2018
Subject / Comments
These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance is IAS 1 about immaterial information.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which it operates (the functional currency). The financial statements are presented in Barbados dollars, which is the Fund's functional and presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses which result from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on debt securities and other monetary financial assets measured at fair value are included under investment expenses. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the net investment gains or losses in the statement of comprehensive income.

Currency exchange rates are determined by reference to the respective central banks. Currencies which are pegged to the United States dollar are converted into Barbados dollars at the pegged rates. Currencies which float are converted to the Barbados dollar by reference to the average of buying and selling rates quoted by the respective central banks.

Exchange rates of the other principal operating currencies to the Barbados dollar were as follows:

	2018 closing rate	2018 average rate	2017 closing rate	2017 average rate
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Trinidad & Tobago dollar	3.3902	3.3737	3.3814	3.3721
United States dollar	0.50	0.50	0.50	0.50

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Financial assets – policies under IFRS 9

(a) Classification of financial assets

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortized cost based on the nature of the cash flows of these assets and the Fund's business model. These categories replace the existing IAS 39 classifications of fair value through income, available for sale, loans and receivables and held-to-maturity. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL. Financial assets and liabilities are recognised when the Fund becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Fund commits to purchase or sell the asset.

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as mortgages, deposits, due from other funds and other loans, are measured at amortised cost. In addition most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs.

(b) Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:

- the Fund's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Fund classifies its debt instruments into the following measurement category.

Measured at fair value through profit and loss (FVTPL)

Debt instruments are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- when the performance of Fund of financial assets is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- when the debt instruments are held for trading and are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking.

Business model assessment

Business models are determined at the level which best reflects how the Fund manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, which is supported by relevant, objective evidence including:

- The nature of liabilities, if any, funding a portfolio of assets;
- The nature of the market of the assets in the country of origination of a portfolio of assets;
- How the Fund intends to generate profits from holding a portfolio of assets;
- The historical and future expectations of asset sales within a portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Financial assets – policies under IFRS 9 (continued)

(b) Classification of debt instruments (continued)

Solely repayments of principal and interest ("SPPI")

Where the business model is hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at FVTPL.

(c) Impairment of financial assets measured at amortized cost

IFRS 9 introduces an impairment model that requires the recognition of expected credit losses ("ECL") on financial assets measured at amortised cost and off-balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL').

In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL are recognised are defined as 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are defined as being in default or otherwise credit-impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ("POCI") are treated differently as set out below.

To determine whether the life-time credit risk has increased significantly since initial recognition, the Fund considers reasonable and supportable information that is available including information from the past and forward-looking information. Factors such as whether payments of principal and interest are in default, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

(d) Purchased or originated credit-impaired assets (POCI)

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are defined as POCI. This population includes the recognition of a new financial instrument following a renegotiation where concessions have been granted for economic or contractual reasons relating to the borrower's financial difficulty that otherwise would not have been considered. The amount of change-in-lifetime ECL is recognised in profit or loss until the POCI is derecognised, even if the lifetime ECL is less than the amount of ECL included in the estimated cash flows on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Financial assets – policies under IFRS 9 (continued)

(e) Definition of default

The Fund determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

(f) Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(g) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Measurement

Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition (i.e. Stage 3). For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a Fund are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience; but given that IFRS 9 requirements have only been applied since January 1, 2018, the Fund has been unable to make these comparisons. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, and particularly to changes in economic and credit conditions across wide geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Financial assets – policies under IFRS 9 (continued)

(g) The general approach to recognising and measuring ECL (continued)

Measurement (continued)

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected life-time losses which incorporates collateral recoveries, is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

Forward looking information

The estimation and application of forward-looking information will require significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in the expected credit loss calculation will have forecasts of the relevant macroeconomic variables – including, but not limited to, unemployment rates and gross domestic product, for a three-year period, subsequently reverting to long-run averages. Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario will be based on macroeconomic forecasts where available. Upside and

downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant. Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Financial assets – policies under IFRS 9 (continued)

(h) Modification of loans

The Fund sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Fund assesses whether or not the new terms are substantially different to the original terms. The Fund does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flow to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Fund derecognises the original financial asset and recognises a new asset at fair value and recalculates the new effective interest rate for the asset. The date of negotiation is consequently considered to the be the date of initial recognition for impairment calculation purposes and the purpose of determining if there has been a significant increase in credit risk. At this point the Fund will assess if the asset is POCI.

(i) Re-classified balances

The Fund reclassifies debt instruments when and only where its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

(j) Classification of equity instruments

The Fund classifies and subsequently measures all equity investments at FVTPL.

(k) Presentation in the statement of comprehensive income

Debt and equity instruments measured at FVTPL

Realised changes in fair value, unrealised changes in fair value, interest income and dividend income are included in net investment income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets – policies under IAS 39

(a) Classification

The Fund classifies its financial assets into two categories:

- financial assets at fair value through profit or loss;
- loans and receivables.

Management determines the appropriate classification of these assets at initial recognition.

Financial assets in the category at fair value through profit or loss have been so designated by management at inception since the assets form part of a managed portfolio whose performance is evaluated on a fair value basis in accordance with a documented investment strategy.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, unless designated as fair value through profit or loss on initial recognition.

(b) Recognition, derecognition and measurement

Purchases and sales of financial investments are recognised on the trade date. Interest income arising on financial investments is accrued using the effective interest rate method.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards and rewards of ownership.

Loans and receivables are inititially recorded at fair value and are subsequently carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through profit or loss are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Transaction costs are expensed in the statement of comprehensive income. Realised and unrealised gains and losses are recorded as net investment gains or losses in the statement of comprehensive income. Interest and dividend income are recorded under their respective headings in investment income.

(c) Fair value

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets traded in active markets is based on quoted market prices based on bid prices. In estimating the fair value of non-traded financial assets, the Fund uses a variety of methods such as obtaining dealer quotes and using discounted cashflow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security according to the perceived additional risk of the non-government security. The fair value of mutual funds is based upon prices as determined by the investee fund managers and administrators.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets – policies under IAS 39 (continued)

(d) Impaired financial assets

Financial assets are assessed for impairment at each reporting date. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

An impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by an allowance for impairment losses.

If in a subsequent period, the amount of the impairment loss for a debt security decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in income.

2.5 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise:

- cash balances,
- call deposits,
- other liquid balances with maturities of three months or less from the acquisition date,

Cash equivalents are subject to an insignificant risk of change in value.

2.6 Provisions

Provisions are recognised when the Fund has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.7 Interest income and expenses

Policies under IFRS 9

Interest income (expense) is computed by applying the effective interest rate based on the gross carrying amount of a financial asset (liability), except for financial assets that are purchased, originated or subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (i.e. after deduction of the loss allowance). Interest includes coupon interest and accrued discount and premium on financial instruments. Dividend income is recorded when declared.

Policies under IAS 39

Interest income and interest expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective yield method based on the initial transaction price. Interest includes coupon interest and accrued discount and premium on financial instruments.

2.8 Taxation

The Fund is exempt from Barbados taxation.

The Fund currently incurs withholding taxes imposed by certain countries or financial institutions on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income and the related tax imposed is recorded as receivable until the amounts are recoverable or expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Management fee

As a result of serving as Trustee and Manager of the Fund, Sagicor Life Inc receives a management fee based on the Net Asset Value of the Fund, calculated at a rate of 0.5% per annum.

2.10 Units

The Fund issues redeemable units which are redeemable at the holder's option. Units are carried at the redemption amount that is payable at the statement of financial position date should the holder exercise the right to redeem the shares. Units redeemed may be put back to the fund for cash or transfer of assets representing the value of the units redeemed.

Units are classified as equity as they meet the following criteria:

- They entitle the holder to a pro-rata share of the net assets of the Fund.
- The total expected cash flows attributable to the units over their life are based substantially on the profits or loss of the Fund.
- The Fund is contractually obliged to deliver cash to unit holders on the repurchase of units or transfer assets representing the value of units redeemed.
- The rights and features attached to each unit are identical.

2.11 Net asset value per unit

With effect from June 15, 2018, the Fund adopted a forward pricing policy of valuing transactions. The consideration received or paid for units issued or repurchased respectively is now converted to units based on the Fund's net asset value per unit at the next valuation period.

The net asset value per unit is calculated by dividing the net assets by the number of units.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Fund's reported assets, liabilities, revenues and expenses. The items which may have the most effect on the Fund's financial statements are set out below.

3.1 Impairment of financial assets – policies under IFRS 9

In determining ECL (defined in note 2.3(c)), management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in the earlier sections 'Measurement' and 'Forward-looking information'.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Impairment of financial assets – policies under IFRS 9 (continued)

(a) Establishing staging for debt securities and deposits

The Fund's internal credit rating model is a 10-point scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies.

The scale is set out in the following table:

<table>
<tr><th colspan="2">Category</th><th>Sagicor Risk Rating</th><th>Classification</th><th>S&P</th><th>Moody's</th><th>Fitch</th><th>AM Best</th></tr>
<tr><td rowspan="7">Non-default</td><td rowspan="3">Investment grade</td><td>1</td><td>Minimal risk</td><td>AAA, AA</td><td>Aaa, Aa</td><td>AAA, AA</td><td>aaa, aa</td></tr>
<tr><td>2</td><td>Low risk</td><td>A</td><td>A</td><td>A</td><td>a</td></tr>
<tr><td>3</td><td>Moderate risk</td><td>BBB</td><td>Baa</td><td>BBB</td><td>bbb</td></tr>
<tr><td rowspan="2">Non-investment grade</td><td>4</td><td>Acceptable risk</td><td>BB</td><td>Ba</td><td>BB</td><td>bb</td></tr>
<tr><td>5</td><td>Average risk</td><td>B</td><td>B</td><td>B</td><td>b</td></tr>
<tr><td rowspan="2">Watch</td><td>6</td><td>Higher risk</td><td>CCC, CC</td><td>Caa, Ca</td><td>CCC, CC</td><td>ccc, cc</td></tr>
<tr><td>7</td><td>Special mention</td><td>C</td><td>C</td><td>C</td><td>c</td></tr>
<tr><td colspan="2">Default</td><td>8</td><td>Substandard Gross</td><td>D</td><td>C</td><td>DDD</td><td>d</td></tr>
</table>

The Fund uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL.

Once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. Sagicor has assumed that the credit risk of a financial instruments has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or Sagicor risk rating of 1-3 is considered low credit risk.

3.1 Impairment of financial assets – policies under IFRS 9

Stage 1 investments are rated (i) investment grade, or (ii) below investment grade at origination and have not been downgraded more than 2 notches since origination. Stage 2 investments are assets which (i) have been downgraded from investment grade to below investment grade, or (ii) are rated below investment grade at origination and have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

(b) Establishing staging for other assets measured at amortised cost, lease receivables, loan commitments and financial guarantee contracts

Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

Qualitative test
- accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

Backstop Criteria
- accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Impairment of financial assets – policies under IFRS 9 (continued)

(c) Forward looking information

When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Barbados, Eastern Caribbean, Trinidad and Jamaica. Management assesses data sources from local government, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to look into the future up to three years and subsequently the expected performance is then used for the remaining life of the product. These projections are re-assessed on a quarterly basis.

(d) Impairment of Government of Barbados debt securities

As further disclosed in note 8.3 (b) during the year, the Group participated in a debt exchange following the implementation of a debt restructuring programme by the Government of Barbados. The replacement debt securities are classified as purchased or originated credit-impaired assets (POCI) and have been valued using an internally generated yield curve derived from the Central Bank of Barbados base-line yield curve to which management has applied a risk premium. If the risk premium at all durations was increased / decreased by 15 / 25 basis points, the value of the POCI debt instruments on exchange would decrease / increase by 2% / 4%.

3.2 Impairment of financial assets – policies under IAS 39

An available for sale debt security or a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower. The determination of impairment may either be considered by individual asset or by a Companying of assets with similar relevant characteristics.

The Fund invests in a number of sovereign financial instruments that are not quoted in an active market, these assets are classified as loans and receivables and are carried at amortised cost less provision for impairment in the financial statements. The Fund has assessed these instruments for impairment and concluded that based on all information currently available, that no impairment exists at December 31, 2017 in accordance with the accounting policies of the Fund.

3.3 Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined using reputable pricing sources (such as pricing agencies), indicative prices from bond/debt market makers or other valuation techniques. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Fund exercises judgement on the quality of pricing sources used. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily discounted cash flows.

The models used to determine fair values are periodically reviewed by experienced personnel. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

Amounts expressed in Barbados Dollars

4. RELATED PARTY BALANCES

These balances are interest free, unsecured and have no fixed terms of repayment. A nil balance (2017 - $322,280) due from Sagicor (Equity) Fund beared interest at a rate of 7.75% per annum and is fully repaid. This balance was in relation to the interest held by Sagicor (Equity) Fund in United Nations House Joint Venture. Related party transactions are disclosed in Note 12.

5. INCOME TAX ASSETS

Income tax assets arise from deductions of withholding tax at source on interest income on local financial investments. The Fund's tax-exempt status entitles it to a refund of these taxes by the Barbados Revenue Authority.

Income tax assets are reported at the gross value of $9,756,618, net of an estimated impairment of $2,607,400 (2017 - gross value of $9,747,058; impairment of $2,000,000)

Sensitivity Analysis

At December 31, 2018, the carrying value of the balance due from the Barbados Revenue Authority amounted to $7,149,218. In the absence of specific information about the timing of receipt of the amount receivable management has made a judgement based on their overall experience that this amount will be collected within four years and applied an appropriate discount rate to determine the carrying value. The calculation of the carrying value is sensitive to the time to collect and the discount rate used. The sensitivity of the carrying value to a longer time to collect and the discount rate implied by the time is disclosed below:

Time to Collect	Discount Rate	Carrying Value Adjustment
Five Years	3.88%	365,537
Six Years	4.25%	758,285

Withholding tax incurred on extra-regional financial investments is not collectable by the Fund, and is therefore written off as an expense.

6. INTEREST AND OTHER RECEIVABLES

	2018 $	**2017 $**
Bond interest due	1,098,484	86,989
Net advances to unit holders	4,395,400	-
Other	666,252	910,231
	6,160,136	997,220

The balance of $4,395,400 represents net redemptions paid to unit holders, which at year-end, are awaiting conversion to units, at the December 31, 2018 net asset value per unit. With effect from June 15, 2018, the Fund implemented a forward pricing policy of valuing transactions. Under this policy, transactions are converted to units at the per unit net asset value computed at the month-end. As the obligation to reduce units for the net redemptions paid, takes effect after the December 31, 2018 per unit net asset value is computed, the net amount disbursed to unit holders is classified as an advance.

Amounts expressed in Barbados Dollars

7. FINANCIAL INVESTMENTS

Analysis of financial investments

	2018 IFRS 9 basis		2017 IAS 39 basis	
	Carrying Value $	Fair Value $	Carrying Value $	Fair Value $
Investments at FVTPL				
Fair value through profit and loss:				
Bonds – Unlisted Local	82,616,770	82,616,770	121,280,540	121,280,540
Bonds – Unlisted Regional	25,623,141	25,623,141	21,974,542	21,974,542
Bonds – Listed International	139,724,063	139,724,063	143,185,514	143,185,514
Total debt securities	**247,963,974**	**247,963,974**	**286,440,596**	**286,440,596**
Common shares – Listed	932,677	932,677	800,108	800,108
Preferred shares – Unlisted	1,500,000	1,500,000	1,500,000	1,500,000
Mutual funds – Unlisted	3,106,434	3,106,434	8,897,566	8,897,566
Total equity securities	**5,539,111**	**5,539,111**	**11,197,674**	**11,197,674**
Investments at amortised cost:				
Deposits	43,013,437	43,013,437	34,598,877	34,598,877
Mortgage loans, net	77,512,667	77,996,000	80,035,970	80,391,637
Total	**120,526,104**	**121,009,437**	**114,634,847**	**114,990,514**
Total financial investments	**374,029,189**	**374,512,522**	**412,273,117**	**412,628,784**

Mortgage loans are reported at the gross principal of $101,627,108, net of impairment of $23,729,890 (2017 - gross principal of $102,145,266, net of impairment of $22,109,296). The fair value of the fixed rate mortgage loans is $22,340,723 (2017 - $31,352,584) and the carrying value is $21,857,390 (2017 - $30,996,917). All other amounts approximate their fair value.

Amounts expressed in Barbados Dollars

7. FINANCIAL INVESTMENTS (continued)

Analysis of financial investments (continued)

The movement in the provision for impairment is as follows:

	2018 $	2017 $
Balance beginning of the year	(22,109,296)	(21,814,622)
Increase in provision	(1,620,594)	(294,674)
Balance at end of year	(23,729,890)	(22,109,296)

Debt securities comprise:

	2018 $	2017 $
Government debt securities – Listed International	112,727,197	118,400,112
Government debt securities – Unlisted Local	82,616,770	117,744,236
Government debt securities – Unlisted Regional	20,455,695	21,974,542
Corporate debt securities – Listed International	26,996,866	24,785,402
Corporate debt securities – Unlisted Local	5,167,446	3,536,304
	247,963,974	286,440,596

Debt securities classified at fair value through profit or loss and valued using internally developed valuation models amounted to $108,239,911 (2017 - $143,255,082).

8. FINANCIAL RISK

Financial risk factors

The Fund's activities of accepting funds from unit holders and investing these funds in a variety of financial and other assets expose the Fund to various financial risks.

Financial risks include credit, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The effects of these risks are disclosed in the sections below.

The fund is also exposed to operations such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodians.

The overriding objective of the Fund's risk management framework is to enhance its capital base through investment in competitively yielding income securities and to protect capital against inherent business risks. This means that the Fund accepts certain levels of risk in order to generate returns, and the Fund manages the levels of risk assumed through risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

The effects of financial risks are disclosed in the sections below.

8.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Fund. Credit risks are primarily associated with financial investments held.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as the local and regional stock exchanges act as clearing facilitators, ensuring that monies are placed in the clearing accounts.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor the Fund's credit position on a quarterly basis.

Rating of financial assets

The Fund's credit rating model (note 3.1) applies a rating scale to two categories of exposures:

- Investment portfolios, comprising debt securities, deposits and cash;
- Lending portfolios, comprising mortgages

For lending portfolios, the three default ratings of 8, 9 and 10 are utilised, while for investment portfolios, one default rating (8) is utilised.

In sections 8.2 and 8.3 below, we set out various credit risks and exposures in accordance of assets measured in accordance with IFRS 9. In section 8.4, we set out risks and exposures of assets measured in accordance with IAS 39.

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.2 Credit risk exposure – financial assets subject to impairment (IFRS 9 basis)

The maximum exposures of the Fund to credit risk are set out in the following table.

	2018	
	$	%
Bonds at FVTPL	247,963,974	
Deposits at amortised cost	43,013,437	
Investment portfolio	**290,977,411**	**72**
Mortgage loans, net, at amortised cost	77,512,667	
Lending portfolio	**77,512,667**	**19**
Due from Sagicor (Equity) Fund	5,834,325	
Due from Sagicor International Balanced Fund	43,093	
Interest and other receivable	6,160,136	
Cash resources	18,849,842	
Other financial assets	**30,887,396**	**8**
Total balance sheet exposures	399,377,474	99
Mortgage loan commitments	4,739,715	1
Total	**404,117,189**	**100**

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.2 Credit risk exposure – financial assets subject to impairment (IFRS 9 basis)

Credit Risk Exposure – financial investments subject to impairment

Financial assets carried at amortised cost are subject to credit impairment losses which are recognised in the statement of income.

The following tables contain analyses of the credit risk exposure of financial investments for which an ECL allowance is recognised.

	Mortgages loans – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
December 31:					
Credit grade:					
Investment	-	-	-	-	-
Non-Investment	-	-	-	-	-
Watch	-	-	-	-	-
Unrated	61,615,840	1,915,948	14,365,430	-	77,897,218
Gross carrying amount	61,615,840	1,915,948	14,365,430	-	77,897,218
Loss allowance	(362,301)	(22,250)	-	-	(384,551)
Carrying amount	61,253,539	1,893,698	14,365,430	-	77,512,667

	Term Deposits – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
December 31:					
Credit grade:					
Investment	21,355,383	-	-	-	21,355,383
Non-Investment	14,106,127	-	-	-	14,106,127
Watch	8,373,333	-	-	-	8,373,333
Unrated	-	-	-	-	-
Gross carrying amount	43,834,843	-	-	-	43,834,843
Loss allowance	(821,406)	-	-	-	(821,406)
Carrying amount	43,013,437	-	-	-	43,013,437

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.3 Credit impairment losses – financial assets subject to impairment (IFRS 9 basis)

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements;

The following tables contain analyses of the movement of loss allowances from January 1, 2018 to December 31, 2018 in respect of financial investments subject to impairment.

	Mortgages loans – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Loss allowance at January 1, 2018	(394,340)	(44,075)	-	-	(438,415)
Changes to inputs used in ECL calculation	32,039	21,825	-	-	53,864
Loss allowance at December 31, 2018	(362,301)	(22,250)	-	-	(384,551)
Credit impairment recorded in income					53,864

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.3 Credit impairment losses – financial assets subject to impairment (IFRS 9 basis) (continued)

	Term Deposits – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Loss allowance at January 1, 2018	(842,266)	-	-	-	(842,266)
Changes to inputs used in ECL calculation	20,860	-	-	-	20,860
Loss allowance at December 31, 2018	(821,406)	-	-	-	(821,406)
Credit impairment recorded in income					20,860

8.3 Credit impairment losses – financial assets subject to impairment (IFRS 9 basis)

(a) Economic variable assumptions

The Fund has selected three economic factors which provide the overall macroeconomic environment in considering forward looking information for base, upside and downside forecasts. These are as follows:

	As of December 31,			As of January 1,		
	2019	**2020**	**2021**	**2019**	**2020**	**2021**
Unemployment rate (USA)						
Base	4.2%	4.3%	4.4%	4.7%	4.2%	4.3%
Upside	4.0%	4.2%	4.3%	4.4%	4.0%	4.2%
Downside	4.4%	4.7%	4.8%	5.2%	4.4%	4.7%
World GDP						
Base	3.7%	3.7%	3.6%	3.7%	3.7%	3.7%
Upside	5.4%	5.4%	5.4%	5.6%	5.4%	5.4%
Downside	2.8%	2.8%	2.7%	2.8%	2.8%	2.8%

8. FINANCIAL RISK (continued)

8.3 Credit impairment losses – financial assets subject to impairment (IFRS 9 basis) (continued)

(b) Government of Barbados debt securities in default

During the month of June 2018, the Government of Barbados (GOB) suspended all payments to creditors of its external commercial debt which is denominated primarily in US dollars. Interest payments due on June 5, 2018 and June 15, 2018 were not made. Principal payments on matured domestic debt which is denominated in Barbados dollars were suspended and debt holders were required to roll-over principal balances.

The announcement of the suspended payments was evidence that the financial assets were credit-impaired and consequently, in June Sagicor re-classified its GOB debt security holdings to Stage 3 with a probability of default of 100%. Some GOB debt instruments were purchased more recently and therefore there were instruments that had not yet experienced a significant increase in credit risk relative to the initial credit risk and moved from Stage 1 to Stage 3 upon the announcement.

On September 7, 2018 the GOB announced its debt restructuring program which is being done in conjunction with the economic recovery plan and an IMF programme. The IMF programme will allow Barbados to reduce its current debt service cost substantially and it is expected that the manageability of the restructured cash flows will improve the credit quality of the instrument offered in the debt exchange.

As at September 30, 2018 the negotiations of the new bond were materially completed and on October 3, 2018 Sagicor signed an agreement with the Government of Barbados which outlined the terms of the debt exchange. In exchange for its debt, the Fund has accepted the following securities:

Series D

A 35-year amortising bond with interest rates ranging from 1.5% for the first 5 years to 7.5% for years 16 through to maturity. Interest on these bonds is paid quarterly with the first payment due on November 30, 2018. The principal will be repaid in three equal instalments commencing one year prior to maturity with the final payment on August 31, 2053.

External Debt

The restructuring of the external debt is yet to be finalised.

Credit impairment loss and de-recognition of original domestic debt securities

As a result of the debt restructure outlined above, a credit impairment loss has been recognised in the statement of income. In addition, the domestic debt securities were de-recognised since the maturity profile and interest rates of the replacement debt securities were materially different. In November 2018, management derived a yield curve from which the initial fair values of the replacement securities were determined. The yield curve was derived from the Central Bank of Barbados base-line yield curve to which management applied a further risk premium considering:

- the GOB credit rating relative to investment grade,
- the potential for further default,
- the lack of liquidity of the debt, and
- the economic uncertainty as Barbados enters a period of severe economic reform and structural adjustment.

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.3 Credit impairment losses – financial assets subject to impairment (IFRS 9 basis) (continued)

Credit impairment loss and de-recognition of original domestic debt securities (continued)

The risk premium derived is summarised in the following table.

Years	Spread
0-10	25 bps
11-21	50bps
22-24	75 bps
25-29	100 bps
30-50	150 bps

The replacement debt securities are classified as "originated credit-impaired" (POCI).

The consequential movement in the carrying values of GOB debt for the period referred to above is summarised as follows:

GOB Debt Securities	Domestic debt
Gross carrying value prior to default	103,769,114
Fair value adjustment prior to default	(29,588,496)
Net carrying value prior to default	74,180,618
Accrued interest, ECL and other adjustments	2,412,953
Carrying value as of October 3, 2018	76,593,571
Fair value on recognition of replacement securities	75,018,309
Loss on de-recognition of original securities	(1,575,262)

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.4 Credit risk – financial investments measured on IAS 39 basis

The maximum exposures of the Fund to credit risk without taking into account any collateral or credit enhancements are set out below.

	2017 $	%
Bonds	286,440,596	
Deposits	34,598,877	
Investment portfolio	**321,039,473**	**74**
Mortgage loans, net	80,035,970	
Lending portfolio	**80,035,970**	**19**
Due from Sagicor (Equity) Fund	5,792,920	
Due from Sagicor International Balanced Fund	267,586	
Interest and other receivable	997,220	
Cash resources	18,743,206	
Other financial assets	**25,800,932**	**6**
Total balance sheet exposures	426,876,375	99
Mortgage loan commitments	4,603,286	1
Total	**431,479,661**	**100**

8. FINANCIAL RISK (continued)

8.4 Credit risk – financial investments measured on IAS 39 basis (continued)

The results of the risk rating of investment and lending portfolios respectively are as follows:

		Investment portfolios		Lending portfolios	
		2017		2017	
Risk Rating	Classification	Exposure $000	Exposure $000	Exposure $000	Exposure %
1	Minimal risk	-	0%	-	0%
2	Low risk	36,990,845	12%	19,690,178	25%
3	Moderate risk	100,075,450	31%	29,315,550	36%
4	Acceptable risk	26,790,073	8%	12,003,733	15%
5	Average risk	20,677,265	6%	-	0%
6	Higher risk	136,505,840	43%	6,984,005	9%
7	Special mention	-	0%	3,985,467	5%
8	Substandard	-	0%	8,059,037	10%
9	Doubtful	-	0%	-	0%
10	Loss	-	0%	-	0%
TOTAL RATED EXPOSURES		321,039,473	100%	80,035,970	100%
UN-RATED EXPOSURES		-	0%	-	0%
TOTAL		321,039,473	100%	80,035,970	100%

8. FINANCIAL RISK (continued)

8.4 Credit risk – financial investments measured on IAS 39 basis (continued)

The Fund's exposures to individual counterparty credit risk exceeding 2.5% of total exposures as at December 31, as rated by Standard & Poors or international equivalent, with their comparative amounts are set out below.

	Risk rating	2018 $	Risk rating	2017 $
Debt securities:				
Government of Barbados – denominated in Barbados dollars	B-	75,636,171	CCC	110,389,502
Government of Barbados – denominated in United States dollars	CCC-	8,924,267	CCC+	12,885,088
Republic of Trinidad and Tobago – denominated in United States dollars	BBB+	17,820,526	BBB+	19,875,914
Trinidad Generation Unlimited – denominated in United States dollars	BBB-	16,540,273	BBB-	17,907,373
Government of Aruba – denominated in United States dollars	BBB+	11,944,118	BBB+	18,379,054
Government of Bermuda – denominated in United States dollars	A+	43,711,545	A+	35,270,577
Commonwealth of Bahamas – denominated in United States dollars	BB+	7,703,272	BB+	7,940,407
Government of St. Lucia – denominated in Eastern Caribbean dollars	-	9,113,491	-	9,287,268
Government of St. Lucia – denominated in United States dollars	-	10,056,473	-	11,389,997
Republic of Panama – denominated in United States dollars	BBB	13,934,329	BBB	14,913,140
National Gas Co Trinidad – denominated in United States dollars	BBB	10,501,381	BBB	11,302,574
Deposits:				
Globe Finance Inc – denominated in Barbados dollars	BB-	11,532,154	-	8,310,903
First Citizens Bank – denominated in Barbados dollars	BBB	8,042,709	BBB	8,009,071
First Citizens Investment Services – denominated in Barbados dollars	BBB	9,553,483	-	-

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.4 Credit risk – financial investments measured on IAS 39 basis (continued)

In November 2018, Standard and Poor's(S&P) credit rating agency gave Barbados its first credit rating upgrade in several years. The completion of the domestic debt restructuring and the improved outlook for fiscal and debt sustainability contributed to S&P raising its credit ratings for domestic securities from Selective Default (SD) to B-.

Exposure to credit risk in respect of mortgage loans is managed in part by obtaining collateral. For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value.

Exposure to mortgage loans by sector is as follows: -

	2018 $	2017 $
Commercial sector	24,014,929	29,990,660
Residential sector	53,497,738	50,045,310
Total	77,512,667	80,035,970

Exposure to cash resources are as follows: -

	2018 $	2017 $
First Citizens Bank (Barbados) Limited	229,164	8,277,606
Oppenheimer	-	5,585,190
UBS Financial Services	12,151,170	-
Merrill Lynch	4,500,806	3,416,895
Other	1,968,702	1,463,515
Total	18,849,842	18,743,206

Exposure to other assets are as follows:-

	2018 $	2017 $
Due from Sagicor (Equity) Fund	5,834,325	5,792,920
Due from Sagicor International Balanced Fund	43,093	267,586
Total	5,877,418	6,060,506

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.4 Credit risk – financial investments measured on IAS 39 basis (continued)

(a) Past due and impaired financial investments

A financial asset is past due when a counterparty has failed to make payment when contractually due.

The Fund is most exposed to the risk of past due assets with respect to its financial investments namely debt securities and mortgage loans.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded. Mortgage loans less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary.

The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed. Accumulated allowances for impairment reflect the Fund's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of debt securities and mortgage loans analysed by past due or impairment status.

The tables below summarise the carrying value of the financial investments which are past due but are not considered to be impaired.

2017	**Debt securities**	**Mortgage loans**
	$	**$**
Neither past due nor impaired	286,440,596	53,898,053
Past due up to 3 months, but not impaired	-	7,102,713
Past due up to 12 months, but not impaired	-	2,522,071
Past due up to 5 years, but not impaired	-	1,401,086
Past due over 5 years, but not impaired	-	54,634
Total past due but not impaired	-	11,080,504
Impaired assets	-	15,057,413
Total carrying value	226,440,596	80,035,970
Accumulated allowances on impaired assets	-	22,109,296
Accrued interest on impaired assets	-	9,196,209

Balances relating to impaired financial investments are summarised in the following table. The accumulated allowance for impairment losses reflects the Fund's assessment of total individually impaired investments at date of the financial statements.

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.4 Credit risk – financial investments measured on IAS 39 basis (continued)

	Gross carrying value $	Accumulated allowances for impairment $	Net carrying value $	Estimated fair value of collateral $
As of December 31, 2017				
Commercial sector	29,784,281	20,207,756	9,576,525	16,138,507
Residential sector	7,382,428	1,901,540	5,480,888	8,425,631
Total	37,166,709	22,109,296	15,057,413	24,564,138

(b) Repossessed assets

The Fund may foreclose on overdue mortgage loans by repossessing the pledged asset. In some instances, the Fund may provide re-financing to a new purchaser on customary terms.

No assets were repossessed during the year (2017 – Nil).

(c) Renegotiated assets

The Fund may renegotiate the terms of any financial investment to facilitate borrowers in financial difficulty. Arrangements to waive, adjust or postpone scheduled amounts due may be entered into. The Fund classifies these amounts as past due, unless the original agreement is formally revised, modified or substituted, in which case, the financial investment is classified as renegotiated.

8.5 Liquidity risk

The Fund is exposed to daily calls on its available cash resources for redemptions and operating expenses. Liquidity risk is the exposure that the Fund may have insufficient cash resources to meet these obligations as they become due. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunities to increase investment returns.

In order to manage liquidity risks, management seeks to maintain levels of cash and deposits which are sufficient to meet reasonable expectations of its short term obligations. If necessary the fund's secondary source of liquidity is its highly liquid instruments in its investment portfolio.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor the Fund's liquidity position on a quarterly basis.

Contractual cash flow obligations of the Fund in respect of its financial liabilities are summarised in the following table. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.5 Liquidity risk (continued)

(a) Financial liabilities

As of December 31, 2018	**On demand $**	**Within 1 year $**	**1 to 5 years $**	**After 5 years $**	**Total $**
Accounts payable	1,069,816	-	-	-	1,069,816
Due to Sagicor Life Inc	400,136	-	-	-	400,136
Due to Sagicor Asset Management Inc.	6,258	-	-	-	6,258
Off balance sheet commitments:					
Mortgage loan commitments	-	4,739,715	-	-	4,739,715
Total	1,476,210	4,739,715	-	-	6,215,925

As of December 31, 2017	**On demand $**	**Within 1 year $**	**1 to5 years $**	**After 5 years $**	**Total $**
Accounts payable	314,737	-	-	-	314,737
Due to Sagicor Life Inc	5,634,392	-	-	-	5,634,392
Off balance sheet commitments:					
Mortgage loan commitments	-	4,603,286	-	-	4,603,286
Total	5,949,12	4,603,286	-	-	10,552,415

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.5 Liquidity risk (continued)

(b) Financial assets

The Fund's monetary financial assets mature in periods which are summarised in the following tables. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their contractual maturity dates.

As of December 31, 2018	**Maturing within 1 year $**	**Maturing within 1 to 5 years $**	**Maturing after 5 years $**	**Total $**
Due from Sagicor (Equity) Fund	5,834,325	-	-	5,834,325
Due from Sagicor International Balanced Fund	43,093	-	-	43,093
Interest and other receivables	6,160,136	-	-	6,160,136
Debt securities	2,662,856	36,704,755	208,596,363	247,963,974
Deposits	43,013,437	-	-	43,013,437
Mortgage loans, net	6,274,197	4,488,991	66,749,479	77,512,667
Cash resources	18,849,842	-	-	18,849,842
Total	82,837,886	41,193,746	275,345,842	399,377,474

As of December 31, 2017	**Maturing within 1 year $**	**Maturing within 1 to 5 years $**	**Maturing after 5 years $**	**Total $**
Due from Sagicor (Equity) Fund	5,792,920	-	-	5,792,920
Due from Sagicor International				
Balanced Fund	267,586	-	-	267,586
Interest and other receivables	997,220	-	-	997,220
Debt securities	16,101,087	58,777,932	211,561,577	286,440,596
Deposits	33,207,618	1,391,259	-	34,598,877
Mortgage loans, net	6,992,108	6,749,419	66,294,443	80,035,970
Cash resources	18,743,206	-	-	18,743,206
Total	82,101,745	66,918,610	277,856,020	426,876,375

Redeemable units are redeemed at the option of the holder. However, the Board of Directors of the trustee does not envisage that all unit holders will redeem their units as they typically hold them for the long-term. At December 2018, an individual unit holder, Sagicor Life Inc, held 13.3% of the fund's units. The fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within a short period.

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.5 Liquidity risk (continued)

The following table shows the ordinary redemption periods of the Investee Funds held.

As of December 31, 2018	Less than 7 days	Monthly	Quarterly	1 Year	More than 1 year
Funds and Alternative Investments	-	-	3,106,434	-	-

As of December 31, 2017	Less than 7 days	Monthly	Quarterly	1 Year	More than 1 year
Funds and Alternative Investments	-	5,676,034	3,221,532	-	-

8.6 Market risk

Interest Rate Risk

The Fund is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

The return on financial investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

The Fund is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor and review the Fund's overall interest sensitivity on a quarterly basis.

(a) Financial liabilities

As of December 31, 2018 and 2017 all of the Fund's financial liabilities were non-interest bearing and therefore not exposed to interest rate risk.

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.6 Market risk (continued)

Interest Rate Risk (continued)

(b) Financial assets

The table below summarises the exposures to interest rate risks of the Fund's financial assets. It includes assets at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

As of December 31, 2018	Exposure within 1 year $	Exposure of 1 to 5 years $	Exposure after 5 years $	Not exposed to interest $	Total $
Due from Sagicor (Equity) Fund	-	-	-	5,834,325	5,834,325
Due from Sagicor International Balanced Fund	-	-	-	43,093	43,093
Interest and other receivables	-	-	-	6,160,136	6,160,136
Debt securities	2,577,224	36,003,139	206,437,124	2,946,487	247,963,974
Equity securities	-	-	-	5,539,111	5,539,111
Deposits and other loans	42,509,540	-	-	503,897	43,013,437
Mortgage loans	-	2,131,873	65,733,745	9,647,049	77,512,667
Cash resources	-	-	-	18,849,842	18,849,842
Total	45,086,764	38,135,012	272,170,869	49,523,940	404,916,585

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.6 Market risk (continued)

Interest Rate Risk (continued)

(b) Financial assets (continued)

As of December 31, 2017	Exposure within 1 year $	Exposure of 1 to 5 years $	Exposure after 5 years $	Not exposed to interest $	Total $
Due from Sagicor (Equity) Fund	322,280	-	-	5,470,640	5,792,920
Due from Sagicor International Balanced Fund	-	-	-	267,586	267,586
Interest and other receivables	-	-	-	997,220	997,220
Debt securities	15,868,741	58,223,280	208,865,878	3,482,697	286,440,596
Equity securities	-	-	-	11,197,674	11,197,674
Deposits and other loans	32,737,238	1,357,346	-	504,293	34,598,877
Mortgage loans	485,906	4,771,645	65,211,218	9,567,201	80,035,970
Cash resources	-	-	-	18,743,206	18,743,206
Total	49,414,165	64,352,271	274,077,096	50,230,517	438,074,049

The table below summarises the average interest yields on financial assets held during the year.

	2018	2017
Debt securities	6.2%	6.7%
Deposits	1.6%	2.6%
Mortgage loans	5.7%	5.4%
Other loans	-	7.3%

Sensitivity

The effect of a 1% change in interest rates, with all other variables remaining constant, to the fair value of the interest bearing financial assets at the date of the financial statements is as follows.

As of December 31, 2018		$
Total interest bearing financial assets carried at fair value		245,017,487
The fair value impact of an increase in interest rates of:		(18,425,557)
The fair value impact of a decrease in interest rates of:		21,121,117

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.6 Market risk (continued)

Foreign exchange risk

The Fund is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets are denominated in a number of different currencies. In order to manage foreign exchange risk, the Fund monitors the fluctuation in foreign exchange rates on a periodic basis. The Fund's exposure to foreign exchange risk is however not considered to be significant as the US and EC rates are fixed to the functional currency.

Monetary assets and liabilities by currency are summarised in the following table.

	Balances denominated in				
As of December 31, 2018	**Barbados $**	**Trinidad $**	**US $**	**EC $**	**Total $**
ASSETS					
Due from Sagicor (Equity) Fund	5,834,325	-	-	-	5,834,325
Due from Sagicor International Balanced Fund	-	-	-	43,093	43,093
Interest and other receivables	5,061,789	94,010	938,170	66,167	6,160,136
Financial investments	200,543,296	1,285,731	163,086,671	9,113,491	374,029,189
Cash resources	1,813,432	-	17,036,410	-	18,849,842
Total assets	213,252,842	1,379,741	181,061,251	9,222,751	404,916,585
LIABILITIES					
Due to Sagicor Life Inc	400,136	-	-	-	400,136
Due to Sagicor Asset Management Inc	6,258	-	-	-	6,258
Accounts payable	1,069,816	-	-	-	1,069,816
Total liabilities	1,476,210	-	-	-	1,476,210
Net position	211,776,632	1,379,741	181,061,251	9,222,751	403,440,375

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.6 Market risk (continued)

Foreign exchange risk (continued)

	Balances denominated in				
As of December 31, 2017	**Barbados $**	**Trinidad $**	**US $**	**EC $**	**Total $**
ASSETS					
Due from Sagicor (Equity) Fund	5,792,920	-	-	-	5,792,920
Due from Sagicor International Balanced Fund	-	-	-	267,586	267,586
Interest and other receivables	976,724	20,496	-	-	997,220
Financial investments	232,704,718	1,297,278	168,983,853	9,287,268	412,273,117
Cash resources	9,442,896	-	9,300,310	-	18,743,206
Total assets	248,917,258	1,317,774	178,284,163	9,554,854	438,074,049
LIABILITIES					
Due to Sagicor Life Inc	5,634,392	-	-	-	5,634,392
Accounts payable	314,737	-	-	-	314,737
Total liabilities	5,949,129	-	-	-	5,949,129
Net position	242,968,129	1,317,774	178,284,163	9,554,854	432,124,920

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.6 Market risk (continued)

Other Price Risk

The Fund is exposed to other price risk arising from changes in equity prices. The Fund mitigates this risk by holding a diversified portfolio and by the selection of securities and other financial instruments within specified limits set by the Board of Directors of the Trustee.

The Fund's policy also limits individual equity securities to no more than 10% of the full portfolio.

The majority of the Fund's equity investments are privately traded. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and reviewed on a quarterly basis by the Board of Directors of the Trustee.

Sensitivity

The effects of an across the board 20% decline in equity prices of the Fund's fair value through income equity securities on income is as follows.

	Fair value $	Effect of a 20% decline at Dec 31, 2018 $
Fair value through profit or loss equity securities:		
Listed on Caribbean and US stock exchanges and markets	2,432,677	(486,535)
Mutual funds - Unlisted	3,106,434	(621,287)
	5,539,111	(1,107,822)

8. FINANCIAL RISK (continued)

8.7 Fair value of financial instruments

Financial instruments carried at fair value in the financial statements are measured in accordance with a fair value hierarchy. This hierarchy is as follows:

(a) Level 1 – unadjusted quoted prices in active markets for identical instruments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Fund considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

(b) Level 2 – inputs that are observable for the instrument, either directly or indirectly.

A financial instrument is classified as Level 2 if:

- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In assessing the fair value of non-traded financial liabilities, the Fund uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows.

(c) Level 3 – inputs for the instrument that are not based on observable market data.

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.7 Fair value of financial instruments (continued)

The techniques and methods described in 2.4 (c) for non traded financial assets and liabilities may also be used in determining the fair value of Level 3 instruments.

The following table shows the financial assets are carried at fair value at December 31 on a security basis by level of the fair value hierarchy.

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets classified at fair value through profit or loss:	**$**	**$**	**$**	**$**
Debt securities	-	139,724,063	108,239,911	247,963,974
Common shares	924,378	8,299	-	932,677
Mutual funds	-	-	3,106,434	3,106,434
Preferred shares	-	-	1,500,000	1,500,000
Total assets	924,378	139,732,362	112,846,345	253,503,085
Total assets by percentage	0%	55%	45%	100%

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets classified at fair value t hrough profit or loss:	**$**	**$**	**$**	**$**
Debt securities	-	143,185,514	143,255,082	286,440,596
Common shares	789,988	10,120	-	800,108
Mutual funds	-	5,676,034	3,221,532	8,897,566
Preferred shares	-	-	1,500,000	1,500,000
Total assets	789,988	148,871,668	147,976,614	297,638,270
Total assets by percentage	0%	50%	50%	100%

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.7 Fair value of financial instruments (continued)

The table below provides information about the fair value measurements using significant unobservable inputs (level 3).

Description	Fair Value at December 31		Valuation Technique	Unobservable Inputs	Range of Inputs		Relationship of Unobservable Inputs to fair value
	2018 $	2017 $			2018	2017	
Debt securities	108,239,911	143,255,082	Discounted Cash Flows	Risk Adjusted Market Yields	0.50% - 13.3% Avg (2.8%)	3.0% - 11.00% Avg (6.7%)	The effect of a 1% increase in interest rates would decrease the fair value by ($10,365,864) and a 1% decrease in interest rates would increase the fair values by $12,290,967
Mutual funds	3,106,434	3,221,532	Par Value	N/A	N/A	N/A	N/A
Preferred shares	1,500,000	1,500,000	Par Value	N/A	N/A	N/A	N/A

There have been no material transfers between Level 1 and Level 2 during 2018 and 2017.

The following table presents the movement in Level 3 instruments for the year.

	2018 $	2017 $
Balance, beginning of year	147,976,614	143,580,661
Fair value changes recorded in income	(29,959,767)	(1,199,823)
Additions	84,396,705	18,758,761
Transfers in	-	-
Disposals	(88,868,427)	(13,217,363)
Effect of accrued income changes	(698,780)	54,378
Balance, end of year	112,846,345	147,976,614

Unrealised gains of $1,005,459 (2017 – ($1,192,982)) on level 3 assets held at the end of the period are included in Net gains/(losses) on financial investments.

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.7 Fair value of financial instruments (continued)

The fair value hierarchy of other financial instruments not carried at fair value but for which fair value disclosure is required is set out in the following table. Due to their nature, the carrying value of variable rate mortgages approximate fair value.

As at December 31, 2018	Level 1	Level 2	Level 3	Total
	$	$	$	$
Mortgage loans	-	-	22,340,723	22,340,723
	-	-	22,340,723	22,340,723

As at December 31, 2017	Level 1	Level 2	Level 3	Total
	$	$	$	$
Mortgage loans	-	-	31,352,584	31,352,584
	-	-	31,352,584	31,352,584

8.8 Capital risk management

The capital of the Fund is represented by unit holders' equity. Unit holders' equity changes on a daily basis as the Fund is subject to the redemption and issue of units at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to redeem and issue units in accordance with the terms of the trust deed which includes the ability to restrict redemptions.

The Board of Directors of the Trustee and Fund Manager monitor capital on the basis of unit holders' equity.

9. ACCOUNTS PAYABLE

	2018	2017
	$	$
Pension benefits and other payables	1,069,816	314,737

Amounts expressed in Barbados Dollars

10. INTEREST INCOME

The Fund manages its financial investments by the type of financial instrument (i.e. debt securities, deposits, mortgage loans, etc) and the income therefrom is presented accordingly.

	2018 $	2017 $
Debt securities	16,110,095	17,885,820
Deposits	620,679	814,258
Mortgage loans	4,342,630	4,284,748
Other loans	34,413	199,948
Total interest income	21,107,817	23,184,774

11. NET INVESTMENT GAINS/(LOSSES)

	2018 $	2017 $
Net (losses)/gains on financial investments	(43,019,391)	2,426,369
Loss on bond restructure	(1,575,262)	(680,880)
Allowances for impairment losses	(1,620,594)	(294,674)
ECL Movement	74,724	-
	(46,140,523)	1,450,815

Amounts expressed in Barbados Dollars

12. RELATED PARTY TRANSACTIONS

(a) Material related party transactions

	2018 $	2017 $
Management fee – Sagicor Life Inc	2,157,491	2,163,452
Interest income – United Nations House Joint Venture	3,510	14,816

(b) Units held by related parties

Parties related to the Fund held units in the Fund during the year as follows:

Sagicor Life Inc.	2018 $	2017 $
Value of units held at January 1	49,403,181	44,335,758
Net value of transactions for the year	(4,442,013)	5,067,423
Value of units at December 31	44,961,168	49,403,181

Sagicor General Inc.	2018 $	2017 $
Value of units held at January 1	389,023	58,874
Net value of transactions for the year	5,282,168	330,149
Value of units at December 31	5,671,191	389,023

Keeping Stakeholders Informed

Sagicor is committed to providing stakeholders with easy access to everything they want to know and need to know.

Independent auditor's report

To the Unit holders of Sagicor (Equity) Fund

Our opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor (Equity) Fund (the Fund) as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited
The Fund's financial statements comprise:

- the statement of financial position as at December 31, 2018;
- the statement of changes in net assets attributable to unit holders for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information
Management is responsible for the other information. The other information comprises the Annual Report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the Fund's unit holders as a body. Our audit work has been undertaken so that we might state to the Fund's unit holders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unit holders as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
Bridgetown, Barbados
July 3, 2019

Amounts expressed in Barbados Dollars

	Notes	2018	2017
ASSETS			
Investment property	4, 11	$ 55,991,667	$ 56,650,003
Property, plant and equipment		1,249,320	1,061,448
Investment in associated companies	5	4,568,001	3,821,006
Due from Sagicor Life Inc	6	49,772	-
Due from associated company	5	22,663	22,663
Income tax assets	7	1,272,803	1,235,224
Real estate developed for resale	8	327,547	327,547
Accounts receivable	9	7,649,775	6,326,332
Financial investments	10	477,235,670	477,203,121
Cash resources		9,276,387	30,651,424
Total assets		$ 557,643,605	$577,298,768
LIABILITIES			
Deposits received on real estate developed for resale	8	5,600	5,600
Due to Sagicor Life Inc	6	-	1,352,806
Due to Sagicor (Bonds) Fund	6	5,837,011	5,785,267
Due to Sagicor International Balanced Fund	6	11,459	17,653
Due to Sagicor Global Balanced Fund	6	28,678	18,413
Accounts payable	13	1,632,408	2,288,855
Bank overdraft	13	341,258	-
Total liabilities		7,856,414	9,468,594
Net assets attributable to unit holders		549,787,191	567,830,174
Represented by:			
UNIT HOLDERS' EQUITY		$ 549,787,191	$ 567,830,174
No. of units outstanding at end of year		9,746,444	9,777,301
Net asset value per unit at end of year		$ 56.41	$ 58.08
(Decrease)/Increase in net asset value per unit for year		(2.9)%	13.4%

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors on July 3, 2019.

Chairman

Director

Amounts expressed in Barbados Dollars

	2018		2017	
	Number of Units	Total $	Number of Units	Total $
Balance, December 31, 2017	9,777,301	567,830,174	9,741,640	499,021,765
Opening IFRS 9 ECL Mortgages Adjustment	-	(72,939)	-	-
Opening IFRS 9 Transition Adjustment ECL Term Deposits Adjustment	-	(77,218)	-	-
Balance, January 1, 2018	9,777,301	567,680,017	9,741,640	499,021,765
Property Revaluation Surplus – Associated Company	-	662,848	-	-
Proceeds from issue of units	507,664	29,915,748	482,111	26,078,853
Redemption of units	(538,521)	(31,713,515)	(446,450)	(24,318,663)
Net (decrease)/ increase from unit transactions	(30,857)	(1,134,919)	35,661	1,760,190
Net (loss)/profit and total comprehensive (loss)/income for the year available to unit holders	-	(16,757,907)	-	67,048,219
Balance, end of year	9,746,444	549,787,191	9,777,301	567,830,174

The accompanying notes are an integral part of these financial statements.

Amounts expressed in Barbados Dollars

	Notes	2018	2017
REVENUE			
Interest income	14	$ 3,483,996	$ 3,315,155
Dividend income		13,029,709	9,154,742
Net rental income	15	2,326,567	1,922,939
Share of operating income/(loss) of associated companies	5	84,147	(34,031)
Net investment (losses)/gains	16	(28,196,870)	59,176,076
		(9,272,451)	73,534,881
EXPENSES			
Management fee	17	4,352,119	4,017,620
Investment expenses		102,775	(32,617)
Commissions and brokers' fees		2,183,897	1,841,930
Total operating expenses		6,638,791	5,826,933
(LOSS)/PROFIT BEFORE TAXES		(15,911,242)	67,707,948
Withholding taxes		(846,665)	(659,729)
NET (LOSS)/PROFIT AND TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR AVAILABLE TO UNIT HOLDERS		$ (16,757,907)	$ 67,048,219

The accompanying notes are an integral part of these financial statements.

Amounts expressed in Barbados Dollars

	2018	2017
Cash flows from operating activities:		
(Loss)/profit before taxes	$ (15,911,242)	$ 67,707,948
Adjustments for:		
Interest income	(3,483,996)	(3,315,155)
Dividend income	(13,029,709)	(9,154,742)
Net losses/(gains) on financial investments	27,454,077	(60,089,355)
Depreciation in fair value of investment property	658,336	449,997
Expected credit losses movement	(17,324)	-
Loss on bond restructure	101,781	160,269
Share of operating (gain)/loss of associated company	(84,147)	34,031
	(4,312,224)	(4,207,007)
Changes in operating assets and liabilities		
Accounts receivable	(2,752,233)	2,678,300
Due from/to Sagicor Life Inc	(1,402,578)	(632,459)
Due to Sagicor Global Balanced Fund	10,265	(5,870)
Due to Sagicor (Bonds) Fund	51,744	(2,354,806)
Due to Sagicor International Balanced Fund	(6,194)	3,613
Accounts payable	(656,447)	(712,700)
Issue of mortgage loans	(10,642,031)	(3,657,353)
Repayment of mortgage loans	1,613,790	773,540
Purchase of debt securities	(64,913,458)	(24,508,429)
Redemption of debt securities	66,035,136	24,593,209
Proceeds from sale of equity securities	416,068,474	153,381,533
Purchase of equity securities	(446,321,924)	(148,036,189)
Additions to equipment	(187,872)	(240,825)
Amounts deposited	(21,520,146)	(11,164,020)
Deposits redeemed	31,829,463	4,693,220
Cash used in operations	(37,106,235)	(9,396,243)
Interest received	3,613,452	3,329,793
Dividends received	14,458,499	9,690,858

Amounts expressed in Barbados Dollars

	2018	2017
Taxes paid	(884,244)	(715,698)
Net cash (used in)/generated from operating activities	(19,918,528)	2,908,710
Cash flows from financing activities		
Proceeds from issue of units	29,915,748	26,078,853
Redemptions of units	(31,713,515)	(24,318,663)
Net cash (used in)/generated from financing activities	(1,797,767)	1,760,190
Net (decrease)/increase in cash and cash equivalents	(21,716,295)	4,668,900
Cash and cash equivalents - beginning of year	30,651,424	25,982,524
Cash and cash equivalents - end of year	8,935,129	30,651,424
Cash resources comprise:		
Cash	8,214,940	30,107,422
Cash held under managed properties	1,061,447	544,002
Bank overdraft	(341,258)	-
	$ 8,935,129	$ 30,651,424

The accompanying notes are an integral part of these financial statements.

1. REGISTRATION, PRINCIPAL ACTIVITY AND REGISTERED OFFICE

Sagicor (Equity) Fund ("The Fund") was registered in April 1969 as a Unit Trust, responsible for the management of investments of Barbados registered pension plans.

The Fund's objective is to provide long-term capital growth through investment in a diversified portfolio of equity securities including real estate.

Sagicor Life Inc. acts as Asset Manager and Trustee of the fund. Sagicor Life Inc has subcontracted out certain asset management and custodian arrangements with Oppenheimer & Co. Inc. and Morgan Stanley Private Wealth Management. The registered office of the Fund is located at the Cecil F. de Caires Building, Wildey, St. Michael.

If required, these financial statements can be amended after issue, at the recommendation of the Audit Committee and with the approval of the Board of Directors of the Trustee.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial investments held at fair value through profit or loss and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note

All amounts in these financial statements are shown in Barbados dollars unless otherwise stated.

(a) Adoption of IFRS 9 and IFRS 15

Effective January 1, 2018, the Fund adopted IFRS 9 - Financial Instruments ("IFRS 9"). As a result of the application of this new standard, the Fund has adopted new accounting policies for financial assets which are set out in note 2.3. As permitted by the transition provisions in IFRS 9, the Fund has elected not to restate comparative period results. Accordingly, the 2017 comparative information on financial assets is presented in accordance with IAS 39 – Financial Instruments – Recognition and Measurement (note 2.4). Adjustments to the carrying amounts of financial instruments as of January 1, 2018 were recognised in the statement of equity.

Effective January 1, 2018, the Fund adopted IFRS 15 – Revenue from Contracts with Customers (IFRS 15). This standard clarifies revenue recognition principles and provides a framework for recognising revenue and cash flows from service contracts from customers.

In accordance with the transition provisions in IFRS 15, the standard has been implemented using the modified-retrospective method with no restatement of comparative information. There was no significant impact on the Fund resulting from the implementation of the standard and consequently no transition adjustment has been recorded in the statement of equity.

There are new standards and amendments to standards and interpretations which are effective for annual periods beginning after January 1, 2018. These standards and amendments have not been adopted in preparing these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) Future accounting developments and reporting changes

Certain new standards and amendments to existing standards have been issued but are not effective for the periods covered by these financial statements. The changes in standards and interpretations which may have a significant effect on future presentation, measurement or disclosure of the Fund's financial statements are summarised in the following tables.

IFRS 3 – Definition of a business, effective October 1, 2018
Subject / Comments
This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

Interpretation 22 - Foreign Currency Transactions and Advance Consideration, effective January 1, 2019
Subject / Comments
This interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. Entities can choose to apply the interpretation: • retrospectively for each period presented • prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or • prospectively from the beginning of a prior reporting period • presented as comparative information. The Fund is yet to assess the impact of this interpretation.

IAS 1 and IAS 8 – The Definition of Materiality, effective October 1, 2018
Subject / Comments
These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance is IAS 1 about immaterial information.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Transfers of Investment Property – Amendments to IAS 40 (January 1, 2018)	The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The list of evidence for a change of use in the standard was recharacterized as a non-exhaustive list of examples to help illustrate the principle. • The Board provided two options for transition: prospectively, with any impact from the reclassification recognized as adjustment to opening retained earnings as at the date of initial recognition, or • retrospectively - only permitted without the use of hindsight Additional disclosures are required if an entity adopts the requirements prospectively. The Fund does not expect the adoption of this amendment to have any material impact.

2.2 Investments in other entities

(a) Joint operations

Joint operations arise when the Fund has rights to the assets and obligations for liabilities of an arrangement. The Fund accounts for its interests in the assets, liabilities and revenues and expenses of jointly controlled operations.

(b) Investment in associated companies

The investments in associated companies, which are not majority-owned or controlled but where significant influence exists, are included in these financial statements using the equity method of accounting. Investments in associated companies are originally recorded at cost and include intangible assets identified on acquisition.

The Fund recognises in income its share of associated companies' post acquisition income and its share of the amortisation and impairment of any intangible assets which were identified on acquisition. Unrealised gains or losses on transactions between the Fund and its associates are eliminated to the extent of the Fund's interest in the associates. The Fund recognises in other comprehensive income, its share of associated companies' post acquisition other comprehensive income.

2.3 Foreign currency translation

(a) Functional and presentational currency

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which it operates (the functional currency). The financial statements are presented in Barbados dollars, which is the Fund's functional and presentational currency.

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses, which result from the settlement of foreign currency transactions and from the re-translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on debt securities and other monetary financial assets measured at fair value are included under investment expenses. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the net investment gains or losses in the statement of comprehensive income.

Currency exchange rates are determined by reference to the respective central banks. Currencies which are pegged to the United States dollar are converted into Barbados dollars at the pegged rates. Currencies which float are converted to the Barbados dollar by reference to the average of buying and selling rates quoted by the respective central banks.

Exchange rates of the other principal operating currencies to the Barbados dollar were as follows:

	2018 closing rate	2018 average rate	2017 closing rate	2017 average rate
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Jamaica dollar	63.6998	64.1437	62.2877	63.9049
Trinidad & Tobago dollar	3.3902	3.3737	3.3814	3.3721
United States dollar	0.50	0.50	0.50	0.50

2.4 Financial assets – policies under IFRS 9

(a) Classification of financial assets

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss (“FVTPL”), fair value through other comprehensive income (“FVOCI”) or amortized cost based on the nature of the cash flows of these assets and the Fund’s business model. These categories replace the existing IAS 39 classifications of fair value through income, available for sale, loans and receivables and held-to-maturity. Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

Financial assets are measured on initial recognition at fair value and are classified as and subsequently measured either at amortised cost, at FVOCI or at FVTPL. Financial assets and liabilities are recognised when the Fund becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Fund commits to purchase or sell the asset.

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as mortgages, deposits, due from other funds and other loans, are measured at amortised cost. In addition most financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets – policies under IFRS 9 (continued)

(b) Classification of debt instruments

Classification and subsequent measurement of debt instruments depend on:

- the Fund's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Fund classifies its debt instruments into the following measurement category.

Measured at fair value through profit and loss (FVTPL)

Debt instruments are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- the use of the designation removes or significantly reduces an accounting mismatch;
- when the performance of Fund of financial assets is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- when the debt instruments are held for trading and are acquired principally for the purpose of selling in the short-term or if they form part of a portfolio of financial assets in which there is evidence of short-term profit taking.

Business model assessment

Business models are determined at the level which best reflects how the Fund manages portfolios of assets to achieve business objectives. Judgement is used in determining business models, which is supported by relevant, objective evidence including:

- The nature of liabilities, if any, funding a portfolio of assets;
- The nature of the market of the assets in the country of origination of a portfolio of assets;
- How the Fund intends to generate profits from holding a portfolio of assets;
- The historical and future expectations of asset sales within a portfolio.

Solely repayments of principal and interest ("SPPI")

Where the business model is hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Fund assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Fund considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial assets are classified and measured at FVTPL.

(c) Impairment of financial assets measured at amortized cost

IFRS 9 introduces an impairment model that requires the recognition of expected credit losses ("ECL") on financial assets measured at amortised cost and off-balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

At initial recognition, allowance (or provision in the case of some loan commitments and financial guarantees) is required for ECL resulting from default events that are possible within the next 12 months (or less, where the remaining life is less than 12 months) ('12-month ECL').

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets – policies under IFRS 9 (continued)

(c) Impairment of financial assets measured at amortized cost (continued)

In the event of a significant increase in credit risk (SICR), an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL are recognised are defined as 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are defined as being in default or otherwise credit-impaired are in 'stage 3'. Purchased or originated credit-impaired financial assets ("POCI") are treated differently as set out below.

To determine whether the life-time credit risk has increased significantly since initial recognition, the Fund considers reasonable and supportable information that is available including information from the past and forward-looking information. Factors such as whether payments of principal and interest are in default, an adverse change in credit rating of the borrower and adverse changes in the borrower's industry and economic environment are considered in determining whether there has been a significant increase in the credit risk of the borrower.

(d) Purchased or originated credit-impaired assets (POCI)

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are defined as POCI. This population includes the recognition of a new financial instrument following a renegotiation where concessions have been granted for economic or contractual reasons relating to the borrower's financial difficulty that otherwise would not have been considered. The amount of change-in-lifetime ECL is recognised in profit or loss until the POCI is derecognised, even if the lifetime ECL is less than the amount of ECL included in the estimated cash flows on initial recognition.

(e) Definition of default

The Fund determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily whether:

- contractual payments of either principal or interest are past due for 90 days or more;
- there are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the financial asset is otherwise considered to be in default.

If such unlikeliness to pay is not identified at an earlier stage, it is deemed to occur when an exposure is 90 days past due.

(f) Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

(g) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets – policies under IFRS 9 (continued)

Measurement

Expected credit losses are calculated by multiplying three main components, being the probability of default ("PD"), loss given default ("LGD") and the exposure at default ("EAD"), discounted at the original effective interest rate. Management has calculated these inputs based on the historical experience of the portfolios adjusted for the current point in time. A simplified approach to calculating the ECL is applied to contract and other receivables which do not contain a significant financing component. Generally, these receivables are due within 12 months unless there are extenuating circumstances. Under this approach, an estimate is made of the life-time ECL on initial recognition (i.e. Stage 3). For ECL provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a Fund are homogeneous.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience; but given that IFRS 9 requirements have only been applied since January 1, 2018, the Fund has been unable to make these comparisons. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'downside scenarios' which have not generally been subject to experience gained through stress testing. The exercise of judgement in making estimations requires the use of assumptions which are highly subjective and sensitive to the risk factors, and particularly to changes in economic and credit conditions across wide geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances are sensitive. Therefore, sensitivities are considered in relation to key portfolios which are particularly sensitive to a few factors and the results should not be further extrapolated.

The main difference between Stage 1 and Stage 2 expected credit losses is the respective PD horizon. Stage 1 estimates will use a maximum of a 12-month PD while Stage 2 estimates will use a lifetime PD. Stage 3 estimates will continue to leverage existing processes for estimating losses on impaired loans, however, these processes will be updated to reflect the requirements of IFRS 9, including the requirement to consider multiple forward-looking scenarios. An expected credit loss estimate will be produced for each individual exposure, including amounts which are subject to a more simplified model for estimating expected credit losses.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions.

For defaulted financial assets, based on management's assessment of the borrower, a specific provision of expected life-time losses which incorporates collateral recoveries, is calculated and recorded as the ECL. The resulting ECL is the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate.

Forward looking information

The estimation and application of forward-looking information will require significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets – policies under IFRS 9 (continued)

Forward looking information (continued)

Each macroeconomic scenario used in the expected credit loss calculation will have forecasts of the relevant macroeconomic variables – including, but not limited to, unemployment rates and gross domestic product, for a three-year period, subsequently reverting to long-run averages. Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios. Our base case scenario will be based on macroeconomic forecasts where available.

Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions.

Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant. Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis.

(h) Modification of loans

The Fund sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers and debt instruments. When this happens, the Fund assesses whether or not the new terms are substantially different to the original terms. The Fund does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flow to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Fund derecognises the original financial asset and recognises a new asset at fair value and recalculates the new effective interest rate for the asset. The date of negotiation is consequently considered to the be the date of initial recognition for impairment calculation purposes and the purpose of determining if there has been a significant increase in credit risk. At this point the Fund will assess if the asset is POCI.

(i) Re-classified balances

The Fund reclassifies debt instruments when and only where its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

(j) Classification of equity instruments

The Fund classifies and subsequently measures all equity investments at FVTPL.

(k) Presentation in the statement of comprehensive income

Debt and equity instruments measured at FVTPL

Realised changes in fair value, unrealised changes in fair value, interest income and dividend income are included in net investment income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial assets – policies under IAS 39

(a) Classification

The Fund classifies its financial assets into two categories:

- financial assets at fair value through profit or loss;
- loans and receivables.

Management determines the appropriate classification of these assets at initial recognition.

Financial assets in the category at fair value through profit or loss have been so designated by management at inception since the assets form part of a managed portfolio whose performance is evaluated on a fair value basis in accordance with a documented investment strategy.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, unless designated as fair value through profit or loss on initial recognition.

(b) Recognition, derecognition and measurement

Purchases and sales of financial investments are recognised on the trade date. Interest income arising on financial investments is accrued using the effective interest rate method.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards and rewards of ownership.

Loans and receivables are initially recorded at fair value and are subsequently carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through profit or loss are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Transaction costs are expensed in the statement of comprehensive income. Realised and unrealised gains and losses are recorded as net investment gains or losses in the statement of comprehensive income. Interest and dividend income are recorded under their respective headings in investment income.

(c) Fair value

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets traded in active markets is based on quoted market prices based on bid prices. In estimating the fair value of non-traded financial assets, the Fund uses a variety of methods such as obtaining dealer quotes and using discounted cashflow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security according to the perceived additional risk of the non-government security. The fair value of mutual funds is based upon prices as determined by the investee fund managers and administrators.

(d) Impaired financial assets

Financial assets are assessed for impairment at each reporting date. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

An impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by an allowance for impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Financial assets – policies under IFRS 9 (continued)

(d) Impaired financial assets (continued)

If in a subsequent period, the amount of the impairment loss for a debt security decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in income.

2.6 Investment property

Investment property consists of freehold lands and freehold properties not occupied by the Fund which are held for rental income and/or capital appreciation.

Investment property is recorded initially at cost and subsequently at fair value determined by independent valuers, with the appreciation or depreciation in value being taken to investment income. Investment property includes property partially owned by the Fund and held under joint operations with third parties for which the Fund recognises its share of the joint operation's assets, liabilities, revenues, expenses and cash flows. On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to income.

Transfers to or from investment properties are recorded when there is a change in use of the property. Transfers to real estate developed for resale are recorded at their fair value at the date of change in use.

Rental income is recognised on an accrual basis.

2.7 Real estate developed for resale

Lands being made ready for resale along with the cost of infrastructural works are classified as real estate held for resale and are stated at the lower of cost and net realisable value.

Gains and losses realised on the sale of real estate are included in income at the time of sale.

2.8 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise:

- cash balances,
- call deposits,
- proportionate interests in cash balances of managed joint operations

Cash equivalents are subject to an insignificant risk of change in value.

2.9 Provisions

Provisions are recognised when the Fund has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Interest income and expenses

Policies under IFRS 9

Interest income (expense) is computed by applying the effective interest rate based to the gross carrying amount of a financial asset (liability), except for financial assets that are purchased, originated or subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (i.e. after deduction of the loss allowance). Interest includes coupon interest and accrued discount and premium on financial instruments. Dividend income is recorded when declared.

Policies under IAS 39

Interest income and interest expense are recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective yield method based on the initial transaction price. Interest includes coupon interest and accrued discount and premium on financial instruments.

2.11 Taxation

The Fund is exempt from Barbados taxation.

The Fund currently incurs withholding taxes imposed by certain countries or financial institutions on investment income. Such income is recorded gross of withholding tax in the statement of

comprehensive income and the related tax imposed is recorded as a receivable until these amounts are recoverable or expensed as incurred.

2.12 Management fee

As a result of serving as Trustee and Manager of the Fund, Sagicor Life Inc receives a management fee based on the Net Asset Value of the Fund, calculated at a rate of 0.75% per annum.

2.13 Units

The Fund issues redeemable units which are redeemable at the holder's option. Units are carried at the redemption amount that is payable at the statement of financial position date should the holder exercise the right to redeem the shares. Units redeemed may be put back to the Fund for cash or transfer of assets representing the value of the units redeemed.

Units are classified as equity as they meet the following criteria:

- *They entitle the holder to a pro-rata share of the net assets of the Fund.*
- The total expected cash flows attributable to the units over their life are based substantially on the profits or loss of the Fund.
- The Fund is contractually obliged to deliver cash to unit holders on the repurchase of units or transfer assets representing the value of units redeemed.
- The rights and features attached to each unit are identical.

2.14 Net asset value per unit

With effect from June 15, 2018, the Fund adopted a forward pricing policy of valuing transactions. The consideration received or paid for units issued or repurchased respectively is now converted to units based on the Fund's net asset value per unit at the next valuation period.

The net asset value per unit is calculated by dividing the net assets by the number of units.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Property, plant and equipment

Property, plant and equipment comprise mainly furnishings and office equipment and represent the Fund's proportionate interest in joint operations. These assets are initially recorded at cost and subsequent expenditure is capitalised if future economic benefits are expected.

Depreciation is calculated on property, plant and equipment on the straight line basis at rates calculated to allocate the cost of the assets concerned over their estimated useful lives. The estimated useful lives for this purpose are as follows:

Plant and equipment, furniture and fittings	10 years
Computer software and equipment	3 -10 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Any gain or loss on disposal included in the statement of comprehensive income is determined by comparing proceeds to the asset's carrying value at the time of disposal.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Fund's reported assets, liabilities, revenues and expenses. The items which may have the most effect on the Fund's financial statements are set out below.

3.1 Impairment of financial assets – policies under IFRS 9

In determining ECL (defined in note 2.4(c)), management is required to exercise judgement in defining what is considered a significant increase in credit risk and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. Further information about the judgements involved is included in the earlier sections 'Measurement' and 'Forward-looking information'.

(a) Establishing staging for debt securities and deposits

The Fund's internal credit rating model is a 10-point scale which allows for distinctions in risk characteristics and is referenced to the rating scale of international credit rating agencies.

The scale is set out in the following table:

Category		Sagicor Risk Rating	Classification	S&P	Moody's	Fitch	AM Best
Non-default	Investment grade	1	Minimal risk	AAA, AA	Aaa, Aa	AAA, AA	aaa, aa
		2	Low risk	A	A	A	a
		3	Moderate risk	BBB	Baa	BBB	bbb
	Non-investment grade	4	Acceptable risk	BB	Ba	BB	bb
		5	Average risk	B	B	B	b
	Watch	6	Higher risk	CCC, CC	Caa, Ca	CCC, CC	ccc, cc
		7	Special mention	C	C	C	c
Default		8	Substandard Gross	D	C	DDD	d

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Impairment of financial assets – policies under IFRS 9 (continued)

(a) Establishing staging for debt securities and deposits (continued)

The Fund uses its internal credit rating model to determine which of the three stages an asset is to be categorized for the purposes of ECL.

Once the asset has experienced a significant increase in credit risk the investment will move from Stage 1 to Stage 2. Sagicor has assumed that the credit risk of a financial instruments has not

increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial asset that is investment grade or Sagicor risk rating of 1-3 is considered low credit risk.

Stage 1 investments are rated (i) investment grade, or (ii) below investment grade at origination and have not been downgraded more than 2 notches since origination. Stage 2 investments are assets which (i) have been downgraded from investment grade to below investment grade, or (ii) are rated below investment grade at origination and have been downgraded more than 2 notches since origination. Stage 3 investments are assets in default.

(b) Establishing staging for other assets measured at amortised cost, lease receivables, loan commitments and financial guarantee contracts

Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2 when:

Qualitative test
- accounts that meet the portfolio's 'high risk' criteria and are subject to closer credit monitoring.

Backstop Criteria
- accounts that are 30 calendar days or more past due. The 30 days past due criteria is a backstop rather than a primary driver of moving exposures into stage 2.

(c) Forward looking information

When management determines the macro-economic factors that impact the portfolios of financial assets, they first determine all readily available information within the relevant market. Portfolios of financial assets are segregated based on product type, historical performance and homogenous country exposures. There is often limited timely macro-economic data for Barbados, Eastern Caribbean, Trinidad and Jamaica. Management assesses data sources from local government, International Monetary Fund and other reliable data sources. A regression analysis is performed to determine which factors are most closely correlated with the credit losses for each portfolio. Where projections are available, these are used to look into the future up to three years and subsequently the expected performance is then used for the remaining life of the product. These projections are re-assessed on a quarterly basis.

(d) Impairment of Government of Barbados debt securities

As further disclosed in note 12.3 (b) during the year, the Group participated in a debt exchange following the implementation of a debt restructuring programme by the Government of Barbados. The replacement debt securities are classified as purchased or originated credit-impaired assets (POCI) and have been valued using an internally generated yield curve derived from the Central Bank of Barbados base-line yield curve to which management has applied a risk premium. If the risk premium at all durations was increased / decreased by 15 / 25 basis points, the value of the POCI debt instruments on exchange would decrease / increase by 2% / 4%.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Impairment of financial assets – policies under IAS 39

An available for sale debt security or a loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral and guarantees, and the financial condition and financial viability of the borrower. The determination of impairment may either be considered by individual asset or by a Companying of assets with similar relevant characteristics.

The Fund invests in a number of sovereign financial instruments that are not quoted in an active market, these assets are classified as loans and receivables and are carried at amortised cost less provision for impairment in the financial statements. The Fund has assessed these instruments for impairment and concluded that based on all information currently available, that no impairment exists at December 31, 2017 in accordance with the accounting policies of the Fund.

3.3 Fair value of securities not quoted in an active market

The fair value of securities not quoted in an active market may be determined using reputable pricing sources (such as pricing agencies), indicative prices from bond/debt market makers or other valuation techniques. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Fund exercises judgement on the quality of pricing sources used. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily discounted cash flows.

The models used to determine fair values are periodically reviewed by experienced personnel. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

3.4 Valuation of investment property

The Fund utilises professional valuers to determine the fair value of its investment properties. Valuations are determined through the application of a variety of different valuation methods which are all sensitive to the underlying assumptions chosen. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values.

For some tracts of land which are currently un-developed, the fair value may reflect the potential for development within a reasonable period of time. Information about fair value technique is disclosed in Note 11.

Amounts expressed in Barbados Dollars

4. INVESTMENT PROPERTY

Investment property is carried at fair value as determined by independent valuers using internationally recognised valuation techniques.

The movement in investment property for the year is as follows:

	2018 $	2017 $
Balance, beginning of year	56,650,003	57,100,000
Fair value loss recorded in income	(658,336)	(449,997)
Balance, end of year	55,991,667	56,650,003

Wholly owned properties:

Letchworth Complex, Garrison, St. Michael
Letchworth Cottage, Garrison, St. Michael
CIBC First Caribbean International Bank, Rendezvous, Christ Church
City Centre, Bridgetown
Land at Plum Tree, St. Thomas

Investment property includes $22,816,667 (2017- $23,050,003) which represents the Fund's proportionate interest in joint operations in Barbados summarized in the following table.

Description of property	Percentage ownership
Land at Fort George Heights, Upton, St. Michael	50.0%
United Nations House, Marine Gardens, Christ Church	50.0%
Trident House Properties, Lower Broad Street, Bridgetown	33.3%

A related party owns a 50% interest in Fort George Heights and United Nations House, respectively and a 33% interest in Trident House Properties.

Other balances included in the financial statements in respect of the above joint operations are as follows:

	2018 $	2017 $
Real estate developed for resale	327,547	327,547
Accounts receivable	2,592,298	2,089,314
Property, plant and equipment	1,249,320	1,061,448
Cash resources	756,028	373,366
Deposits received on real estate developed for resale	5,600	5,600
Accounts payable	1,206,197	1,185,483
Net rental income	1,428,402	1,302,257
Depreciation in fair value of investment property	(658,336)	(449,997)

Amounts expressed in Barbados Dollars

5. INVESTMENT IN ASSOCIATED COMPANIES

The movements in the investment in associated companies during the year are summarised in the following table.

	Primo Holdings Limited 2018 $	Haggatt Hall Holdings Limited 2018 $	Total 2018 $
Investment at the beginning of the year	623,461	3,197,545	3,821,006
Share of (loss)/ income	(12,352)	96,499	84,147
Property revaluation surplus	-	662,848	662,848
Investment at the end of the year	611,109	3,956,892	4,568,001

	Primo Holdings Limited 2017 $	Haggatt Hall Holdings Limited 2017 $	Total 2017 $
Investment at the beginning of the year	672,831	3,182,206	3,855,037
Share of (loss)/income	(49,370)	15,339	(34,031)
Investment at the end of the year	623,461	3,197,545	3,821,006

The Fund holds interests in two property investment companies. Proportionate interests are as follows:

- 37.5% (2017 - 37.5%) in Primo Holdings Limited, incorporated in Barbados
- 33.3% (2017 - 33.3%) in Haggatt Hall Holdings Limited, incorporated in Barbados

The amount of $22,663 (2017 - $22,663) due from associated company Primo Holdings Limited, is interest free, unsecured and has no fixed terms of repayment.

Amounts expressed in Barbados Dollars

5. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The aggregate balances and results in respect of the associated companies for the year are set out below:

	Haggatt Hall Holdings Limited		Primo Holding Limited	
ASSETS	**2018**	**2017**	**2018**	**2017**
Property, Plant and Equipment	30,122,718	28,774,261	-	-
Cash resources	(50,579)	249,215	-	-
Other investments and assets	773,095	875,004	2,000,000	2,000,000
Total Assets	30,854,234	29,898,480	2,000,000	2,000,000
LIABILITIES				
Non Current liabilities				
Current liabilities	19,129,808	20,461,095	471,400	438,460
Total liabilities	19,129,808	20,461,095	471,400	438,460
Net Assets	**11,715,426**	**9,437,385**	**1,528,600**	**1,561,540**

Summarised Statement of Comprehensive Income

	Haggatt Hall Holdings Limited		Primo Holding Limited	
	2018	**2017**	**2018**	**2017**
REVENUE				
Net Rental Income	2,473,049	2,478,749	-	-
Other Income	1,238,009	1,250,364	-	-
Total Revenue	3,711,058	3,729,113	-	-
EXPENSES				
Finance Charges	1,261,975	1,350,340	-	-
Depreciation	676,203	677,202	-	-
Repairs & Maintenance	523,473	524,002	-	-
Income Tax Expenses	215,021	185,044	-	-
Deferred Tax Expenses	35,069	27,084	-	-
Other	673,536	787,463	32,940	131,650
Total Expenses	3,383,087	3,551,135	32,940	131,650
Total Comprehensive income	325,781	177,978	(32,940)	(131,650)

Amounts expressed in Barbados Dollars

5. INVESTMENT IN ASSOCIATED COMPANIES (continued)

Reconciliation to carrying amounts

	Haggatt Hall Holdings Limited		Primo Holdings Limited	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Opening net assets 1 January	9,437,385	9,259,407	1,561,540	1,693,190
Profit /(loss) for the period	325,781	177,978	(32,940)	(131,650)
Revaluation Surplus	1,988,544	-	-	-
Prior Year Adjustment	(36,284)	-	-	-
Closing net assets	11,715,426	9,437,385	1,528,600	1,561,540
Fund's share in %	33.3%	33.3%	37.5%	37.5%
Fund's Share in $	3,905,142	3,145,795	573,224	585,576
Capitalisation of Acquisition costs	51,750	51,750	37,885	37,885
Carrying Amount	3,956,892	3,197,545	611,109	623,461

6. RELATED PARTY BALANCES

These balances are interest free, unsecured and have no fixed terms of repayment. A nil balance (2017 - $322,280) due to Sagicor (Bonds) Fund which bore interest at a rate of 7.75% (2017 – 7.75%) per annum and is fully repaid.

A summary of related party transactions is disclosed in note 17.

7. INCOME TAX ASSETS

Income tax assets arise from deductions of withholding tax at source on interest income from local financial investments. The Fund's tax-exempt status entitles it to a refund of these taxes from the Barbados Revenue Authority.

Sensitivity Analysis

At December 31, 2018, the carrying value of the balance due from the Barbados Revenue Authority amounted to $1,272,803. In the absence of specific information about the timing of receipt of the amount receivable management has made a judgement based on their overall experience that this amount will be collected within four years and applied an appropriate discount rate to determine the carrying value. The calculation of the carrying value is sensitive to the time to collect and the discount rate used. The sensitivity of the carrying value to a longer time to collect and the discount rate implied by the time is disclosed below:

Time to Collect	Discount Rate	Carrying Value Adjustment
Five Years	3.88%	220,342
Six Years	4.25%	281,275

Withholding tax incurred on extra-regional financial investments is not collectable by the Fund and is therefore written off as an expense in the year in which it is incurred.

Amounts expressed in Barbados Dollars

8. REAL ESTATE DEVELOPED FOR RESALE, DEPOSITS RECEIVED ON REAL ESTATE DEVELOPED FOR RESALE

Real estate developed for resale and deposits received on real estate developed for resale represent the Fund's proportionate interests in joint operations as set out below:

Description of property	Percentage owned by the Fund
Land at Fort George Heights, Upton, St. Michael	50%

9. ACCOUNTS RECEIVABLE

	2018 $	2017 $
Rent receivable	3,416,363	2,838,891
Dividend receivable	616,843	2,045,633
Unsettled transactions	1,256,962	598,722
Net advances to unit holders	1,707,557	-
Other receivables	1,341,731	1,532,767
Total accounts receivable	8,339,456	7,016,013
Less: Provision for impairment of receivables	(689,681)	(689,681)
	7,649,775	6,326,332

The balance of $1,707,557 represents net redemptions paid to unit holders, which at year-end, are awaiting conversion to units, at the December 31, 2018 net asset value per unit. With effect from June 15, 2018, the Fund implemented a forward pricing policy of valuing transactions. Under this policy, transactions are converted to units at the per unit net asset value computed at the month-end. As the obligation to reduce units for the net redemptions paid, takes effect after the December 31, 2018 per unit net asset value is computed, the net amount disbursed to unit holders is classified as an advance.

Amounts expressed in Barbados Dollars

10. FINANCIAL INVESTMENTS

10.1 Analysis of financial investments

	2018 IFRS 9 basis		2017 IAS 39 basis	
	Carrying Value $	Fair Value $	Carrying Value $	Fair Value $
Investments at FVTPL				
Fair value through profit and loss:				
International – Listed	23,923,898	23,923,898	34,001,309	34,001,309
Local – Unlisted	5,108,900	5,108,900	7,140,018	7,140,018
Regional – Unlisted	9,686,847	9,686,847	2,844,874	2,844,874
Total debt securities	**38,719,645**	**38,719,645**	**43,986,201**	**43,986,201**
Common Shares – Local Listed	120,349,990	120,349,990	110,373,216	110,373,216
Common Shares – Regional Listed	28,955,654	28,955,654	28,653,507	28,653,507
Common Shares – International Listed	115,896,197	115,896,197	202,802,993	202,802,993
Common Shares – Unlisted	84,821	84,821	84,821	84,821
Preference Shares – Listed	-	-	334,823	334,823
Alternative Investments – Listed	111,622,641	111,622,641	23,956,492	23,956,492
Alternative Investments – Unlisted	33,555,781	33,555,781	36,748,288	36,748,288
Mutual Funds – Listed	4,353,355	4,353,355	4,951,566	4,951,566
Mutual Funds - Unlisted	2,573,105	2,573,105	2,704,700	2,704,700
Total equity securities	**417,391,544**	**417,391,544**	**410,610,406**	**410,610,406**

	2018 IFRS 9 basis		2017 IAS 39 basis	
	Carrying Value $	Fair Value $	Carrying Value $	Fair Value $
Investments at amortised cost:				
Deposits	1,405,453	1,405,453	11,800,158	11,800,158
Mortgage loans	19,719,028	19,787,087	10,806,356	10,852,833
Total investments at amortised cost:	**21,124,481**	**21,192,540**	**22,606,514**	**22,652,991**
Total financial investments	**477,235,670**	**477,303,729**	**477,203,121**	**477,249,598**

The fair value of the fixed rate mortgage loans is $7,906,705 (2017 - $8,495,398) and the carrying value is $ 7,838,646 (2017 - $8,448,921). All other amounts approximate their fair value.

See note 12.4 for the fair value of investments at amortised cost.

Amounts expressed in Barbados Dollars

10. FINANCIAL INVESTMENTS (continued)

10.1 Analysis of financial investments (continued)

Debt securities comprise:	**2017** $	**2018** $
Government debt securities		
International – Listed	15,926,091	28,236,939
Local – Unlisted	5,108,900	7,140,018
Regional – Unlisted	4,320,653	2,844,874
Corporate debt securities – Listed	7,997,807	5,764,370
Corporate debt securities – Unlisted	5,366,194	-
	38,719,645	43,986,201

Equity securities include shares in Sagicor Financial Corporation, a related party, of $3,799,119 (2017 - $3,210,923).

Debt securities classified at fair value through profit or loss and valued using internally developed models amounted to $14,795,747 (2017 - $9,984,892).

Significant concentrations of equity securities, exceeding 2.5% of total exposures, are as follows:

		2018		**2017**
	% of Total	**$**	**% of Total**	**$**
Goddard Enterprises Limited	14.73%	67,409,667	12.35%	57,609,338
Massy Holdings Ltd	6.17%	28,214,683	6.18%	28,840,655
CIBC First Caribbean International Bank (Barbados) Ltd	6.40%	29,281,034	6.23%	29,069,241
Vanguard Tax Managed International FTSE	5.28%	24,162,636	-	-
RBC Royal Bank of Canada	5.06%	23,151,576	5.91%	27,577,355
Vanguard Value ETF Unsolicited	4.61%	21,087,460	-	-

11. FAIR VALUE OF INVESTMENT PROPERTY

Investment property is carried at fair value as determined by independent valuations using internationally recognised valuation techniques. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values. The highest and best use of a property is also considered in determining its fair value.

Some tracts of land are currently un-developed or are leased to third parties. In determining the fair value of all lands, their potential for development within a reasonable period is assessed, and if such potential exists, the fair value reflects that potential. These lands are located in Barbados and the Fund has adopted a policy of orderly development and transformation to realise their full potential over time.

The fair value hierarchy has been applied to the valuations of the Fund's property. The different levels of the hierarchy are as follows:

- Level 1 - fair value is determined by quoted un-adjusted prices in active markets for identical assets;
- Level 2 - fair value is determined by inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly;
- Level 3 - fair value is determined from inputs that are not based on observable market data.

The results of applying the fair value hierarchy to the Fund's property are as follows:

As of December 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Investment property	-	-	55,991,667	55,991,667

As of December 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
	$	$	$	$
Investment property	-	-	56,650,003	56,650,003

Amounts expressed in Barbados Dollars

11. FAIR VALUE OF INVESTMENT PROPERTY (continued)

A summary of the valuation techniques used is presented as follows:

	Fair Value $ 2018	Fair Value $ 2017	Valuation Technique	Unobservable Inputs	Range of Inputs 2018	Range of Inputs 2017	Relationship of Unobservable Inputs to Fair value
Land	11,650,000	12,050,003	Sales Comparison	Price per square foot	$1.63 to $10.66	$1.69 to $10.66	The higher the price per square foot, the higher the value.
Commercial property	2,841,667	2,933,333	Sales Comparison	Price per square foot	$27.34 to $62.78	$28.28 to $68.24	The higher the price per square foot, the higher the value.
Commercial property	41,500,000	41,666,667	Discounted cash flows	Discount rate, capitalisation rate	8.0% to 10.0%	8.0% to 10.0%	The lower the capitalisation rate or discount rate, the higher the fair value.
Total	**55,991,667**	**56,650,003**					

Commercial properties valued at $2,841,667 (2017 - $2,933,333) are mature and under-tenanted. These properties are therefore not in their highest and best use. Under these circumstances, the discounted cash flows technique was not considered to offer a good indicator of value. Fair values for these properties were derived from the use of the sales comparison method.

Valuation Process

The Fund engages external independent and qualified valuers to determine the fair value of the Fund's investment properties at the end of the year. The main level 3 inputs used by the Fund are determined and evaluated as follows – discount rate, terminal yield, expected vacancy rates and rental growth rates are estimated by the valuer based on comparable transactions.

12. FINANCIAL RISK

Financial risk factors

The Fund's activities of accepting funds from unit holders and investing these funds in a variety of financial and other assets expose the Fund to various financial risks.

Financial risks include credit, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The effects of these risks are disclosed in the sections below.

The fund is also exposed to operations such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodians.

The overriding objective of the Fund's risk management framework is to enhance its capital base through long term capital growth and to protect capital against inherent business risks. This means that the Fund accepts certain levels of risk in order to generate returns, and the Fund manages the levels of risk assumed through risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

The effects of financial risks are disclosed in the sections below.

12.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Fund. Credit risks are primarily associated with financial investments held.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as the local and regional stock exchanges act as the clearing facilitator, ensuring that monies are placed in the clearing accounts.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor the Fund's credit position on a quarterly basis.

Rating of financial assets

The Fund's credit rating model (note 3.1) applies a rating scale to four categories of exposures:

- Investment portfolios, comprising debt securities, deposits and cash;
- Lending portfolios, comprising mortgages

For lending portfolios, the three default ratings of 8, 9 and 10 are utilised, while for investment portfolios, one default rating (8) is utilised.

In sections 12.2 and 12.3 below, we set out various credit risks and exposures in accordance of assets measured in accordance with IFRS 9. In section 12.4, we set out risks and exposures of assets measured in accordance with IAS 39.

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.2 Credit risk exposure – financial assets subject to impairment (IFRS 9 basis)

The maximum exposures of the Fund to credit risk are set out in the following table.

	2018	
	$	%
Bonds at FVTPL	38,719,645	50
Deposits at amortised cost	1,405,453	2
Investment portfolio	**40,125,098**	**52**
Mortgage loans, net, at amortised cost	19,719,028	26
Lending portfolio	**19,719,028**	**26**
Due from Sagicor Life Inc	49,773	0
Due from associated company	22,663	0
Accounts receivable	7,649,775	10
Cash resources	9,276,387	12
Other financial assets	**16,998,598**	**22**
Total balance sheet exposures	76,842,724	99
Mortgage loan commitments	394,663	1
Total	**77,237,387**	**100**

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.2 Credit risk exposure – financial assets subject to impairment (IFRS 9 basis) (continued)

Credit Risk Exposure – financial investments subject to impairment

Financial assets carried at amortised cost are subject to credit impairment losses which are recognised in the statement of income.

The following tables contain analyses of the credit risk exposure of financial investments for which an ECL allowance is recognised.

	Mortgage loans – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
December 31:					
Credit grade:					
Investment	-	-	-	-	-
Non-Investment	-	-	-	-	-
Watch	-	-	-	-	-
Unrated	19,729,528	-	104,968	-	19,834,496
Gross carrying amount	19,729,528	-	104,968	-	19,729,528
Loss allowance	(115,468)	-	-	-	(115,468)
Carrying amount	19,614,060	-	104,968	-	19,719,028

	Term Deposits – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
December 31:					
Credit grade:					
Investment	302,483	-	-	-	302,483
Non-Investment	-	-	-	-	-
Watch	1,120,175	-	-	-	1,120,175
Unrated	160	-	-	-	160
Gross carrying amount	1,422,818	-	-	-	1,422,818
Loss allowance	(17,365)	-	-	-	(17,365)
Carrying amount	1,405,453	-	-	-	1,405,453

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.3 Credit impairment losses – financial assets subject to impairment (IFRS 9 basis)

The allowance for ECL is recognised in each reporting period and is impacted by a variety of factors, as described below:

- Transfers between stages due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired during the period;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to inputs used in the calculation including the effect of 'step-up' (or 'step down') between 12-month and life-time ECL;
- Impacts on the measurement of ECL due to changes made to models and assumptions; and
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements;

The following tables contain analyses of the movement of loss allowances from January 1, 2018 to December 31, 2018 in respect of financial investments subject to impairment.

	Mortgage loans – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Loss allowance at January 1, 2018	(72,939)	-	-	-	(72,939)
Changes to inputs used in ECL calculation	(42,529)	-	-	-	(42,529)
Loss allowance at December 31, 2018	(115,468)	-	-	-	(115,468)
Credit impairment recorded in income					(42,529)

	Term Deposits – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Loss allowance at January 1, 2018	(77,218)	-	-	-	(77,218)
Changes to inputs used in ECL calculation	59,853	-	-	-	59,853
Loss allowance at December 31, 2018	(17,365)	-	-	-	(17,365)
Credit impairment recorded in income					59,853

12. FINANCIAL RISK (continued)

12.3 Credit impairment losses – financial assets subject to impairment (IFRS 9 basis) (continued)

(a) Economic variable assumptions

The Fund has selected three economic factors which provide the overall macroeconomic environment in considering forward looking information for base, upside and downside forecasts. These are as follows:

	As of December 31,			As of January 1,		
	2019	**2020**	**2021**	**2019**	**2020**	**2021**
Unemployment rate (USA)						
Base	4.2%	4.3%	4.4%	4.7%	4.2%	4.3%
Upside	4.0%	4.2%	4.3%	4.4%	4.0%	4.2%
Downside	4.4%	4.7%	4.8%	5.2%	4.4%	4.7%
World GDP						
Base	3.7%	3.7%	3.6%	3.7%	3.7%	3.7%
Upside	5.4%	5.4%	5.4%	5.6%	5.4%	5.4%
Downside	2.8%	2.8%	2.7%	2.8%	2.8%	2.8%

(b) Government of Barbados debt securities in default

During the month of June 2018, the Government of Barbados (GOB) suspended all payments to creditors of its external commercial debt which is denominated primarily in US dollars. Interest payments due on June 5, 2018 and June 15, 2018 were not made. Principal payments on matured domestic debt which is denominated in Barbados dollars were suspended and debt holders were required to roll-over principal balances.

The announcement of the suspended payments was evidence that the financial assets were credit-impaired and consequently, in June Sagicor re-classified its GOB debt security holdings to Stage 3 with a probability of default of 100%. Some GOB debt instruments were purchased more recently and therefore there were instruments that had not yet experienced a significant increase in credit risk relative to the initial credit risk and moved from Stage 1 to Stage 3 upon the announcement.

On September 7, 2018 the GOB announced its debt restructuring program which is being done in conjunction with the economic recovery plan and an IMF programme. The IMF programme will allow Barbados to reduce its current debt service cost substantially and it is expected that the manageability of the restructured cash flows will improve the credit quality of the instrument offered in the debt exchange.

As at September 30, 2018 the negotiations of the new bond were materially completed and on October 3, 2018 Sagicor signed an agreement with the Government of Barbados which outlined the terms of the debt exchange. In exchange for its debt, the Fund has accepted the following securities:

Series D

A 35-year amortising bond with interest rates ranging from 1.5% for the first 5 years to 7.5% for years 16 through to maturity. Interest on these bonds is paid quarterly with the first payment due on November 30, 2018. The principal will be repaid in three equal instalments commencing one year prior to maturity with the final payment on August 31, 2053.

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.3 Credit impairment losses – financial assets subject to impairment (IFRS 9 basis) (continued)

External Debt

The restructuring of the external debt is yet to be finalised.

Credit impairment loss and de-recognition of original domestic debt securities

As a result of the debt restructure outlined above, a credit impairment loss has been recognised in the statement of income. In addition, the domestic debt securities were de-recognised since the maturity profile and interest rates of the replacement debt securities were materially different. In November 2018, management derived a yield curve from which the initial fair values of the replacement securities were determined. The yield curve was derived from the Central Bank of Barbados base-line yield curve to which management applied a further risk premium considering:

- the GOB credit rating relative to investment grade,
- the potential for further default,
- the lack of liquidity of the debt, and
- the economic uncertainty as Barbados enters a period of severe economic reform and structural adjustment.

The risk premium derived is summarised in the following table.

Years	Spread
0-10	25 bps
11-21	50bps
22-24	75 bps
25-29	100 bps
30-50	150 bps

The replacement debt securities are classified as "originated credit-impaired" (POCI).

The consequential movement in the carrying values of GOB debt for the period referred to above is summarised as follows:

GOB Debt Securities	Domestic debt
Gross carrying value prior to default	6,859,688
Fair value adjustment prior to default	(1,959,911)
Net carrying value prior to default	4,899,777
Accrued interest, ECL and other adjustments	153,059
Carrying value as of October 3, 2018	5,052,836
Fair value on recognition of replacement securities	4,951,055
Loss on de-recognition of original securities	(101,781)

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.4 Credit risk – financial investments measured on IAS 39 basis

The maximum exposures of the Fund to credit risk without taking into account any collateral or credit enhancements are set out below.

	2017	
	$	%
Bonds	43,986,201	42
Deposits	11,800,158	11
Investment portfolio	**55,786,359**	**53**
Mortgage Loans	10,806,356	10
Lending portfolio	**10,806,356**	**10**
Due from associated company	22,663	0
Accounts receivable	6,326,332	6
Cash resources	30,651,424	30
Other financial assets	**37,000,419**	**36**
Total balance sheet exposures	103,593,134	99
Mortgage loan commitments	1,501,994	1
Total	**105,095,128**	**100**

12. FINANCIAL RISK (continued)

12.4 Credit risk – financial investments measured on IAS 39 basis (continued)

The results of the risk rating of investment and lending portfolios respectively are as follows:

		Investment portfolios		Lending portfolios	
		2017		2017	
Risk Rating	Classification	Exposure $000	Exposure $000	Exposure $000	Exposure %
1	Minimal risk	-	0%	-	0%
2	Low risk	8,284,319	15%	541,843	25%
3	Moderate risk	20,897,264	37%	6,562,003	36%
4	Acceptable risk	15,019,568	27%	3,579,027	15%
5	Average risk	2,844,874	5%	-	0%
6	Higher risk	8,740,334	16%	123,483	9%
7	Special mention	-	0%	-	5%
8	Substandard	-	0%	-	10%
9	Doubtful	-	0%	-	0%
10	Loss	-	0%	-	0%
TOTAL RATED EXPOSURES		55,786,359	100%	10,806,356	100%
UN-RATED EXPOSURES		-	0%	-	0%
TOTAL		55,786,359	100%	10,806,356	100%

12. FINANCIAL RISK (continued)

12.4 Credit risk – financial investments measured on IAS 39 basis (continued)

The Fund's largest exposures to individual counterparty credit risks exceeding 2.5% of total exposures, as of December 31, 2018 as rated by Standard and Poor's or international equivalent, with their comparative amounts are set out below.

	Risk rating	2018 $	Risk rating	2017 $
Debt securities:				
Government of Barbados - denominated in Barbados dollars	B-	5,108,900	CCC	7,140,018
Government of Bermuda – denominated in United States dollars	A+	4,835,869	A+	7,981,910
Government of Bahamas - denominated in United States dollars	BB+	1,917,400	BB+	6,247,966
Government of Panama – denominated in United States dollars	-	-	BBB	12,060,381
Republic of Trinidad & Tobago – denominated in United States dollars	BBB+	9,172,822	BBB+	1,946,682
Government of St. Lucia – denominated in United States dollars	-	4,320,653	-	2,844,874
Sagicor Finance Ltd – denominated in United States dollars	-	-	BB-	5,764,369
Deposits and cash resources:				
Capita Financial Services Inc.	-	1,120,175	-	1,600,316
First Citizens Investment Services (Barbados) Limited	-	-	BBB	5,664,947
Globe Finance Inc.	-	-	-	3,007,233

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.4 Credit risk – financial investments measured on IAS 39 basis (continued)

(a) Past due and impaired financial investments

A financial asset is past due when a counterparty has failed to make payment when contractually due.

The Fund is most exposed to the risk of past due assets with respect to its financial investments namely debt securities and mortgage loans.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded.

Mortgage loans less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary. The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed. Accumulated allowances for impairment reflect the Fund's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of debt securities and mortgage loans analysed by past due or impairment status.

As of December 31, 2018	**Debt securities $**	**Mortgage loans $**
Neither past due nor impaired	38,719,645	19,307,549
Past due up to 3 months, but not impaired	-	300,729
Past due up to 12 months, but not impaired	-	110,750
Total	38,719,645	19,719,028

As of December 31, 2017	**Debt securities $**	**Mortgage loans $**
Neither past due nor impaired	43,986,201	10,237,708
Past due up to 3 months, but not impaired	-	438,470
Past due up to 12 months, but not impaired	-	130,178
Total	43,986,201	10,806,356

There were no debt securities or deposits which were past due and impaired at the year end.

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.4 Credit risk – financial investments measured on IAS 39 basis (continued)

(a) Past due and impaired financial investments (continued)

Exposure to credit risk in respect of mortgage loans is managed in part by obtaining collateral. For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value.

Exposure to mortgage loans by sector is as follows: -

	2018 $	2017 $
Commercial sector	10,120,816	4,803,152
Residential sector	9,598,212	6,003,204
Total	19,719,028	10,806,356

(b) Repossessed assets

The Fund may foreclose on overdue mortgage loans by repossessing the pledged asset. In some instances, the Fund may provide re-financing to a new purchaser on customary terms.

No assets were repossessed during the year (2017 – nil).

(c) Renegotiated assets

The Fund may renegotiate the terms of any financial investment to facilitate borrowers in financial difficulty. Arrangements to waive adjust or postpone scheduled amounts due may be entered into. The Fund classifies these amounts as past due, unless the original agreement is formally revised, modified or substituted, in which case, the financial investment is classified as renegotiated.

12.5 Liquidity risk

The Fund is exposed to daily calls on its available cash resources for redemptions and operating expenses. Liquidity risk is the exposure that the Fund may have insufficient cash resources to meet these obligations as they become due. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns.

In order to manage liquidity risks, management seeks to maintain levels of cash and deposits which are sufficient to meet reasonable expectations of its short-term obligations. If necessary the Fund's secondary source of liquidity is its highly liquid instruments in its investment portfolio.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor the Fund's liquidity position on a quarterly basis.

Contractual cash flow obligations of the Fund in respect of its financial liabilities are summarised in the following table. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.5 Liquidity risk (continued)

(a) Financial liabilities

As of December 31, 2018	On demand $	Within 1 year $	1 to 5 years $	After 5 years $	Total $
Deposits received on real estate developed for sale	5,600	-	-	-	5,600
Due to Sagicor Life Inc.	-	-	-	-	-
Due to Sagicor (Bonds) Fund	5,837,011	-	-	-	5,837,011
Due to Sagicor International Balanced Fund	11,549	-	-	-	11,549
Due to Sagicor Global Balanced Fund	28,678	-	-	-	28,678
Accounts payable	1,632,408	-	-	-	1,632,408
Bank Overdraft	341,258	-	-	-	341,258
	7,856,414				7,856,414

As of December 31, 2017	On demand $	Within 1 year $	1 to 5 years $	After 5 years $	Total $
Deposits received on real estate developed for sale	5,600	-	-	-	5,600
Due to Sagicor Life Inc.	1,352,806	-	-	-	1,352,806
Due to Sagicor (Bonds) Fund	5,478,089	322,280	-	-	5,800,369
Due to Sagicor International Balanced Fund	17,653	-	-	-	17,653
Due to Sagicor Global Balanced Fund	18,413	-	-	-	18,413
Accounts payable	2,288,855	-	-	-	2,288,855
	9,616,416	322,280	-	-	9,483,696

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.5 Liquidity risk (continued)

(b) Financial assets

Amounts are stated at their carrying values recognised in the financial statements and are analysed by their contractual maturity dates.

As of December 31, 2018	**Maturing within 1 year $**	**Maturing within 1 to 5 years $**	**Maturing after 5 years $**	**Total $**
Due from associated company	22,663	-	-	22,663
Due from Sagicor Life Inc.	49,772	-	-	49,772
Accounts receivable	7,649,775	-	-	7,649,775
Debt securities	6,052,418	7,655,647	25,011,580	38,719,645
Deposits	1,405,453	-	-	1,405,453
Mortgage loans	-	-	19,719,028	19,719,028
Cash resources	9,276,387	-	-	9,276,387
Total	24,456,468	7,655,647	44,730,608	76,842,723

As of December 31, 2017	**Maturing within 1 year $**	**Maturing within 1 to 5 years $**	**Maturing after 5 years $**	**Total $**
Due from associated company	22,663	-	-	22,663
Accounts receivable	6,326,332	-	-	6,326,332
Debt securities	-	11,269,985	32,716,216	43,986,201
Deposits	11,599,391	200,767	-	11,800,158
Mortgage loans	6,694	-	10,799,662	10,806,356
Cash resources	30,651,424	-	-	30,651,424
Total	48,606,504	11,470,752	43,515,878	103,593,134

Redeemable units are redeemed at the option of the holder. However, the Board of Directors of the Trustee does not envisage that unit holders will redeem their units as they typically hold them for the long-term. At December 2017, no individual unit holder held more than 18.1% of the fund's units. The fund manages its liquidity risk by investing in security that is expects to be able to liquidate within a short period.

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.5 Liquidity risk (continued)

The following table illustrates securities which have liquidation restrictions and their redemption periods.

As of December 31, 2018	Less than 7 Days	Monthly	Quarterly	Semi Annual	1 – 5 Years	More than 5 years
Funds and Alternative Investments	124,074,467	3,259,145	15,640,816	2,007,536	7,122,918	-
As of December 31, 2017	**Less than 7 Days**	**Monthly**	**Quarterly**	**Semi Annual**	**1 – 5 Years**	**More than 5 years**
Funds and Alternative Investments	32,955,547	11,414,666	16,168,842	-	5,035	7,816,956

12.6 Market risk

Interest rate risk

The Fund is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

The return on financial investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

The Fund is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor and review the Fund's overall interest sensitivity on a quarterly basis.

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Interest rate risk (continued)

The table below summarises the exposures to interest rate of the Fund's financial liabilities.

As of December 31, 2018	Exposure within 1 year $	Exposure of 1 to 5 years $	Exposure after 5 years $	Not exposed to interest $	Total $
Deposits received on real estate developed for resale	5,600	-	-	-	5,600
Due to Sagicor (Bonds) Fund	-	-	-	5,537,011	5,837,011
Due to Sagicor Life Inc	-	-	-	-	-
Due to Sagicor International Balanced Fund	-	-	-	11,459	11,459
Due to Sagicor Global Balanced Fund	-	-	-	28,678	28,678
Accounts payable	-	-	-	1,632,408	1,632,408
Bank Overdraft	-	-	-	341,258	341,258
Total	5,600	-	-	7,850,814	7,856,414

As of December 31, 2017	Exposure within 1 year $	Exposure of 1 to 5 years $	Exposure after 5 years $	Not exposed to interest $	Total $
Deposits received on real estate developed for resale	5,600	-	-	-	5,600
Due to Sagicor (Bonds) Fund	322,280	-	-	5,462,987	5,785,267
Due to Sagicor Life Inc	-	-	-	1,352,806	1,352,806
Due to Sagicor International Balanced Fund	-	-	-	17,653	17,653
Due to Sagicor Global Balanced Fund	-	-	-	18,413	18,413
Accounts payable	-	-	-	2,288,855	2,288,855
Total	327,880	-	-	9,140,714	9,468,594

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Interest rate risk (continued)

The table below summarises the exposures to interest rate risks of the Fund's financial assets. It includes assets at carrying amounts categorised by the earlier of contractual repricing or maturity dates.

As of December 31, 2018	Exposure within 1 year $	Exposure of 1 to 5 years $	Exposure after 5 years $	Not exposed to interest $	Total $
Due from Sagicor Life	-	-	-	49,772	49,772
Due from associated company	-	-	-	22,663	22,663
Accounts receivable	-	-	-	7,649,775	7,649,775
Debt securities	6,003,680	7,535,594	24,691,936	488,435	38,719,645
Equity securities	-	-	-	417,391,544	417,391,544
Deposits	1,375,541	-	-	29,912	1,405,453
Mortgage loans	-	-	19,699,827	19,201	19,719,028
Cash resources	3,402,670	-	-	5,873,717	9,276,387
Total	10,781,891	7,535,594	44,391,763	431,525,019	494,234,267

As of December 31, 2017	Exposure within 1 year $	Exposure of 1 to 5 years $	Exposure after 5 years $	Not exposed to interest $	Total $
Due from associated company	-	-	-	22,663	22,663
Accounts receivable	-	-	-	6,326,332	6,326,332
Debt securities	-	11,040,955	32,242,420	702,826	42,986,201
Equity securities	-	-	-	410,610,406	410,610,406
Deposits	11,501,458	200,767	-	97,933	11,800,158
Mortgage loans	-	-	10,787,054	19,302	10,806,356
Cash resources	17,859,763	-	-	12,791,661	30,651,424
Total	29,361,221	11,241,722	43,029,474	430,571,123	514,203,540

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Interest rate risk (continued)

The table below summarises the average interest yields on financial assets held during the year.

	2018	2017
Debt securities	5.75%	6.18%
Deposits	5.52%	1.73%
Mortgage loans	5.38%	6.22%

Sensitivity

The effect of a 1% increase or decrease in interest rates, with all other variables remaining constant, to the fair value of the interest bearing financial assets at the date of the financial statements is as follows.

As of December 31, 2018		$
Total interest bearing financial assets carried at fair value		38,231,210
The fair value impact of a decrease in interest rates of:		1,984,996
The fair value impact of an increase in interest rates of:		(1,779,040)

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Foreign exchange risk

The Fund is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial instruments are denominated in a number of different currencies. In order to manage foreign exchange risk, the Fund monitors the fluctuation in foreign exchange rates on a periodic basis.

Financial assets and liabilities by currency are summarised in the following table.

	Balances denominated in						
As of December 31, 2018	**Barbados $**	**Jamaica $**	**Trinidad $**	**US $**	**CAD $**	**EC $**	**Total $**
ASSETS							
Due from associated companies	22,663	-	-	-	-	-	22,663
Due from Sagicor Life	49,772	-	-	-	-	-	49,772
Accounts receivable	6,007,264	-	294,057	1,277,437	-	71,017	7,649,775
Debt securities	5,108,900	-	-	31,456,333	-	2,154,412	38,719,645
Equity securities	120,434,811	472,555	25,391,554	268,001,079	-	3,091,545	417,391,544
Deposits	1,103,040	-	-	302,413	-	-	1,405,453
Mortgage loans	19,719,028	-	-	-	-	-	19,719,028
Cash resources	1,901,826	-	-	6,742,155	632,406	-	9,276,387
Total	**154,347,304**	**472,455**	**25,685,612**	**307,779,417**	**632,406**	**5,316,974**	**494,234,267**

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Foreign exchange risk (continued)

	Balances denominated in						
As of December 31, 2018	**Barbados $**	**Jamaica $**	**Trinidad $**	**US $**	**CAD $**	**EC $**	**Total $**
LIABILITIES							
Deposits received on real estate developed for resale	5,600	-	-	-	-	-	5,600
Due to Sagicor (Bonds) Fund	5,837,011	-	-	-	-	-	5,837,011
Due to Sagicor Life Inc.	-	-	-	-	-	-	-
Due to Sagicor International Balanced Fund	-	-	-	-	-	11,459	-
Due to Sagicor Global Balanced Fund	-	-	-	28,678	-	-	28,678
Accounts payable	1,632,408	-	-	-	-	-	1,632,408
Bank Overdraft	341,258	-	-	-	-	-	341,258
Total liabilities	7,816,277	-	-	28,678	-	11,459	7,856,414
Net position	146,531,027	472,555	25,685,611	307,750,739	632,406	5,305,515	486,377,853

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Foreign exchange risk (continued)

	Balances denominated in						
As of December 31, 2017	**Barbados $**	**Jamaica $**	**Trinidad $**	**US $**	**CAD $**	**EC $**	**Total $**
ASSETS							
Due from associate	22,663	-	-	-	-	-	22,663
Accounts receivable	5,298,730	-	370,310	619,197	-	38,095	6,326,332
Debt securities	7,140,018	-	-	36,209,182	-	637,001	43,986,201
Equity securities	110,458,037	507,520	25,065,624	271,498,860	-	3,080,365	410,610,406
Deposits	11,497,749	-	-	302,409	-	-	11,800,158
Mortgage loans	10,806,356	-	-	-	-	-	10,806,356
Cash resources	11,645,392	-	-	18,579,465	426,567	-	30,651,424
Total	**156,868,945**	**507,520**	**25,435,934**	**327,209,113**	**426,567**	**3,755,461**	**514,203,540**

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Foreign exchange risk (continued)

	Balances denominated in						
As of December 31, 2017	**Barbados $**	**Jamaica $**	**Trinidad $**	**US $**	**CAD $**	**EC $**	**Total $**
LIABILITIES							
Deposits received on real estate developed for resale	5,600	-	-	-	-	-	5,600
Due to Sagicor (Bonds) Fund	5,785,267	-	-	-	-	-	5,785,267
Due to Sagicor Life Inc.	1,352,806	-	-	-	-	-	1,352,806
Due to Sagicor International Balanced Fund	-	-	-	17,653	-	-	17,653
Due to Sagicor Global Balanced Fund	-	-	-	18,413	-	-	18,413
Accounts payable	2,288,855	-	-	-	-	-	2,288,855
Total liabilities	9,432,528	-	-	36,066	-	-	9,468,594
Net position	147,436,417	507,520	25,435,934	327,173,047	426,567	3,755,461	504,734,946

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Foreign exchange risk (continued)

Sensitivity

The Fund is exposed to currency risk in respect of financial investments denominated in currencies whose values have noticeably fluctuated against the Barbados dollar.

The exposure to currency risk may arise in relation to the future cash flows of a financial instrument.

The most common example of this occurring in the Fund is a financial investment which is denominated in a currency other than the functional currency. In this instance, a change in currency exchange rates results in the financial investment being retranslated and the exchange gain or loss is taken to income and is included in note 16.

The currencies whose values have noticeably fluctuated against the Barbados dollar (BDS) are the Trinidad dollar (TTD) and the Jamaica dollar (JMD). The theoretical impacts of the TTD and the JMD on reported results are considered below.

The effects of a 10% depreciation in both the TTD and the JMD relative to the BDS arising from TTD and JMD financial investments as of December 31, 2018 and for the year then ended are considered below.

	Balances denominated in TTD	Effect of a 10% depreciation on income as of Dec 31, 2018	Balances denominated in JMD	Effect of a 10% depreciation on income as of Dec 31, 2018
	$	$	$	$
Assets	**25,391,554**	**(2,539,155)**	**472,555**	**(47,255)**

A 10% appreciation in both the TTD and the JMD relative to the BDS would have equal and opposite effects to those disclosed above.

Price Risk

The fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. The Fund mitigates this risk by holding a diversified portfolio and by selection of securities and other financial instruments within specified limits set by the Board of Directors of the Trustee.

The majority of the Fund's equity investments are publicly traded. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and reviewed on a quarterly basis by the Board of Directors of the Trustee.

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Price Risk (continued)

Sensitivity

The effects of an across the board 20% decline in equity prices of the Fund's fair value through profit or loss equity securities on income is as follows.

	Fair value $	Effect of a 20% decline at Dec 31, 2018 $
Fair value through profit or loss equity securities:		
Common and preference shares - Listed	265,201,841	(53,040,368)
Common and preference shares - Unlisted	84,821	(16,964)
Alternative Investments - Listed	111,622,641	(22,324,528)
Alternative Investments - Unlisted	33,555,781	(6,711,156)
Mutual Funds - Listed	4,353,355	(870,671)
Mutual Funds - Unlisted	2,573,105	(514,621)
	417,391,544	(83,478,308)

12.7 Fair value of financial instruments

Financial instruments carried at fair value in the financial statements are measured in accordance with a fair value hierarchy. This hierarchy is as follows:

(a) Level 1 – unadjusted quoted prices in active markets for identical instruments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Fund considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

(b) Level 2 – inputs that are observable for the instrument, either directly or indirectly.

A financial instrument is classified as Level 2 if:

- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In assessing the fair value of non-traded financial liabilities, the Fund uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows.

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.7 Fair value of financial instruments (continued)

(c) Level 3 – inputs for the instrument that are not based on observable market data.

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

The techniques and method described in 2.5(c) for non traded financial assets and liabilities are used in the determination of the fair values of Level 3 instruments.

The following table shows the financial assets carried at fair value at December 31 on a recurring basis by level of the fair value hierarchy.

2018	Level 1	Level 2	Level 3	Total
Financial assets classified at fair value through profit or loss:	$	$	i$	$
Debt securities	-	23,923,898	14,795,747	38,719,645
Common Shares	261,698,787	3,503,054	84,821	265,286,662
Alternative Investments	111,622,641	16,471,679	17,084,102	145,178,422
Mutual Funds	-	6,926,460	-	6,926,460
Total assets	373,321,428	50,825,091	31,964,670	456,111,189
Total assets by percentage	82%	11%	7%	100%

2017	Level 1	Level 2	Level 3	Total
Financial assets classified at fair value through profit or loss:	$	$	$	$
Debt securities	-	34,001,309	9,984,892	43,986,201
Common Shares	338,344,599	3,485,117	84,821	341,914,537
Preferred Shares	334,823	-	-	334,823
Alternative Investments	23,956,492	22,617,332	14,130,956	60,704,780
Mutual Funds	-	7,656,266	-	7,656,266
Total assets	362,635,914	67,760,024	24,200,669	454,596,607
Total assets by percentage	80%	15%	5%	100%

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.7 Fair value of financial instruments (continued)

The table below provides information about the fair value measurements using significant unobservable inputs (Level 3).

Description	Fair Value at December 31		Valuation Technique	Unobservable Inputs	Range of Inputs		Relationship of Unobservable Inputs to fair value
	2018 $	2017 $			2018	2017	
Debt securities	14,795,747	9,984,892	Discounted Cash Flows	Risk Adjusted Market Yields	2.3% - 7.2% Avg. 5.0%	3.7% -8.7% Avg 6.9%	The effect of a 1% increase in interest rates would decrease the fair value by $736,984 and a 1% decrease in interest rates would increase the fair values by $863,810.
Common Shares	84,821	84,821	Book Value per share	Net Assets divided by number of shares issued.	$0.01 – $0.85 Avg. $0.43	$0.01	The higher the Net Assets, the higher the book value.
			Third Party Valuation	N/A			Reliance is placed on third party information, which is not readily available for disclosure.
Alternative Investments	17,084,102	14,130,956	Third Party Valuation	Share of Partners' Equity	N/A	N/A	Reliance is placed on third party information, which is not readily available for disclosure.

The fair values of the equities securities in Level 3 are based upon prices determined by the investee fund managers and administrators.

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.7 Fair value of financial instruments (continued)

The following table presents the movement in Level 3 instruments for the year.

	2018 $	2017 $
Balance, beginning of year	24,200,669	20,452,378
Fair value changes recorded in income	(1,802,969)	1,006,100
Transfers in	-	2,751,102
Additions	17,913,811	8,193,320
Disposals	(8,431,372)	(8,200,897)
Effect of accrued income changes	84,531	(1,334)
Balance, end of year	31,964,670	24,200,669

Unrealised gains/(losses) on level 3 assets held at the end of the period are included in net gains on financial investments and amount to $ 29,227 (2017 – $741,768).

The fair value hierarchy of other financial instruments not carried at fair value but for which fair value disclosure is required is set out in the following table. Due to their nature, the carrying value of variable rate mortgages approximate fair value.

2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment at Amortized cost:	**$**	**$**	**$**	**$**
Mortgage loans	-	-	7,906,705	7,906,705

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Loans and receivables:	**$**	**$**	**$**	**$**
Mortgage loans	-	-	8,495,398	8,495,398

12.8 Capital risk management

The capital of the Fund is represented by unit holders' equity. Unit holders' equity changes on a daily basis as the Fund is subject to the redemption and issue of units at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to redeem and issue units in accordance with the terms of the trust deed which includes the ability to restrict redemptions.

The Board of Directors of the Trustee and Fund Manager monitor unit holders' equity.

Amounts expressed in Barbados Dollars

13. ACCOUNTS PAYABLE

	2018 $	2017 $
Funds on deposit	-	762,130
Investment property expenses payable	1,404,362	1,375,161
Other	228,046	151,564
Total accounts payable	1,632,408	2,288,855

Funds on deposit include pension receipts for which units were subsequently issued in the subsequent year.

14. INTEREST INCOME

The Fund manages its financial investments by the type of financial instrument (i.e. debt securities, deposits, mortgage loans, etc) and the income there from is presented accordingly.

	2018 $	2017 $
Debt securities	2,311,657	2,602,186
Deposits	372,314	146,442
Mortgage loans	800,025	566,527
Total interest income	3,483,996	3,315,155

15. NET RENTAL INCOME

	2018 $	2017 $
Rental income from investment property	4,663,876	4,528,239
Direct operating expenses of investment property	(2,337,309)	(2,601,300)
	2,326,567	1,922,939

16. NET INVESTMENT GAINS

	2018 $	2017 $
Net (losses)/gains on financial investments	(27,454,077)	60,089,355
Depreciation in fair value of investment property	(658,336)	(449,997)
Loss on bond restructure	(101,781)	(303,013)
ECL movement	17,324	(160,269)
Net investment (losses)/gains	(28,196,870)	59,176,076

Amounts expressed in Barbados Dollars

17. RELATED PARTY TRANSACTIONS

(a) Material related party transactions

	2018 $	2017 $
Management fee – Sagicor Life Inc	4,352,119	4,017,620
Interest expense – United Nations House	3,510	14,816

(b) Units held by related parties

Parties related to the Fund held units in the Fund during the year as follows:

Sagicor Life Inc	2018 $	2017 $
Value of units held at January 1	58,696,065	48,165,711
Net value of transactions for the year	(524,361)	10,530,354
Value of units at December 31	58,171,704	58,696,065

Sagicor General Inc.	2018 $	2017 $
Value of units held at January 1	403,159	57,386
Net value of transactions for the year	5,605,661	345,773
Value of units at December 31	6,008,820	403,159

18. COMMITMENTS

At December 31, 2018, the Fund's total committed capital to private equity strategies was $18,478,290 (2017 - $15,035,566). At that date, $4,219,118 (2017 - $4,832,288) of this commitment remained undrawn.

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