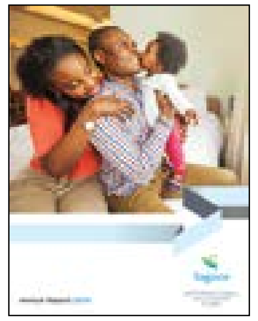
Sagicor

INTERNATIONAL
BALANCED
FUND

Annual Report 2019



OUR VISION

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

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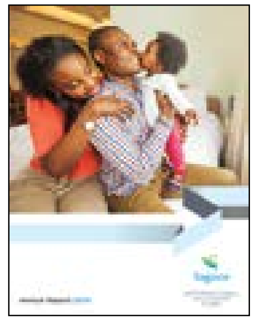

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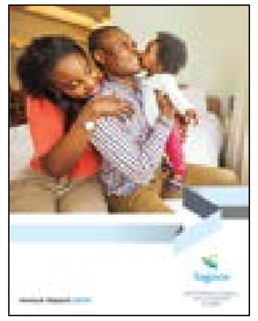

For 177 years, Sagicor's business has been based on long-term relationships with its customers, employees, and communities, who entrust us with their financial well-being. Our name and reputation draw on the strength, stability and financial prudence that are our heritage, and this identity defines the 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.

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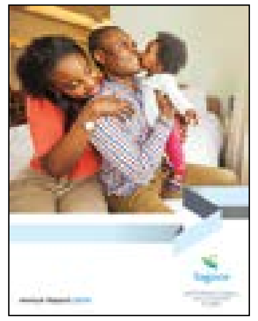

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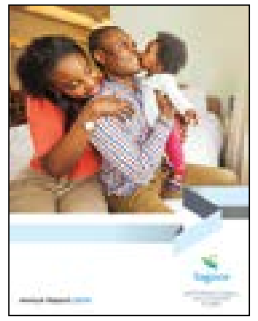

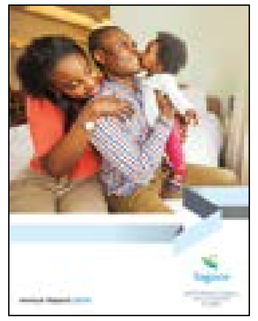

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SAGICOR INTERNATIONAL BALANCED FUND

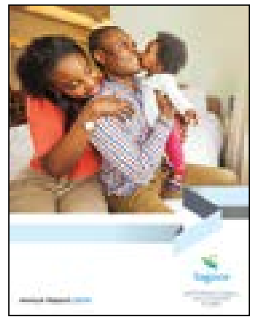
The most important element in pension funding is the investment return on the pension fund. However, the pension fund has to be substantial to provide such diversification of assets as would provide adequate capital security.

This is the principle around which the Sagicor International Balanced Fund Pension Policy was written. In April 2001, The Barbados Mutual Life Assurance Society, now Sagicor Life Inc, established a Unit Trust in the Eastern Caribbean, namely, The Mutual (Eastern Caribbean) Fund. The Fund was subsequently renamed the Sagicor(Eastern Caribbean) Fund and effective June 1 2016 was renamed the Sagicor International Balanced Fund. Investment in this Unit Trust is restricted to Eastern Caribbean registered Pension Plans, giving the Unit Trust tax exempt status in most territories. The assets of the Unit Trust are held apart from Sagicor's general life fund.

Sagicor International Balanced Fund Pension Policy

Under this policy, Sagicor manages and administers Pension Funds registered in the Eastern Caribbean and facilitates investments in a diversified portfolio of securities.

At Present, Pension Funds of 81 companies in the Eastern Caribbean amounting to approximately $199.9 million are invested in this fund; all but six of these Pension Plans are also administered by Sagicor. The total membership stood at 3,565 which includes 86 Pensioners.



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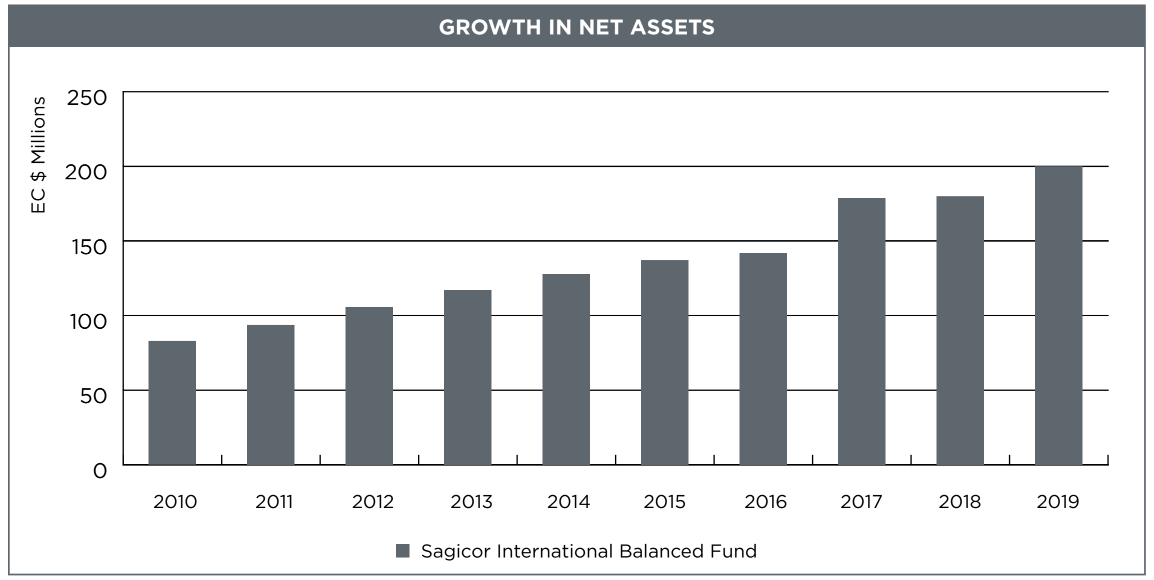
Sagicor International Balanced Fund

	Net Assets (EC$ millions)	Unit Value	Change
2010	83	1.631	2.50%
2011	94	1.641	0.61%
2012	106	1.759	7.32%
2013	117	1.815	3.41%
2014	128	1.895	4.40%
2015	137	1.949	2.63%
2016	142	2.050	5.13%
2017	179	2.180	6.34%
2018	180	2.083	-4.59%
2019	200	2.280	9.62%



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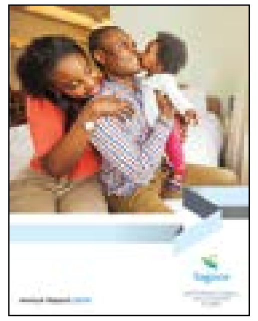

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Stephen McNamara

Chairman

CHAIRMAN'S REVIEW

The Sagicor International Balanced Fund recorded an impressive return of 9.5% for 2019 and benefited from the strong advance of global equities and positive performance across fixed income markets. Broad international indices experienced stellar double-digit returns for the year, led by US equities. However, geopolitical headwinds prevailed and constrained global economic activity for 2019, which was estimated at 2.9%, the weakest growth rate since the global financial crisis a decade ago. Rising trade barriers and associated uncertainty weighed on business sentiment and activity globally. In the USA, GDP growth expanded at a moderate rate of 2.3%the labor market remained robust. The unemployment rate stood at 3.6% in December 2019 down from December 2018 where it stood at 3.9%. The US Federal Reserve (Fed) in July 2019 countered the trend and decided to lower interest rates for the first time since December 2008. This change in direction of interest rates was described by the Fed as a "mid-course correction" and was the result of trade policy uncertainties. Interest rates were cut a total of three times during the year from a range of 2.25% - 2.50% as at December 2018 to a range of 1.50% - 1.75% as at December 2019. The favourable interest rate environment as well as the bouts of market instability, supported the favourable returns across US dollar denominated fixed income as their corresponding yields declined. Oil prices remained subdued during 2019 with WTI oil prices closing at US $61.06 per barrel.

Europe and Japan experienced growth estimated at 1.4% and 1.0%, respectively as their respective Central Banks generally continued accommodative fiscal and monetary policies throughout 2019. The Bank of England maintained its short-term interest rate at 0.75% while Japan's short-term rates remained unchanged at -0.1% during 2019.

2019 was an exceptional year for the global equity markets. In the US market, the S&P 500 index was up 31.49% for the year which was its best year since 2013. The NASDAQ Composite and Dow Jones Industrial Average Index were up 36.69% and 25.34% respectively. The MSCI Emerging Market Index was up 18.42% for the year. Treasury yields declined with the 10-year Treasury yield starting 2019 at 2.69% and ending the year at 1.92%. The Jamaica stock exchange continued its strong performance in 2019 returning 32.0% while the Trinidad and Tobago Stock exchange buoyed by increased energy prices posted a return of 12.7%. The Barbados and Eastern Caribbean indices underperformed returning -7.5% and -3.3%, respectively.

Growth in the Eastern Caribbean was estimated to have improved during 2019 as a result of increased activity in the tourism and construction sectors. Dominica and Anguilla continued their post-hurricane rebuilding and recovery, which resulted in accelerated construction activity and some spill-off activity in the tourism sector. This activity placed their growth trajectory on an upward path. In 2018 Dominica's real GDP growth was 4% and it was expected that there will be a further growth of approximately 9% in 2019. Anguilla's real GDP was estimated to have grown by 8.8% in 2019 compared to 10.8% in 2018. However, growth in Barbados remained flat and Jamaica's growth began to slow down during the third quarter of 2019. Inflation remained suppressed for the Eastern Caribbean territories although there were marginal increases in five islands.

In Barbados, real economic activity is estimated to have declined during 2019 by 0.1%. However, the international reserves increased by BDS$481 million, which is equivalent to 18 weeks of import cover. This increase in international reserves reflected borrowings from the international financial institutions, the on-going suspension of commercial external debt payments and an active foreign exchange market that allowed commercial banks to sell foreign exchange to the Central Bank. During the year the debt-to-GDP ratio showed improvement and stood at 119.5%. The lowering of the debt-to-GDP ratio can be attributed to the completion of the external debt restructuring in December 2019.

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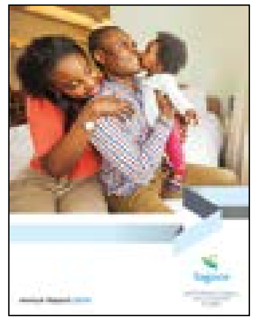
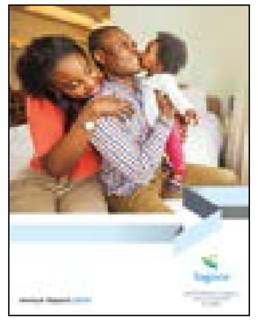
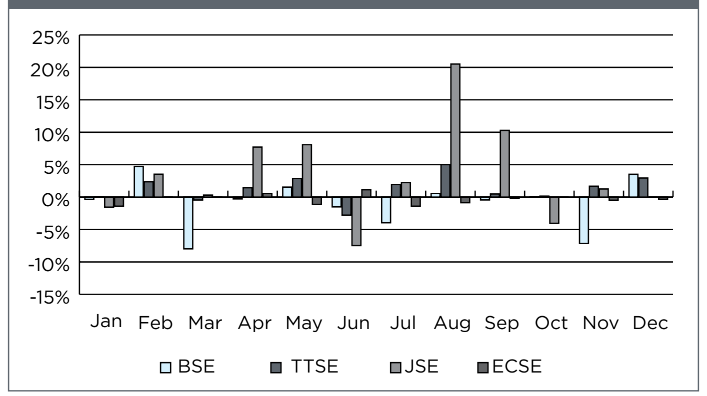




REGIONAL INDICES



During the final month of the year, Barbados' Long-term Foreign Currency credit rating was upgraded to B- from Selective Default (SD) by Standard and Poor's. This six-notch upward movement on the rating scale is a significant step in restoring investor confidence and lowering the cost of funds for the private and public sector over the medium-term. There was no change in the average unemployment rate, which stood at 10.1% at the end of December 2019, compared to 2018. However, inflation trended upwards to 4.1%, which was primarily as a result of the impact of persistent drought conditions on non-sugar agriculture, the influx of sargassum seaweed on fish catches and policy measure implementation at some state-owned enterprises.

As Trinidad and Tobago's energy sector recovered, it was estimated that the economy expanded by 1.8% in 2019, compared to revised annual GDP growth rate of -0.2% in 2018. As at September 30th, 2019, headline and core inflation were subdued at 1.1% and 1.0% respectively. The Central Bank of Trinidad and Tobago kept the repo rate steady at 5% for the year 2019. At the end of October 2019, gross official reserves were approximately US$7,110.0 million, equivalent to 7.9 months of prospective imports of goods and services, which was US$465.0 million lower than the value recorded at the end of 2018. There was a significant improvement in the domestic stock market for the financial year ending September 2019 where the major Composite Price Index increased by 14.9% and the total stock market capitalization was up 14.8%.

In the quarter ended September 2019, the Jamaica economy grew by 0.6% compared to 1.3% in the second quarter of 2019. On September 27, 2019, Standard and Poor's rating agency upgraded the Government of Jamaica's long-term ratings to B+ from B and affirmed the short-term debt at B, as well as, affirmed a stable outlook. Similarly, Moody's upgraded the Government of Jamaica's long-term issuer and senior unsecure rating from B3 to B2. The key drivers for these upgrades were Jamaica's commitment to structural reform, fiscal consolidation and its improving debt structure. The Bank of Jamaica continued along the path of monetary easing and reduced its policy interest rate from 1.75% to a historic low of 0.50% during the year 2019. Inflation of 6.2% was recorded in 2019 which falls marginally above the Bank of Jamaica's target of between 4% to 6%. The labour market continued to improve as the unemployment rate declined to 7.2% as at October 2019, compared to 8.7% in 2018. Similar to the international equity markets, the Jamaica Stock Exchange exhibited extraordinary returns and was up 34.26% for 2019. However, the fixed income market yields trended downwards as the GOJ 180-day Treasury Bill declined to 1.75% at the end of September 2019 from 2.07% at the end of 2018.

Sagicor International Balanced Fund

Amidst the US-China trade tensions and concerns of slow global growth, global stock markets posted strong returns during 2019. Global stock markets surged despite concerns from the International Monetary Fund that the global economy was in its weakest state since the 2008/2009 Global financial crisis. US equites took the lead recording their strongest returns since 2013 and were followed by international developed and emerging market equities.

The Sagicor International Balanced Fund benefited from the high gains among the global equities, which outweighed the lackluster performance of the Eastern Caribbean equity market.

Against this backdrop, the net asset value increased from $2.08 as at December 31st, 2018 to $2.28 at the end of 2019. This resulted in the Fund's return of 9.62% for the year 2019 compared to last year's return of -4.59%. Net assets attributable to unit holders significantly increased by 11.3% relative to the end of the prior year and totaled $199.9 million for the year 2019.

As at December 31st, 2019, bonds remained the leading asset class and accounted for 63.0% of financial investments. Of the bond portfolio which totaled $115.1 million, 87.3% was allocated to sovereign debt while 12.7% was allocated to corporate issuances. This asset class remained geographically diversified with a relatively

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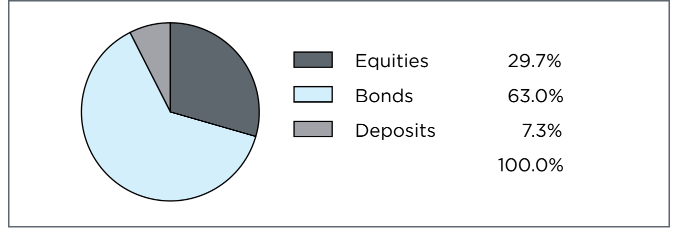

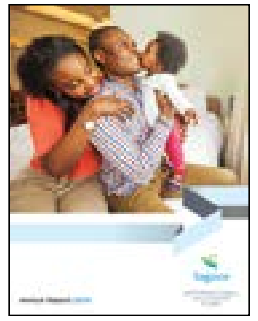

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balanced allocation of 52.1% to local and regional bonds and 47.9% to international debt instruments. The average interest yield on the bond portfolio trended downward to 4.8% in 2019 compared to 6.0% in 2018.

Equity investments totaled $54.2 million and accounted for 29.7% of the financial investments as at December 31st, 2019. The equity portfolio remained well diversified with 36.5% allocated locally, 10.4% allocated regionally and 53% allocated internationally. The major equity holdings of the Fund primarily experienced price appreciation by year end. However, the share prices for its regional holdings of St. Lucia Electricity Services Limited and of S.L.Horsford & Co. Ltd, remained relatively unchanged by the end of year. As at December 31st, 2019, the international portfolio consisted of 65.7% of fixed income strategies, 17.9% of common and preferred shares and 16.4% of alternative investment strategies and remained well positioned to mitigate downside risk and enhance long-term risk adjusted returns.

Net investment gains on financial investments for the year totaled $12.0 million and $7.2 million of interest income and dividend income were earned during 2019. Net profit and total comprehensive income attributed to the unit holders for the year totaled $17.5 million.

Outlook

There is uncertainty surrounding the global economic outlook as the COVID-19 crisis threatens both lives and livelihoods. Slowing the spread of the virus requires isolation, lockdowns and widespread closures, which all significantly decrease economic activity. Given this backdrop the IMF has projected a 3.0%contraction in global growth for 2020, relatively worse than the 2008-2009 Global Financial Crisis. If the spread of the virus slows during the second half of 2020 and lockdown measures are eased, the global economy is projected to grow by 5.8% in 2021.

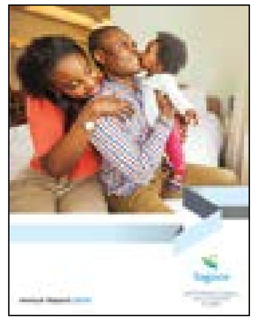
Effective economic policies will be necessary to forestall worst outcomes from the COVID-19 crisis. Economic policies will be needed to reduce the impact of declining economic activity on people, companies and the financial system; while ensuring that economic recovery can begin swiftly once the virus is under control. The governments of affected countries have responded to the pandemic by providing sizable fiscal support to heavily impacted workers and sectors.

During the first quarter of 2020, tourism, the leading sector of Caribbean islands came to a halt. Economic activity in the Eastern Caribbean Central Union (ECCU) is set to decline sharply by between 10-20 percent in 2020, with unemployment rising sharply to as high as 50% in some member states and Government revenue dropping by at least 50%. The ECCU has taken important measures to cushion the impact of the economic fallout such as giving a $4 million grant to member countries, reducing its discount rate from 6.5% to 2% and encouraging persons to telework.

Despite the uncertainty ahead, pension investing requires a strategic focus and a long-term mandate, which are guided by the Fund's Investment Policy. Though the first quarter of 2020 was particularly volatile, we are encouraged to remain focused on our long-term strategic asset allocation, which has served us well in the past and have allowed us to recover following financial market displacements such as the 2008 financial crisis and the various regional debt restructures. During periods of heightened volatility, we must rely on the fundamental disciplines of investing and the avoidance of panic induced behaviours and reactions. Most importantly, these periods highlight one of the most fundamental principles of our Investment Philosophy, the assertion that time in the market is of greater consequence than timing the market in terms of the impact on long-term performance.

Over the years we have successfully partnered in guiding and generating wealth for our pension clients. We appreciate your confidence and continued faith in us as your Investment Manager and promise to maintain our commitment to you!

Stephen McNamara
Chairman



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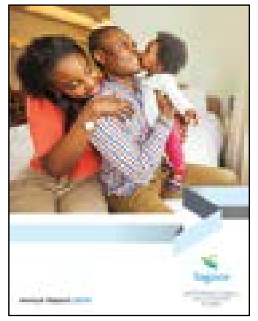

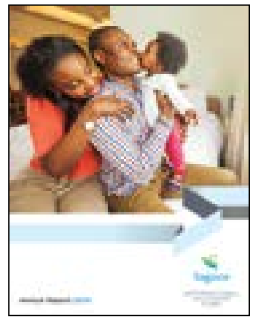

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DIRECTORS OF SAGICOR LIFE INC

Stephen McNamara – Chairman
Andrew Aleong, MBA
Professor Sir Hilary Beckles, PhD
Ian St Clair Carrington, MPA, FCGA
Peter Clarke, BA, LLB
Dr. L Jeannine Comma, Ed.D.
Dr. Marjorie Patricia Downes-Grant, CBE, MA,MBA, DBA, LLD (Hons)
William Lucie-Smith, MA (Oxon), FCA
Dodridge Miller, FCCA, MBA, LLM, LLD (Hon)
David Wright, FFA, FAIA

PENSION SERVICES DEPARTMENT MANAGEMENT

Stephen Robinson, BMath (Hons)	Vice President
Patricia Greenidge, FCPA, ACIS, CSE, MBA	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 East Caribbean

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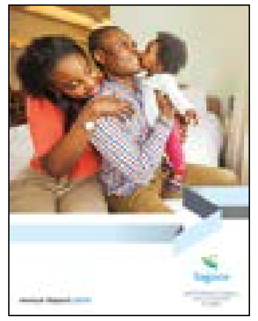

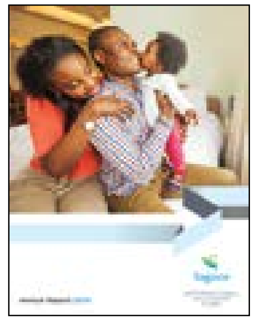

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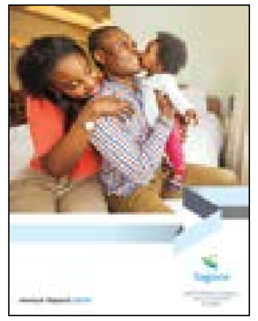

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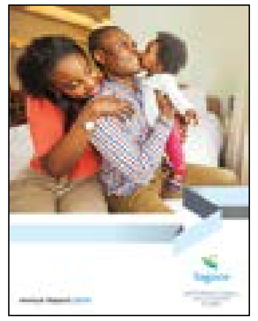

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Independent auditors' report

To the Unitholders of Sagicor International Balance Fund

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor International Balance Fund (the Fund) as at December 31, 2019, 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, 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unit holders 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 *Auditors' 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 auditors' report thereon), which is expected to be made available to us after the date of this auditors' 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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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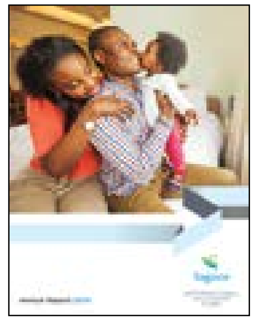
T: +758-727-6700, www.pwc.com/bb



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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.

Auditors' 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 auditors' 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 scepticism 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 auditors' 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 auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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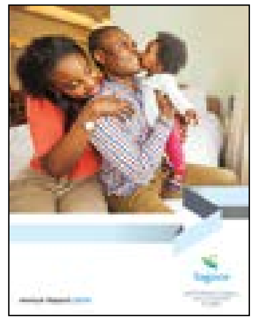

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, including the opinion, has been prepared for and only for the Fund in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

Gros Islet, St. Lucia
May 30, 2020

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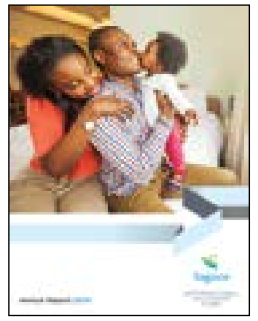

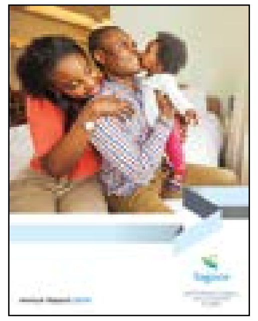

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Statement of Financial Position

As of December 31, 2019

Sagicor International Balanced Fund

Amounts expressed in Eastern Caribbean Dollars

	Notes	2019	2018
ASSETS			
Due from Sagicor (Equity) Fund	4	$ 18,093	$ 15,469
Interest and other receivables	5	2,516,590	1,337,571
Financial investments	6	182,603,297	165,799,258
Cash resources		23,441,597	13,266,010
Total assets		208,579,577	180,418,308
LIABILITIES			
Due to Sagicor Life Inc	4	6,317,103	85,941
Due to Sagicor (Bonds) Fund	4	1,870,095	59,688
Accounts payable		491,618	594,435
Total liabilities		8,678,816	740,064
Net assets attributable to unit holders		$ 199,900,761	$ 179,678,244
Represented by:			
UNIT HOLDERS' EQUITY		$ 199,900,761	$ 179,678,244
No. of units outstanding at end of year		87,554,410	86,246,443
Net asset value per unit at end of year		$ 2.28	$ 2.08
Increase/ (Decrease) in net asset value per unit for year		9.62%	(4.59)%

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

Approved by the Board of Directors on May 30, 2020

Director

Director

Statement of Changes in Net Assets Attributable to Unit Holders

For the year ended December 31, 2019

Sagicor International Balanced Fund

Amounts expressed in Eastern Caribbean Dollars

	2019		2018	
	Number of Units	Total $	Number of Units	Total $
Balance, beginning of year	86,246,443	179,678,244	81,854,920	178,471,706
Proceeds from issue of units	6,110,269	13,279,315	11,744,093	25,102,003
Redemption of units	(4,802,302)	(10,514,191)	(7,352,570)	(15,774,473)
Net increase from unit transactions	1,307,967	2,765,124	4,391,523	9,327,530
Net profit/ (loss) and total comprehensive income/ (loss) for the year attributable to unit holders	-	17,457,393	-	(8,120,992)
Balance, end of year	87,554,410	199,900,761	86,246,443	179,678,244

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

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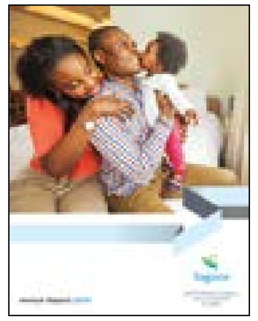

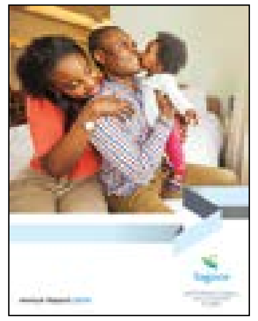

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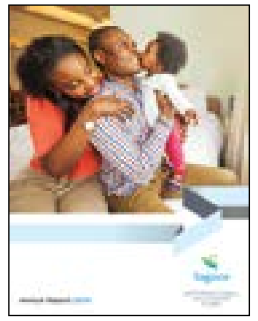

	Notes	2019	2018
REVENUE			
Interest income	8	$ 5,463,347	$ 6,024,209
Dividend income		1,719,358	1,830,567
Other income		47,780	2,462
Net investment gains/ (losses)	9	11,997,447	(13,985,113)
		19,227,932	(6,127,875)
EXPENSES			
Management fee	10	1,431,874	1,558,457
Bank and interest charges		9,021	6,266
Broker fees		233,805	216,161
		1,674,700	1,780,884
PROFIT/ (LOSS) BEFORE TAXES		17,553,232	(7,908,759)
Withholding taxes		(95,839)	(212,233)
NET PROFIT/ (LOSS) AND TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR ATTRIBUTABLE TO UNIT HOLDERS		$ 17,457,393	$ (8,120,992)

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

	2019	2018
Cash flows from operating activities:		
Profit/ (Loss) before taxes	17,553,232	(7,908,759)
Adjustments for:		
Interest income	(5,463,347)	(6,024,209)
Dividend income	(1,719,358)	(1,830,567)
Net investment (gains)/ losses	(12,040,225)	13,344,470
Loss on bond restructure	-	495,355
Expected Credit Losses Movement	(65,823)	109,840
	(1,735,521)	(1,813,870)
Changes in operating assets and liabilities		
Due from Sagicor (Equity) Fund	(2,624)	8,363
Other receivables	(1,188,491)	4,514,315
Due to Sagicor Life Inc	6,231,162	(6,960,097)
Due to Sagicor (Bonds) Fund	1,810,407	(303,065)
Accounts payable	(102,817)	256,384
Purchase of debt securities	(76,622,174)	(87,408,310)
Redemption of debt securities	68,186,528	72,438,224
Purchase of equity securities	(23,747,979)	(23,160,471)
Sale of equity securities	23,533,212	21,001,366
Amounts deposited	(17,116,743)	(20,358,860)
Deposits redeemed	21,179,587	19,723,685
Cash generated from/ (used in) operations	424,547	(22,062,336)
Interest received	5,347,700	5,249,941
Dividends received	1,734,055	1,840,361
Taxes paid	(95,839)	(212,233)
Net cash from/(used in) operating activities	7,410,463	(15,184,267)
Cash flows from financing activities:		
Proceeds from issue of units	13,279,315	25,102,003
Redemption of units	(10,514,191)	(15,774,473)
Net cash generated from financing activities	2,765,124	9,327,530
Net increase/ (decrease) in cash and cash equivalents carried forward	10,175,587	(5,856,737)

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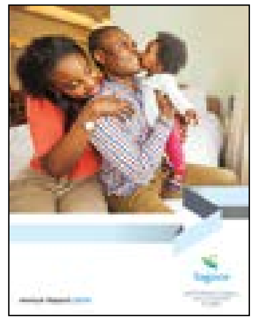

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	2019	2018
Net increase/(decrease) in cash and cash equivalents brought forward	10,175,587	(5,856,737)
Cash and cash equivalents - beginning of year	13,266,010	19,122,747
Cash and cash equivalents - end of year	$ 23,441,597	$ 13,266,010
Cash and cash equivalents comprise:		
Cash resources	23,441,597	13,266,010
	$ 23,441,597	$ 13,266,010

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

1. REGISTRATION, PRINCIPAL ACTIVITY AND REGISTERED OFFICE

Sagicor (Eastern Caribbean) Fund ("The Fund") was registered in St. Christopher and Nevis on March 26, 2001 as a Unit Trust, responsible for the management of investments of registered pension plans of Eastern Caribbean Companies.

The Fund has a balanced objective with a focus on income generation and long term capital growth.

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, UBS Financial Services 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 the 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 Eastern Caribbean dollars unless otherwise stated.

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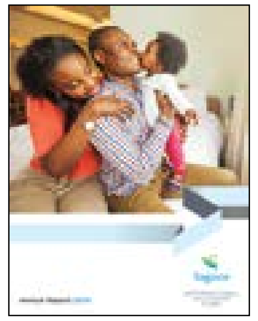

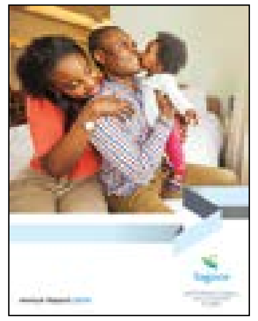

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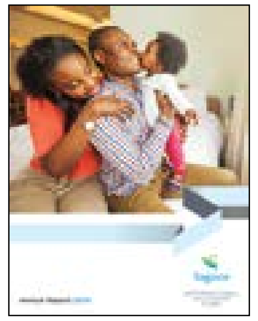

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation (continued)

Amendments to existing IFRS and IAS effective 1 January 2019

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2019 that have a material effect on the financial statements of the Fund.

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 January 1, 2020
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. This standard will have no material effect on the Fund.

IAS 1 and IAS 8 – The Definition of Materiality, effective January 1, 2020
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. This standard will have no material effect on the Fund.

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 Eastern Caribbean dollars, which is the Fund's functional and presentational currency.

2. SIGNIFICANT ACCOUNTING POLICIES

2.2 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 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 in 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 Eastern Caribbean dollars at the pegged rates. Currencies which float are converted to the Eastern Caribbean 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 Eastern Caribbean dollar were as follows:

	2019 closing rate	2019 average rate	2018 closing rate	2018 average rate
Barbados dollar	0.741	0.741	0.741	0.741
Jamaica dollar	49.0861	49.3413	47.1850	47.6556
Trinidad & Tobago dollar	2.5046	2.4998	2.5113	2.4990
United States dollar	0.370	0.370	0.370	0.370

2.3 Financial assets

(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 all financial liabilities are measured at amortised cost. The carrying value of these financial assets at initial recognition includes any directly attributable transaction costs.

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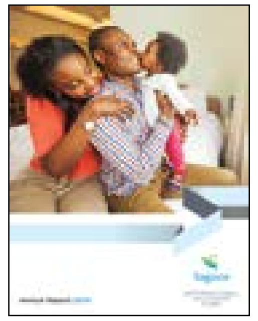

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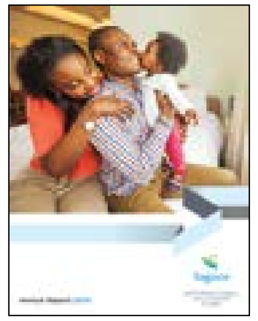

2. SIGNIFICANT ACCOUNTING POLICIES

2.3 Financial assets (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

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.

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2. SIGNIFICANT ACCOUNTING POLICIES

2.3 Financial assets (continued)

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

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 considered to be POCI. These financial assets are credit-impaired on initial recognition. The Fund calculates the credit adjusted effective interest rate, which is calculated based on the fair value origination of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows. Their ECL is always measured on a life-time basis.

At each reporting date, the Fund shall recognise in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Fund will recognize favorable changes in lifetime expected credit losses as an impairment gain, the gain occurs when the lifetime expected credit losses are less than the amount of expected credit losses that were 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.

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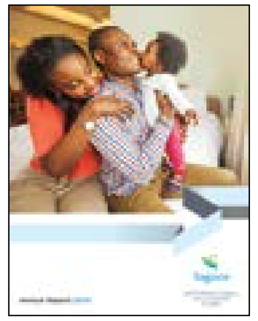

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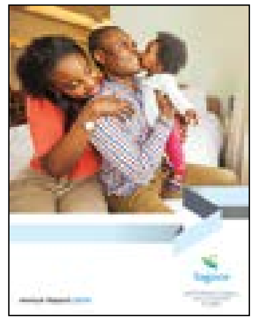

2. SIGNIFICANT ACCOUNTING POLICIES

2.3 Financial assets (continued)

(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 historical period for such review is limited. 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.

2. SIGNIFICANT ACCOUNTING POLICIES

2.3 Financial assets (continued)

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

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.

(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.

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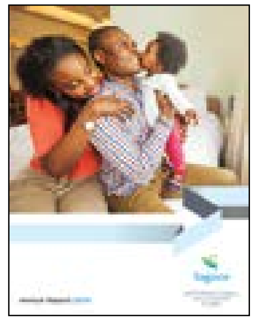

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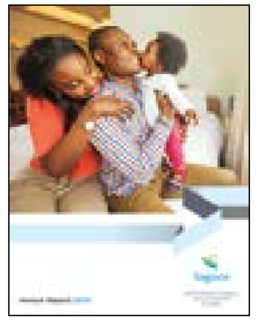

2. SIGNIFICANT ACCOUNTING POLICIES

2.3 Financial assets (continued)

(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.

2.4 Cash and cash equivalents

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

- cash balances,
- call deposits

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

2.5 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.

2.6 Interest income and expenses

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.

2.7 Taxation

The Fund is exempt from taxation within the Eastern Caribbean.

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.

2.8 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 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 of assets representing the value of units redeemed.
- The rights and features attached to each unit are identical.

2.10 Net asset value per unit

The consideration received or paid for units issued or repurchased respectively is based on the Fund's net asset value per unit for the preceding month.

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

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 note 2.3 'Measurement' and 'Forward-looking information'.

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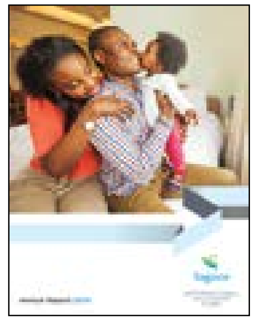

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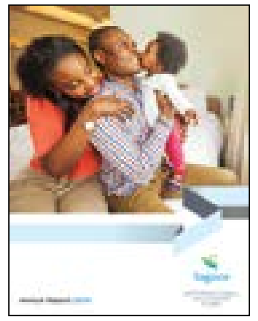

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Impairment of financial assets (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:

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			DDD	
		9	Doubtful	D	C	DD	d
		10	Loss			D	

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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Impairment of financial assets (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.

3.2 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.

4. RELATED PARTY BALANCES

These balances are interest free, unsecured and have no fixed terms of repayment.

5. INTEREST AND OTHER RECEIVABLES

	2019 $	2018 $
Debt securities interest receivable	791,897	786,672
Unsettled transactions	1,455,443	333,576
Other	269,250	217,323
Balance, end of year	2,516,590	1,337,571

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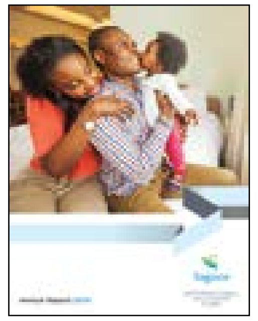
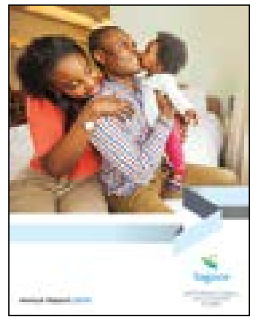


6. FINANCIAL INVESTMENTS

Analysis of financial investments

	2019 Carrying Value $	2019 Fair Value $	2018 Carrying Value $	2018 Fair Value $
Investments at FVTPL				
Fair value through profit and loss:				
Bonds – Local	34,733,713	34,733,713	39,488,438	39,488,438
Bonds – Regional	25,143,898	25,143,898	23,895,526	23,895,526
Bonds – International listed	55,099,750	55,099,750	36,031,500	36,031,500
Treasury bills – Local	100,124	100,124	99,436	99,436
Total debt securities	**115,077,485**	**115,077,485**	**99,514,900**	**99,514,900**
Common shares – Regional unlisted	2,451	2,451	2,451	2,451
Common shares – Local listed	19,775,735	19,775,735	19,841,966	19,841,966
Common shares – Regional listed	5,614,895	5,614,895	5,184,772	5,184,772
Common shares – International listed	15,014,649	15,014,649	14,983,826	14,983,826
Preferred shares – International listed	21,378	21,378	49,017	49,017
Alternative investments – International unlisted	13,732,213	13,732,213	8,826,726	8,826,726
Total equity securities	**54,161,321**	**54,161,321**	**48,888,758**	**48,888,758**

	2019 Carrying Value $	2019 Fair Value $	2018 Carrying Value $	2018 Fair Value $
Investments at amortised cost:				
Deposits	13,364,491	13,364,491	17,395,600	17,395,600
Total financial investments	**182,603,297**	**182,603,297**	**165,799,258**	**165,799,258**



6. FINANCIAL INVESTMENTS (continued)

Analysis of financial investment (continued)

Debt securities comprise:

	2019 $	2018 $
Government debt securities – International	44,560,867	27,470,632
Government debt securities – Local	30,711,108	35,563,228
Government debt securities – Regional	25,143,898	23,895,526
Corporate debt securities – International	10,538,883	8,560,868
Corporate debt securities – Regional	4,122,729	4,024,646
	115,077,485	99,514,900

Debt securities classified at fair value through profit or loss and valued using internally developed valuation models amounted to $59,977,735 (2018 - $63,483,400).

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

	2019 % of Total	2019 $	2018 % of Total	2018 $
St. Lucia Electricity Services Limited	29.81%	16,142,860	33.02%	16,142,860
CIBC FirstCaribbean International Bank	5.50%	2,978,441	5.85%	2,859,303
Ironwood Intl Ltd	5.38%	2,915,626	5.66%	2,765,025
AA Global Growth Ltd	4.79%	2,596,257	4.08%	1,993,741
S.L. Horsford & Co. Ltd	3.69%	2,000,000	4.09%	2,000,000
Goddard Enterprises Ltd	-	-	2.51%	1,228,500

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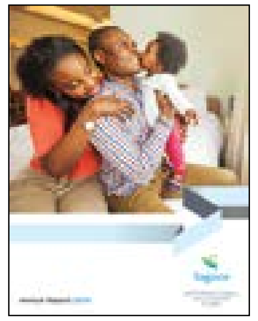

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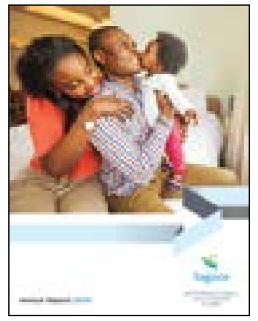

7. FINANCIAL RISK

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 custodian.

The overriding objective of the Fund's risk management framework is to enhance its capital base through a focus on income generation by investment in competitively yielding income securities, long term capital growth and protection of 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.

7.1 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 only after careful assessment of the borrower, 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 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 four categories of exposures:

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

In sections 7.2 and 7.3 below, we set out various credit risks and exposures in accordance of assets measured in accordance with IFRS 9.

7. FINANCIAL RISK (continued)

7.2 Credit risk exposure – financial assets subject to impairment

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

	2019		2018	
	$	%	$	%
Bonds at FVTPL	114,977,361		99,415,464	
Deposits at amortised cost	13,364,491		17,395,600	
Treasury bills	100,124		99,436	
Investment portfolio	128,441,976	83	116,910,500	89
Due from Sagicor (Equity) Fund	18,093		15,469	
Interest receivable and other receivables	2,516,590		1,337,571	
Cash resources	23,441,597		13,266,010	
Other financial assets	25,976,280	17	14,619,050	11
Total balance sheet exposures	154,418,256	100	131,529,550	100

Credit Risk Exposure – financial investments subject to impairment

Financial assets carried at amortized 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.

	Term Deposits – amortized cost				
	2019				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
December 31:					
Credit grade:					
Investment	4,513,544	-	-	-	4,513,544
Non-Investment	1,673,070	-	-	-	1,673,070
Watch	7,365,792	-	-	-	7,365,792
Unrated	-	-	-	-	-
Gross carrying amount	13,552,406	-	-	-	13,552,406
Loss allowance	(187,915)	-	-	-	(187,915)
Carrying amount	13,364,491	-	-	-	13,364,491

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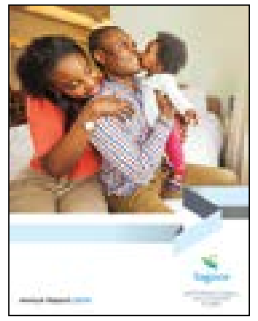

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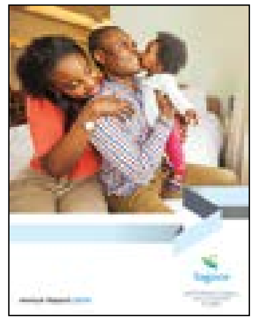

7. FINANCIAL RISK (continued)

7.2 Credit risk exposure – financial assets subject to impairment (continued)

	Term Deposits – amortized 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	8,788,888	-	-	-	8,788,888
Non-Investment	1,651,426	-	-	-	1,651,426
Watch	7,209,024	-	-	-	7,209,024
Unrated	-	-	-	-	-
Gross carrying amount	17,649,338	-	-	-	17,649,338
Loss allowance	(253,738)	-	-	-	(253,738)
Carrying amount	17,395,600	-	-	-	17,395,600

7.3 Credit impairment losses – financial assets subject to impairment

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, 2019 to December 31, 2019 in respect of financial investments subject to impairment.

7. FINANCIAL RISK (continued)

7.2 Credit risk exposure – financial assets subject to impairment (continued)

	Term Deposits – amortized cost				
	2019				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Loss allowance at January 1, 2019	(253,738)	-	-	-	(253,738)
Changes to inputs used in ECL calculation	65,823	-	-	-	65,823
Loss allowance at December 31, 2018	(187,915)	-	-	-	(187,915)
Credit impairment recorded in income					65,823

	Term Deposits – amortized 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	(143,898)	-	-	-	(143,898)
Changes to inputs used in ECL calculation	(109,840)	-	-	-	(109,840)
Loss allowance at December 31, 2018	(253,738)	-	-	-	(253,738)
Credit impairment recorded in income					(109,840)

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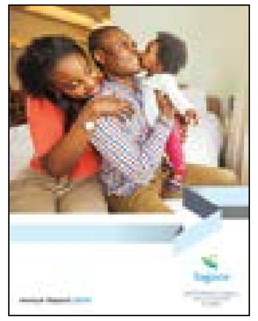

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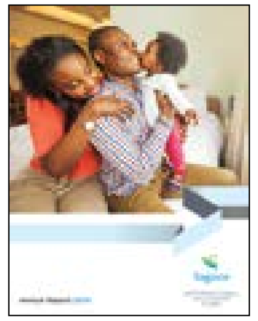

7. FINANCIAL RISK (continued)

7.2 Credit risk exposure – financial assets subject to impairment (continued)

LOSS ALLOWANCES	Term Deposits – amortized cost				
	2019				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Loss allowance, beginning of year	253,738	-	-	-	253,738
Loans originated or purchased	187,915	-	-	-	187,915
Loans fully derecognised	(253,738)	-	-	-	(253,738)
Loss allowance, end of year	187,915	-	-	-	187,915
Credit impairment loss recorded in income					65,823

LOSS ALLOWANCES	Term Deposits – amortized cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Loss allowance, beginning of year	143,898	-	-	-	143,898
Loans originated or purchased	253,738	-	-	-	253,738
Loans fully derecognised	(143,898)	-	-	-	(143,898)
Loss allowance, end of year	253,738	-	-	-	253,738
Credit impairment recorded in income					(109,840)

(a) Economic variable assumptions

The fund has selected two 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, 2019			As of December 31, 2018		
	2020	2021	2022	2019	2020	2021
Unemployment Rate (USA)						
Base	-	-	-	4.2%	4.3%	4.4%
Upside	-	-	-	4.0%	4.2%	4.3%
Downside	-	-	-	4.4%	4.7%	4.8%
World GDP						
Base	3.4%	3.6%	3.6%	3.7%	3.7%	3.6%
Upside	5.0%	5.3%	5.3%	5.4%	5.4%	5.4%
Downside	2.5%	2.7%	2.7%	2.8%	2.8%	2.7%

7. FINANCIAL RISK (continued)

7.2 Credit risk exposure – financial assets subject to impairment (continued)

(b) Government of Barbados debt securities in default – Events in 2018

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.

Credit impairment loss and de-recognition of original domestic debt securities – Events in 2018

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	50 bps
22-24	75 bps
25-29	100 bps
30-50	150 bps

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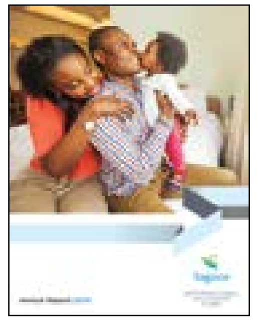

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7. FINANCIAL RISK (continued)

7.2 Credit risk exposure – financial assets subject to impairment (continued)

Credit impairment loss and de-recognition of original domestic debt securities – Events in 2018

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	31,090,500
Fair value adjustment prior to default	(8,883,000)
Net carrying value prior to default	22,207,500
Accrued interest, ECL and other adjustments	790,079
Carrying value as of October 3, 2018	22,997,579
Fair value on recognition of replacement securities	22,502,224
Loss on de-recognition of original securities	(495,355)

7.4 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.

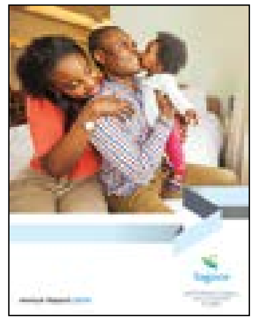
In order to manage liquidity risks, management seeks to maintain levels of cash and deposits which are sufficient to meet reasonable expectations of its short term obligations. If necessary, the Fund's secondary source of liquidity is its highly liquid instruments in its investment portfolio.

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.

(a) Financial liabilities

As of December 31, 2019 and 2018, all of the Fund's financial liabilities are due on demand.



7. FINANCIAL RISK (continued)

7.4 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, 2019	**Maturing within 1 year $**	**Maturing within 1 to 5 years $**	**Maturing after 5 years $**	**Total $**
Due from Sagicor (Equity) Fund	18,093	-	-	18,093
Interest and other receivables	2,516,590	-	-	2,516,590
Debt securities	8,306,593	26,856,384	79,914,508	115,077,485
Deposits	13,364,491	-	-	13,364,491
Cash resources	23,441,597	-	-	23,441,597
Total	47,647,364	26,856,384	79,914,508	154,418,256

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	15,469	-	-	15,469
Interest and other receivables	1,337,571	-	-	1,337,571
Debt securities	10,788,092	16,276,998	72,449,810	99,514,900
Deposits	17,395,600	-	-	17,395,600
Cash resources	13,266,010	-	-	13,266,010
Total	42,802,742	16,276,998	72,449,810	131,529,550

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 2019, one individual unit holder held more than 5% of the fund's units. The fund manages its liquidity risk by investing in security that it expects to be able to liquidate within a short period.

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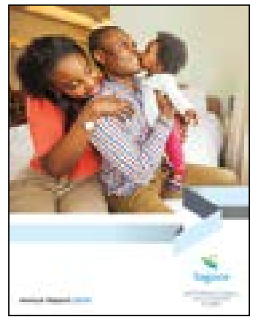

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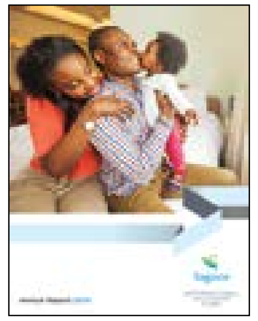

7. FINANCIAL RISK (continued)

7.4 Liquidity risk (continued)

The following table shows the ordinary redemption periods of the funds and alternative investments held.

As of December 31, 2019	Less than 7 Days	Monthly	Quarterly	Semi Annually	1-5 Years	More than 5 years
Funds and Alternative Investments	4,984,490	3,350,220	783,254	2,915,626	1,698,623	-

As of December 31, 2018	Less than 7 Days	Monthly	Quarterly	Semi Annually	1-5 Years	More than 5 years
Funds and Alternative Investments	2,144,370	2,708,902	746,969	2,765,025	461,460	-

7.5 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.

Financial liabilities

As of December 31, 2019 and 2018, all of the Fund's financial liabilities were non-interest bearing and therefore not exposed to interest rate risk.

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7. FINANCIAL RISK (continued)

7.5 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, 2019	Exposure within 1 year $	Exposure of 1 to 5 years $	Exposure after 5 years $	Not exposed to interest $	Total $
Due from Sagicor (Equity) Fund	-	-	-	18,093	18,093
Interest and other receivables	-	-	-	2,516,590	2,516,590
Debt securities	8,245,568	26,343,757	79,052,694	1,435,466	115,077,485
Equity securities	-	-	-	54,161,321	54,161,321
Deposits	13,126648	-	-	237,843	13,364,491
Cash resources	-	-	-	23,441,597	23,441,597
Total	21,372,216	26,343,757	79,052,694	81,810,910	208,579,577

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	-	-	-	15,469	15,469
Interest and other receivables	-	-	-	1,337,571	1,337,571
Debt securities	10,602,392	16,056,995	71,564,558	1,290,955	99,514,900
Equity securities	-	-	-	48,888,758	48,888,758
Deposits	17,123,669	-	-	271,931	17,395,600
Cash resources	-	-	-	13,266,010	13,266,010
Total	27,726,061	16,056,995	71,564,558	65,070,694	180,418,308

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

	2019	2018
Debt securities	4.8%	6.0%
Deposits	2.2%	2.1%

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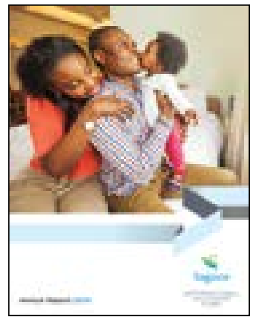

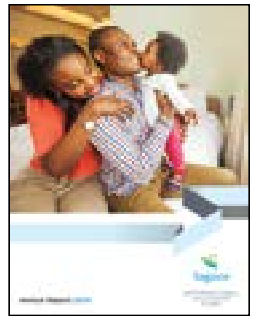

7. FINANCIAL RISK (continued)

7.5 Market risk (continued)

Interest Rate Risk (continued)

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, 2019	$
Total interest bearing financial assets carried at fair value	113,642,019
The fair value impact of an increase in interest rates of:	(7,018,436)
The fair value impact of a decrease in interest rates of:	7,875,973

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.

Assets and liabilities by currency are summarised in the following table.

Balances denominated in

	Balances denominated in				
As of December 31, 2019	**EC $**	**Barbados $**	**US $**	**TT $**	**Total $**
ASSETS					
Due from Sagicor (Equity) Fund	10,049	-	8,044	-	18,093
Interest and other receivables	1,430,962	1,005,165	80,463	-	2,516,590
Financial investments	45,567,396	37,259,100	98,549,057	1,227,744	182,603,297
Cash resources	9,099,379	93,850	14,248,368	-	23,441,597
Total assets	56,107,786	38,358,115	112,885,932	1,227,744	208,579,577
LIABILITIES					
Due to Sagicor Life Inc	6,317,103	-	-	-	6,317,103
Due to Sagicor (Bonds) Fund	1,870,095	-	-	-	1,870,095
Accounts payable	491,618	-	-	-	491,618
Total liabilities	8,678,816	-	-	-	8,678,816
Net position	47,428,970	38,358,115	112,885,932	1,227,744	199,900,761

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7. FINANCIAL RISK (continued)

7.5 Market risk (continued)

Foreign exchange risk (continued)

	Balances denominated in				
As of December 31, 2018	**EC $**	**Barbados $**	**US $**	**TT $**	**Total $**
ASSETS					
Due from Sagicor (Equity) Fund	1,428	-	14,041	-	15,469
Interest and other receivables	1,237,574	63,679	36,318	-	1,337,571
Financial investments	47,440,142	40,021,292	77,389,595	948,229	165,799,258
Cash resources	2,565,232	1,126,478	9,574,300	-	13,266,010
Total assets	51,244,376	41,211,449	87,014,254	948,229	180,418,308
LIABILITIES					
Due to Sagicor Life Inc	85,941	-	-	-	85,941
Due to Sagicor (Bonds) Fund	59,688	-	-	-	59,688
Accounts payable	544,463	-	49,972	-	594,435
Total liabilities	690,092	-	49,972	-	740,064
Net position	50,554,284	41,211,449	86,964,282	948,229	179,678,244

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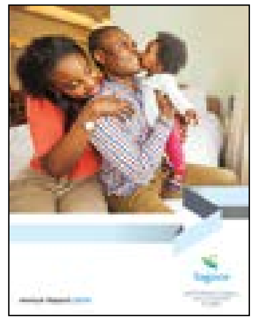

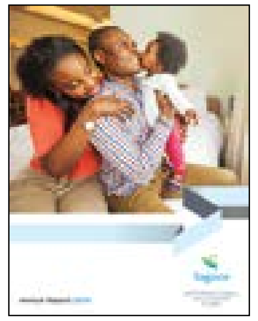

7. FINANCIAL RISK (continued)

7.5 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 Eastern Caribbean 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 9.

The currency whose value has noticeably fluctuated against the Eastern Caribbean dollar (ECD) is the Trinidad dollar (TTD). The theoretical impact of the TTD on reported results is considered below.

The effect of a 10% depreciation in the TTD relative to the ECD arising from TTD financial investments as of December 31, 2019 and for the year then ended is considered below.

	Balances denominated in TTD $	Effect of a 10% depreciation on income as of Dec 31, 2019 $
Assets	1,227,744	(122,774)

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 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 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.

7. FINANCIAL RISK (continued)

7.5 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, at balance sheet date is set out below.

	Fair value $	Effect of a 20% decline at Dec 31, 2019 $
Fair value through profit or loss equity securities:		
Common and preference shares - listed	40,426,657	(8,085,331)
Common shares - unlisted	2,451	(490)
Alternative investments - unlisted	13,732,213	(2,746,443)
	54,161,321	(10,832,264)

7.6 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:

(i) 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.

(ii) 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 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. If the non-traded liability is backed by a pool of assets, then its value is equivalent to the value of the underlying assets.

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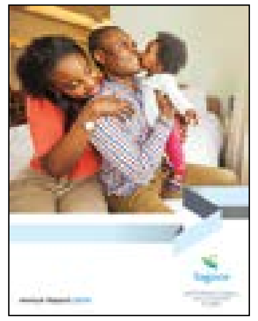

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7. FINANCIAL RISK (continued)

7.6 Fair value of financial instruments (continued)

(iii) 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 inputs that are not based on observable market data.

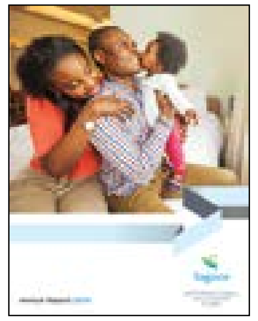
Level 3 financial assets designated at fair value through profit or loss comprise primarily of corporate and government agency debt instruments issued in the Caribbean. The fair values of these instruments have been derived from December 31 market yields of government instruments of similar durations in the country of issue of the instruments.

The techniques and methods described in Note 2.3 (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 as of December 31 on a recurring basis by level of the fair value hierarchy.

2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through				
profit and loss:	$	$	$	$
Debt securities	10,538,882	44,560,868	59,977,735	115,077,485
Common shares	20,629,545	19,775,734	2,451	40,407,730
Alternative investments	3,465,736	4,868,974	5,397,503	13,732,213
Preferred shares	21,378	-	-	21,378
Total assets	34,655,541	69,205,576	65,377,689	169,238,806
Total assets by percentage	20%	41%	39%	100%

2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value through				
profit and loss:	$	$	$	$
Debt securities	8,136,071	27,895,429	63,483,400	99,514,900
Common shares	20,168,598	19,841,966	2,451	40,013,015
Alternative investments	-	3,888,816	4,937,910	8,826,726
Preferred shares	49,017	-	-	49,017
Total assets	28,353,686	51,626,211	68,423,761	148,403,658
Total assets by percentage	19%	35%	46%	100%



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7. FINANCIAL RISK (continued)

7.6 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
	2019 $	2018 $			2019	2019	
Debt securities	59,977,735	63,483,400	Discounted Cash Flows	Risk Adjusted Market Yields	3.5% - 9.7% Avg (7.0%)	2.8% - 11.3% Avg (5.4%)	The effect of a 1% increase in interest rates would decrease the fair value by ($3,869,079) and a 1% decrease in interest rates would increase the fair values by $4,475,099
Common shares	2,451	2,451	Book Value Per Share	Net Assets divided by number of shares issued	$0.01	$0.01	The higher the Net Assets, the higher the book value.
Alternative investments	5,397,503	4,937,910	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.

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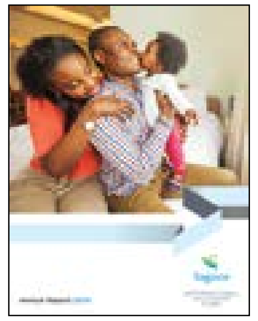

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7. FINANCIAL RISK (continued)

7.6 Fair value of financial instruments (continued)

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

	2019 $	2018 $
Balance, beginning of year	68,423,761	74,035,386
Fair value changes recorded in income	2,771,116	(9,004,458)
Additions	6,512,306	35,295,724
Transfers in	-	-
Disposals	(12,259,386)	(31,688,266)
Effect of accrued interest	(70,108)	(214,625)
Balance, end of year	65,377,689	68,423,761

Unrealised gains of $2,786,796 (2018 - $157,350) on level 3 assets held at the end of the period are included in Net investment gains on financial investments.

7.7 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.

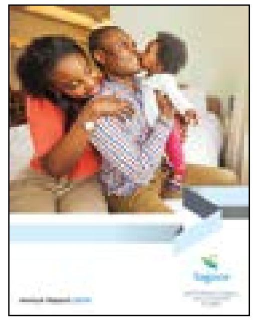
In order to maintain or adjust the capital structure, the Fund's policy is to redeem and issue units in accordance with the terms of the trust deed which includes the ability to restrict redemptions.

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

8. INTEREST INCOME

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

	2019 $	2018 $
Debt securities	5,076,193	5,637,251
Deposits	387,154	386,958
Total interest income	5,463,347	6,024,209



9. NET INVESTMENT GAINS

	2019 $	2018 $
Foreign exchange losses	(108,601)	(35,448)
Loss on bond restructure	-	(495,355)
Net gains/ (losses) on financial investments	12,040,225	(13,344,470)
ECL Movement	65,823	(109,840)
Net investment gains/ (losses)	11,997,447	(13,985,113)

10. RELATED PARTY TRANSACTIONS

(a) Material related party transactions	2019 $	2018 $
Management fee – Sagicor Life Inc	1,431,874	1,558,457

(b) Units held by related parties

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

Sagicor Finance Inc.	2019 $	2018 $
Value of units held at January 1	218,047	210,038
Net value of transactions for the year	36,984	8,009
Value of units at December 31	255,031	218,047

11. COMMITMENTS

At December 31, 2019, the Fund's total committed capital to private equity strategies was $380,000 (2018 - $1,026,000). At that date, $122,705 (2018 - $291,875) of this commitment remained undrawn.

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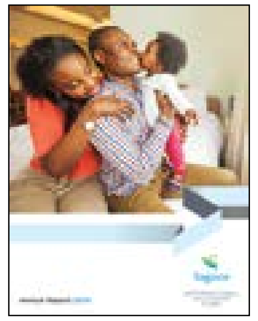

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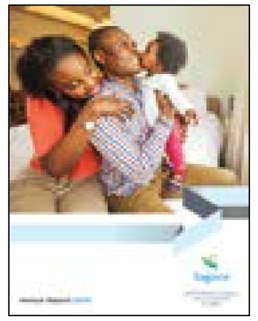
12. SUBSEQUENT EVENTS

Subsequent to the end of the financial year, the World Health Organization declared COVID-19 a world health pandemic. This pandemic has affected many countries and all levels of society and has affected our economic environment in significant ways.
As the COVID-19 situation evolves, many of the markets in which the Fund operates have implemented public health safety protocols. Most Caribbean countries have largely shut down air and sea traffic. Similar procedures have also been applied in the United States, Canada and elsewhere.
The COVID-19 pandemic has caused significant economic and financial turmoil both in the U.S. and around the world and has fuelled concerns that it will lead to a global recession. These conditions are expected to continue and worsen in the near term.
We believe that the pandemic will have a significant impact on our business, results of operations, financial condition and liquidity. The extent of these impacts will depend on future developments which cannot be accurately predicted at this time, as new information is emerging each day.
Increased economic uncertainty and increased unemployment resulting from the economic impacts of the spread of COVID-19 may also result in unitholders seeking sources of liquidity and withdrawing from pension plans at rates greater than we previously expected.

Our investment portfolio may be adversely affected as a result of market developments from the COVID-19 pandemic and uncertainty regarding its outcome. Changes in interest rates, reduced liquidity or a continued slowdown in global economic conditions may also adversely affect the values and cash flows of these investments. The impact of COVID-19 on global markets is reflected in the Fund's April 2020 Y-T-D results. In the January to April 2020 period, losses totaling $12,085,423 were incurred on the investments portfolio. As a consequence, the net asset value per unit at April 30, 2020 declined to $2.17 from $2.28 reported at December 31, 2019.

The Fund will continue to monitor the impact of COVID-19.

The Board of Directors of the Trustee continues to believe that the going concern presumption remains appropriate for these financial statements and that the Fund will continue to be able to meet its obligations as they fall due.



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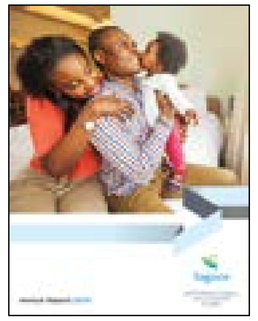

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