

INVESTMENT COMMENTARY

Sagicor International Balanced Fund | December 2020

Global equity markets were buoyed in the fourth quarter by a second \$900 Billion COVID US stimulus package, a deal on BREXIT and rollout of vaccines across developed economies. An overexuberant melt up in stock prices were tempered by case counts trending higher and the detection of a more infectious variant strain of COVID-19 in the UK increasing the likelihood of policy makers reinstating further lockdowns to stem the virus spread. The S&P 500, Dow Jones Industrial and the All Country World Index ended 2020 with total returns of 18.4%, 9.7% and 16.8% respectively, an impressive recovery from the bear market lows suffered in the first quarter of 2020.

Regional indices fared much worse than their developed market counterparts still reeling from severe global travel slowdown. Activity in the tourism sector spurred GDP growth during the fourth quarter but it was too little too late with the BSE, TTSE and the JSE returning -17.3%, -9.9% and -22.4% respectively for the calendar year 2020.

In December the US Federal Reserve left key interest rates unchanged at a range of 0.0% to 0.25% while continuing it's call for further stimulus from the US government in the hopes of supporting the economy and achieving its goals of maximum employment and price stability. Liquidity provided by major central banks continued to underpin bond markets and during the fourth quarter the Barclays Global Aggregate Index returned 3.3% and 9.2% for the full year 2020. The yield on the 10-year US Treasury increased from 0.7% to 0.9% during the final quarter as expectations of a powerful fiscal agenda enacted by president elect Joe Biden lifted forecasts for inflation. Central Bank bond purchasing has precipitated spread narrowing across international corporate

debt securities, which have positively impacted valuations. Regional market yield curves have narrowed for EC\$ and TT\$ debt holdings while for local debt, spreads have widened on the short end of the curve to reflect the near-term economic fallout induced by the pandemic.

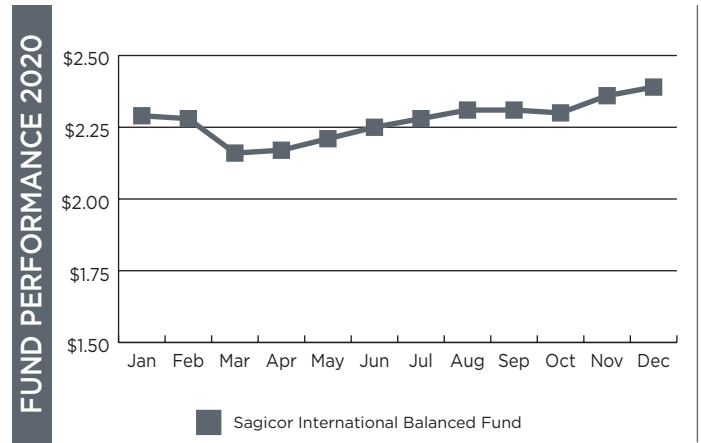
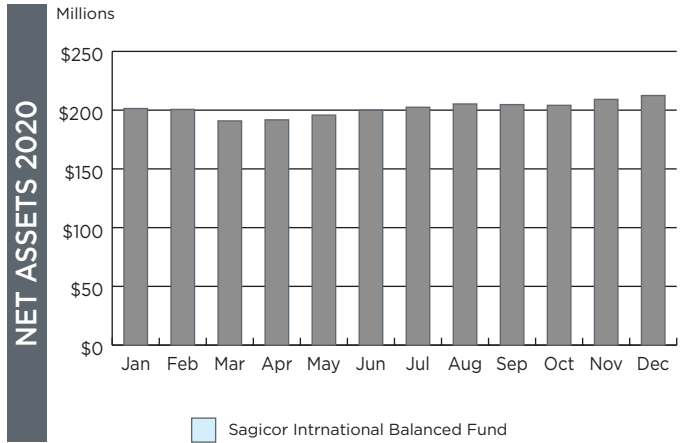
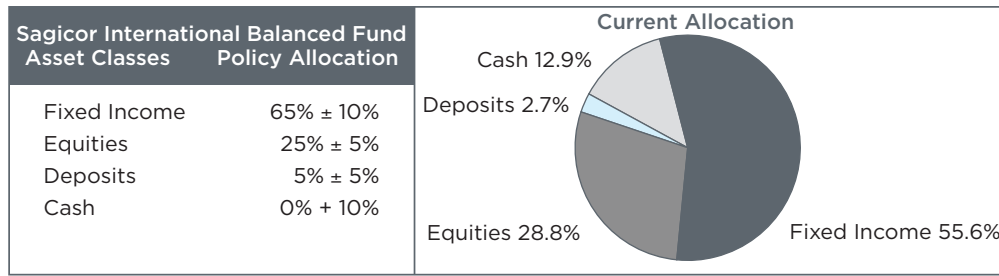
Amid the uncertainty the Sagicor International Balanced Fund returned 3.9% during the fourth quarter and 4.9% for the calendar year ended December 31, 2020. The Fund's NAV increased to \$2.39 as at December 31, 2020 up from \$2.31 as at September 30, 2020. Net assets increased to \$212.4 million as at December 31, 2020 from \$204.7 million as at September 30, 2020. The strong fourth quarter performance was driven by unrealized gains in international equity holdings and Regional USD\$ bonds. Financial assets grew 8% in fourth quarter with Bonds being the most heavily weighted asset class at 56% while equities increased to 29% with the remaining allocation to liquid assets such as term deposits and cash.

In the short-term risks to the downside abound, US political turmoil, geopolitical uncertainty during the last weeks of the Trump presidency and the first winter season with COVID-19. For local and regional economies curtailment in international travel and the unavailability of vaccines expectations of a swift recovery remain muted. In our view investors should have a longer-term view and observe where we are in the global economic cycle and the evidence points to being amid the early stages of a recovery which is normally followed by economic expansion. Equities historically do well during recovery and expansionary stages of a cycle and as always being well diversified by asset class will mitigate against unforeseen volatility that will inevitably occur.

TOP 5 HOLDINGS		
	Holding	Country/Region
1	Government of Barbados Series D Bond	Barbados
2	St Lucia Electricity Services Limited	St. Lucia
3	Government of Bermuda 2027 Bond	Bermuda
4	Government of Trinidad & Tobago 2026 Bond	Trinidad & Tobago
5	Commonwealth of Bahamas 2024 Bond	Bahamas

*as at December 31, 2020

**Policy Asset Allocation
Sagikor International Balanced Fund**



FINANCIAL HIGHLIGHTS AS AT DECEMBER 31, 2020	
	SAGICOR INTERNATIONAL BALANCED FUND
Financial Investments	\$ 186,693,135.17
Total Assets	\$ 212,544,058.01
Total Liabilities	\$ (97,740.07)
Net Assets	\$ 212,446,317.94
Net Investment Income/(Loss)	\$ 9,979,479.05
No. of Units Outstanding as at December 31, 2020	88,706,481.00
Net Asset Value per Unit as at December 31, 2020	\$ 2.39
Increase/(decrease) in Net Asset Value per Unit for year	4.9%

INDEX	ASSET CLASS	COUNTRY	JAN 2020 - DEC 2020
ECSE	Domestic Equity	St. Kitts	-0.3%
S&P 500	Global Equity	US	18.4%
Dow Jones	Global Equity	US	9.7%
FTSE 100	Global Equity	UK	-14.3%
Nikkei 225	Global Equity	Japan	16.0%
JPMorgan EMBI+	Emerging Market Fixed Income	US	5.3%

*as at December 31, 2020