

## MARKET OVERVIEW

### Macro-Economic Overview

Financial markets carried positive momentum into 2023 buoyed by the reopening of China's economy but volatility soon returned to capital markets, as inflation data proved to be stickier than anticipated and assets were tentatively repriced on further quantitative tightening by central banks.

Furthermore, the effects of monetary policy were evident as two regional US banks collapsed, resulting from losses on assets that were materially exposed to interest rate risk during 2022. However, swift intervention by the US Government and regulators, promptly calmed markets on potential contagion and markets subsequently closed the 1st quarter trending upwards, despite signs of slowing economic growth. Mega cap growth stocks outperformed, with the Nasdaq up 17% on the back of a surging technology sector while the Russell 1000 growth index was up 14% vs a 1% return of the Russell 1000 value.

While the S&P 500 was up 7.5% we note this was largely driven by outperformance of a few very select players with most of the index flat or otherwise declined. Some detracting sectors during the period included energy and health care as the former has seen valuations cool from mid-2022 highs but gathered momentum late in Q1, on the news of further global oil supply cuts. Global equities in developed markets were up as, MSCI ACWI (ex-U.S.) returned 6.9% while EM markets were up around 4%, fueled by positive growth data out of China. Regional equity markets were mixed as the Barbados Stock Exchange was the only covered index to advance with a return of 0.58% while Trinidad & Jamaica's composites declined 1.5% and 4.3% respectively.

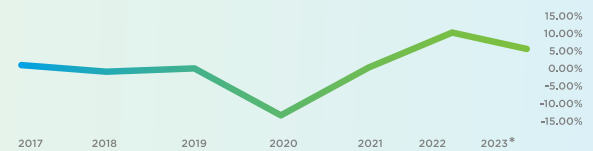
Bond markets saw growth as fixed income markets gained momentum with market sentiment shifting to a preferred asset class with budding tailwinds surrounding the likelihood that interest rate hikes will slow or pause in the near term and the chance of rate cuts later in the year if economic conditions continue to contract. In a recession outcome, a flight to safety will provide capital appreciation upside, especially on investment grade securities which traded attractively in 2022 following a down year for the asset class.

### Outlook

The IMF restated their October 2022 global economic projections in January 2023 and now estimates that global output will decrease from 3.4% in 2022 to 2.9% in 2023. The international agency cites that downside risks remain prevalent as elevated geopolitical tensions, a possible escalation of the war in Ukraine and tighter global financial conditions can present further distress to not just credit markets but financial markets. Moreover, financial markets continue to face the effects of 2022's policies which may have a further adverse effect on asset prices. Local and regional players still retain a platform for growth as the recovery from the Covid-19 pandemic continues. Key catalysts for growth surround a thriving tourism sector against a backdrop of new infrastructure investment to meet improving demand in the region. Moreover, elevated oil, gas & other commodity prices support near term fiscal space of regional peers that are export dependent to this industry while the energy transition remains a key pillar of growth and we anticipate seeing further capital deployed to develop the alternative energy sector.

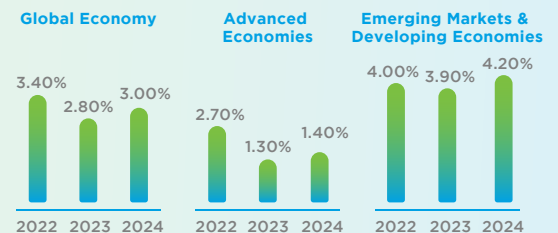
Key Indices (Quarterly Returns)	Jun-2022	Sep-2022	Dec-2022	Mar-2023
BSE Index	5.99%	-0.20%	0.39%	0.58%
TTSE Composite Index	-5.06%	-2.78%	-0.82%	-1.49%
JSE Index	-1.80%	-5.86%	-1.60%	-4.32%
S&P 500 Index	-16.10%	-4.88%	7.56%	7.50%
Dow Jones Index	-10.78%	-6.17%	16.01%	0.93%
MSCI All Country World Index	-15.66%	-6.82%	9.76%	7.31%

### Barbados GDP Growth (Real)



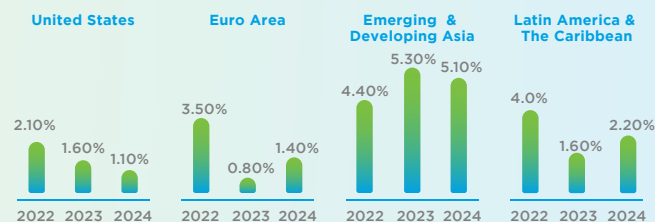
2023\* - Real GDP growth for the first quarter of the year  
Source: Central Bank of Barbados

### World Economic Outlook Update: April 2023 Growth Projections (% change)



Source: IMF WEO Update: October 2022

### World Economic Outlook Update: April 2023 Regional Growth Projections (% change)



Source: IMF WEO Update: October 2022





## ASSET MANAGEMENT

# SAGICOR (EQUITY) FUND

QUARTERLY NEWSLETTER Q1 | MARCH 31<sup>ST</sup>, 2023

## INVESTMENT OBJECTIVE

This Fund seeks to balance risk and return with the aim of maximizing long-term capital appreciation through investing in a diversified portfolio mix of local, regional and international equities, domestic real estate, mortgages and fixed income instruments.

**Fund Inception Date:** April 09, 1969

**Fund Manager:** Sagicor Asset Management Inc.

**Management Fee:** 0.75% per annum

### Fund Statistics:

Total AUM (in millions) - \$633.1 BDS

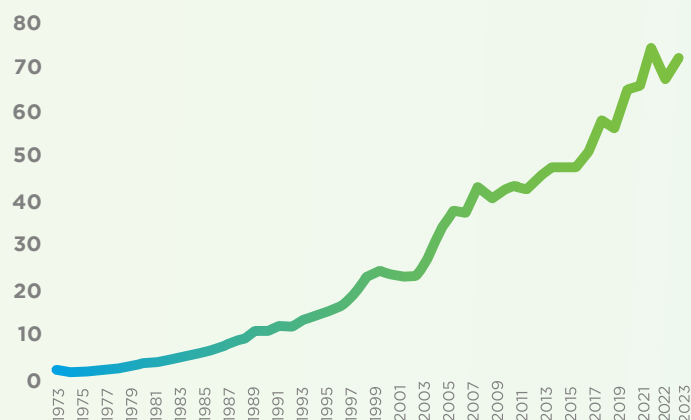
N.A.V - \$70.06 BDS

### Fund Performance (%)

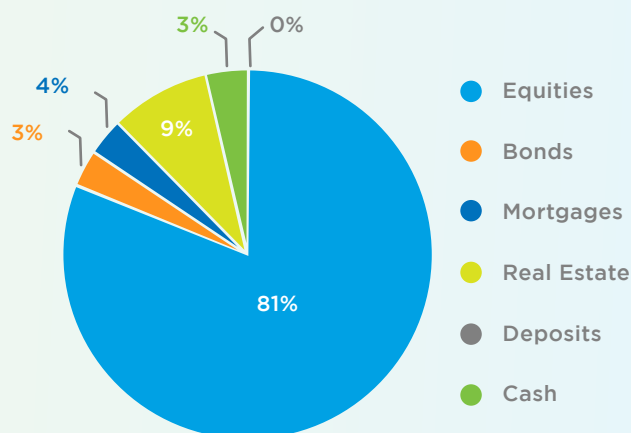
YTD	1-YR	5-YR	10-YR	30-YR
2%	-7.5%	3.8%	4.4%	6.3%

\*Average annual calendar year performance

### Fund Inception Return as at March 31<sup>st</sup>, 2023



### Portfolio Asset Allocation



The Sagicor (Equity) Fund gained 2% in the first quarter of 2023 as equity markets trended upwards and maintained good momentum despite pockets of volatility surrounding inflation and the mini-banking crisis in the US market.

Our portfolio welcomed the boost in valuations for growth stocks despite prevailing economic conditions presenting challenging headwinds. Portfolio performance attribution came from the international component of the portfolio, with notable growth observed across the Fund's US large cap, small cap and global developed market equity funds, with some reporting double digit growth in the first quarter. We advise that strategic allocations to energy, health care and Brazilian equities which provided growth in 2022, declined during the first quarter as commodity price volatility weighed on assets and healthcare valuations were questioned. Notwithstanding, we maintain conviction as key macro-fundamentals support our long position on these assets.

Net assets increased to \$633.1 million, invested capital across equities, bonds, real estate and mortgages with a unit value of \$70.06 as at March 31, 2023.

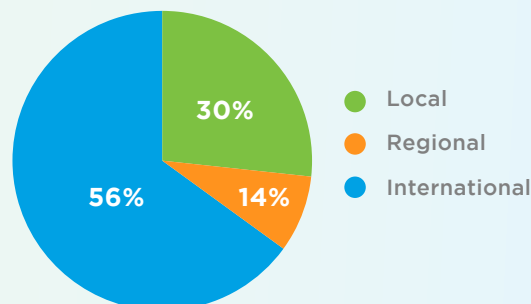
### Top 10 Holdings (%)

Goddard Enterprises Ltd	10%
Massy Holdings Ltd	9%
Royal Bank of Canada	4%
Schwab US Dividend Equity Fund (ETF)	3%
First Caribbean International Bank	3%
Pictet - PTR Atlas Fund	3%
Morgan Stanley	3%
Neuberger Berman	2%
MFS Meridian European Research Fund	2%
Energy Select Sector SPDR Fund (ETF)	2%
Total of Top 10 Holdings	42%

### Sector Analysis of International Holdings

Information Technology	21%
Financials	14%
Consumer Staples	7%
Health Care	15%
Communication Services	4%
Consumer Discretionary	10%
Energy	8%
Industrials	11%
Materials	3%
Real Estate	5%
Utilities	1%
Total International Equity Holdings	100%

### Geographic Breakdown



## INVESTMENT COMMENTARY

QUARTERLY NEWSLETTER

WWW.SAMI.BB



SAGICOR (EQUITY) FUND

## INVESTMENT OBJECTIVE

This Fund seeks to achieve consistent long-term returns primarily from its investment in a diverse mix of local, regional and international sovereign and corporate bonds. The Fund is further diversified through its domestic mortgage holdings, regional & international equities and term deposits.

**Fund Inception Date:** April 09, 1969

**Fund Manager:** Sagicor Asset Management Inc.

**Management Fee:** 0.50% per annum

### Fund Statistics:

Total AUM (in millions) - \$457.7 BDS

N.A.V - \$29.83 BDS

Number of Holdings - 135

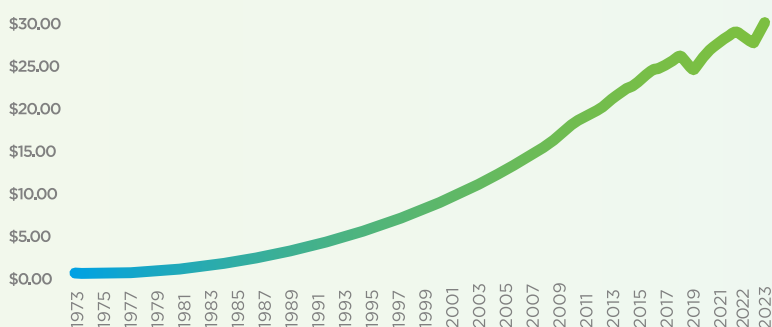
Yield to Maturity - 6.47%

### Fund Performance (%)

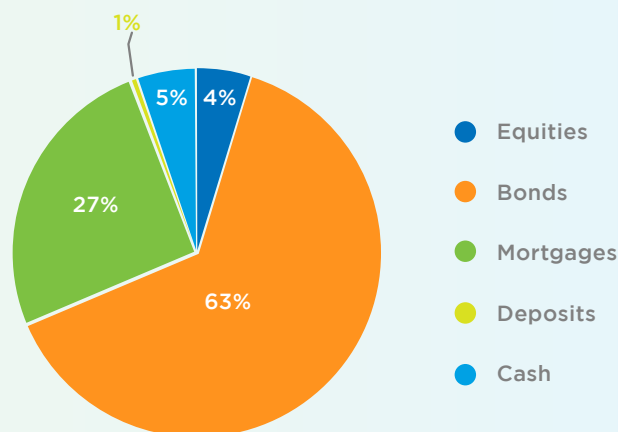
YTD	1-YR	5-YR	10-YR	30-YR
1.25%	0.03%	2.10%	3.22%	6.06%

*\*Average annual calendar year performance*

### Fund Inception Return as at March 31<sup>st</sup>, 2023



### Portfolio Asset Allocation



The Bonds Fund returned 1.25% during the first quarter of 2023, on the back of improved performance in fixed income across both local and international markets. Fixed income markets gained momentum with market sentiment moving preferred to the asset class as potential tailwinds can provide support on prices with high probability for capital appreciation if growth uncertainty persists. Investment grade securities were up as the Bloomberg Global Aggregate Index returned 3.2% in the first quarter as capital flowed into this category as recession and credit risks mounted.

While the portfolio team has remained patient with excess cash, periodic allocations to US Treasuries have benefitted the portfolio with a quick turnover of cash at favourable yields in the 4.5% - 5% range. The portfolio's mortgage book continues to add stable net principal and income with a gross annual yield of 4.1%. The Fund closed the first quarter of 2023 with net assets of \$457.7 million and a net asset value of \$29.83.

As Central Banks moderate and approach the end of their rate hike cycle, we believe fixed income carries the safest avenue for growth and returns relative to risk. We continue to place great emphasis on credit fundamentals as we see viable opportunities along the yield curve to add new instruments to the portfolio at attractive yields to strengthen our holdings and meet our long-term investment objectives.

### Top 10 Holdings (%)

Gov't of Barbados Series D 1.5% Due 08/31/2053	22%
Gov't Of Bermuda 3.717% Due 01/25/27	9%
Trinidad Generation Unlimited 5.25% Due 11/04/2027	4%
Gov't of Trinidad & Tobago 5.875% Due 05/17/2027	3%
Gov't of Barbados 6.50% Due 10/01/2029	2%
Gov't of Trinidad & Tobago 4.5% Due 08/04/26	2%
Gov't of St. Lucia 6.5%	2%
Natural Gas Co. Trinidad 6.05% Due 01/15/36	2%
Legg Mason Brandywine Global Income	2%
United States of America Treasury Bill	1%
<b>Total of Top 10 Holdings</b>	<b>48%</b>

### Credit Quality (%)

AAA,AA	3.1%
A	17.7%
BBB	30.6%
BB	14.2%
B	32.1%
CCC, CC	1.3%
C	0.2%
D	0.7%

### Geographic Breakdown

