BARBADOS
SEGREGATED
PENSIONS FUND

Annual Report **2019**

Contents

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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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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SAGICOR BARBADOS SEGREGATED PENSION FUNDS POLICY

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BARBADOS SEGREGATED PENSIONS FUNDS POLICY

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

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

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

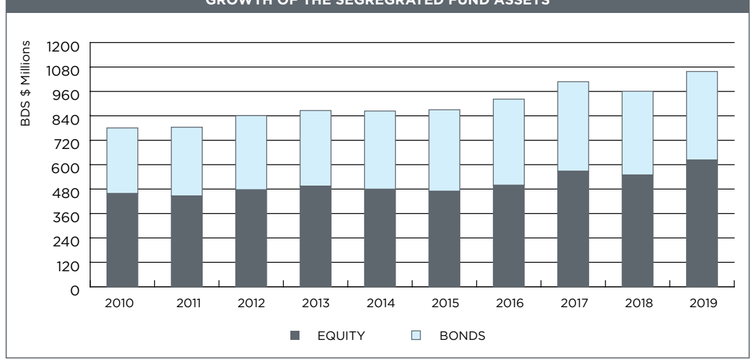
At Present, Pension Funds of 311 companies in Barbados amounting to approximately $1.06 billion are invested in these segregated funds; all but 78 of these Pension Plans are also administered by Sagicor. The total membership stood at 4,672 which includes 758 Pensioners.

FINANCIAL HIGHLIGHTS

BONDS & EQUITY FUNDS - NET ASSETS, UNIT VALUE, YIELD

	Equity Fund			Bonds Fund		
	Assets (000)	Unit Value	Change	Assets(000)	Unit Value	Change
2010	$458,067	$43.52	3.70%	$322,608	$19.32	5.83%
2011	$446,569	$42.74	-1.79%	$337,633	$20.12	4.14%
2012	$476,581	$45.67	6.86%	$364,525	$21.63	7.54%
2013	$495,060	$47.76	4.58%	$371,004	$22.51	4.05%
2014	$479,484	$47.73	-0.05%	$383,091	$23.97	6.79%
2015	$469,767	$48.15	0.88%	$400,108	$24.89	3.80%
2016	$499,022	$51.23	6.39%	$423,156	$25.36	1.89%
2017	$567,830	$58.05	13.37%	$439,872	$26.72	5.36%
2018	$549,787	$56.41	-2.88%	$410,590	$25.03	-6.32%
2019	$623,129	$64.68	14.70%	$434,847	$27.20	8.80%

GROWTH OF THE SEGREGRATED FUND ASSETS



Stephen McNamara
Chairman

CHAIRMAN'S REVIEW

ECONOMIC ENVIRONMENT

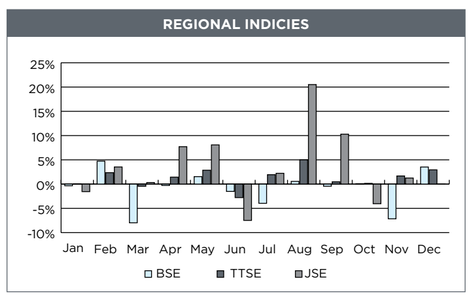
The Sagicor (Equity) Fund recorded an impressive return of 14.7% for 2019 benefiting from the strong advance of global equities. Fixed income markets also experienced favourable performance for 2019, which buoyed the Sagicor (Bonds) Fund's stellar return of 8.8% for the year.

Broad international indices experienced 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.

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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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.

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.

Trinidad and Tobago's economy experienced an estimated expansion of 1.8% in 2019, compared to revised annual GDP growth rate of -0.2% for 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$7.1 billion, 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%.

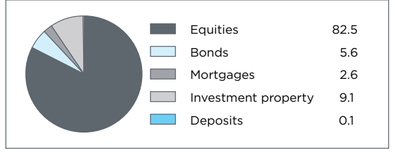
In the quarter ended September 2019, the Jamaica economy grew by 0.6% compared to 1.3% in the second quarter of 2019. On September 27, 2019, Standard and Poor's rating agency upgraded the Government of Jamaica's long-term ratings to B+ from B and affirmed the short-term debt at B, as well as, affirmed 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 (EQUITY) FUND

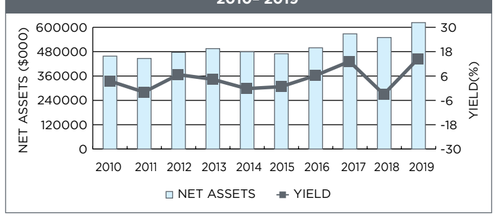
Global stock markets posted strong returns during 2019. US equities took the lead recording their strongest returns since 2013 and were followed by international developed and emerging market equities.

Against this backdrop, the net asset value increased from $56.41 as at December 31st, 2018 to $64.68 at the end of 2019. This resulted in the Fund's return of 14.7% for the year 2019 compared to last year's return of -2.9%.

ASSET ALLOCATION (EQUITY)



UNIT VALUE & YIELDS (EQUITY) 2010– 2019



The Fund's net assets totaled $623.1 million at the end of December 2019, representing an increase of 13.3% for the calendar year. The Fund maintained its core exposure to the equity asset class, which totaled $531.6 million and accounted for 90.8% of financial investments. The equity asset class was well diversified with 32.5% of the portfolio allocated to local and regional equities, with 67.5% allocated to international equities. The Fund's international portfolio remained well diversified and consisted of global equities, international fixed income strategies and alternative investment strategies to provide enhanced diversification, to mitigate downside risk and improve the Fund's overall expected long-term risk adjusted returns. Across major regional holdings there was price improvement. Goddard Enterprises Limited, CIBC First Caribbean International Bank and Massy Holdings Limited all experienced a moderate appreciation in their respective share prices. The investment property portfolio decreased marginally by 4.6% and totaled $53.4 million, representing 8.6% of net assets attributable to unit holders. The investment property portfolio included commercial properties which are wholly owned or jointly operated and land.

The Fund realized a gain of $80.2 million in 2019, relative to a loss of $16.8 million in 2018. The overall outturn was largely attributable to net investment gain which totaled $72.9 million for the year as compared to a loss of $28.2 million in the prior year. Other income streams, dividend income, rental income and interest income experienced moderate declines. The Fund maintained a well-diversified portfolio and benefited from the recovery of international equity markets.

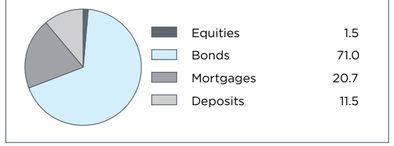
SAGICOR (BONDS) FUND

In the context of the US-China trade war and the record low interest rates, bond investors enjoyed solid returns in 2019. These strong returns were as a result of the steep drop in yields and the tightening credit spreads. The steep drop in yields in 2019 was primarily driven by the fear of a global slowdown as manufacturing activity declined and tariffs increased. However, this fear was somewhat eased by the Federal Reserve's interest rate cuts which brought the federal funds rate to a range of 1.50% to 1.75%.

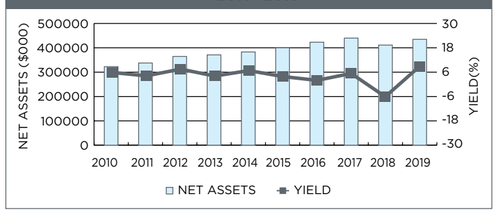
The Government of Barbados concluded the external debt restructure in December 2019 which resulted in the much-welcomed credit ratings upgrade. This favorable move in credit ratings served to further restore investor confidence in the government of Barbados.

Amidst a protracted low interest rate environment, the Sagicor (Bonds) Fund yielded 8.8% for the year 2019. The NAV as at December 31, 2019 stood at $27.20 up from $24.99 as at December 31st, 2018. The Fund recorded an increase of 5.9% in net assets attributable to shareholders

ASSET ALLOCATION (BONDS)



UNIT VALUE & YIELDS (BONDS) 2010– 2019



which stood at $434.8 million as at December 31st, 2019.

The Fund remained primarily invested in the bond asset class, which represented 71% of financial investments and totaled $280.5 million at December 31, 2019. Investment in sovereign debt accounted for 87.4% of the bond portfolio while the residual allocation was to corporate issuances.

Significant debt holdings include government bonds issued by Barbados, Bermuda, Aruba, Trinidad, Panama, Bahamas and St. Lucia. Significant corporate bond exposures included debt issued by Trinidad Generation Unlimited. The yield on the bond portfolio trended lower to 4.5% for 2019 as compared with 6.2% for 2018.

Investment in mortgage loans totaled $92.2 million as at December 31, 2019 as compared to $77.5 million for the previous reporting period and represented 23.3% of financial investments. The average interest yield on the mortgage portfolio decreased to 4.4% in 2019 relative to 5.7% in 2018. Mortgage loan commitments nearly doubled, totaling $8.4 million at year-end compared to $4.7 million at the end of 2018. Our efforts to buildout the mortgage book remained steadfast as we sought to maintain a competitive position through our recent campaign, which offered a rate of 3.5% on new mortgage facilities.

Net investment gains on financial investments totaled $21.5 million, while interest income totaled $15.9 million. Net gains and total comprehensive loss attributable to unit holders amounted to $35.6 million for the year.

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OUTLOOK

In Barbados, the real economic activity contracted by 3.0% during the first three months of 2020. This was largely driven by the 16.2% contraction in the tourism sector and the weak performances in manufacturing and agriculture sectors, as well as, in commodity exports. The International Monetary Fund (IMF) has predicted that Barbados' economy will contract by approximately 7.6% in 2020, however, there is the possibility of a double-digit decline. There has been a significant reversal in the unemployment trend as over 20,000 new claims were registered during the first four weeks of April 2020. During the first quarter of 2020, gross international reserves continued to trend upward and reached a total of $1,575 million or 19.4 weeks of import cover. Barbados is also expected to further build on these reserves as it received an influx of US$139 million after the completion of its third review by the IMF under its Extended Fund Facility (EFF).

Although the Government achieved its 2019/20 primary surplus target of 6% or $634 million, given the current environment, they sought to further reduce their primary surplus target to 1% of GDP for the fiscal year 2020/21. The reopening of the economy and commissioning of investment projects coupled with a moderate increase in public sector infrastructure are expected to provide a buffer for this year's downturn and strengthen growth prospects in 2021. The increase in expenditure for public sector infrastructure is expected to be supported by the Government's Barbados Optional Savings Scheme (BOSS) which is envisaged to raise approximately $100 million. The two-fold BOSS initiative was conceptualized to provide civil servants an attractive investment opportunity in the form of a four-year bond paying a semi-annual coupon of 5% per annum which is not expected to earn withholding taxes. In addition, this initiative will temporarily revert portions of the wage bill to capital expenditure in aid of boosting economic activity and job creation.

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.

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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TRUSTEES OF THE SEGREGATED PENSION FUNDS

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

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PENSION SERVICES DEPARTMENT MANAGEMENT

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

PORTFOLIO MANAGEMENT TEAM

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

AUDITORS
PricewaterhouseCoopers SRL

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Independent auditor's report

To the Unit holders of Sagicor (Bonds) Fund

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor (Bonds) Fund (the Fund) as at December 31, 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 *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

Other information

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

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

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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.

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.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

Other Matter

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

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
Bridgetown, Barbados
July 2, 2020

Statement of Financial Position

As of December 31, 2019

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	Notes	2019	2018
ASSETS			
Due from Sagicor Life Inc	4	$ 310,949	$ -
Due from Sagicor (Equity) Fund	4	2,428,980	5,834,325
Due from Sagicor International Balanced Fund	4	1,384,136	43,093
Income tax assets	5	7,160,117	7,149,218
Interest and other receivables	6	1,503,788	6,160,136
Financial investments	7	395,247,907	374,029,189
Cash resources		27,285,546	18,849,842
Total assets		435,321,423	412,065,803
LIABILITIES			
Due to Sagicor Life Inc	4	-	400,136
Due to Sagicor Asset Management Inc	4	16,522	6,258
Accounts payable	9	457,101	1,069,816
Total liabilities		473,623	1,476,210
Net assets attributable to unit holders		$434,847,800	$410,589,593
Represented by:			
UNIT HOLDERS' EQUITY		$434,847,800	$410,589,593
No. of units outstanding at end of year		15,985,331	16,429,184
Net asset value per unit at end of year		$ 27.20	$ 24.99
Increase /(Decrease) in net asset value per unit for year		8.8%	(6.5%)

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

Approved by the Board of Directors on July 02, 2020

Director

Director

Statement of Changes in Net Assets Attributable to Unit Holders

For the year ended December 31, 2019

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	2019		2018	
	Number of Units	Total $	Number of Units	Total $
Balance, beginning of year	16,429,184	410,589,593	16,459,441	438,591,297
Proceeds from issue of units	1,060,101	27,693,308	1,340,050	35,277,529
Redemption of units	(1,503,954)	(39,039,117)	(1,370,307)	(35,620,489)
Net decrease from unit transactions	(443,853)	(11,345,809)	(30,257)	(342,960)
Net profit/ (loss) and total comprehensive income/ (loss) for the year available to unit holders	-	35,604,016	-	(27,658,744)
Balance, end of year	15,985,331	434,847,800	16,429,184	410,589,593

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

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Statement of Comprehensive Income

For the year ended December 31, 2019

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	Notes	2019	2018
REVENUE			
Interest income	10	$ 15,934,265	$ 21,107,817
Dividend income		303,313	199,019
Net investment gains/ (losses)	11	21,549,322	(46,140,523)
		37,786,900	(24,833,687)
EXPENSES			
Management fee	12	2,118,291	2,157,491
Allowance for impairment losses on income tax assets		2,600	607,400
Investment expenses		41,378	11,234
Bank and interest charges		10,531	48,932
Exchange loss		10,084	-
Total operating expenses		2,182,884	2,825,057
PROFIT/ (LOSS) BEFORE TAXES		35,604,016	(27,658,744)
Withholding taxes		-	-
NET PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR AVAILABLE TO UNIT HOLDERS		$ 35,604,016	$ (27,658,744)

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

Statement of Cash Flows

For the year ended December 31, 2019

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	2019	2018
Cash flows from operating activities:		
Profit/ (Loss) before taxes	$ 35,604,016	$ (27,658,744)
Adjustments for:		
Interest income	(15,934,265)	(21,107,817)
Dividend income	(303,313)	(199,019)
Allowance for impairment losses on income tax assets	2,600	607,400
Net (gains)/ losses on financial investments	(22,589,341)	43,019,391
Expected credit losses movement	(412,502)	(74,724)
Allowances for impairment losses	955,043	1,620,594
Loss on bond restructure	497,478	1,575,262
	(2,180,284)	(2,217,657)
Changes in operating assets and liabilities		
Due from Sagicor Life Inc	(310,949)	-
Due from Sagicor International Balanced Fund	(1,341,043)	224,493
Due from Sagicor (Equity) Fund	3,405,345	(41,405)
Issue of mortgage loans	(24,474,853)	(9,188,676)
Repayment of mortgage loans	8,715,829	9,786,682
Purchase of debt securities	(33,427,416)	(228,925,849)
Redemption of debt securities	24,420,962	224,894,014
Purchase of equity securities	(50,668)	(60,972)
Sale of equity securities	-	5,510,084
Amounts deposited	(29,769,382)	(41,973,597)
Deposits redeemed	56,259,842	32,737,235
Other receivables	3,720,650	(4,151,421)
Due to Sagicor Life Inc	(400,136)	(5,234,256)
Due to Sagicor Asset Management Inc	10,264	6,258
Accounts payable	(612,715)	755,079
Cash generated from/ (used in) operations	3,965,446	(17,879,988)
Interest received	15,526,252	18,140,126
Dividends received	303,313	199,019
Taxes paid	(13,498)	(9,561)
Net cash generated from operating activities carried forward	19,781,513	449,596

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Statement of Cash Flows
For the year ended December 31, 2019

Sagicor (Bonds) Fund
Amounts expressed in Barbados Dollars

	2019	2018
Net cash generated from operating activities brought forward	$ 19,781,513	$ 449,596
Cash flows from financing activities		
Proceeds from issue of units	27,693,308	35,277,529
Redemption of units	(39,039,117)	(35,620,489)
Net cash used in financing activities	(11,345,809)	(342,960)
Net increase in cash and cash equivalents	8,435,704	106,636
Cash and cash equivalents - beginning of year	18,849,842	18,743,206
Cash and cash equivalents - end of year	$ 27,285,546	$ 18,849,842
Cash and cash equivalents comprise:		
Cash resources	27,285,546	18,849,842
	$ 27,285,546	$ 18,849,842

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

Notes to the Financial Statements
Year ended December 31, 2019

Sagicor (Bonds) Fund
Amounts expressed in Barbados Dollars

1. REGISTRATION, PRINCIPAL ACTIVITY AND REGISTERED OFFICE

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

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

Sagicor Life Inc. acts as Asset Manager and Trustee of the fund. Sagicor Life Inc. has subcontracted out certain asset management and custodian arrangements with Oppenheimer & Co. Inc, 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 revaluation of financial investments held at fair value through profit or loss.

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(b) Transactions and balances

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

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

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

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

Notes to the Financial Statements
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Sagicor (Bonds) Fund
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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

	2019 closing rate	**2019 average rate**	**2018 closing rate**	**2018 average rate**
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Trinidad & Tobago dollar	3.3812	3.3747	3.3902	3.3737
United States dollar	0.50	0.50	0.50	0.50

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.

(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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Financial assets (continued)

(b) Classification of debt instruments (continued)

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.

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.

Notes to the Financial Statements
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Financial assets (continued)

(e) Definition of default

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

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

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

(f) Write-off

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

(g) The general approach to recognising and measuring ECL

The measurement of ECL reflects:

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

Measurement

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

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience; but given that IFRS 9 requirements have only been applied since January 1, 2018, the 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Financial assets (continued)

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

Measurement (continued)

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

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

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

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

Forward looking information

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

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

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

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Sagicor (Bonds) Fund
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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Financial assets (continued)

(h) Modification of loans

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

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

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

(i) Re-classified balances

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

(j) Classification of equity instruments

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

(k) Presentation in the statement of comprehensive income

Debt and equity instruments measured at FVTPL

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

2.4 Cash and cash equivalents

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

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

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

2.5 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Interest income and expenses

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

2.7 Taxation

The Fund is exempt from Barbados taxation.

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

2.8 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 0.5% per annum.

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

2.10 Net asset value per unit

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1 Impairment of financial assets

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'.

2. SIGNIFICANT ACCOUNTING POLICIES (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 mortgage loans and other assets measured at amortised cost and loan commitments

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Impairment of financial assets (continued)

(c) 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.

(d) Impairment of Government of Barbados debt securities

As further disclosed in note 8.3 (e) during the year, the Fund participated in a debt exchange following the implementation of a debt restructuring programme by the Government of Barbados.

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. Related party transactions are disclosed in Note 12.

5. INCOME TAX ASSETS

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

Income tax assets are reported at the gross value of $9,770,117, net of an estimated impairment of $2,610,000 (2018 - gross value of $9,756,618; impairment of $2,607,400)

Sensitivity Analysis

At December 31, 2019, the carrying value of the balance due from the Barbados Revenue Authority amounted to $7,160,117. In the absence of specific information about the timing of receipt of the amount receivable management has made a judgement based on their overall experience that this amount will be collected within four years and applied an appropriate discount

Rate of 3.50% to determine the carrying value. The calculation of the carrying value is sensitive to the time to collect and the discount rate used. The sensitivity of the carrying value to a longer time to collect and the discount rate implied by the time is disclosed below:

Time to Collect	Discount Rate	Carrying Value Adjustment
Five Years	3.88%	(365,273)
Six Years	4.25%	(758,668)

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

6. INTEREST AND OTHER RECEIVABLES

	2019 $	**2018** $
Bond interest due	162,786	1,098,484
Unsettled transactions	395,965	-
Net advances to unit holders	278,016	4,395,400
Other	667,021	666,252
	1,503,788	6,160,136

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7. 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 – Unlisted Local	87,751,493	87,751,493	82,616,770	82,616,770
Bonds – Unlisted Regional	26,243,498	26,243,498	25,623,141	25,623,141
Bonds – Listed International	166,481,529	166,481,529	139,724,063	139,724,063
Total debt securities	**280,476,520**	**280,476,520**	**247,963,974**	**247,963,974**
Common shares – Listed	940,882	940,882	932,677	932,677
Preferred shares – Unlisted	1,500,000	1,500,000	1,500,000	1,500,000
Mutual funds – Unlisted	3,471,503	3,471,503	3,106,434	3,106,434
Total equity securities	**5,912,385**	**5,912,385**	**5,539,111**	**5,539,111**
Investments at amortised cost:				
Deposits	16,696,271	16,696,271	43,013,437	43,013,437
Mortgage loans, net	92,162,731	94,429,204	77,512,667	77,996,000
Total	**108,859,002**	**111,125,475**	**120,526,104**	**121,009,437**
Total financial investments	**395,247,907**	**397,514,380**	**374,029,189**	**374,512,522**

Mortgage loans are reported at the gross principal of $117,280,985, net of impairment of $24,684,933 (2018 - gross principal of $101,627,108, net of impairment of $23,729,890). The fair value of the fixed rate mortgage loans is $31,901,219 (2018 - $22,340,723) and the carrying value is $29,634,746 (2018 - $21,857,390). All other amounts approximate their fair value.

7. FINANCIAL INVESTMENTS

Analysis of financial investments (continued)

The movement in the provision for impairment is as follows:

	2019 $	2018 $
Balance beginning of the year	(23,729,890)	(22,109,296)
Increase in provision	(955,043)	(1,620,594)
Balance at end of year	(24,684,933)	(23,729,890)

Debt securities comprise:

	2019 $	2018 $
Government debt securities – Listed International	136,565,583	112,727,197
Government debt securities – Unlisted Local	87,751,493	82,616,770
Government debt securities – Unlisted Regional	20,949,952	20,455,695
Corporate debt securities – Listed International	29,915,946	26,996,866
Corporate debt securities – Unlisted Regional	5,293,546	5,167,446
	280,476,520	247,963,974

Debt securities classified at fair value through profit or loss and valued using internally developed valuation models amounted to $113,994,991 (2018 - $108,239,911).

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8. FINANCIAL RISK

Financial risk factors

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

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

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

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

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

8.1 Credit risk

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

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

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

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

Rating of financial assets

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

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

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

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

8. FINANCIAL RISK (continued)

8.2 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	280,476,520		247,963,974	
Deposits at amortised cost	16,696,271		43,013,437	
Investment portfolio	**297,172,791**	**69**	**290,977,411**	**72**
Mortgage loans, net, at amortised cost	92,162,731		77,512,667	
Lending portfolio	**92,162,731**	**21**	**77,512,667**	**19**
Due from Sagicor Life Inc	310,949		-	
Due from Sagicor (Equity) Fund	2,428,980		5,834,325	
Due from Sagicor International Balanced Fund	1,384,136		43,093	
Interest and other receivable	1,503,788		6,160,136	
Cash resources	27,285,546		18,849,842	
Other financial assets	**32,913,399**	**8**	**30,887,396**	**8**
Total balance sheet exposures	422,248,921	98	399,377,474	99
Mortgage loan commitments	8,355,266	2	4,739,715	1
Total	**430,604,187**	**100**	**404,117,189**	**100**

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8. FINANCIAL RISK (continued)

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

Credit Risk Exposure – financial investments subject to impairment

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

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

	Mortgages loans – amortised 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	-	-	-	-	-
Non-Investment	-	-	-	-	-
Watch	-	-	-	-	-
Unrated	70,250,111	8,283,021	38,747,853	-	117,280,985
Gross carrying amount	70,250,111	8,283,021	38,747,853	-	117,280,985
Loss allowance	(340,783)	(92,538)	(24,684,933)	-	(25,118,254)
Carrying amount	69,909,328	8,190,483	14,062,920	-	92,162,731

	Mortgages loans – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
December 31:					
Credit grade:					
Investment	-	-	-	-	-
Non-Investment	-	-	-	-	-
Watch	-	-	-	-	-
Unrated	61,615,840	1,915,948	38,095,320	-	101,627,108
Gross carrying amount	61,615,840	1,915,948	38,095,320	-	101,627,108
Loss allowance	(362,301)	(22,250)	(23,729,890)	-	(24,114,441)
Carrying amount	61,253,539	1,893,698	14,365,430	-	77,512,667

8. FINANCIAL RISK (continued)

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

Credit Risk Exposure – financial investments subject to impairment (continued)

	Mortgages loans – amortised 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	3,742,734	-	-	-	3,742,734
Non-Investment	8,189,080	-	-	-	8,189,080
Watch	5,124,591	-	-	-	5,124,591
Unrated	-	-	-	-	-
Gross carrying amount	17,056,405	-	-	-	17,056,405
Loss allowance	(360,134)	-	-	-	(360,134)
Carrying amount	16,696,271	-	-	-	16,696,271

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

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8. FINANCIAL RISK (continued)

8.3 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 in respect of financial investments subject to impairment.

LOSS ALLOWANCES	Mortgages loans – amortised 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	362,301	22,250	23,729,890	-	24,114,441
Transfers:					
Stage 1 to Stage 2	(33,325)	33,325	-	-	-
Stage 1 to Stage 3	(15,993)	-	15,993	-	-
Stage 2 to Stage 1	2,570	(2,570)	-	-	-
Stage 2 to Stage 3	-	(2,981)	2,981	-	-
Stage 3 to Stage 2	-	7,655	(7,655)	-	-
Stage 3 to Stage 1	1,655	-	(1,655)	-	-
Loans originated or purchased	105,875	13,058	-	-	118,933
Loans fully derecognised	(22,957)	-	-	-	(22,957)
Changes in ECL inputs, models and / or assumptions	(59,343)	21,801	945,379	-	907,837
Loss allowance, end of year	340,783	92,538	24,684,933	-	25,118,254
Credit impairment loss recorded in income					(1,003,813)

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8. FINANCIAL RISK (continued)

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

LOSS ALLOWANCES	Mortgages loans – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Loss allowance, beginning of year	394,340	44,075	22,109,296	-	22,547,711
Transfers:					
Stage 1 to Stage 2	(5,733)	5,733	-	-	-
Stage 1 to Stage 3	(4,086)	-	4,086	-	-
Stage 2 to Stage 1	18,164	(18,164)	-	-	-
Stage 2 to Stage 3	-	(10,000)	10,000	-	-
Stage 3 to Stage 2	-	-	-	-	-
Stage 3 to Stage 1	6,978	-	(6,978)	-	-
Loans originated or purchased	47,248	-	-	-	47,248
Loans fully derecognised	(19,218)	(40)	-	-	(19,258)
Changes in ECL inputs, models and / or assumptions	(75,392)	646	1,613,486	-	1,538,740
Loss allowance, end of year	362,301	22,250	23,729,890	-	24,114,441
Credit impairment loss recorded in income					(1,566,730)

LOSS ALLOWANCES	Mortgages loans – amortised 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	821,406	-	-	-	821,406
Loans originated or purchased	360,134	-	-	360,134	
Loans fully derecognised	(821,406)	-	-	-	(821,406)
Loss allowance, end of year	360,134	-	-	-	360,134
Credit impairment loss recorded in income					461,272

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8. FINANCIAL RISK (continued)

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

LOSS ALLOWANCES	Mortgages loans – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Loss allowance, beginning of year	842,266	-	-	-	842,266
Loans originated or purchased	821,406	821,406			
Loans fully derecognised	(842,266)	-	(842,266)		
Loss allowance, end of year	821,406	-	-	-	821,406
Credit impairment loss recorded in income					20,860

(a) Impaired Mortgages

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

Mortgage Loans	Gross carrying value $	Accumulated allowances for impairment $	Net carrying value $	Estimated fair value of collateral $
As of December 31, 2019				
Commercial sector	29,935,427	22,909,904	7,025,523	16,993,320
Residential sector	8,812,426	1,775,029	7,037,397	19,477,078
Total	38,747,853	24,684,933	14,062,920	36,470,398

Mortgage Loans	Gross carrying value $	Accumulated allowances for impairment $	Net carrying value $	Estimated fair value of collateral $
As of December 31, 2018				
Commercial sector	27,754,050	21,884,114	5,869,936	12,214,845
Residential sector	10,341,270	1,845,776	8,495,494	21,082,709
Total	38,095,320	23,729,890	14,365,430	33,297,554

8. FINANCIAL RISK (continued)

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

(b) Repossessed assets

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

No assets were repossessed during the year (2018 – Nil).

(c) Renegotiated assets

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

(d) Economic variable assumptions

The fund has selected one economic factor 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%

The preceding economic variable assumptions relate to term deposits carried at amortised cost.

The Fund's lending operations in Barbados has limited readily available information regarding economic forecasts. Management has examined the information within the market and selected economic drivers that have the best correlation to the portfolio's performance. Economic state is assigned to reflect the driver's impact on ECL.

Barbados	Expected state for the next 12 months	Scenario
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Negative
GDP growth	Base	Stable
	Upside	Stable
	Downside	Negative
Inflation	Base	Negative
	Upside	Stable
	Downside	Negative
Housing price index	Base	Negative
	Upside	Stable
	Downside	Super Negative

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8. FINANCIAL RISK (continued)

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

(e) 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%.

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

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8. FINANCIAL RISK (continued)

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

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

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

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

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

External Debt

The negotiations for the exchange of the external debt were completed on December 11, 2019. In exchange for its debt, the Group has accepted the following:

- Cash in the amount of $91,692.
- Government of Barbados 6.5% 2021 bond offered in exchange for the accrued or past due interest outstanding (PDI). The interest rate on the bond is 6.5% per annum from October 1, 2019 to, but excluding February 1, 2021 with interest payable on October 1, 2020 and February 1, 2021. The final maturity date on this bond is February 1, 2021.
- Government of Barbados 6.5% 2029 bond offered in exchange for the principal outstanding. The interest rate on the bond is 6.5% per annum from October 1, 2019 to, but excluding October 1, 2029 with interest payable each on April 1 and October 1, commencing on April 1, 2020. The final maturity date on this bond is October 1, 2029.

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

GOB Debt Securities	USD
Net carrying value at December 12, 2019	9,339,104
Accrued interest, ECL and other adjustments	1,585,484
Carrying value as of December 12, 2019	10,924,588
Fair value on recognition of replacement securities	10,335,418
Cash Received	91,692
Loss on de-recognition of original securities	(497,478)

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8. FINANCIAL RISK (continued)

8.4 Gross Carrying Values – financial investments subject to impairment

The following tables explain the movement in the gross carrying amounts of investments and in the ECL classifications for the year. Gross carrying amounts represent the maximum exposure to credit risk.

	Mortgages loans – amortised cost				
	2019				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Gross carrying amount, beginning of year	61,615,840	1,915,948	38,095,320	-	101,627,108
Transfers:					
Stage 1 to Stage 2	(5,667,562)	5,667,562	-	-	-
Stage 1 to Stage 3	(2,719,891)	-	2,719,891	-	-
Stage 2 to Stage 1	221,336	(221,336)	-	-	-
Stage 2 to Stage 3	-	(256,688)	256,688	-	-
Stage 3 to Stage 2	-	589,802	(589,802)	-	-
Stage 3 to Stage 1	359,528	-	(359,528)	-	-
Loans originated or purchased	21,825,300	1,168,792	-	-	22,994,092
Loans fully derecognised	(3,904,182)	-	(900,949)	-	(4,805,131)
Write-offs	-	-	-	-	-
Changes in principal and interest	(1,480,258)	(581,059)	(473,767)	-	(2,535,084)
Effect of exchange rate changes	-	-	-	-	-
Gross carrying amount, end of year	70,250,111	8,283,021	38,747,853	-	117,280,985

8. FINANCIAL RISK (continued)

8.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Mortgages loans – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Gross carrying amount, beginning of year	57,787,861	3,290,407	41,066,998	-	102,145,266
Transfers:					
Stage 1 to Stage 2	(841,890)	841,890	-	-	-
Stage 1 to Stage 3	(600,328)	-	600,328	-	-
Stage 2 to Stage 1	1,358,749	(1,358,749)	-	-	-
Stage 2 to Stage 3	-	(741,719)	741,719	-	-
Stage 3 to Stage 2	-	-	-	-	-
Stage 3 to Stage 1	1,557,533	-	(1,557,533)	-	-
Loans originated or purchased	8,035,272	-	-	-	8,035,272
Loans fully derecognised	(2,821,008)	(2,966)	(1,449,709)	-	(4,273,683)
Write-offs	-	-	-	-	-
Changes in principal and interest	(2,860,349)	(112,915)	(1,306,483)	-	(4,279,747)
Effect of exchange rate changes	-	-	-	-	-
Gross carrying amount, end of year	61,615,840	1,915,948	38,095,320	-	101,627,108

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8. FINANCIAL RISK (continued)

8.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Term Deposits – amortised cost				
	2019				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Gross carrying amount, beginning of year	43,834,843	-	-	-	43,834,843
Deposits originated or purchased	17,056,405	-	-	-	17,056,405
Deposits fully derecognised	(43,834,843)	-	-	-	(43,834,843)
Gross carrying amount, end of year	17,056,405	-	-	-	17,056,405

	Term Deposits – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Gross carrying amount, beginning of year	34,598,877	-	-	-	34,598,877
Deposits originated or purchased	43,834,843	-	-	-	43,834,843
Deposits fully derecognised	(34,598,877)	-	-	-	(34,598,877)
Gross carrying amount, end of year	43,834,843	-	-	-	43,834,843

8.5 Liquidity risk

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

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

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

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

8. FINANCIAL RISK (continued)

8.5 Liquidity risk (continued)

(a) Financial liabilities

As of December 31, 2019	On demand $	Within 1 year $	1 to 5 years $	After 5 years $	Total $
Accounts payable	457,101	-	-	-	457,101
Due to Sagicor					
Asset Management Inc.	16,522	-	-	-	16,522
Off balance sheet commitments:					
Mortgage loan commitments	-	8,355,266	-	-	8,355,266
Total	473,623	8,355,266	-	-	8,828,889

As of December 31, 2018	On demand $	Within 1 year $	1 to5 years $	After 5 years $	Total $
Accounts payable	1,069,816	-	-	-	1,069,816
Due to Sagicor Life Inc	400,136	-	-	-	400,136
Due to Sagicor					
Asset Management Inc.	6,258	-	-	-	6,258
Off balance sheet commitments:					
Mortgage loan commitments	-	4,739,715	-	-	4,739,715
Total	1,476,210	4,739,715	-	-	6,215,925

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8. FINANCIAL RISK (continued)

8.5 Liquidity risk (continued)

(b) Financial assets

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

As of December 31, 2019	Maturing within 1 year $	Maturing within 1 to 5 years $	Maturing after 5 years $	Total $
Due from Sagicor Life Inc	310,949	-	-	310,949
Due from Sagicor (Equity) Fund	2,428,980	-	-	2,428,980
Due from Sagicor International Balanced Fund	1,384,136	-	-	1,384,136
Interest and other receivables	1,503,788	-	-	1,503,788
Debt securities	3,159,435	59,016,286	218,300,799	280,476,520
Deposits	16,696,271	-	-	16,696,271
Mortgage loans, net	2,479,796	7,439,519	82,243,416	92,162,731
Cash resources	27,285,546	-	-	27,285,546
Total	55,248,901	66,455,805	300,544,215	422,248,921

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

Redeemable units are redeemed at the option of the holder. However, the Board of Directors of the trustee does not envisage that all unit holders will redeem their units as they typically hold them for the long-term. At December 2019, an individual unit holder, Sagicor Life Inc, held 14% of the fund's units. The fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within a short period.

8. FINANCIAL RISK (continued)

8.5 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	1 Year	More than 1 year
Funds and Alternative Investments	-	-	3,471,503	-	-

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

8.6 Market risk

Interest Rate Risk

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

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

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

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

(a) Financial liabilities

As of December 31, 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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8. FINANCIAL RISK (continued)

8.6 Market 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 Life Inc	-	-	-	310,949	310,949
Due from Sagicor (Equity) Fund	-	-	-	2,428,980	2,428,980
Due from Sagicor International Balanced Fund	-	-	-	1,384,136	1,384,136
Interest and other receivables	-	-	-	1,503,788	1,503,788
Debt securities	3,133,118	57,952,336	216,293,228	3,097,838	280,476,520
Equity securities	-	-	-	5,912,385	5,912,385
Deposits and other loans	16,480,352	-	-	215,919	16,696,271
Mortgage loans	-	1,219,513	81,401,315	9,541,903	92,162,731
Cash resources	-	-	-	27,285,546	27,285,546
Total	19,613,470	59,171,849	297,694,543	51,681,444	428,161,306

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

8. FINANCIAL RISK (continued)

8.6 Market risk (continued)

(b) Financial assets (continued)

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

	2019	2018
Debt securities	4.5%	6.2%
Deposits	2.1%	1.6%
Mortgage loans	4.4%	5.7%

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		277,378,682
The fair value impact of an increase in interest rates of:		(19,758,153)
The fair value impact of a decrease in interest rates of:		22,443,599

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8. FINANCIAL RISK (continued)

8.6 Market risk (continued)

Foreign exchange risk

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

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

	Balances denominated in				
As of December 31, 2019	**Barbados $**	**Trinidad $**	**US $**	**EC $**	**Total $**
ASSETS					
Due from Sagicor Life Inc.	310,949	-	-	-	310,949
Due from Sagicor (Equity) Fund	2,428,980	-	-	-	2,428,980
Due from Sagicor					
International Balanced Fund	-	-	-	1,384,136	1,384,136
Interest and other receivables	945,174	-	558,614	-	1,503,788
Financial investments	194,964,426	1,277,610	190,047,514	8,958,357	395,247,907
Cash resources	418,160	-	26,867,386	-	27,285,546
Total assets	199,067,689	1,277,610	217,473,514	10,342,493	428,161,306
LIABILITIES					
Due to Sagicor					
Asset Management Inc.	16,522	-	-	-	16,522
Accounts payable	457,101	-	-	-	457,101
Total liabilities	473,623	-	-	-	473,623
Net position	198,594,066	1,277,610	217,473,514	10,342,493	427,687,683

8. FINANCIAL RISK (continued)

8.6 Market risk (continued)

Foreign exchange risk (continued)

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

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8. FINANCIAL RISK (continued)

8.6 Market risk (continued)

Other Price Risk

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

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

The majority of the Fund's equity investments are not 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.

Sensitivity

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

	Fair value $	Effect of a 20% decline at Dec 31, 2019 $
Fair value through profit or loss equity securities:		
Listed on Caribbean and US stock exchanges and markets	2,440,882	(488,176)
Mutual funds - Unlisted	3,471,503	(694,301)
	5,912,385	(1,182,477)

8.7 Fair value of financial instruments

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

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

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

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

A financial instrument is classified as Level 2 if:

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

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

8. FINANCIAL RISK (continued)

8.7 Fair value of financial instruments (continued)

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

A financial instrument is classified as Level 3 if:

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

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

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

2019	Level 1	Level 2	Level 3	Total
Financial assets classified at fair value through profit or loss:	$	$	$	$
Debt securities	-	166,481,529	113,994,991	280,476,520
Common shares	930,066	10,816	-	940,882
Mutual funds	-	-	3,471,503	3,471,503
Preferred shares	-	-	1,500,000	1,500,000
Total assets	930,066	166,492,345	118,966,494	286,388,905
Total assets by percentage	0%	58%	42%	100%

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

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8. FINANCIAL RISK (continued)

8.7 Fair value of financial instruments (continued)

(c) Level 3 – inputs for the instrument that are not based on observable market data. (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	2018	
Debt securities	113,994,991	108,239,911	Discounted Cash Flows	Risk Adjusted Market Yields	1.5% - 7.7% Avg (2.4%)	0.50% - 13.3% Avg (2.8%)	The effect of a 1% increase in interest rates would decrease the fair value by ($10,271,893) and a 1% decrease in interest rates would increase the fair values by $12,111,700
Mutual funds	3,471,503	3,106,434	Par Value	N/A	N/A	N/A	N/A
Preferred shares	1,500,000	1,500,000	Par Value	N/A	N/A	N/A	N/A

There have been no material transfers between Level 1 and Level 2 during 2019 and 2018.

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

	2019 $	2018 $
Balance, beginning of year	112,846,345	147,976,614
Fair value changes recorded in income	7,419,943	(29,959,767)
Additions	2,350,246	84,396,705
Disposals	(3,597,643)	(88,868,427)
Effect of accrued income changes	(52,397)	(698,780)
Balance, end of year	118,966,495	112,846,345

Unrealised gains of $7,419,943 (2018 – $1,005,459) on level 3 assets held at the end of the period are included in Net gains/(losses) on financial investments.

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8. FINANCIAL RISK (continued)

8.7 Fair value of financial instruments (continued)

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

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

As at December 31, 2019	Level 1	Level 2	Level 3	Total
	$	$	$	$
Mortgage loans	-	-	31,901,219	31,901,219
	-	-	31,901,219	31,901,219

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

8.8 Capital risk management

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

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

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

9. ACCOUNTS PAYABLE

	2019 $	2018 $
Pension benefits and other payables	457,101	1,069,816

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10. INTEREST INCOME

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

	2019 $	2018 $
Debt securities	11,626,403	16,110,095
Deposits	634,653	620,679
Mortgage loans	3,628,569	4,342,630
Other loans	44,640	34,413
Total interest income	15,934,265	21,107,817

11. NET INVESTMENT GAINS/(LOSSES)

	2019 $	2018 $
Net gains/ (losses) on financial investments	22,589,341	(43,019,391)
Loss on bond restructure	(497,478)	(1,575,262)
Allowances for impairment losses	(955,043)	(1,620,594)
ECL Movement	412,502	74,724
	21,549,322	(46,140,523)

12. RELATED PARTY TRANSACTIONS

(a) Material related party transactions

	2019 $	2018 $
Management fee – Sagicor Life Inc	2,118,291	2,157,491
Interest income – United Nations House Joint Venture	-	3,510

12. RELATED PARTY TRANSACTIONS (continued)

(b) Units held by related parties

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

Sagicor Life Inc	2019 $	2018 $
Value of units held at January 1	44,961,168	49,403,181
Net value of transactions for the year	3,887,610	(4,442,013)
Value of units at December 31	48,848,778	44,961,168

Sagicor General Inc	2019 $	2018 $
Value of units held at January 1	5,671,191	389,023
Net value of transactions for the year	493,566	5,282,168
Value of units at December 31	6,164,757	5,671,191

13. 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 May 2020 Y-T-D results. In the January to May 2020 period, losses totaling $11,738,217 were incurred on the investments portfolio. As a consequence, the net asset value per unit at May 31, 2020 declined to $26.82 from $27.20 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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Independent auditor's report

To the Unit holders of Sagicor (Equity) Fund

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor (Equity) Fund (the Fund) as at December 31, 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 *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

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

Other information

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

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

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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.

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.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Other Matter

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

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
Bridgetown, Barbados
July 2, 2020

Statement of Financial Position

As of December 31, 2019

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	Notes	2019	2018
ASSETS			
Investment property	4, 11	$ 53,408,333	$ 55,991,667
Property, plant and equipment		1,333,030	1,249,320
Investment in associated companies	5	4,887,546	4,568,001
Due from Sagicor Life Inc	6	274,252	49,772
Due from associated company	5	22,663	22,663
Income tax assets	7	1,283,358	1,272,803
Real estate developed for resale	8	327,547	327,547
Accounts receivable	9	5,530,296	7,649,775
Financial investments	10	531,585,359	477,235,670
Cash resources		28,985,694	9,276,387
Total assets		$ 627,638,078	$557,643,605
LIABILITIES			
Deposits received on real estate developed for resale	8	5,600	5,600
Due to Sagicor (Bonds) Fund	6	2,446,123	5,837,011
Due to Sagicor International Balanced Fund	6	13,402	11,459
Due to Sagicor Global Balanced Fund	6	10,746	28,678
Accounts payable	13	2,032,219	1,632,408
Bank overdraft		-	341,258
Total liabilities		4,508,090	7,856,414
Net assets attributable to unit holders		623,129,988	549,787,191
Represented by:			
UNIT HOLDERS' EQUITY		$ 623,129,988	$ 549,787,191
No. of units outstanding at end of year		9,633,711	9,746,444
Net asset value per unit at end of year		$ 64.68	$ 56.41
Increase/(Decrease) in net asset value per unit for year		14.7%	(2.9)%

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

Approved by the Board of Directors on July 02, 2020

Director

Director

Statement of Changes in Net Assets Attributable to Unit Holders

For the year ended December 31, 2019

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	2019		2018	
	Number of Units	Total $	Number of Units	Total $
Balance, beginning of year	9,746,444	549,787,191	9,777,301	567,680,017
Property Revaluation Surplus – Associated Company	-	-	-	662,848
Proceeds from issue of units	461,471	28,369,389	507,664	29,915,748
Redemption of units	(574,204)	(35,228,050)	(538,521)	(31,713,515)
Net (decrease) from unit transactions	(112,733)	(6,858,661)	(30,857)	(1,134,919)
Net profit/(loss) and total comprehensive income/(loss) for the year available to unit holders	-	80,201,458	-	(16,757,907)
Balance, end of year	9,633,711	623,129,988	9,746,444	549,787,191

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

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Statement of Comprehensive Income

For the year ended December 31, 2019

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	Notes	2019	2018
REVENUE			
Interest income	14	$ 2,560,338	$ 3,483,996
Dividend income		10,721,490	13,029,709
Net rental income	15	1,762,537	2,326,567
Share of operating income of associated companies	5	319,545	84,147
Net investment gains/(losses)	16	72,928,951	(28,196,870)
		88,292,861	(9,272,451)
EXPENSES			
Management fee	17	4,481,236	4,352,119
Investment expenses		131,110	102,775
Commissions and brokers' fees		2,728,733	2,183,897
Total operating expenses		7,341,079	6,638,791
PROFIT/(LOSS) BEFORE TAXES		80,951,782	(15,911,242)
Withholding taxes		(750,324)	(846,665)
NET PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR AVAILABLE TO UNIT HOLDERS		$ 80,201,458	$ (16,757,907)

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

Statement of Cash Flows

For the year ended December 31, 2019

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	2019	2018
Cash flows from operating activities:		
Profit/(Loss) before taxes	$ 80,951,782	$ (15,911,242)
Adjustments for:		
Interest income	(2,560,338)	(3,483,996)
Dividend income	(10,721,490)	(13,029,709)
Net (gains)/losses on financial investments	(75,455,491)	27,454,077
Depreciation in fair value of investment property	2,583,334	658,336
Expected credit losses movement	(56,794)	(17,324)
Loss on bond restructure	-	101,781
Share of operating (gain) of associated company	(319,545)	(84,147)
	(5,578,542)	(4,312,224)
Changes in operating assets and liabilities		
Accounts receivable	2,401,010	(2,752,233)
Due from Sagicor Life Inc	(224,480)	(1,402,578)
Due to Sagicor Global Balanced Fund	(17,932)	10,265
Due to Sagicor (Bonds) Fund	(3,390,888)	51,744
Due to Sagicor International Balanced Fund	1,943	(6,194)
Accounts payable	399,811	(656,447)
Issue of mortgage loans	(2,391,265)	(10,642,031)
Repayment of mortgage loans	6,810,180	1,613,790
Purchase of debt securities	-	(64,913,458)
Redemption of debt securities	8,286,122	66,035,136
Proceeds from sale of equity securities	248,142,454	416,068,474
Purchase of equity securities	(240,587,975)	(446,321,924)
Additions to equipment	(83,710)	(187,872)
Amounts deposited	(3,104,133)	(21,520,146)
Deposits redeemed	3,918,170	31,829,463
Cash generated/(used in) operations	14,580,765	(37,106,235)
Interest received	2,649,382	3,613,452
Dividends received	10,439,958	14,458,499

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2019	2018	
Taxes paid	(760,879)	(884,244)
Net cash generated(used in)/ from operating activities	26,909,226	(19,918,528)
Cash flows from financing activities		
Proceeds from issue of units	28,369,389	29,915,748
Redemptions of units	(35,228,050)	(31,713,515)
Net cash (used in) financing activities	(6,858,661)	(1,797,767)
Net increase/(decrease) in cash and cash equivalents	20,050,565	(21,716,295)
Cash and cash equivalents - beginning of year	8,935,129	30,651,424
Cash and cash equivalents - end of year	28,985,694	8,935,129
Cash resources comprise:		
Cash	26,798,135	8,214,940
Cash held under managed properties	2,187,559	1,061,447
Bank overdraft	-	(341,258)
	$ 28,985,694	$ 8,935,129

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

1. REGISTRATION, PRINCIPAL ACTIVITY AND REGISTERED OFFICE

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

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

Sagicor Life Inc. acts as Asset Manager and Trustee of the fund. Sagicor Life Inc. has subcontracted out certain asset management and custodian arrangements with Oppenheimer & Co. Inc, 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 applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

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

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

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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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.

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2.2 Investments in other entities

(a) Joint operations

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

(b) Investment in associated companies

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

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

2.3 Foreign currency translation

(a) Functional and presentational currency

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Foreign currency translation (continued)

(b) Transactions and balances

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

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

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

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

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

	2019 closing rate	**2019 average rate**	**2018 closing rate**	**2018 average rate**
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Jamaica dollar	66.2662	66.6525	63.6998	64.1437
Trinidad & Tobago dollar	3.3812	3.3747	3.3902	3.3737
United States dollar	0.50	0.50	0.50	0.50

2.4 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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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 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 (continued)

2.4 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 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.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 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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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 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.

2.5 Investment property

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

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

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

Rental income is recognised on an accrual basis.

2.6 Real estate developed for resale

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

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

2.7 Cash and cash equivalents

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

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

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

2.8 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.

2.9 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Taxation

The Fund is exempt from Barbados taxation.

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

2.11 Management fee

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

2.12 Units

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

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

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

2.13 Net asset value per unit

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

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

2.14 Property, plant and equipment

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

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

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

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

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

(a) Establishing staging for debt securities and deposits

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

The scale is set out in the following table:

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Impairment of financial assets (continued)

(b) Establishing staging for mortgage loans and other assets measured at amortised cost, lease receivables and loan commitments

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

Qualitative test

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

Backstop Criteria

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

(c) Forward looking information

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.

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.

3.3 Valuation of investment property

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

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

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4. INVESTMENT PROPERTY

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

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

	2019 $	2018 $
Balance, beginning of year	55,991,667	56,650,003
Fair value loss recorded in income	(2,583,334)	(658,336)
Balance, end of year	53,408,333	55,991,667

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

Investment property includes $21,833,333 (2018 - $22,816,667) which represents the Fund's proportionate interest in joint operations in Barbados summarized in the following table.

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

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

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

	2019 $	2018 $
Real estate developed for resale	327,547	327,547
Accounts receivable	2,686,545	2,592,298
Property, plant and equipment	1,333,030	1,249,320
Cash resources	1,640,366	756,028
Deposits received on real estate developed for resale	5,600	5,600
Accounts payable	993,820	1,206,197
Net rental income	1,217,600	1,428,402
Depreciation in fair value of investment property	(983,334)	(233,333)

5. INVESTMENT IN ASSOCIATED COMPANIES

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

	Primo Holdings Limited 2019 $	Haggatt Hall Holdings Limited 2019 $	Total 2019 $
Investment at the beginning of the year	611,109	3,956,892	4,568,001
Share of (loss)/ income	(11,527)	331,072	319,545
Investment at the end of the year	599,582	4,287,964	4,887,546

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

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5. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

- 37.5% (2018 - 37.5%) in Primo Holdings Limited, incorporated in Barbados
- 33.3% (2018 - 33.3%) in Haggatt Hall Holdings Limited, incorporated in Barbados

The amount of $22,663 (2018 - $22,663) due from associated company Primo Holdings Limited, is interest free, unsecured and has no fixed terms of repayment.

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

	Haggatt Hall Holdings Limited		Primo Holding Limited	
ASSETS	**2019**	**2018**	**2019**	**2018**
Property, Plant and Equipment	29,495,865	30,122,718	-	-
Cash resources	1,294,051	(50,579)	-	-
Other investments and assets	834,452	773,095	2,000,000	2,000,000
Total Assets	31,624,368	30,845,234	2,000,000	2,000,000
LIABILITIES				
Non Current liabilities				
Current liabilities	18,915,725	19,129,808	502,140	471,400
Total liabilities	18,915,725	19,129,808	502,140	471,400
Net Assets	**12,708,643**	**11,715,426**	**1,497,860**	**1,528,600**
Summarised Statement of Comprehensive Income				
REVENUE				
Net Rental Income	2,456,404	2,473,049	-	-
Other Income	1,279,926	1,238,009	-	-
Total Revenue	3,736,330	3,711,058	-	-
EXPENSES				
Finance Charges	783,631	1,261,975	-	-
Depreciation	685,097	676,203	-	-
Repairs & Maintenance	498,669	523,473	-	-
Income Tax Expenses	63,631	215,021	-	-
Deferred Tax Expenses	(6,916)	35,069	-	-
Other	719,001	673,536	30,740	32,940
Total Expenses	2,743,113	3,385,277	30,740	32,940
Total Comprehensive income	993,217	325,781	(30,740)	(32,940)

5. INVESTMENT IN ASSOCIATED COMPANIES (continued)

Reconciliation to carrying amounts

	Haggatt Hall Holdings Limited		Primo Holdings Limited	
	31 Dec 2019	**31 Dec 2018**	**31 Dec 2019**	**31 Dec 2018**
Opening net assets 1 January	11,715,426	9,437,385	1,528,600	1,561,540
Profit /(loss) for the period	993,217	325,781	(30,740)	(32,940)
Revaluation Surplus	-	1,988,544	-	-
Prior Year Adjustment	-	(36,284)	-	-
Closing net assets	12,708,643	11,715,426	1,497,860	1,528,600
Fund's share in %	33.3%	33.3%	37.5%	37.5%
Fund's Share in $	4,236,214	3,905,142	561,697	573,224
Capitalisation of Acquisition costs	51,750	51,750	37,885	37,885
Carrying Amount	4,287,964	3,956,892	599,582	611,109

6. RELATED PARTY BALANCES

These balances are interest free, unsecured and have no fixed terms of repayment. A summary of related party transactions is disclosed in note 17.

7. INCOME TAX ASSETS

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

Sensitivity Analysis

At December 31, 2019, the carrying value of the balance due from the Barbados Revenue Authority amounted to $1,283,358. In the absence of specific information about the timing of receipt of the amount receivable management has made a judgement based on their overall experience that this amount will be collected within four years and applied an appropriate discount rate of 3.50% to determine the carrying value. The calculation of the carrying value is sensitive to the time to collect and the discount rate used. The sensitivity of the carrying value to a longer time to collect and the discount rate implied by the time is disclosed below:

Time to Collect	Discount Rate	Carrying Value Adjustment
Five Years	3.88%	(222,169)
Six Years	4.25%	(283,608)

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

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

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

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

9. ACCOUNTS RECEIVABLE

	2019 $	2018 $
Rent receivable	3,121,665	3,416,363
Dividend receivable	898,374	616,843
Unsettled transactions	898,476	1,256,962
Net advances to unit holders	-	1,707,557
Other receivables	1,301,462	1,341,731
Total accounts receivable	6,219,977	8,339,456
Less: Provision for impairment of receivables	(689,681)	(689,681)
	5,530,296	7,649,775

10. FINANCIAL INVESTMENTS

10.1 Analysis of financial investments

	2019 IFRS 9 basis		2018 IAS 39 basis	
	Carrying Value $	Fair Value $	Carrying Value $	Fair Value $
Investments at **FVTPL**				
Fair value through profit and loss:				
International – Listed	19,988,953	19,988,953	23,923,898	23,923,898
Local – Unlisted	5,391,258	5,391,258	5,108,900	5,108,900
Regional – Unlisted	7,638,965	7,638,965	9,686,847	9,686,847
Total debt securities	**33,019,176**	**33,019,176**	**38,719,645**	**38,719,645**
Common Shares – Local Listed	98,750,572	124,724,742	120,349,990	120,349,990
Common Shares – Regional Listed	57,975,276	32,001,106	28,955,654	28,955,654
Common Shares – International Listed	189,571,443	189,571,443	115,896,197	115,896,197
Common Shares – Unlisted	87,383	87,383	84,821	84,821
Alternative Investments – Listed	108,558,123	108,558,123	111,622,641	111,622,641
Alternative Investments – Unlisted	25,560,486	25,560,486	33,555,781	33,555,781
Mutual Funds – Listed	2,120,656	2,120,656	4,353,355	4,353,355
Mutual Funds - Unlisted	2,823	2,823	2,573,105	2,573,105
Total equity securities	**482,626,762**	**482,626,762**	**417,391,544**	**417,391,544**

	2019 IFRS 9 basis		2018 IAS 39 basis	
	Carrying Value $	Fair Value $	Carrying Value $	Fair Value $
Investments at amortised cost:				
Deposits	582,992	582,992	1,405,453	1,405,453
Mortgage loans	15,356,429	15,618,142	19,719,028	19,787,087
Total investments at amortised cost:	15,939,421	16,201,134	21,124,481	21,192,540
Total financial investments	531,585,359	531,847,072	477,235,670	477,303,729

The fair value of the fixed rate mortgage loans is $3,517,461 (2018 - $7,906,705) and the carrying value is $ 3,255,747 (2018 - $7,838,646). All other amounts approximate their fair value.

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10. FINANCIAL INVESTMENTS (continued)

10.1 Analysis of financial investments (continued)

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

Debt securities comprise:	**2019** $	**2018** $
Government debt securities :		
International – Listed	17,851,044	15,926,091
Local – Unlisted	5,391,258	5,108,900
Regional – Unlisted	2,141,821	4,320,653
Corporate debt securities – Listed	2,137,909	7,997,807
Corporate debt securities – Unlisted	5,497,144	5,366,194
	33,019,176	38,719,645

Equity securities include shares in Sagicor Financial Company Ltd, a related party, of $5,265,990 (2018 - $3,799,119).

Debt securities classified at fair value through profit or loss and valued using internally developed models amounted to $13,030,223 (2018 - $14,795,747).

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

	2019		**2018**	
	% of Total	**$**	**% of Total**	**$**
Goddard Enterprises Limited	13.14%	67,824,496	14.73%	67,409,667
Massy Holdings Ltd	7.10%	36,638,572	6.17%	28,214,683
CIBC First Caribbean International Bank (Barbados) Ltd	5.83%	30,084,403	6.40%	29,281,034
Vanguard Tax Managed International FTSE	-	-	5.28%	24,162,636
RBC Royal Bank of Canada	5.16%	26,614,259	5.06%	23,151,576
Vanguard Value ETF Unsolicited	-	-	4.61%	21,087,460
MFS Meridian European Research Fund	2.91%	15,037,689	-	-

11. FAIR VALUE OF INVESTMENT PROPERTY

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

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

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

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

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

As of December 31, 2019	**Level 1** $	**Level 2** $	**Level 3** $	**Total** $
Investment property	-	-	53,408,333	53,408,333

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

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11. FAIR VALUE OF INVESTMENT PROPERTY (continued)

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

	Fair Value $ 2019	Fair Value $ 2018	Valuation Technique	Unobservable Inputs	Range of Inputs 2019	Range of Inputs 2018	Relationship of Unobservable Inputs to Fair Value
Land	11,150,000	11,650,000	Sales Comparison	Price per square foot	$1.57 to $10.66	$1.63 to $10.66	The higher the price per square foot, the higher the value.
Commercial property	2,775,000	2,841,667	Sales Comparison	Price per square foot	$27.34 to $62.78	$27.34 to $62.78	The higher the price per square foot, the higher the value.
Commercial property	39,483,333	41,500,000	Discounted cash flows	Discount rate, capitalisation rate	8.0% to 10.0%	8.0% to 10.0%	The lower the capitalisation rate or discount rate, the higher the fair value.
Total	**53,408,333**	**55,991,667**					

Commercial properties valued at $2,775,000 (2018 - $2,841,667) are mature and under-tenanted. These properties are therefore not in their highest and best use. Under these circumstances, the discounted cash flows technique was not considered to offer a good indicator of value. Fair values for these properties were derived from the use of the sales comparison method.

Valuation Process

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

12. FINANCIAL RISK

Financial risk factors

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

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

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

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

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

12.1 Credit risk

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

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

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

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

Rating of financial assets

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

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

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

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

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12. FINANCIAL RISK (continued)

12.2 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	33,019,176	39	38,719,645	50
Deposits at amortised cost	582,992	1	1,405,453	2
Investment portfolio	**33,602,168**	**40**	**40,125,098**	**52**
Mortgage loans, net, at amortised cost	15,356,429	18	19,719,028	25
Lending portfolio	**15,356,429**	**18**	**19,719,028**	**25**
Due from Sagicor Life Inc	274,252	0	49,772	0
Due from associated company	22,663	0	22,663	0
Accounts receivable	5,530,296	7	7,649,775	10
Cash resources	28,985,694	34	9,276,387	12
Other financial assets	**34,812,905**	**41**	**16,998,598**	**22**
Total balance sheet exposures	**83,771,502**	**99**	**76,842,724**	**99**
Mortgage loan commitments	300,687	1	394,663	1
Total	**84,072,189**	**100**	**77,237,387**	**100**

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12. FINANCIAL RISK (continued)

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

Credit Risk Exposure – financial investments subject to impairment

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

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

	Mortgage loans – amortised cost				
	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	-	-	-	-	-
Non-Investment	-	-	-	-	-
Watch	-	-	-	-	-
Unrated	13,537,105	925,445	969,886	-	15,432,436
Gross carrying amount	13,537,105	925,445	969,886	-	15,432,436
Loss allowance	(65,668)	(10,339)	-	-	(76,007)
Carrying amount	13,471,437	915,106	969,886	-	15,356,429

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

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12. FINANCIAL RISK (continued)

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

	Term Deposits – amortised 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	582,864	-	-	-	582,864
Non-Investment	-	-	-	-	-
Watch	-	-	-	-	-
Unrated	160	-	-	-	160
Gross carrying amount	583,024	-	-	-	583,024
Loss allowance	(32)	-	-	-	(32)
Carrying amount	582,992	-	-	-	582,992

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

12. FINANCIAL RISK (continued)

12.3 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 in respect of financial investments subject to impairment.

LOSS ALLOWANCES

	Mortgage loans – amortised 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	115,468	-	-	-	115,468
Transfers:					
Stage 1 to Stage 2	(1,878)	1,878	-	-	-
Stage 1 to Stage 3	(5,462)	-	5,462	-	-
Loans originated or purchased	4,486	3,242	-	-	7,728
Loans fully derecognised	(32,835)	-	-	-	(32,835)
Changes in ECL inputs, models and / or assumptions	(14,111)	5,219	(5,462)	-	(14,354)
Loss allowance, end of year	65,668	10,339	-	-	76,007
Credit impairment loss recorded in income					39,461

12. FINANCIAL RISK (continued)

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

LOSS ALLOWANCES	Mortgage loans – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Loss allowance, beginning of year	72,939	-	-	-	72,939
Loans originated or purchased	56,035	-	-	-	56,035
Loans fully derecognised	(5,054)	-	-	-	(5,054)
Changes in ECL inputs, models and / or assumptions	(8,452)	-	-	-	(8,452)
Loss allowance, end of year	115,468	-	-	-	115,468
Credit impairment loss recorded in income					(42,529)

LOSS ALLOWANCES	Term Deposits – amortised 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	17,365	-	-	-	17,365
Loans originated or purchased	32	-	-	-	32
Loans fully derecognised	(17,365)	-	-	-	(17,365)
Loss allowance, end of year	32	-	-	-	32
Credit impairment loss recorded in income					17,333

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12. FINANCIAL RISK (continued)

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

LOSS ALLOWANCES	Term Deposits – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Loss allowance, beginning of year	77,218	-	-	-	77,218
Loans originated or purchased	17,365	-	-	-	17,365
Loans fully derecognised	(77,218)	-	-	-	(77,218)
Loss allowance, end of year	17,365	-	-	-	17,365
Credit impairment loss recorded in income					59,853

(a) Economic variable assumptions

The Fund has selected one economic factor 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%

The preceding economic variable assumptions relate to term deposits carried at amortised cost.

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12. FINANCIAL RISK (continued)

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

The Fund's lending operations in Barbados has limited readily available information regarding economic forecasts. Management has examined the information within the market and selected economic drivers that have the best correlation to the portfolio's performance. Economic state is assigned to reflect the driver's impact on ECL.

Barbados	Expected state for the next 12 months	Scenario
Unemployment rate	Base	Negative
	Upside	Stable
	Downside	Negative
GDP growth	Base	Stable
	Upside	Stable
	Downside	Negative
Inflation	Base	Negative
	Upside	Stable
	Downside	Negative
Housing price index	Base	Negative
	Upside	Stable
	Downside	Super Negative

(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%.

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.

12. FINANCIAL RISK (continued)

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

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

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

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

The risk premium derived is summarised in the following table.

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

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

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

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12. FINANCIAL RISK (continued)

12.4 Gross Carrying Values – financial investments subject to impairment

The following tables explain the movement in the gross carrying amounts of investments and in the ECL classifications for the year. Gross carrying amounts represent the maximum exposure to credit risk.

	Mortgages loans – amortised cost				
	2019				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Gross carrying amount, beginning of year	19,729,528	-	104,968	-	19,834,496
Transfers:					
Stage 1 to Stage 2	(321,040)	321,040	-	-	-
Stage 1 to Stage 3	(929,544)	-	929,544	-	-
Stage 2 to Stage 1	-	-	-	-	-
Stage 2 to Stage 3	-	-	-	-	-
Stage 3 to Stage 2	-	-	-	-	-
Stage 3 to Stage 1	-	-	-	-	-
Loans originated or purchased	924,829	290,148	-	-	1,214,977
Loans fully derecognised	(5,621,591)	-	-	-	(5,621,591)
Write-offs	-	-	-	-	-
Changes in principal and interest	(245,077)	314,257	(64,626)	-	4,554
Effect of exchange rate changes	-	-	-	-	-
Gross carrying amount, end of year	13,537,105	925,445	969,886	-	15,432,436

12. FINANCIAL RISK (continued)

12.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Mortgages loans – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Gross carrying amount, beginning of year	10,681,960	-	124,396	-	10,806,356
Transfers:					
Stage 1 to Stage 2	-	-	-	-	-
Stage 1 to Stage 3	-	-	-	-	-
Stage 2 to Stage 1	-	-	-	-	-
Stage 2 to Stage 3	-	-	-	-	-
Stage 3 to Stage 2	-	-	-	-	-
Stage 3 to Stage 1	-	-	-	-	-
Loans originated or purchased	9,554,240	-	-	-	9,554,240
Loans fully derecognised	(741,229)	-	(6,695)	-	(747,924)
Write-offs	-	-	-	-	-
Changes in principal and interest	234,557	-	(12,733)	-	221,824
Effect of exchange rate changes	-	-	-	-	
Gross carrying amount, end of year	19,729,528	-	104,968	-	19,834,496

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12. FINANCIAL RISK (continued)

12.4 Gross Carrying Values – financial investments subject to impairment (continued)

	Term Deposits – amortised cost				
	2019				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Gross carrying amount, beginning of year	1,422,818	-	-	-	1,422,818
Deposits originated or purchased	583,024	-	-	-	583,024
Deposits fully derecognised	(1,422,818)	-	-	-	(1,422,818)
Gross carrying amount, end of year	583,024	-	-	-	583,024

	Term Deposits – amortised cost				
	2018				
	ECL Staging				
	Stage 1 12-month ECL	Stage 2 life-time ECL	Stage 3 life-time ECL	POCI	Total
Gross carrying amount, beginning of year	11,800,158	-	-	-	11,800,158
Deposits originated or purchased	1,422,818	-	-	-	1,422,818
Deposits fully derecognised	(11,800,158)	-	-	-	(11,800,158)
Gross carrying amount, end of year	1,422,818	-	-	-	1,422,818

12.5 Liquidity risk

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

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

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

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

12. FINANCIAL RISK (continued)

12.5 Liquidity risk (continued)

(a) Financial liabilities

As of December 31, 2019	On demand $	Within 1 year $	1 to 5 years $	After 5 years $	Total $
Deposits received on real estate developed for sale	5,600	-	-	-	5,600
Due to Sagicor (Bonds) Fund	2,446,123	-	-	-	2,446,123
Due to Sagicor International Balanced Fund	13,402	-	-	-	13,402
Due to Sagicor Global Balanced Fund	10,746	-	-	-	10,746
Accounts payable	2,032,219	-	-	-	2,032,219
Bank Overdraft	-	-	-	-	-
	4,508,090	-	-	-	4,508,090

As of December 31, 2018	On demand $	Within 1 year $	1 to5 years $	After 5 years $	Total $
Deposits received on real estate developed for sale	5,600	-	-	-	5,600
Due to Sagicor (Bonds) Fund	5,837,011	-	-	-	5,837,011
Due to Sagicor International Balanced Fund	11,459	-	-	-	11,459
Due to Sagicor Global Balanced Fund	28,678	-	-	-	28,678
Accounts payable	1,632,408	-	-	-	1,632,408
Bank Overdraft	341,258	-	-	-	341,258
	7,856,414	-	-	-	7,856,414

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12. FINANCIAL RISK (continued)

12.5 Liquidity risk (continued)

(b) Financial assets

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

As of December 31, 2019	Maturing within 1 year $	Maturing within 1 to 5 years $	Maturing after 5 years $	Total $
Due from associated company	22,663	-	-	22,663
Due from Sagicor Life Inc.	274,252	-	-	274,252
Accounts receivable	5,530,296	-	-	5,530,296
Debt securities	1,501,321	14,762,265	16,755,590	33,019,176
Deposits	582,992	-	-	582,992
Mortgage loans	-	967,758	14,388,671	15,356,429
Cash resources	28,985,694	-	-	28,985,694
Total	36,897,218	15,730,023	31,144,261	83,771,502

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

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, the largest unitholder holds 17.7% of the fund's units. The fund manages its liquidity risk by investing in security that is expects to be able to liquidate within a short period.

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12. FINANCIAL RISK (continued)

12.5 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 Annual	1 – 5 Years	More than 5 years
Funds and Alternative Investments	123,009,499	2,733,636	3,168,152	102,611	7,228,190	-
As of December 31, 2018	**Less than 7 Days**	**Monthly**	**Quarterly**	**Semi Annual**	**1 – 5 Years**	**More than 5 years**
Funds and Alternative Investments	124,074,467	3,259,145	15,640,816	2,007,536	7,122,918	-

12.6 Market risk

Interest rate risk

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

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

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

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

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

As of December 31, 2019	Exposure within 1 year $	Exposure of 1 to 5 years $	Exposure after 5 years $	Not exposed to interest $	Total $
Deposits received on real estate developed for resale	5,600	-	-	-	5,600
Due to Sagicor (Bonds) Fund	-	-	-	2,446,123	2,446,123
Due to Sagicor International Balanced Fund	-	-	-	13,402	13,402
Due to Sagicor Global Balanced Fund	-	-	-	10,746	10,746
Accounts payable	-	-	-	2,032,219	2,032,219
Total	5,600	-	-	4,502,490	4,508,090

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12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Interest rate risk (continued)

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

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 Life	-	-	-	274,252	274,252
Due from associated company	-	-	-	22,663	22,663
Accounts receivable	-	-	-	5,530,296	5,530,296
Debt securities	1,494,015	14,590,994	16,525,874	408,293	33,019,176
Equity securities	-	-	-	482,626,762	482,626,762
Deposits	578,838	-	-	4,154	582,992
Mortgage loans	-	945,479	14,374,894	36,056	15,356,429
Cash resources	1,554,681	-	-	27,431,013	28,985,694
Total	3,627,534	15,536,473	30,900,768	516,333,489	566,398,264

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12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Interest rate risk (continued)

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

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

	2019	2018
Debt securities	4.29%	5.75%
Deposits	3.48%	5.52%
Mortgage loans	5.71%	5.38%

Sensitivity

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

As of December 31, 2019		$
Total interest bearing financial assets carried at fair value		32,610,883
The fair value impact of a decrease in interest rates of:		1,804,954
The fair value impact of an increase in interest rates of:		(1,614,668)

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12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Foreign exchange risk

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

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

	Balances denominated in						
As of December 31, 2019	**Barbados $**	**Jamaica $**	**Trinidad $**	**US $**	**CAD $**	**EC $**	**Total $**
ASSETS							
Due from associated companies	22,663	-	-	-	-	-	22,663
Due from Sagicor Life	274,252	-	-	-	-	-	274,252
Accounts receivable	4,333,374	-	239,876	918,951	-	38,095	5,530,296
Debt securities	5,391,258	-	-	25,486,099	-	2,141,819	33,019,176
Equity securities	124,812,126	441,247	28,546,572	325,813,530	-	3,013,287	482,626,762
Deposits	582,992	-	-	-	-	-	582,992
Mortgage loans	15,356,429	-	-	-	-	-	15,356,429
Cash resources	2,646,494	-	-	26,088,588	250,612	-	28,985,694
Total	**153,419,588**	**441,247**	**28,786,448**	**378,307,168**	**250,612**	**5,193,201**	**566,398,264**

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12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Foreign exchange risk (continued)

	Balances denominated in						
As of December 31, 2019	**Barbados $**	**Jamaica $**	**Trinidad $**	**US $**	**CAD $**	**EC $**	**Total $**
LIABILITIES							
Deposits received on real estate developed for resale	5,600	-	-	-	-	-	5,600
Due to Sagicor (Bonds) Fund	2,446,123	-	-	-	-	-	2,446,123
Due to Sagicor Life Inc.	-	-	-	-	-	-	-
Due to Sagicor International Balanced Fund	-	-	-	-	-	13,402	13,402
Due to Sagicor Global Balanced Fund	-	-	-	10,746	-	-	10,746
Accounts payable	2,032,219	-	-	-	-	-	2,032,219
Bank Overdraft							
Total liabilities	4,483,942	-	-	10,746	-	13,402	4,508,090
Net position	148,935,646	441,247	28,786,448	378,296,422	250,612	5,179,799	561,890,174

12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Foreign exchange risk (continued)

	Balances denominated in						
As of December 31, 2018	**Barbados $**	**Jamaica $**	**Trinidad $**	**US $**	**CAD $**	**EC $**	**Total $**
ASSETS							
Due from associated companies	22,663	-	-	-	-	-	22,663
Due from Sagicor Life	49,772	-	-	-	-	-	49,772
Accounts receivable	6,007,264	-	294,057	1,277,437	-	71,017	7,649,775
Debt securities	5,108,900	-	-	31,456,333	-	2,154,412	38,719,645
Equity securities	120,434,811	472,555	25,391,554	268,001,079	-	3,091,545	417,391,544
Deposits	1,103,040	-	-	302,413	-	-	1,405,453
Mortgage loans	19,719,028	-	-	-	-	-	19,719,028
Cash r esources	1,901,826	-	-	6,742,155	632,406	-	9,276,387
Total	**154,347,304**	**472,555**	**25,685,611**	**307,779,417**	**632,406**	**5,316,974**	**494,234,267**

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12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Foreign exchange risk (continued)

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

12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Foreign exchange risk (continued)

Sensitivity

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

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

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

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

The effects of a 10% depreciation in both the TTD and the JMD relative to the BDS arising from TTD and JMD financial investments as of December 31, 2019 and for the year then ended are considered below.

	Balances denominated in TTD $	Effect of a 10% depreciation on income as of Dec 31, 2019 $	Balances denominated in JMD $	Effect of a 10% depreciation on income as of Dec 31, 2019 $
Assets	**28,546,572**	**(2,854,657)**	**441,247**	**(44,125)**

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

Price Risk

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

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

12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Price Risk (continued)

Sensitivity

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

	Fair value $	Effect of a 20% decline at Dec 31, 2019 $
Fair value through profit or loss equity securities:		
Common and preference shares - Listed	346,297,291	(69,259,458)
Common and preference shares - Unlisted	87,383	(17,477)
Alternative Investments - Listed	108,558,123	(21,711,625)
Alternative Investments - Unlisted	25,560,486	(5,112,097)
Mutual Funds - Listed	2,120,656	(424,131)
Mutual Funds - Unlisted	2,823	(565)
	482,626,762	(96,525,352)

12.7 Fair value of financial instruments

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

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

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

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

A financial instrument is classified as Level 2 if:

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

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

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12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Price Risk (continued)

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

A financial instrument is classified as Level 3 if:

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

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

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

2019	Level 1	Level 2	Level 3	Total
Financial assets classified at fair value through profit or loss:	$	$	$	$
Debt securities	-	19,988,953	13,030,223	33,019,176
Common Shares	342,673,926	3,623,365	87,383	346,384,674
Alternative Investments	119,378,987	6,575,837	8,163,785	134,118,609
Mutual Funds	-	2,120,656	2,823	2,123,479
Total assets	462,052,913	32,308,811	21,284,214	515,645,938
Total assets by percentage	90%	6%	4%	100%

2018	Level 1	Level 2	Level 3	Total
Financial assets classified at fair value through profit or loss:	$	$	$	$
Debt securities	-	23,923,898	14,795,747	38,719,645
Common Shares	261,698,787	3,503,054	84,821	265,286,662
Alternative Investments	115,115,684	16,471,679	13,591,059	145,178,422
Mutual Funds	-	6,926,460	-	6,926,460
Total assets	376,814,471	50,825,091	28,471,627	456,111,189
Total assets by percentage	83%	11%	6%	100%

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12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Price Risk (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	2018	
Debt securities	13,030,223	14,795,747	Discounted Cash Flows	Risk Adjusted Market Yields	1.5% - 5.56% Avg. 3.37%	2.3% - 7.2 Avg 5.0%	The effect of a 1% increase in interest rates would decrease the fair value by $666,511 and a 1% decrease in interest rates would increase the fair values by $786,807.
Common Shares	87,383	84,821	Book Value per share	Net Assets divided by number of shares issued.	$0.01- $1.51 Avg. $0.76	$0.01 – $0.85 Avg. $0.43	The higher the Net Assets, the higher the book value.
			Third Party Valuation	N/A			Reliance is placed on third party information, which is not readily available for disclosure.
Alternative Investments	8,163,785	13,591,059	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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12. FINANCIAL RISK (continued)

12.6 Market risk (continued)

Price Risk (continued)

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

	2019 $	2018 $
Balance, beginning of year	28,471,627	24,200,669
Fair value changes recorded in income	658,036	(1,450,082)
Transfers in	-	-
Additions	189,506	14,052,119
Disposals	(8,003,552)	(8,415,610)
Effect of accrued income changes	(31,403)	84,531
Balance, end of year	21,284,214	28,471,627

Unrealised gains/(losses) on level 3 assets held at the end of the period are included in net gains on financial investments and amount to $80,592 (2018 – $381,055).

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

2019	Level 1	Level 2	Level 3	Total
Investment at Amortized cost:	$	$	$	$
Mortgage loans	-	-	3,517,461	3,517,461

2018	Level 1	Level 2	Level 3	Total
Loans and receivables:	$	$	$	$
Mortgage loans	-	-	7,906,705	7,906,705

12.8 Capital risk management

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

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

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

13. ACCOUNTS PAYABLE

	2019 $	2018 $
Funds on deposit	542,509	-
Investment property expenses payable	1,247,909	1,404,362
Other	241,801	228,046
Total accounts payable	2,032,219	1,632,408

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

14. INTEREST INCOME

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

	2019 $	2018 $
Debt securities	1,505,809	2,311,657
Deposits	80,829	372,314
Mortgage loans	973,700	800,025
Total interest income	2,560,338	3,483,996

15. NET RENTAL INCOME

	2019 $	2018 $
Rental income from investment property	4,443,839	4,663,876
Direct operating expenses of investment property	(2,681,302)	(2,337,309)
	1,762,537	2,326,567

16. NET INVESTMENT GAINS

	2019 $	2018 $
Net gains/(losses) on financial investments	75,455,491	(27,454,077)
Depreciation in fair value of investment property	(2,583,334)	(658,336)
Loss on bond restructure	-	(101,781)
ECL movement	56,794	17,324
Net investment (losses)/gains	72,928,951	(28,196,870)

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17. RELATED PARTY TRANSACTIONS

(a) Material related party transactions

	2019 $	2018 $
Management fee – Sagicor Life Inc	4,481,236	4,352,119
Interest expense – United Nations House	-	3,510

(b) Units held by related parties

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

Sagicor Life Inc	2019 $	2018 $
Value of units held at January 1	58,171,704	58,696,065
Net value of transactions for the year	5,868,672	(524,361)
Value of units at December 31	64,040,376	58,171,704

Sagicor General Inc.	2019 $	2018 $
Value of units held at January 1	6,008,820	403,159
Net value of transactions for the year	678,262	5,605,661
Value of units at December 31	6,687,082	6,008,820

18. COMMITMENTS

At December 31, 2019, the Fund's total committed capital to private equity strategies was $10,003,093 (2018 - $18,478,290). At that date, $969,237 (2018 - $4,219,118) of this commitment remained undrawn.

19. 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.

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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