

INVESTMENT COMMENTARY

Sagicor International Balanced Fund | September 2020

Evidence emerged during the third quarter that the pace of the economic rebound in developed markets was cooling despite the better than feared corporate earnings, central bank provided liquidity and low real yields. An uptick in virus cases led to authorities in major economies reinstating social distancing restrictions that dampened market sentiment.

The Global equity rally continued into the third quarter albeit at a lower level relative to the second quarter of 2020. However, there was a rotation out of the overextended technology sector securities into broader parts of the market such as cyclicals on the expectation of a vaccine by early 2021. The third quarter returns for S&P 500 and MSCI All Country World indices were 8.9% and 6.3% respectively while regional indices continued to reflect the negative sentiment permeating markets with the BSE, TTSE and the JSE returning -5.7%, 0.5% and -0.87% respectively. The ECSE return for the quarter was flat but up 9.0% year to date.

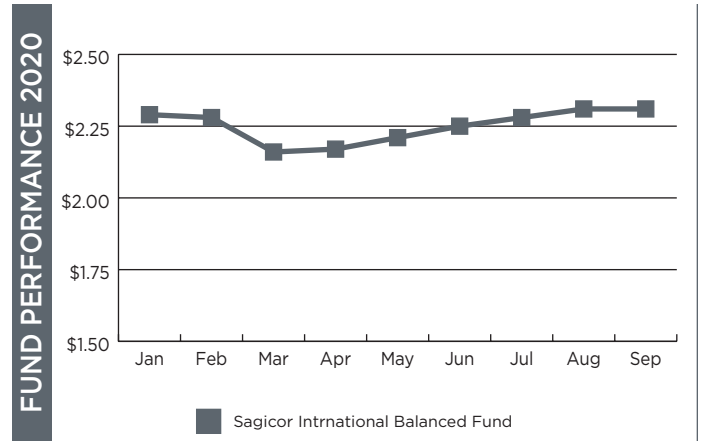
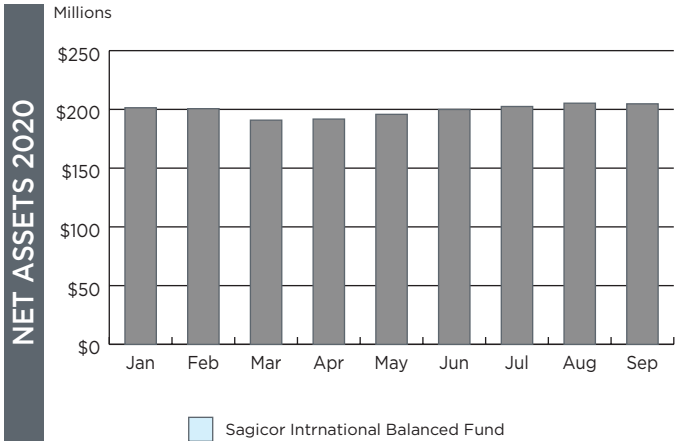
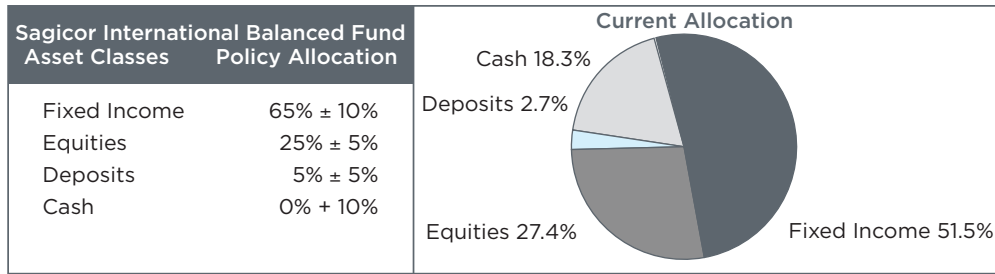
Liquidity provided by major central banks continued to underpin bond markets and during the third quarter the Barclays Global Aggregate Index returned 2.7%. Volatility in the bond markets remained low with 10-year US Treasury yields range bound between 0.6% and 0.7%. Central Bank intervention has precipitated spread narrowing across corporate and Regional US dollar debt securities, which have positively impacted valuations. The US Federal Reserve left interest rates unchanged at a range of 0.0% to 0.25% while signaling inflation will be allowed to run above its 2% target in the hopes of stimulating economic activity. Regional monetary policy action applied to help mitigate the crisis and stimulate business activity included securities purchases, reduced policy interest rates, liquidity provision through swap lines of credit and currency market intervention. It is expected the ECCU net borrowing position will increase over the short term however there are sufficient foreign reserves that can be drawn to finance borrowing.

Amid the uncertainty the Sagicor International Balanced Fund year to date returned 1.0% while for the third quarter June 30 to September 30, 2020 the return was 2.4%. Net assets increased to \$204.7 million as at September 30, 2020 from \$199.9 million as at June 30, 2020. The Fund's NAV increased to \$2.31 as at September 30, 2020 up from \$2.28 as at June 30, 2020. The Fund remained conservatively allocated

to bonds representing 52% of net assets while equities accounted for 27% of net assets.

Investors should brace for heightened volatility ahead of the November 3, 2020 US presidential elections and mounting evidence of a second wave of virus cases. Our risk mitigation strategy implemented since early August is expected to provide downside protection while allowing the Funds to benefit from any upside surprises in economic data or virus developments heading into the fourth quarter of 2020.

**Policy Asset Allocation
Sagikor International Balanced Fund**



FINANCIAL HIGHLIGHTS AS AT SEPTEMBER 30, 2020	
	SAGIKOR INTERNATIONAL BALANCED FUND
Financial Investments	\$ 172,962,425.25
Total Assets	\$ 204,893,611.13
Total Liabilities	\$ (163,795.87)
Net Assets	\$ 204,729,815.26
Net Investment Income/(Loss)	\$ 2,048,756.74
No. of Units Outstanding as at September 30, 2020	88,794,654
Net Asset Value per Unit as at September 30, 2020	\$ 2.31
Increase/(decrease) in Net Asset Value per Unit for year	1.0%

INDEX	ASSET CLASS	COUNTRY	JAN 2020 - SEP 2020
ECSE	Domestic Equity	St. Kitts	9.0%
S&P 500	Global Equity	US	4.1%
Dow Jones	Global Equity	US	-2.7%
FTSE 100	Global Equity	UK	-22.2%
Nikkei 225	Global Equity	Japan	-2.0%
JPMorgan EMBI+	Emerging Market Fixed Income	US	1.3%

*as at September 30, 2020