

International equity markets rallied in the first quarter of 2019 against the backdrop of easing trade tensions, and accommodative monetary policy amongst major central banks. US equities registered one of the best single quarterly returns since 2010 buoyed by better than expected corporate earnings and resilient economic data suggesting moderate growth. The Federal Reserve pivot to a more dovish stance given subdued inflation expectations along with slowing growth projections, which helped to underpin the performance of US equities. The Fed Funds Rate range remained unchanged at 2.25% to 2.50%. China's renewed commitment to stimulus coupled with encouraging manufacturing data, improved investor sentiment and allayed fears of slowing global growth. Still, a myriad of risks remain, including the lingering trade war between the US and China, the BREXIT saga and European economic malaise all of which threaten to undermine positive market sentiment.

In the US the Dow Jones Industrial Average Index and the NASDAQ Composite Index gained 11.2% and 16.5% respectively while the S&P 500 index advanced 13.1% for the first quarter. Investor confidence permeated globally as international developed and emerging market equities advanced. The MSCI EAFE Index gained 9.0% while the MSCI Emerging Market Index increased 9.6% for the quarter.

Regionally, equity market performance was subdued for the first quarter of 2019 with only the Trinidad and Jamaica stock exchanges having moderate gains of 1.9% and 2.2%. Both the Barbados and Eastern Caribbean exchanges declined 4.0% and 1.4%, respectively.

Sagicor (Equity) Fund overweight exposure to international equity markets buoyed significant growth as the Fund advanced 7.7% while net assets stood at \$590.2 million for the quarter ended March 31, 2019. The Fund's NAV increased to \$60.77 as at March 31, 2019 from \$56.41 as at Dec 31, 2018. The Fund remained predominantly allocated to equities, which accounted for 78% of net assets while domestic real estate represented 10% of net assets.

Global fixed Income market prices were boosted by a somewhat synchronized shift by major central banks to loosen monetary policy

given the uncertainty surrounding global growth, while the general decrease in Treasury yields impacted bond valuations positively for the quarter. The yield of the 10-year Treasury fell from 2.66% at the fourth quarter of 2018 and ended the first quarter of 2019 at 2.52%.

The landscape for domestic fixed income centered around the progress of the IMF supported "BERT" program implemented in Barbados and the commitment by local authorities to meet the various mandates of quantitative performance metrics and structural reform objectives set by the IMF. Encouragingly, all indicative IMF targets for Dec 2018 were met, including International reserves position, fiscal surplus and reduction of debt stock. As a result, the Standard and Poor's sovereign credit rating on Local Long-Term debt has been upgraded to B- from SD (selective default) returning some investor confidence as evidenced by recent investment projects being rolled out.

The Sagicor (Bonds) Fund, achieved a return of 2.4% for the first quarter of 2019, underpinned by the narrowing of credit spreads, which enhanced bond valuations. The Fund's NAV increased to \$25.63 as at March 31, 2019 while net assets totaled \$416.5 million. It is anticipated further Fund recovery will continue in the near to medium term.

Real economic activity in Barbados for 2018 contracted by 0.6% given depressed output from manufacturing and services sectors, while the unemployment rate as at December 2018 was 10.1% compared to 10% a year earlier. Despite the anemic growth results, improvements in public finances and the stock of international reserves were achieved through the debt restructure programme, containment of the overall fiscal deficit to GDP position and the suspension of payments to external debt holders. Gross international reserves grew to over 14 weeks of import cover and stood above its benchmark of 12 weeks while the public debt to GDP ratio fell to 126.9% at the end of 2018 compared to 148.4% at the end of 2017. Following the removal of NSRL and the softening in international fuel prices inflation as at March 2019 fell to 2.5% down from 4.7% in 2018. Lingering uncertainty among investors remain over the outcome of the external debt restructure negotiations with foreign creditors which we will be closely monitoring for further updates.

## FINANCIAL HIGHLIGHTS AS AT MARCH 31, 2019

	BONDS FUND	EQUITY FUND
Financial Investments	\$ 382,306,174.59	\$ 532,328,705.68
Total Assets	\$ 440,990,856.05	\$ 620,274,239.56
Total Liabilities	\$ 24,528,237.53	\$ 30,111,734.03
Net Assets	\$ 416,462,618.52	\$ 590,162,505.53
Net Investment Income/Loss	\$ 3,878,023.25	\$ 9,581,390.18
No. of Units Outstanding as at March 31, 2019	16,251,772	9,712,200
Net Asset Value per Unit as at March 31, 2019	\$ 25.63	\$ 60.77
Increase/(decrease) in Net Asset Value per Unit for year	2.4%	7.7%

**Policy Asset Allocation**  
Sagicor Barbados Segregated Pensions Fund

