

# INVESTMENT COMMENTARY

Barbados Segregated Pension Funds | March 2022

Investors faced a challenging first quarter in 2022 as financial markets posted declines against a backdrop of rising inflation, accelerated withdrawal of fiscal accommodation and hawkish commentary suggestive of aggressive interest rate hikes by the US Federal Reserve. These systemic risks presented elevated volatility to markets and were further exacerbated by the geopolitical conflict between Russia and Ukraine, as the ongoing war in Eastern Europe provided an external shock to financial markets as the military action by Russian forces was met with condemnation by the international community. Swift and severe sanctions that followed subsequently, resulted in downward economic outlooks, most notably the IMF which downgraded global economic growth to 3.6% for 2022; citing that war will disrupt commodity markets, most notably oil, gas, wheat and metals which are all key elements to the Russian economy.

The S&P 500 and Dow Jones Industrial Indices reported respective declines of -4.60% and -4.10% while the tech-heavy Nasdaq reported wider drawdown of -8.95% as technology stocks continued to face downside pressure, as inflation and rising interest rates detracts from the future valuations of these companies. Moreover, the global pressure on equities was evident as the MSCI All Country World Index reported a decline of -5.36%. Conversely, the Bloomberg Commodity Index returned 25.5% at the end of Q1, as oil/gas and other commodity allocations provided an effective hedge for portfolio investors as these returns were ultimately boosted by the elevated geopolitical tensions and persistent supply disruptions in major Chinese cities due to Covid-19 lockdowns.

Regional indices moved lower as the TTSE and JSE posted declines of -2.79% and -1.25% respectively while the BSE returned 0.38% for the first quarter of 2022 as Barbados reported strong economic growth despite concerns surrounding the spread of the Omicron variant. On the back of a strong tourist season, questions remain if Barbados can sustain the pace of economic growth as elevated inflation has set in on food and energy prices which could dampen economic activity if this is prolonged.

Bond markets remain subdued as initial concerns from the Russia/Ukraine war saw a flight to safety as investors picked up treasuries to reduce the volatility exposure to equities markets. However, this was short-lived as fleeting inflation data has created tones of aggressive rate hikes following the Federal Reserve's first hike of 25 basis points in March 2022. As a

result, yields continued to climb and ended the quarter at 2.33%, as bond valuations continued to slip. The Barclays Global Aggregate Index, which measures performance of the fixed rated global investment grade bonds for all Sovereign, Government Agency and Corporate debt, reported a first quarter decline of -6.16% setting the context of the challenges facing fixed income investors.

The Sagikor (Equity) Fund closed Q1 2022 down -2.15% with the net asset value reducing to \$72.72, down from \$74.32 on December 31, 2021. When compared to the above indices, the fund outperformed as strategic allocations to an S&P 500 Energy Index ETF, an actively managed Commodity Fund and a Global Healthcare themed Sub-Manager, provided effective hedges to the portfolio. The Fund's net assets declined to \$669.3 million, down from \$682.3 million as at December 31, 2021.

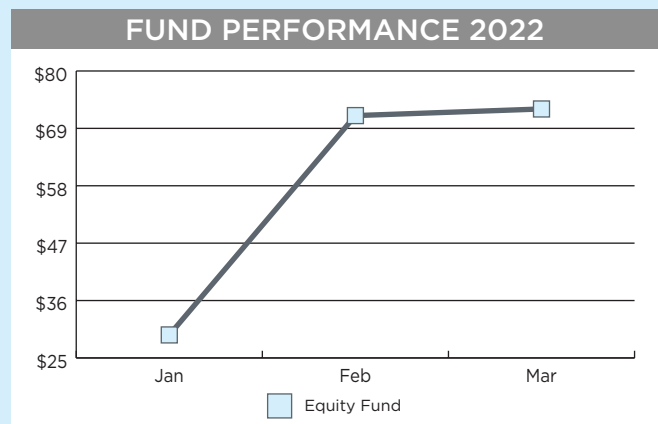
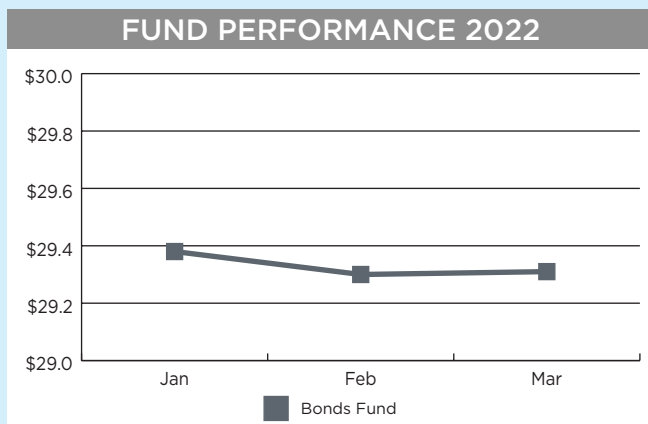
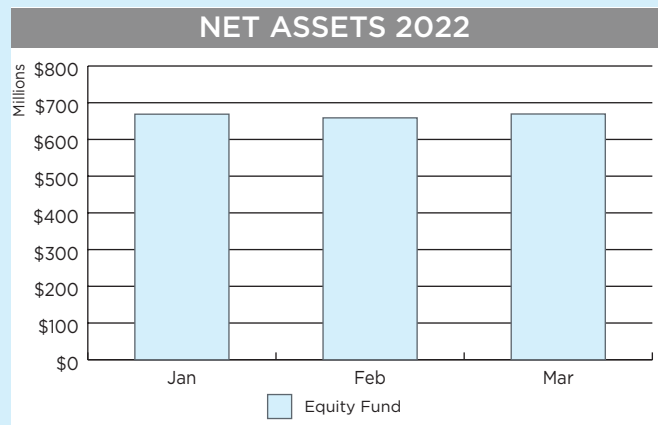
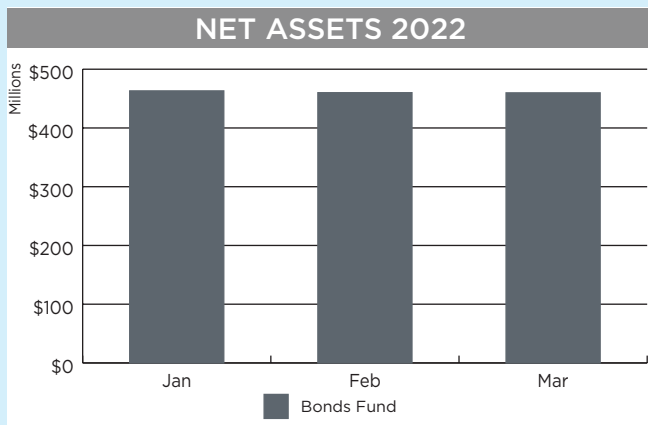
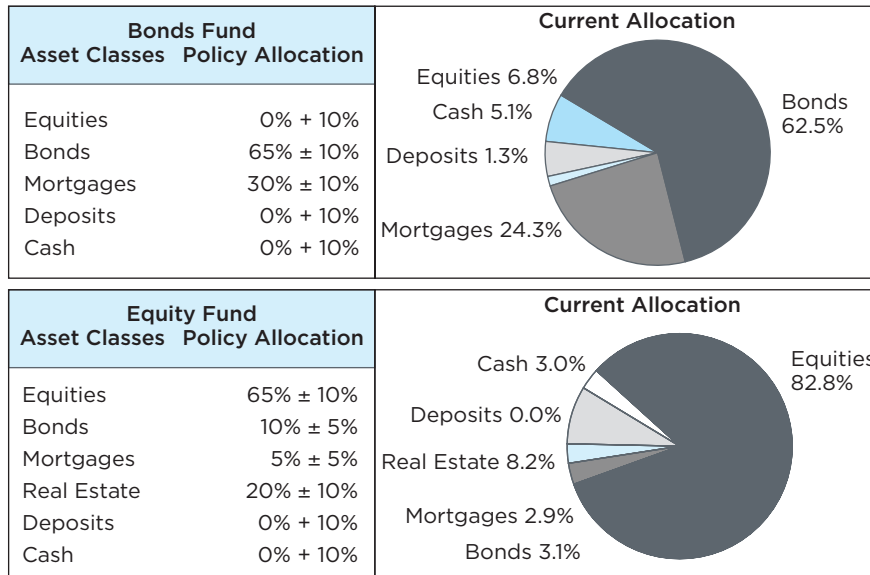
The Sagikor (Bonds) Fund returned -0.48% in the first quarter as the fund's broad diversification through region and asset class provided the platform for its outperformance of the Barclays Global Aggregate Bond Index. Within this rising rate environment, our strategy is to exercise patience with excess capital and seek to not extend the portfolio's duration risk by remaining short dated in our allocations, in our effort to preserve capital during volatile periods like this. Despite the challenges within the fixed income space, our mortgage portfolio continues to provide strong support and add considerable value with net principal increase of 7.8% relative to the same period last year. Overall, while the net assets of the fund remained flat at \$459.7 million compared to December 2021, the net asset value of the fund marginally reduced to \$29.31 due to additional units purchased in the fund

The beginning of 2022 brought significant volatility against a backdrop of an ongoing war, rising inflation, supply chain disruptions and slowing economic growth. For us at SAMI as proponents of long-term investing, we support small tactical positions to support capital preservation, but we also see some opportunities to acquire or add further capital to quality companies at good value due to the discounted prices on the market. We continue to focus on adding additional layers of diversification to our funds to reduce the drawdowns given the current market volatility.

## FINANCIAL HIGHLIGHTS AS AT MARCH 31, 2022

	EQUITY FUND	BONDS FUND
Financial Investments	\$ 581,634,502	\$ 428,839,296
Total Assets	\$ 672,006,901	\$ 460,154,269
Total Liabilities	\$ 2,696,417	\$ 390,151
Net Assets	\$ 669,310,484	\$ 459,764,118
Net Investment Income/(Loss)	\$ (14,821,781)	\$ 114,634
No. of Units Outstanding as at September 30, 2021	9,203,753	15,685,206
Net Asset Value per Unit as at September 30, 2021	\$ 72.72	\$ 29.31
Increase/(decrease) in Net Asset Value per Unit for year	-2.15%	-0.48%

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



INDEX	ASSET CLASS	COUNTRY	JAN 1, 2022 - MAR 31, 2022
BSE	Domestic Equity	Barbados	0.4%
S&P 500	Global Equity	US	-4.6%
Dow Jones	Global Equity	US	-4.1%
FTSE 100	Global Equity	UK	1.8%
Nikkei 225	Global Equity	Japan	-3.4%
JPMorgan EMBI+	Emerging Market Fixed Income	US	-3.5%

\*as at March 31, 2022