

INVESTMENT COMMENTARY

Barbados Segregated Pension Funds | June 2021

Global equity markets continued to reflect a bull market sentiment amongst investors with several record highs earned across some of the key indices during the second quarter of the fiscal. Despite the S&P 500, Nasdaq, DOWJ, and MSCI ACWI all ending the quarter up 8.55%, 9.68%, 5.08% and 7.39% respectively; equities in fact traded choppy as investors digested a plethora of economic data surrounding vaccination progress and the pending impact of the delta variant, unemployment and labour shortages within some sectors, inflationary pressures across the board and its overall impact on economic growth. Notwithstanding these pockets of volatility, Energy, Financials and Real estate were the notable performers YTD while growth stocks, specifically Technology, rallied in Q2 to remain almost on par with Value year-to-date; despite slipping earlier in the year as antitrust and other regulatory uncertainty placed downward pressures on the tech sector.

The Federal Reserve kept interest rates unchanged at an average of 0.10%, as their view on inflation is that it is primarily a transitory effect stemming from supply chain bottlenecks and surplus demand from the reopening of global economies. Investor concerns on the tapering of financial stimulus remains heightened as it appears to be the next key decision by the Federal Reserve and its outcome is expected to be telling in the near-term for the US economy. Fixed income market investors posit the challenges posed by the asset class, as yields continue to reflect historical lows. The US yield curve flattened toward the end of the second quarter as the US 10-year Treasury slipped as much as 0.29% to 1.45%. Corporate credits, Municipals and high yields drove fixed markets as these markets appreciated with investor enthusiasm narrowing spreads.

Regional markets reflected an improved performance relative to the prior quarter with BSE, TTSE and JSE all earning positive returns of 0.25%, 4.40% and 10.70% respectively in Q2. Regional markets as expected, continue to lag global equities due to the significant dependence on tourism to the regional economies. On a positive note, the United Kingdom, one of the region's largest source market has placed Barbados, Antigua and Grenada on their approved travel list with increased airlift expected shortly along with a projected robust winter season, due to pent up travel demand.

The Sagicor (Equity) Fund returned 5.57% for the quarter, as the Net Asset Value of the fund increased to \$70.94 when compared to \$67.20 at March 31st, 2021. The fund's growth is predominantly driven by the performance of the international equities segment which reflects a year-to-date weight adjusted return of 8.09% across a diversified asset mix. At the end of Q2, the fund's net assets stood at \$657.2 million when compared to \$619.15 million as at March 31st, 2021.

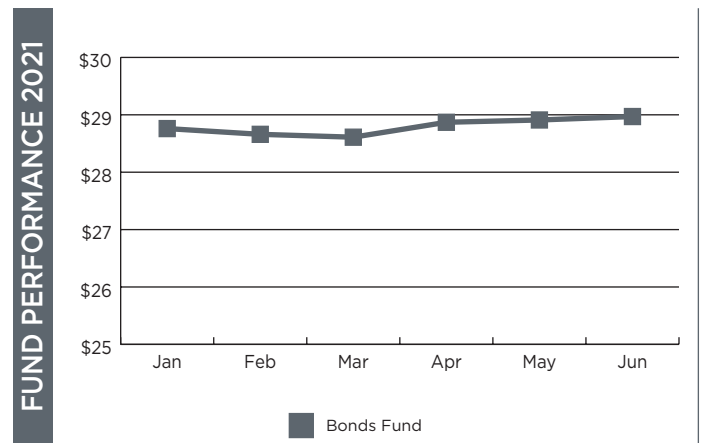
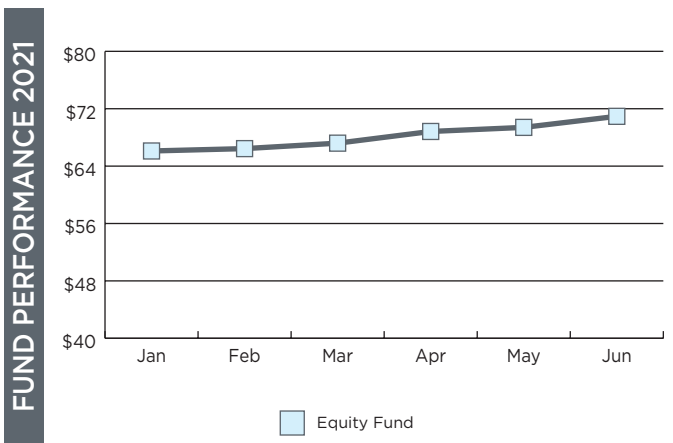
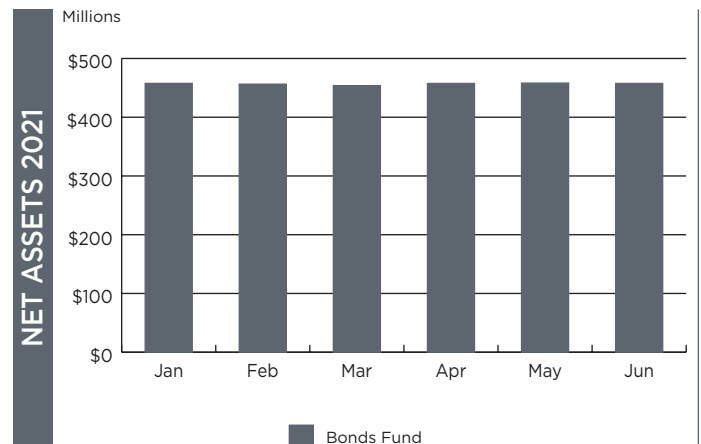
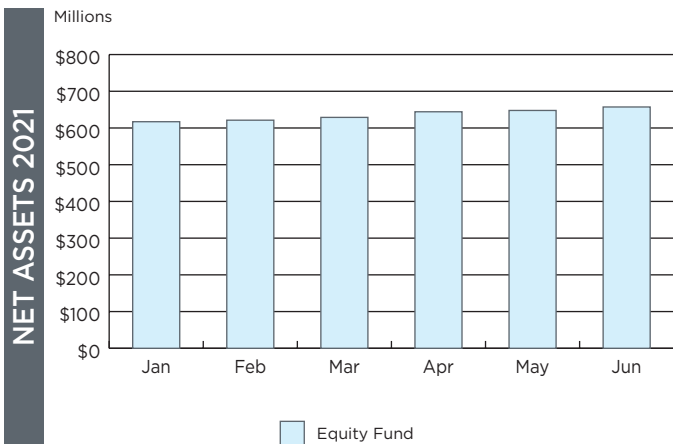
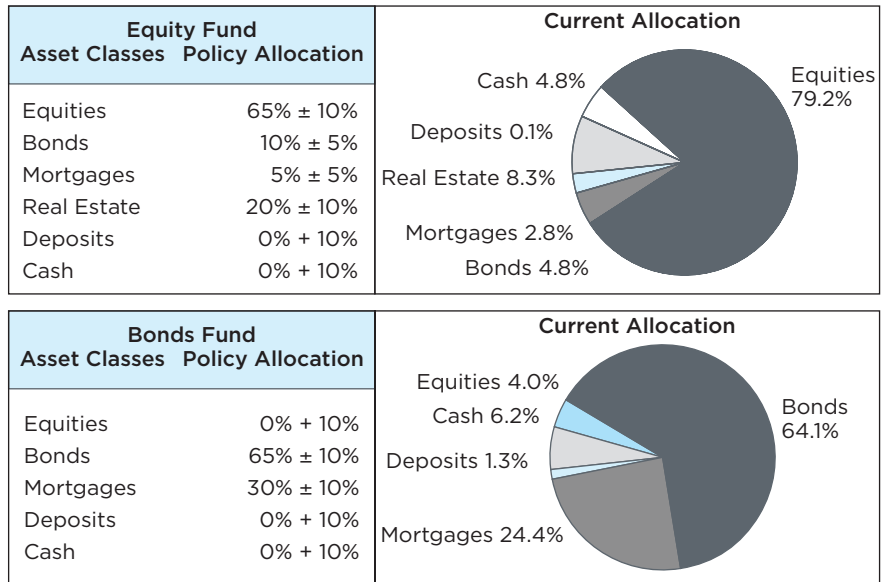
The Sagicor (Bonds) Fund returned 1.28% for the second quarter as a fall in the 10-year US treasury yield aided bond valuations. During this time, a strategic exposure to low duration high yield bonds proved fruitful as tightening credit spreads resulted in price appreciation during the period. The mortgage portfolio continued its robust performance this fiscal, with a \$4.8 million increase in principal during the period and a \$5.7 million increase year-to-date. Overall, the Fund reported year-to-date growth of \$1.85 million in net assets to \$457.5 million as at June 30th, 2021.

The outlook for equities remains positive, albeit structural market challenges posed by the delta variant as the investment community harbors concerns of a reversal of the 12-month progress, with possible pending restrictions in larger markets due to health and safety concerns. Inflation is expected to continue its upward trajectory but at a much slower pace as a significant impact thus far was attributable to surging oil and commodity prices mainly caused by supply shortages. From a local standpoint, the quarterly economic release was not available at the time of release, but it is expected to reflect strained economic output predominantly influenced by Covid-19 implications, a starved tourism sector and growing Debt relative to GDP. The Government of Barbados continues to negotiate draw downs on its concessionary lending facility from the IMF and other regional and international financial institutions which have safeguarded the country's reserves and cushioned the financial blow from Covid-19 in the near term. In closing we remind our shareholders that we remain focused on market fundamentals and obtaining steady weight-adjusted growth for the fund with a diversified portfolio mix.

FINANCIAL HIGHLIGHTS AS AT JUNE 30, 2021

	EQUITY FUND	BONDS FUND
Financial Investments	\$ 592,550,603	\$ 409,582,257
Total Assets	\$ 733,323,728	\$ 515,592,000
Total Liabilities	\$ 76,677,928	\$ 58,100,709
Net Assets	\$ 657,218,270	\$ 457,491,291
Net Investment Income/(Loss)	\$ 46,634,681	\$ 5,957,425
No. of Units Outstanding as at June 30, 2021	9,264,507	15,789,745
Net Asset Value per Unit as at June 30, 2021	\$ 70.94	\$ 28.97
Increase/(decrease) in Net Asset Value per Unit for year	7.6%	1.31%

Policy Asset Allocation
Sagicor Barbados Segregated Pensions Fund



INDEX	ASSET CLASS	COUNTRY	JAN 2021 - JUNE 30, 2021
BSE	Domestic Equity	Barbados	-5.68%
S&P 500	Global Equity	US	15.25%
Dow Jones	Global Equity	US	13.79%
FTSE 100	Global Equity	UK	8.93%
Nikkei 225	Global Equity	Japan	4.91%
JPMorgan EMBI+	Emerging Market Fixed Income	US	-0.66%