

INVESTMENT COMMENTARY

Barbados Segregated Pension Funds | September 2021

A sizable share of global equity markets declined in September against a backdrop of increasing interest rates, continued regulatory pressure from the Government of China and most notable the Evergrande debt crisis, surrounding one of China's largest real estate developers. Notable indices reflected lower or negative returns following a run of four (4) successive quarters of gains; as the S&P 500, Dow Jones Industrial, Nasdaq and the MSCI All Country World Index reporting quarterly returns of 0.6%, -1.5%, -0.2% and -1.1% respectively at the end of Q3.

As investors absorbed the latest economic forecasts by the IMF which reflected slowing global economic growth market sentiment turned slightly negative. These downward economic forecasts are primarily driven by supply chain bottlenecks, as suppliers have been unable to meet the pent-up global demand. Another notable influence on markets has been inflation, as the YTD CPI reflected a surge of 4.8%, albeit heavily influenced by transitory factors such as the supply chain disruption, heating oil prices, which are further exacerbated by the energy crises across China and Europe. Notwithstanding these considerations, we remain positive, although cautious, with our outlook on equities. We remind our readers that YTD returns of S&P 500, Dow Jones Industrial, Nasdaq and the MSCI All Country World Index are 15.9%, 12.1%, 12.7% and 11.1% despite recent volatility.

International bond markets continue to present challenges for asset managers as some developed and emerging market central banks have already begun adjusting policy rates to cool inflation concerns. The Barclays Global Aggregate bond Index returned -4.1% for the first nine months of 2021 providing context for the difficulty of bond investing at this time. When we consider the anticipated withdrawal of monetary stimulus to money markets, we observed a rise in yields with the US 10-year rising above 150 bps, ultimately placing downward pressure on bond valuations. More specifically, the US Federal Reserve has exhibited patience and remained accommodative with rates unchanged between 0% - 0.25% but has given ample notice that reduced quantitative easing will commence sooner rather than later, while future policy rate adjustments are a clear prospect.

On the regional front, markets continue to lag the international developed markets as the Caribbean community battles the ongoing effects of Covid-19, with rising cases, difficulty sourcing vaccines and subdued uptake in inoculations. Considering this the JSE, BSE and ECSE returned -2.5%, -0.4% and 0.4% respectively and economic activity remain constrained. Notably however, the TTSE reported its 3rd consecutive quarterly gain with a return of 2% as global energy prices increased, loosening of the restrictive public health protocols and improving vaccine uptake supported business activity during the period.

The Sagicor (Equity) Fund was down -0.8% for the quarter however year-to-date returns remain robust at 7.3%. The Net Asset Value of the fund decreased to \$70.73 when compared to \$71.02 as at June 30th, 2021 as the fund's performance was heavily influenced by our exposure to international equities which were down overall by 1%. At the end of the third quarter, the fund's net assets stood at \$649.9 million when compared to \$657.2 million as at June 30th, 2021.

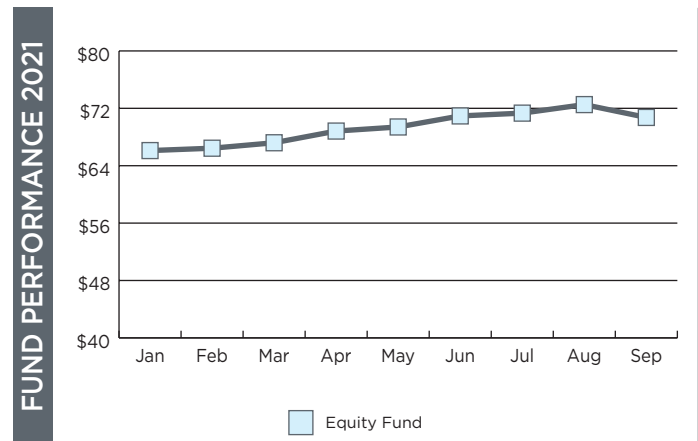
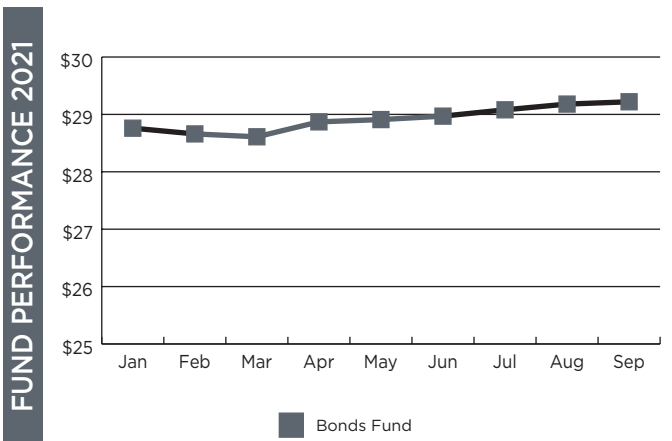
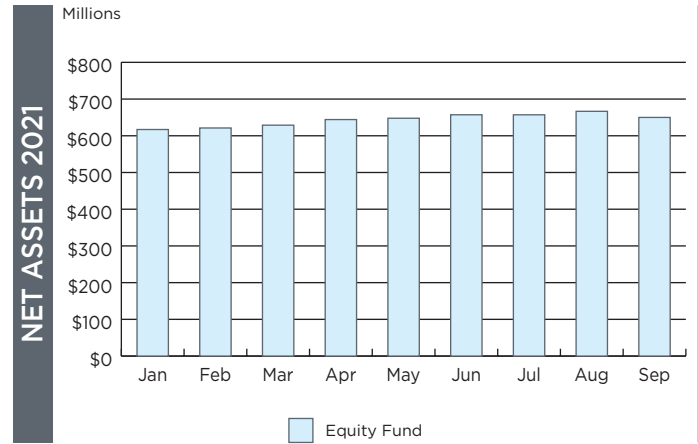
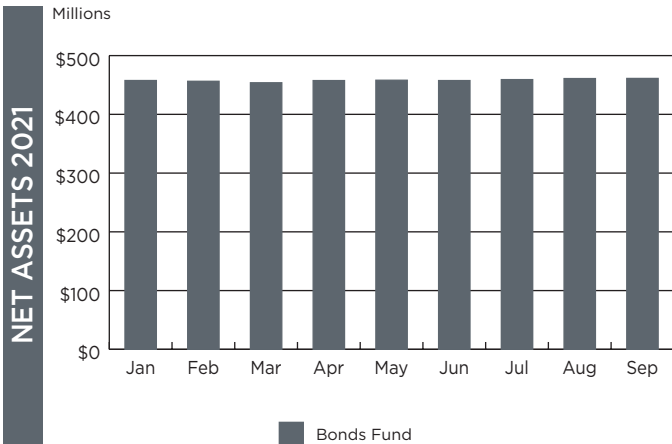
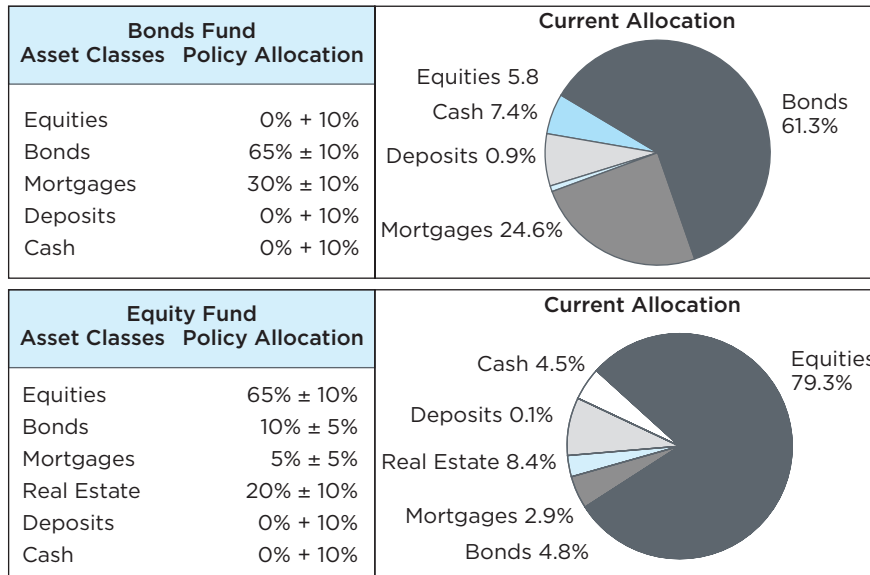
Our Sagicor (Bonds) Fund returned 0.9% for the quarter as the fund benefited from realized gains in some bond positions and was further supported by a strong yielding mortgage portfolio. Overall, the year-to-date return for the Bond Fund stands at 2.2%. Total net assets increased by \$3.63M at the end of Q3 when compared to net assets of \$457.5 million as at June 30th, 2021.

As we look to the future, there are clear headwinds for investors such as elevated inflation, regulatory pressures, and the ongoing risks presented by the Covid-19 pandemic. With heightened volatility we revert to our sound portfolio strategy of diversifying our asset base to limit our downside and focus on select growth opportunities by paying close attention to the fundamentals of prospected companies.

FINANCIAL HIGHLIGHTS AS AT SEPTEMBER 30, 2021

	EQUITY FUND	BONDS FUND
Financial Investments	\$ 569,804,420	\$ 405,452,542
Total Assets	\$ 670,418,171	\$ 464,155,349
Total Liabilities	\$ 20,453,333	\$ 3,021,316
Net Assets	\$ 649,964,838	\$ 461,134,033
Net Investment Income/(Loss)	\$ 44,782,555	\$ 9,865,225
No. of Units Outstanding as at September 30, 2021	9,188,961	15,779,257
Net Asset Value per Unit as at September 30, 2021	\$ 70.73	\$ 29.22
Increase/(decrease) in Net Asset Value per Unit for year	7.3%	2.19%

Policy Asset Allocation
Sagicor Barbados Segregated Pensions Fund



INDEX	ASSET CLASS	COUNTRY	JAN 1, 2021 - SEP 30, 2021
BSE	Domestic Equity	Barbados	-6.07%
S&P 500	Global Equity	US	14.7%
Dow Jones	Global Equity	US	10.6%
FTSE 100	Global Equity	UK	9.7%
Nikkei 225	Global Equity	Japan	7.3%
JPMorgan EMBI+	Emerging Market Fixed Income	US	-4.2%

*as at September 30, 2021