

INVESTMENT COMMENTARY

Barbados Segregated Pension Funds | December 2020

Global equity markets were buoyed in the fourth quarter by a second \$900 Billion COVID US stimulus package, a deal on BREXIT and rollout of vaccines across developed economies. An overexuberant melt up in stock prices were tempered by case counts trending higher and the detection of a more infectious variant strain of COVID-19 in the UK increasing the likelihood of policy makers reinstituting further lockdowns to stem the virus spread. The S&P 500, Dow Jones Industrial and the All Country World Index ended 2020 with total returns of 18.4%, 9.7% and 16.8% respectively, an impressive recovery from the bear market lows suffered in the first quarter of 2020.

Regional indices fared much worse than their developed market counterparts still reeling from severe global travel slowdown. Activity in the tourism sector spurred GDP growth during the fourth quarter but it was too little too late with the BSE, TTSE and the JSE returning -17.3%, -9.9% and -22.4% respectively for the calendar year 2020.

While considering the foregoing, the Sagicor (Equity) Fund year to date reported a return of 1.9% which reflected an increase of 5.1% when compared to the -3.2% reported return at the quarter ended September 30, 2020. Net assets increased significantly to \$619.1 million from the previously reported \$595.3 million reported as at September 30, 2020, predominantly driven by the stock rally in the latter part of the year. Accordingly, the Fund's NAV increased to \$65.93 as December 31, 2020 compared to \$62.62 as at September 30, 2020. The Fund's primary asset class remains equities with a 78.5% allocation while an 8.9% stake is held in investment real estate. The balance of the portfolio comprises bonds, term deposits and cash balances.

In December the US Federal Reserve left key interest rates unchanged at a range of 0.0% to 0.25% while continuing it's call for further stimulus from the US government in the hopes of supporting

the economy and achieving its goals of maximum employment and price stability. Liquidity provided by major central banks continued to underpin bond markets and during the fourth quarter the Barclays Global Aggregate Index returned 3.3% and 9.2% for the full year 2020. The yield on the 10-year US Treasury increased from 0.7% to 0.9% during the final quarter as expectations of a powerful fiscal agenda enacted by president elect Joe Biden lifted forecasts for inflation. Central Bank bond purchasing has precipitated spread narrowing across international corporate debt securities, which have positively impacted valuations. Regional market yield curves have narrowed for EC\$ and TT\$ debt holdings while for local debt, spreads have widened on the short end of the curve to reflect the near-term economic fallout induced by the pandemic.

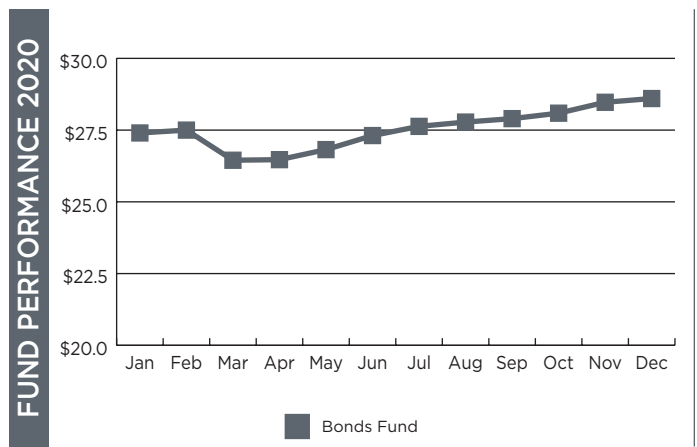
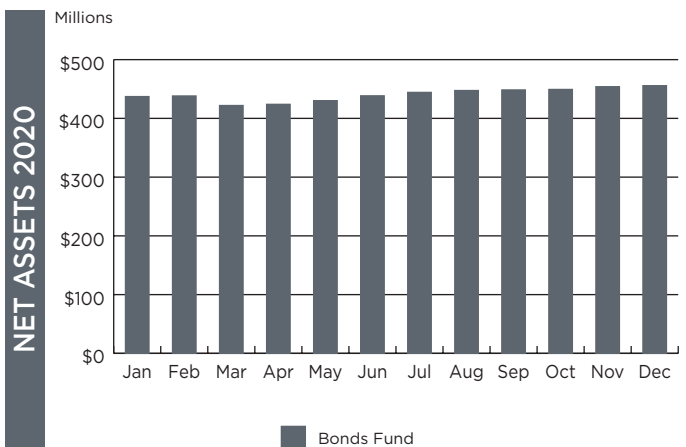
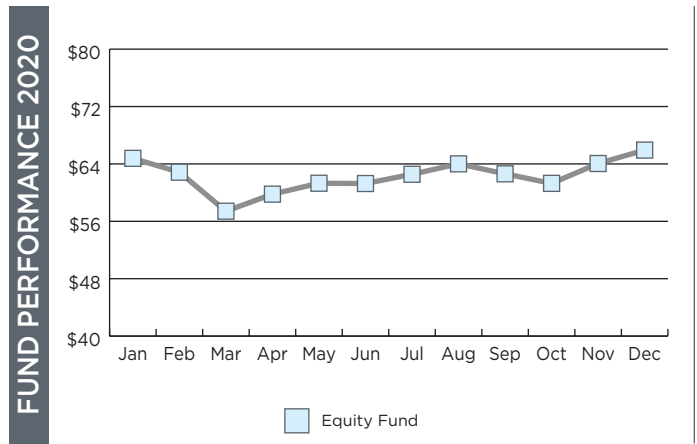
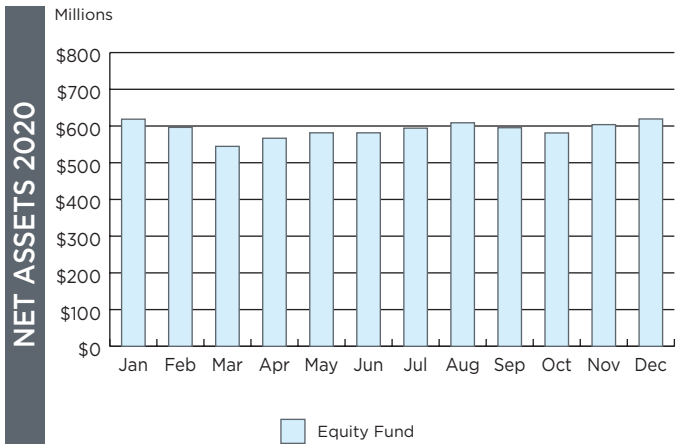
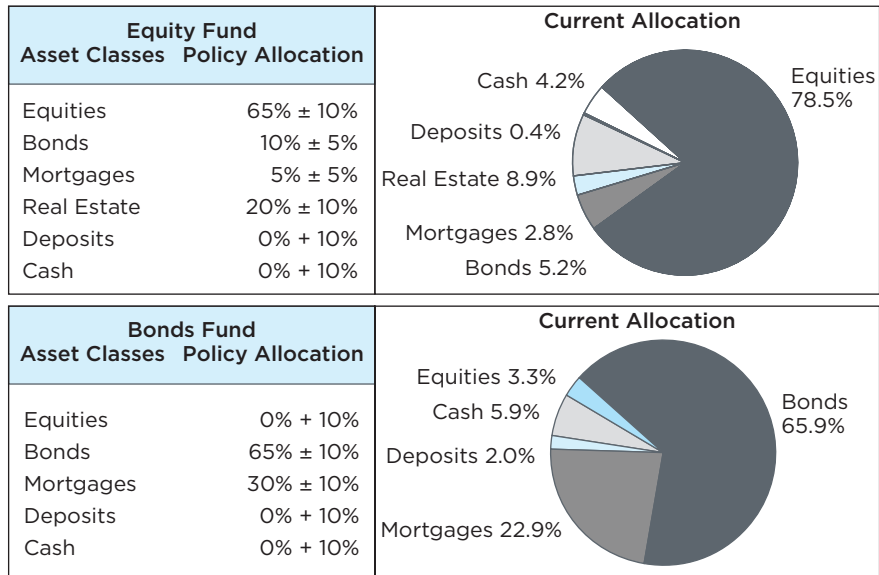
For the year ended December 31, 2020, the Sagicor (Bonds) Fund returned 5.1% while the Fund's NAV increased to \$28.60, up from \$27.90 as at September 30, 2020. Net assets increased to \$455.6 million when compared to \$448.4 million as at September 30, 2020. The Fund's assets are predominantly comprised of bonds and mortgages with allocations of 65.9% and 22.9% respectively.

In the short-term risks to the downside abound, US political turmoil, geopolitical uncertainty during the last weeks of the Trump presidency and the first winter season with COVID-19. For local and regional economies curtailment in international travel and the unavailability of vaccines expectations of a swift recovery remain muted. In our view, investors should have a longer-term view and observe where we are in the global economic cycle and the evidence points to being amid the early stages of a recovery which is normally followed by economic expansion. Equities historically do well during recovery and expansionary stages of a cycle and as always, being well diversified by asset class will mitigate against unforeseen volatility, that will inevitably occur.

FINANCIAL HIGHLIGHTS AS AT DECEMBER 31, 2020

	EQUITY FUND	BONDS FUND
Financial Investments	\$ 551,545,740.23	\$ 414,159,488.50
Total Assets	\$ 686,366,905.47	\$ 514,044,842.43
Total Liabilities	\$ 67,213,812.62	\$ 58,396,397.29
Net Assets	\$ 619,153,092.85	\$ 455,648,445.14
Net Investment Income/(Loss)	\$ 11,744,256.74	\$ 22,349,241.54
No. of Units Outstanding as at December 31, 2020	9,391,495.89	15,932,361.00
Net Asset Value per Unit as at December 31, 2020	\$ 65.93	\$ 28.60
Increase/(decrease) in Net Asset Value per Unit for year	1.9%	5.1%

Policy Asset Allocation
Sagicor Barbados Segregated Pensions Fund



INDEX	ASSET CLASS	COUNTRY	JAN 2020 - DEC 2020
BSE	Domestic Equity	Barbados	-17.3%
S&P 500	Global Equity	US	18.4%
Dow Jones	Global Equity	US	9.7%
FTSE 100	Global Equity	UK	-14.3%
Nikkei 225	Global Equity	Japan	16.0%
JPMorgan EMBI+	Emerging Market Fixed Income	US	5.3%

*as at December 31, 2020