

# INVESTMENT COMMENTARY

Barbados Segregated Pension Funds | December 2021

Global equities reflected strong returns in the final quarter of 2021 adequately supported by robust corporate earnings, a feature expected to continue into 2022 as the global economic recovery from the Covid pandemic is sustained. Developed markets and some emerging markets replicated economic resilience with continued growth, albeit slower than previous quarters as improving employment, exports and vaccination progress buoyed financial markets. However, this was partially offset by labour shortages and supply chain disruptions. The Omicron variant contributed to market wide volatility early in Q4 but concern among investors centered more on peaking inflation levels and the anticipated acceleration of monetary policy adjustments by global central banks. The US inflation rate peaked at 7% in 2021, representing the largest 12-month gain of the Consumer Price Index in almost 40 years. Despite this, the US Federal Reserve left interest rates unchanged between the 0 – 0.25% range.

Equities outperformed fixed income markets during 2021 and exposure to sectors such as real estate, energy, commodities, technology and financials yielded investors favourable returns. We observed the steady improvement of cyclical stocks during the year, initially boosted by the reflation trade as corporate entities benefited from expansion of economic activity relative to the corresponding period in 2020. While growth stocks performed well overall for the year, we observed increased volatility in the final quarter as investors digested hawkish tones from the US Federal Reserve surrounding earlier than expected interest rate hikes and its impending termination of the quantitative easing exercise.

S&P 500, Dow Jones and Nasdaq reported gains of 10.65%, 7.37% and 8.28% respectively while the MSCI ACWI reported net gains of 6.68% illustrative of the current trend in equity performance. Regional equities exhibited mixed returns, as the Trinidad and Tobago and Eastern Caribbean Stock Exchanges were the only regional indices to advance during Q4, with returns of 4.63% and 1.30% respectively, while the Jamaica Stock Exchange and the Barbados Stock Exchange reported declines of 4.52% and 3.31% respectively.

Fixed income markets continue to experience tepid returns driven by downside pressure of peaking inflation and interest rate hikes. The Barclays Global Aggregate returned -4.71% as credit spreads narrowed in 2021. The US 10-year ended the year at 1.51% with an expectation to exceed the 2% mark in 2022 within a rising interest rate environment. We anticipate that investors will seek capital preservation elsewhere as bond yields rise, whether it be in riskier asset classes such as equities, real estate or alternative investment strategies.

The Sagicor (Equity) Fund ended 2021 on a strong note with a final quarter return of 5.07%, ultimately resulting in a robust return of 12.7% for fiscal 2021. The Net Asset Value of the fund increased to \$74.32 when compared to \$70.73 as at September 30th, 2021 as the fund's balanced exposure to international equities rebounded well from early worries about the Omicron variant, with investors placing their focus on positive corporate earnings and the economic resilience of financial markets across the globe. To close fiscal 2021, the fund's net assets were up to \$682.3 million, when compared to net assets of \$650 million as at September 30th, 2021.

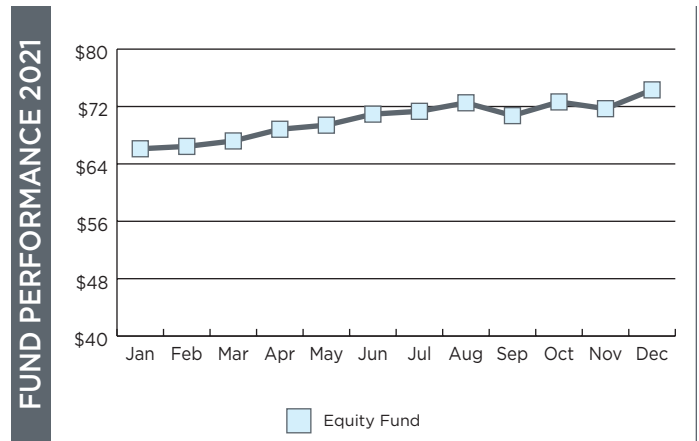
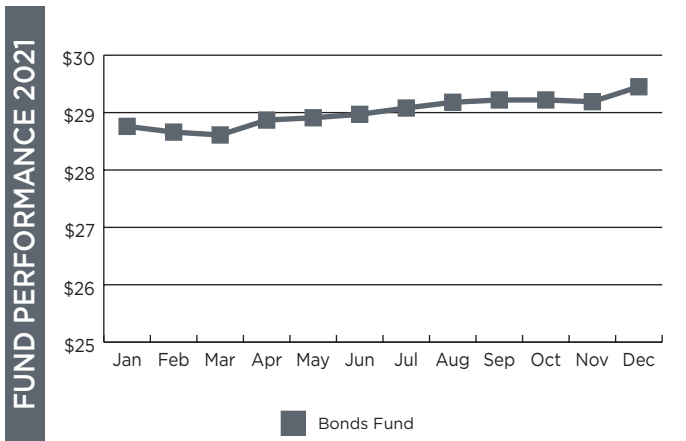
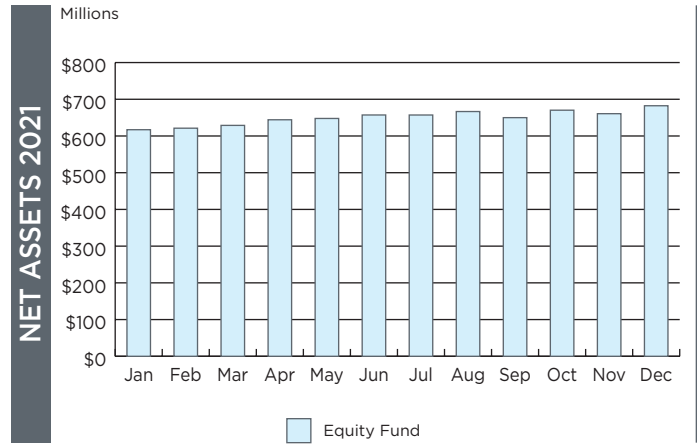
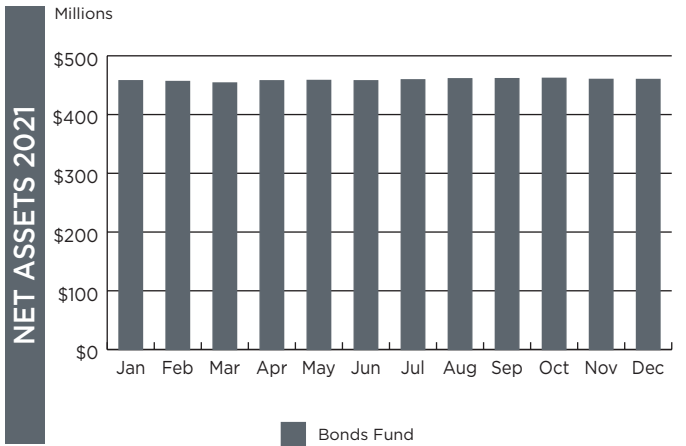
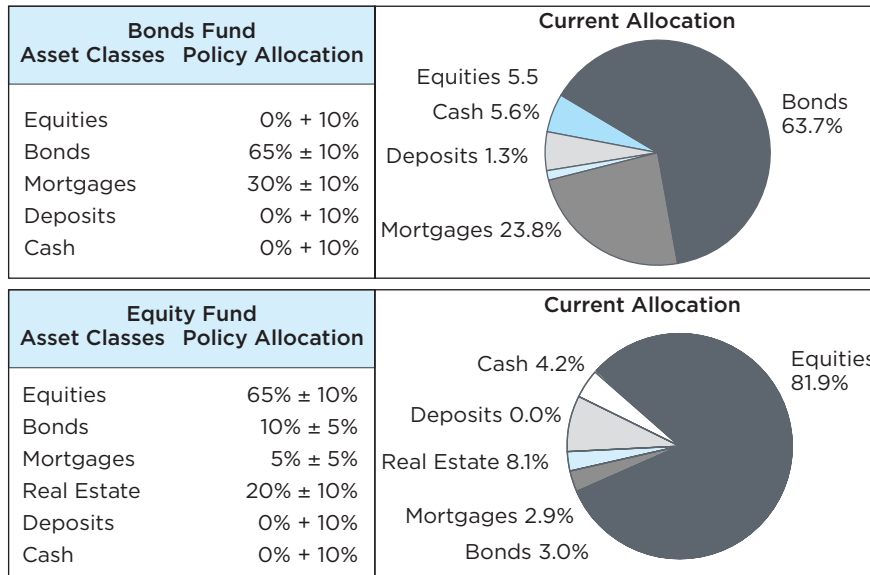
Our Sagicor (Bonds) Fund returned 0.8% for the fourth quarter, as the fund's growing mortgage portfolio provided an offset against a small slide in bond valuations, the latter driven primarily by the prevailing economic conditions. With the notable challenges present for fixed income markets, we placed a focus on capital preservation by actively seeking to further improve the credit profile of the portfolio and reduce long-dated exposures. Notwithstanding fixed income challenges, the Bonds Fund returned a positive 3% driven by its diverse asset allocation. The fund's net assets reflected a marginal decline to \$459.7 million relative to the end of the third quarter of \$461.7 million due to redemptions.

As we look to 2022, headwinds for financial markets will persist as policy makers grapple with persistent inflation through monetary policy adjustments. Therefore, we remain comforted by our diversified investment approach to reduce downside pressure on select asset classes, in addition to, our exposure to alternative investment strategies to help hedge against near term market volatility.

## FINANCIAL HIGHLIGHTS AS AT DECEMBER 31, 2021

	EQUITY FUND	BONDS FUND
Financial Investments	\$ 589,741,447	\$ 432,027,082
Total Assets	\$ 689,032,766	\$ 466,234,517
Total Liabilities	\$ 6,668,365	\$ 6,494,056
Net Assets	\$ 682,364,401	\$ 459,740,460
Net Investment Income/(Loss)	\$ 77,720,487	\$ 13,360,414
No. of Units Outstanding as at September 30, 2021	9,181,358	15,609,490
Net Asset Value per Unit as at September 30, 2021	\$ 74.32	\$ 29.45
Increase/(decrease) in Net Asset Value per Unit for year	12.7%	3.0%

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



INDEX	ASSET CLASS	COUNTRY	JAN 1, 2021 - DEC 31, 2021
BSE	Domestic Equity	Barbados	-9.2%
S&P 500	Global Equity	US	26.9%
Dow Jones	Global Equity	US	18.7%
FTSE 100	Global Equity	UK	14.3%
Nikkei 225	Global Equity	Japan	4.3%
JPMorgan EMBI+	Emerging Market Fixed Income	US	-4.5%

\*as at December 31, 2021