

# INVESTMENT COMMENTARY

Sagicor International Balanced Fund | March 2021

The bond markets sold off during the first quarter of 2021 amid rising inflation expectations stoking fears major central banks will shift to a tighter monetary policy stance earlier than anticipated. Data from developed markets appeared to confirm the forecasts for robust economic recovery and the threat of rising borrowing costs sapping a rally that has driven equity values to historic highs. Against this backdrop equity markets manifested pockets of volatility however, a second infrastructure stimulus plan unveiled by the Biden administration along with vaccine rollouts surpassing targets fueled optimism. Equities most positively impacted by economic growth and increasing interest rates such as the energy and financial sectors led major indices higher. The S&P 500, Dow Jones Industrial Average and MSCI All Country World Ex USA Indices returned 6.2%, 8.3% and 3.5%.

Regional indices continued their downward trend with TTSE being the sole exception given the recovery in energy prices. The BSE, TTSE and the JSE returned -5.9%, 1.5% and -0.2% respectively for the quarter ended March 31, 2021.

The US Federal Reserve left key interest rates unchanged at a range of 0.0% to 0.25% and commented the recent surge in Treasury yields reflected improved economic prospects. Even though policy makers saw the risks of inflation as balanced market participants were increasingly concerned about the prospect and led to a selloff in longer term bonds. The Barclays Global Aggregate Index returned -4.5% for the first three months of 2021. The yield on the 10-year US Treasury increased from 0.9% to 1.7% in a single quarter as fiscal expansion enacted by president elect Joe Biden lifted forecasts for growth and inflation. The US dollar strengthened against a basket of currencies over the same period despite

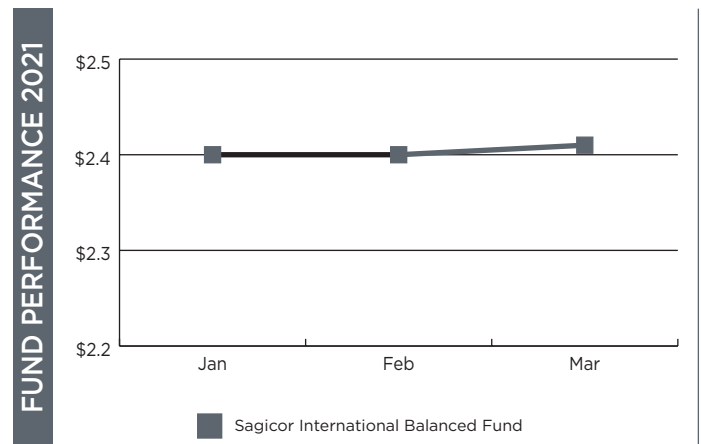
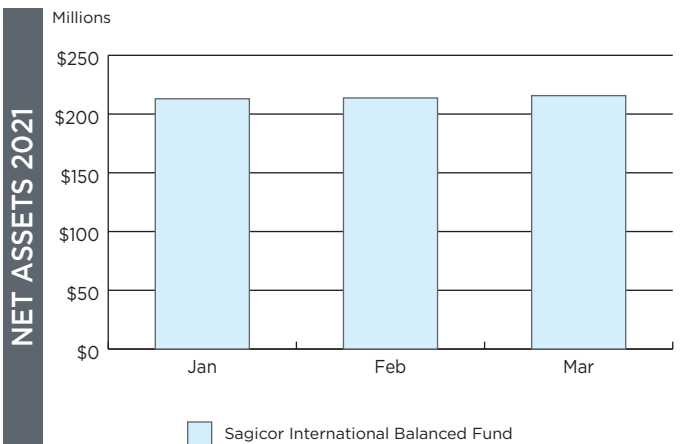
previous forecasts for a weakening of the Greenback. Regional USD\$ denominated market yield curves have narrowed and increased the valuations of those debt securities.

Amid the uncertainty the Sagicor International Balanced Fund returned 0.7% during the first quarter. The Fund's NAV increased to \$2.41 as at March 31, 2021 up from \$2.39 as at December 31, 2020. Net assets increased to \$215.7 million as at March 31, 2021 up from \$212.4 million as at December 31, 2020. The moderate gain of the Fund was attributed to our 12% exposure to international equities achieving a return 5.4% for the period. However, the selloff in bond markets weighed on the overall Fund performance given the 55% exposure of the Fund to the fixed income asset class.

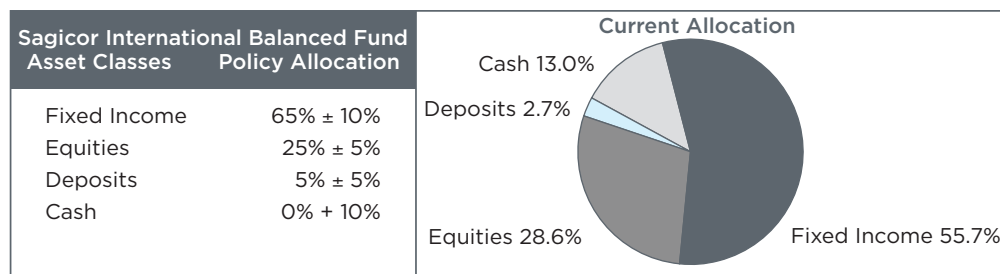
The Fund managers remain circumspect and active in optimal deployment of capital to achieve stable investment returns. To mitigate the effects of potentially elevated inflation levels the fund has added exposure to precious metals such as gold and maintained low duration of bond assets. In our view, diversification, patience, self-knowledge, right-sized expectations, and keeping things in context remain key for positioning the portfolio and navigating market conditions, particularly during transitional periods like these. On April 10, 2021 the La Soufriere volcano erupted in St. Vincent prompting the UN to launch a \$29.2 million appeal to support the citizens affected by the major eruptions. Our hearts and prayers are with the people of St. Vincent and the Grenadines at this arduous time.

TOP 5 HOLDINGS		
	Holding	Country/Region
1	Government of Barbados Series D Bond	Barbados
2	St Lucia Electricity Services Limited	St. Lucia
3	Government of Bermuda 2027 Bond	Bermuda
4	Commonwealth of Bahamas 2024 Bond	Bahamas
5	Government of Trinidad & Tobago 2026 Bond	Trinidad & Tobago

\*as at March 31, 2021



**Policy Asset Allocation  
Sagicor International Balanced Fund**



FINANCIAL HIGHLIGHTS AS AT MARCH 31, 2021	
	SAGICOR INTERNATIONAL BALANCED FUND
Financial Investments	\$ 186,976,573.49
Total Assets	\$ 215,727,519.91
Total Liabilities	\$ 49,726.73
Net Assets	\$ 215,677,793.18
Net Investment Income/(Loss)	\$ 1,578,725.93
No. of Units Outstanding as at March 31, 2021	89,395,361.00
Net Asset Value per Unit as at March 31, 2021	\$ 2.41
Increase/(decrease) in Net Asset Value per Unit for year	0.7%

INDEX	ASSET CLASS	COUNTRY	JAN 2021 - MAR 2021
ECSE	Domestic Equity	St. Kitts	-0.9%
S&P 500	Global Equity	US	6.2%
Dow Jones	Global Equity	US	8.3%
FTSE 100	Global Equity	UK	3.9%
Nikkei 225	Global Equity	Japan	6.3%
JPMorgan EMBI+	Emerging Market Fixed Income	US	-4.5%

\*as at March 31, 2021