

INVESTMENT COMMENTARY

Sagicor International Balanced Fund | June 2020

Recent economic data releases suggest a deeper than initially anticipated fallout from the COVID-19 pandemic. Consequently, the IMF has revised downward its global growth projection to -4.9% for 2020, 1.9 percentage points below the April 2020 World Economic Outlook's forecast while growth for Latin America and the Caribbean is projected to contract by 9.4%.

Global coronavirus cases at the end of June 2020 topped 10 million with a resurgence in cases after phased reopening across many developed economies. The steep decline in activity comes with a catastrophic hit to the global labor market. According to the International Labour Organization, the global decline in work hours in 2020:Q1 compared to 2019:Q4 was equivalent to a loss of 130 million full-time jobs. Adding to the grim outlook it is anticipated that global public debt is expected to reach an all-time high, exceeding 101% of GDP in 2020-21. Geopolitical tensions have once again flared between the US and its major trading partners China and Europe putting downward pressure on global trade projections. Fiscal and financial response measures to buffer the economic impact have been unprecedented with worldwide fiscal stimulus announcements estimated at \$11 trillion.

Regionally central banks have more than adequate foreign reserves to buttress against externalities in the short to medium term however a protracted decline in demand for tourism and energy sectors will put downward pressure on import cover. Most Caribbean islands have managed to flatten their respective Coronavirus cases curves however, spikes in cases at the end of June occurred in Antigua, Guyana and Suriname. Along with many small and medium sized entities already severely impacted as part of the tourism sector ecosystem regional carrier Liat became the latest casualty announcing it was to be liquidated leaving regional travel in crisis.

Despite the gloom, capital markets rallied globally during the quarter as economic policy provided support along with stability in the oil market helped to lift investor sentiment as participants took a forward looking view and capitalized on the opportunity to purchase securities at deep discounts to their near term valuations. Major equity markets such as the S&P recovered over 30% from the March lows but remain down -4.0% year to date. Many analysts warned

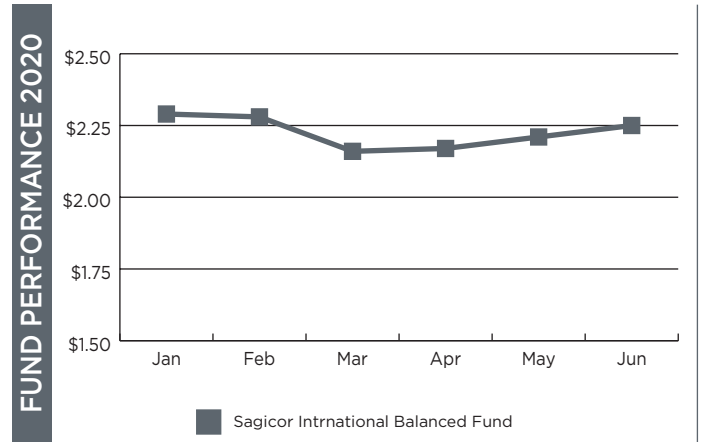
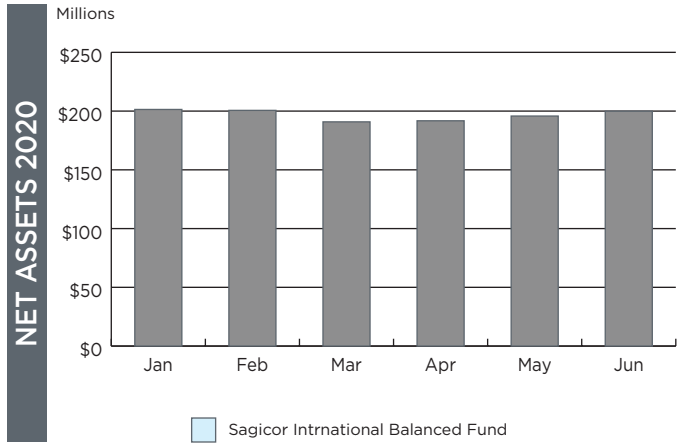
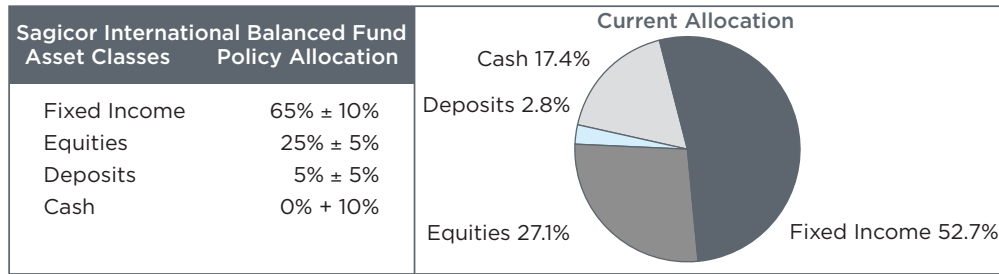
of market overexuberance and being dislocated from the economic reality.

Massive monetary and fiscal stimulus provided liquidity to bond markets concurrently borrowing costs remain low and are expected to remain so over the next 12 to 18 months. 10-year US Treasury yield has declined 126 basis points year to date from 1.9% to 0.7%. Central Bank intervention has precipitated spread narrowing across corporate and Regional US dollar debt securities, which have positively impacted valuations.

The Sagicor international Balanced Fund returned -1.4% year to date. The Fund's NAV increased to \$2.25 as at June 30, 2020 up from \$2.16 as at March 31, 2020 while net assets totaled \$199.9 million. The Fund is tilted towards the fixed income asset class accounting for 53% of net assets while 27% were allocated towards equities.

We expect a choppy however upward trajectory in markets over the second half of 2020. To mitigate against expected volatility our strategy will shift to a more defensive stance, with equity investments in low beta securities having secular growth trends and strong fundamentals while abstaining from further deepening exposure in regional US dollar bonds most impacted by the pandemic.

**Policy Asset Allocation
Sagikor International Balanced Fund**



FINANCIAL HIGHLIGHTS AS AT JUNE 31, 2020	
	SAGICOR INTERNATIONAL BALANCED FUND
Financial Investments	\$ 169,749,056.95
Total Assets	\$ 199,810,917.19
Total Liabilities	\$ (107,460.90)
Net Assets	\$ 199,918,378.09
Net Investment Income/(Loss)	\$ (2,685,443.01)
No. of Units Outstanding as at June 30, 2020	88,757,035
Net Asset Value per Unit as at June 30, 2020	\$ 2.25
Increase/(decrease) in Net Asset Value per Unit for year	-1.35%

INDEX	ASSET CLASS	COUNTRY	JAN 2020 - JUNE 2020
ECSE	Domestic Equity	St. Kitts	9.0%
S&P 500	Global Equity	US	-4.0%
Dow Jones	Global Equity	US	-9.6%
FTSE 100	Global Equity	UK	-18.2%
Nikkei 225	Global Equity	Japan	-5.8%
JPMorgan EMBI+	Emerging Market Fixed Income	US	-0.4%