



SAGICOR PREFERRED INCOME FUND  
PROSPECTUS





PROSPECTUS – October 20, 2006

SAGICOR PREFERRED INCOME FUND



Sagicor Funds Incorporated  
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## SAGICOR FUNDS INCORPORATED

(The Company)

Issue of an unlimited number  
of  
Series B and Series BU Preferred Income Fund Shares  
at  
the price of the net asset value per Share

## SAGICOR PREFERRED INCOME FUND

A copy of this document has been registered with the Securities Commission of Barbados on October 20, 2006 in accordance with the provisions of the Mutual Funds Act, Cap 320B of the Laws of Barbados, and has also been filed with the Registrar of Corporate Affairs & Intellectual Property of Barbados in accordance with the Companies Act, Cap 308. This document has also been filed with the Trinidad and Tobago Securities and Exchange Commission. The Securities Commission of Barbados, The Registrar of Corporate Affairs & Intellectual Property of Barbados and the Trinidad and Tobago Securities and Exchange Commission take no responsibility as to the validity or the veracity of the contents of this prospectus, neither have they commented on the financial soundness of Sagicor Preferred Income Fund nor approved or disapproved the issue of any of the securities herein mentioned.

It is not the current intention of the Company to file a copy of this document or to register any of the securities herein mentioned with any regulatory authority or agency in any country other than Barbados and Trinidad & Tobago. The Company however reserves the right to do so. No person receiving a copy of this document in any country other than Barbados or Trinidad and Tobago may treat this document as constituting

### IMPORTANT

- If you are in any doubt about the contents of this Prospectus you should consult your bank manager, attorney, accountant or other legal or financial adviser.
- The price of Shares is subject to fluctuation. The value of Fund shares can go up as well as down and there is no guarantee that the investment objective of the Fund will be realised. See Investment Policy and Limitations on page 11 and Risk disclosure on pages 12 of this Prospectus for further particulars.

an invitation to him or her to purchase or subscribe for any Shares nor should he or she in any event purchase or subscribe for any Shares unless in the relevant country such an invitation could lawfully be made to him or her without the Company's compliance with any registration or other legal requirements. Any person wishing to subscribe for Shares should satisfy himself or herself that, in doing so, he or she complies with the laws of any relevant country, and that he or she obtains any requisite governmental or other consents and observes any other applicable formalities.

Further, neither this Prospectus nor the Fund's Website nor any other Document shall constitute, and may not be used for the purpose of, an offer or solicitation in any jurisdiction (i) in which such offer or solicitation is not authorised, or (ii) in which the person making such offer or solicitation is not qualified to do so, or (iii) to any person to whom it is unlawful to make such offer or solicitation. It is the responsibility of any person reading this Prospectus or the Website or other related documents to inform him or herself of all applicable legal and regulatory requirements and other consequences that might apply in any relevant jurisdiction, as a consequence of his or her citizenship, residence, or domicile or otherwise.

- Series BU Shares are available only to persons not resident in Barbados within the meaning of the Exchange Control Act Cap 71 of the Laws of Barbados. Such shares are however not available for purchase by American Citizens and other persons resident or domiciled in the United States of America.

### DISCLAIMER

Neither the Securities Commission of Barbados nor the Trinidad and Tobago Securities and Exchange Commission has in any way evaluated the merits of the securities offered hereunder and any representation to the contrary is an offence.

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## SAGICOR PREFERRED INCOME FUND

An Issue by

**SAGICOR FUNDS INCORPORATED**

(The Company)

of

**An unlimited number of Series B and BU Preferred Income Fund Shares  
at the Subscription Price of the Net Asset Value per share**

The objective of the Fund is to achieve a high level of current income and preservation of capital through investment in a diversified portfolio of bonds listed on the main Caribbean and international stock exchanges. However, the Fund is not insured by Sagicor Life Inc. or by any other authority. Any investment in the Fund is therefore subject to the risk factors highlighted in this Prospectus.

Sagicor Preferred Income Fund will be made up of an investment portfolio resulting from the net subscription proceeds of the Fund Shares offered for sale from time to time. The Fund provides a practical route for individuals to invest in a mix of domestic, regional and international financial markets.

This prospectus introduces you to the company Sagicor Funds Incorporated (formerly The Mutual Funds Incorporated) and gives you important information about the Sagicor Preferred Income Fund that you should know before you invest. Please read this Prospectus carefully and keep it handy for future reference.

## DEFINITIONS

“Income Fund”	Sagicor Preferred Income Fund	“Series B Shares”	Redeemable Series B Shares in Sagicor Funds Incorporated
“BDS \$”	The currency of Barbados	“Series BU Shares”	Redeemable Series BU Shares in Sagicor Funds Incorporated
“Business Day”	Any day (excluding Saturday and Sunday) on which banks are open for normal business in Barbados	“Shareholders” or “Fund” Shareholders”	Holders of the series B and series BU Shares in the Company
“By-Law No. 3”	By-law No. 3 of the Company, which sets out the parameters within which Sagicor Preferred Income Fund must operate, e.g. investment parameters, valuation parameters, rights and powers of Shareholders of the Fund, etc.	“US \$”	The currency of the United States of America
“The Company”	Sagicor Funds Incorporated	“Valuation Day”	Any Business Day which is a Friday (but between 22nd December and 3rd January inclusive and the Manager may substitute another day of the week as Valuation Day).
“Directors”	The Directors of the Company		
“Fund”	Unless the context provides otherwise, Sagicor Preferred Income Fund; the net subscription proceeds received from investors in that Fund; the pool of investments purchased from the proceeds of the subscriptions made by Fund Shareholders.		
“Fund Shares” or Shares”	The series B and series BU shares of the Company entitling the “Income or Fund Shares” holders thereof to an interest in Sagicor Preferred Income Fund unless the context provides otherwise.		
“Investment Adviser”	Sagicor Asset Management Inc.		
“Manager”	Sagicor Asset Management Inc.		
“Redemption Day”	One Business Day immediately preceding the Valuation Day		



## PART A: YOUR INVESTMENT



## PART A YOUR INVESTMENT

### Key Information

#### ABOUT MUTUAL FUNDS

A mutual fund is a financial intermediary that allows a group of investors to pool their money together with a predetermined investment objective. The money raised from investors is invested in securities for the investors benefit. The fund is managed by an investment company.

Sagicor Preferred Income Fund, comprising Series B Shares and Series BU Shares, will be made up of the total number of Fund Shares (that is to say, with equal participation in the Fund) subscribed by investors, called “Fund Shareholders”. The consideration received from the sale of Fund Shares to Shareholders will be used for the purpose of developing a portfolio of investments by the Fund.

The net asset value of the Fund shall be calculated weekly based on the underlying value of its portfolio. The net asset value of a Fund Share can therefore fluctuate.

Fund Shares are sold at a price calculated by reference to a result obtained by dividing the net asset value of the total Fund by the number of Fund Shares issued and outstanding plus such fees and charges payable by the purchaser.

Fund shares are redeemed at a price calculated by reference to a result obtained by dividing the net asset value of the total Fund by the number of Fund Shares issued and outstanding. To redeem Fund Shares, the Fund may either use cash reserves or sell investments to obtain the necessary cash. Thus, investors do not have to wait for long periods to convert their Fund Shares to cash.

#### ABOUT SAGICOR FUNDS INCORPORATED

Sagicor Funds Incorporated is an open-end public company incorporated in Barbados within the meaning of Section 32 of the Companies Act that carries on only the business of investing the subscription money it receives for the shares it issues and all of whose shares, except the common shares, are redeemable upon the demand of its shareholders. It is important to recognise however that the redemption price will fluctuate based upon the net asset value of the Fund and that the redemption price may be more or less than the price at which the shares were purchased.

The Company commenced business on June 2, 1997, under the name of The Mutual Funds Incorporated with a nominal capital issue of 100 Common Shares of no par value, at a subscription price of \$1.00 each, to The Barbados Mutual Life Assurance Society (now Sagicor Life Inc.). Subsequent to the date thereof the Company has issued an additional 999,900 common shares to Sagicor Life Inc. for a consideration of BDS \$999,900. The Common Shares have broad voting rights in relation to the appointment and removal of the Directors, and control and management of the company.

The Company’s Articles of Incorporation provide for the issue of an unlimited number of redeemable shares of no par value in series. Sagicor Preferred Income Fund consists of one class of shares issued in 2 series respectively designated as “Series B Shares” and “Series BU Shares” which are collectively known as “Preferred Income Fund Shares”.

The other funds in the family are Sagicor Global Balanced Fund (formerly known as Mutual Global Balanced Fund) which also consists of a class of shares issued in 2 series namely “Series A Shares” and “Series AU Shares” collectively known as “Global Balanced Fund Shares” and Sagicor Select Growth Fund which consist of a further class of shares also issued in 2 series namely “Series C Shares” and “Series CU Shares” collectively known as “Select Growth Fund Shares”.

All monies subscribed by investors for the purchase of respective fund shares in accordance with the applicable Prospectus will, subject to the terms thereof, be invested for the benefit solely of the holder of such respective Shares.

The Common Shareholders of the Company shall not be entitled to participate or share in the distribution of any property belonging to any of the funds maintained by the Company.

### CLASS MEETINGS

Whenever the circumstances require, pursuant to By-Law No. 3 that a meeting of the Preferred Income Fund Shareholders holding “Series B Shares” and “Series BU Shares” be convened, the quorum required for such meeting shall be 5% of the total number of such Fund Shareholders holding in aggregate not less than 5% of the issued and outstanding number of such Fund Shares and the business of any such class meeting of Fund Shareholders shall, subject to any regulatory authority, be limited to the following:

- (i) The liquidation of the Fund, or
- (ii) An increase, if any, in the fees and charges charged to the Fund or to impose fees that are not provided for in the constitutive document, or
- (iii) Any change in the nature or kind of investments in which the fund may be invested, or modification of the investment objectives, or
- (iv) The removal of the Manager or Investment Manager or Custodian Trustee, or
- (v) The reconstruction of the Company, and/or the amalgamation of the Company and/or the Fund with any other company or mutual fund, or
- (vi) The winding up of the Company.

Subject to the Articles, and subject as aforesaid, all the provisions of By-law No.1 in relation to meetings of the holders of common shares of the Company, where the context permits, shall apply mutatis mutandis to all class meetings of Fund Shareholders.

### ABOUT THE PREFERRED INCOME FUND

The Sagicor Preferred Income Fund is the second fund of the Sagicor Family of Funds. For the Preferred Income Fund the Company is authorised to offer investors an unlimited number of redeemable Shares designated as “Series B Shares” and “Series BU Shares” respectively, which collectively constitute the Preferred Income Fund Shares.

Series BU Shares will be quoted in US dollars to any non resident of Barbados and will be issued only to non-residents of Barbados. The accounting records of the Fund will be maintained in Barbados dollars. The US dollars will be the equivalent of the Barbados dollar net asset value of the Fund as at the then par rate of exchange. Series BU shares will also be redeemed in US dollars to non-residents of Barbados at the then par rate of exchange of the BDS \$ to the US \$.

Unless and until permitted under the provisions of the Exchange Control Act of Barbados, Series BU Shares may not be purchased by residents of Barbados.

Series B Shares may be purchased by residents of Barbados. Non-residents may also purchase Series B Shares with the permission of the Exchange Control Authority of Barbados.

Each Fund Share is entitled to an equal share in the distribution of net income and net capital gains of the Fund and participates equally in all other respects.

Save and except as permitted under the Companies Act, CAP 308, the holders of Series B and BU Preferred Income Fund Shares shall not be entitled to attend and vote at general meetings of shareholders of the Company. Notwithstanding the foregoing, the Companies Act confers the right to vote on all shareholders, whether by class vote or otherwise, upon any resolution to:

- (1) Dispose of substantially all of the assets of the Company.
- (2) Vary, change or abrogate the rights attached to shares of the company.
- (3) Amalgamate the company with another company.
- (4) Wind up the Company.

Upon a liquidation or winding-up of the Company the Series B and BU Shareholders shall be entitled to the net proceeds of the assets of the Preferred Income Fund but shall not be entitled to share in any surplus property of the Company.

## MINIMUM INVESTMENT AMOUNT

The minimum initial investment in the Fund by Shareholders is BDS\$500.00 in the case of the Series B Shares and US\$255 in the case of Series BU Shares. Any additional investment must be for a minimum of BDS\$200.00 for Series B Shares and US\$102.00 for Series BU Shares.

## OFFER PRICE

The offer price shall be the Net Asset Value per Share.

## OPENING OF APPLICATION LIST

The Application List for subscriptions at the initial offer price will open at 9:00 AM on Thursday December 2, 2004 and will close at 12:00 Noon on Friday December 31, 2004. Thereafter investors may continue to purchase Fund shares at the net asset value of the Fund.

## INITIAL SALES CHARGE

There will be no initial sales charge on subscriptions made to the Fund at the initial opening price. However where no initial sales charge was paid on Fund shares purchased by Fund Shareholders, a redemption charge of 2% will apply to investments held for less than 1 year, 1% for investments held for less than 2 years but no redemption charge will apply for redemption of Shares held for a period in excess of 2 years.



## PART B: A LOOK AT OUR INVESTMENT

## PART B A LOOK AT OUR INVESTMENT

### Goals, Strategies and Risk

#### INVESTMENT GOAL

The Fund seeks to achieve a high level of current income and preservation of capital through investments in a diversified portfolio of bonds, debt securities; asset backed securities, high income funds and selected equities.

#### INVESTMENT STRATEGY

Sagicor Preferred Income Fund will, under normal conditions, invest at least 75% of its net assets in investment grade debt obligations, Bonds, Debentures and Treasury Bills issued by Sovereign States and their Municipalities, Corporate Bonds, Guaranteed Commercial Paper and other obligations (including mortgage and asset backed securities) and high income funds.

The Fund may also invest up to 25% of its net assets in equities of local, regional and foreign companies, other mutual funds and investment trusts and in derivative securities for non-speculative purposes. Although the Fund will invest primarily for income, it will also employ techniques aimed at realising capital appreciation.

To select securities for the Fund's portfolio, the Manager will engage in thorough security research as well as rigorous analysis of general economic conditions.

The Manager may invest up to 100% of the Fund's assets in cash or cash type securities as a temporary defensive position during adverse market, economic or political conditions if the Fund's manager(s) determine that a temporary defensive position is advisable.

#### INVESTMENT POLICY AND LIMITATIONS

Under the provisions of By-laws No. 3 of the Company, the assets of the Fund may be invested in securities locally, regionally and internationally. The Investments Manager will normally invest in quoted securities and other securities which are regularly traded on established stock exchanges. However, the Investment Manager may also invest a portion of the Fund's assets in securities that are not quoted and not regularly traded.

Normally, the Fund's assets may be invested in fixed income and equity instruments. However, the diversification of investments for the Fund, including the allocation between corporate and governmental issues, currencies and geographical areas may be varied by the Investment Manager from time to time in its absolute discretion. The Investment Manager, however, is required by By-Law No. 3 to follow an investment policy designed to ensure risk diversification.

In particular, the Investment Manager may not invest more than 5% of the Fund's assets in securities issued by any one company. There is no limitation however on investments in Government Securities denominated in local, regional or international currencies. In appropriate circumstances, existing positions in the Fund may be hedged against adverse political, fiscal or exchange control risks, market activity or adverse movement in interest rates.

The Fund may also invest in fixed income securities of companies domiciled in Canada, the United States of America and the United Kingdom of Great Britain and in securities denominated in currencies other than US dollars such as in those securities which are issued by multinationals on the Euro Dollar market. The average maturity of the debt instruments in the Fund's portfolio may fluctuate depending on the Investment Manager's judgment as to the future direction of interest rates.

#### RESTRICTION ON INVESTMENT

The Fund may not enter into any derivative transaction and forward currency transaction for speculative purposes but it may invest in other funds whose primary investment strategy is not speculative but who otherwise may engage in investing in derivative and forward currency transactions.

The Fund is not restricted from investing in quoted securities issued by Sagicor Financial Corporation but any such investment must be disclosed to the Securities Commission within 7 business days of the acquisition or sale of any such securities and such investment shall not exceed 5% of the Fund's assets.

Modification of the investment policy and limitations requires approval of the Custodian Trustee and consent by ordinary resolution of the Series B and BU Preferred Income Fund Shareholders.

## RESTRICTION ON BORROWING

The Fund may not borrow money except for (a) short term from banks as may be necessary for the clearance of portfolio transactions and (b) borrowing from banks for temporary or emergency purposes, including the meeting of redemption requests, which may require the untimely disposition of its portfolio securities. The borrowing limit shall be an amount equal in value to 30% of the Fund's assets. The Fund may mortgage, pledge or hypothecate such portion of its assets as may be required to secure such borrowing.

## YIELD

While there is no guarantee that the projected sales and investment targets will be met, on the basis of what the Company considers to be reasonably achievable, the Company is projecting a total yield on the intended investment portfolio of 7% annually.

## RISK

It is the objective of the Fund to achieve maximum positive total returns on the investments of the Fund. However, there is no guarantee that the investment objectives of the Fund will always be achieved. The capital value of an investment portfolio can go down as well as up, and any such fluctuation will be reflected in the value of the Fund Shares.

The Fund will be subject to the following risks:

- Interest rate changes – *(interest rate increases can cause the price of a debt security to decrease).*
- Foreign exposure – *(entities located in foreign countries can be affected by adverse political, regulatory, market or economic development in those countries)*
- Prepayment – *(the ability of an issuer of a debt security to repay principal prior to a security's maturity can cause greater price volatility if interest rates change)*
- Issuer specific changes – *(the value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole).*

The Investment Manager is required to follow a policy of risk diversification (see under "Investment Policy and Limitations" above) so as to spread risk.

There are also restrictions on the Fund's ability to borrow money. The Investment Manager is further restricted from directly entering into any transaction in derivatives or forward currency transaction for speculative purposes.

In appropriate circumstances, however, existing positions in the Fund may be hedged against adverse political, fiscal or exchange control risks, market activity or adverse movements in interest rates.

The Fund is not insured by Sagicor Life Inc. or by any other authority. Any investment in the Fund is therefore at the sole risk of the investor.



## PART C: OUR INVITATION

## PART C OUR INVITATION

### THE OFFER

Sagicor Funds Incorporated invites applications for the purchase of an unlimited number of Series B and Series BU Redeemable Shares in Sagicor Funds Incorporated, referred to herein as Sagicor Preferred Income Fund at the net asset value per Share calculated at the close of business on the Valuation Day next following the receipt of an application for the purchase of shares. The initial offer price and the amount representing such net assets value per share is payable in full on application.

All Applications are made solely on the basis of the information and representations made and subject to the terms and conditions set out in this prospectus and in By-Law No. 3 and upon the accompanying application form (inserted in the back cover hereof) or on an application form obtainable from Sagicor Funds Incorporated or its agents.

The Application list for subscriptions at the initial offer price of BDS\$1.00 or US\$.51 cents per share opened at 9:00 am on December 2, 2004 and remained open until 12 Noon on December 31, 2004. Thereafter investors continued to purchase Fund Shares at the net asset value of the Fund.

### TERMS AND CONDITIONS OF THE OFFER

An application from a person resident outside Barbados, to purchase Preferred Income Fund Shares will on receipt of the necessary funds in United States dollars be processed for accounting purposes as if the remittance was converted into BDS dollars at the then par rate of exchange, (currently US\$0.51 for BDS\$1 for the purchase of shares). The price of the Fund Shares so purchased, or to be purchased, will be quoted to, and paid for by, any such person in US dollars on the basis of such computation and the shares to be issued therefor shall be Series BU shares.

Unless and until permitted under the provisions of the Exchange Control Act of Barbados such Series BU Shares may not be purchased by residents of Barbados.

By completing and delivering an application form for the purchase of Fund Shares together with payment for the Shares for which application is made, you

- (a) offer to purchase the number of Redeemable Preferred Income Shares of Sagicor Funds Incorporated which, at the price referred to above, your payment will buy (or such smaller number for which the application is accepted) on the terms of and subject to the conditions set out in this Prospectus and in the accompanying Application Form and in By-Law No. 3 of the Company;
- (b) authorise the Manager to send a statement for the number of Shares for which your application is accepted and/or a cheque for any money returnable by post at your risk to the address of the person (or the first-named person) named in your Application Form and to place your name (and the names(s) of any other joint applicants) on the Register of Members of the Company in respect of the Shares to which you are entitled.
- (c) warrant that your remittance will be honoured on first presentation;
- (d) agree that your application, and acceptance of it, and contracts resulting there from, shall be governed and construed in accordance with the Laws of Barbados;
- (e) warrant that, if you sign an Application Form on behalf of a third party, you have the authority to do so;
- (f) warrant that you are not a citizen of the United States of America or a person resident or domiciled in the United States of America or acquiring the shares on behalf of any such person;
- (g) agree that any letter of acceptance and any moneys returnable may be held pending clearance of your remittance;
- (h) agree that, in respect of those Shares for which your application has been received and is not rejected, acceptance of your application shall be made by notification by post by the Manager;



- (i) confirm that, in making your application, you are not relying on any information or representation in relation to this offer other than such as may be contained in this Prospectus and accordingly agree that neither the Company nor any of its Directors, agents or servants or any person responsible for this Prospectus or any part of it or otherwise named herein shall have any liability for any information other than such as is contained in this Prospectus;
- (j) confirm that you have read the Prospectus pertaining to the shares for which application is made;
- (k) agree, save where the context otherwise requires, that terms used in the Application Form or in any correspondence in relation thereto, are as defined in this Prospectus.

## WHO MAY WANT TO INVEST

Sagicor Preferred Income Fund may be appropriate for Investors who:

- are seeking a total return by investing for a high level of current income;
- are concerned about moderating the risk of being invested in equities at all times;
- are seeking to diversify their portfolio;
- are seeking a total return by investing for a high level of income but willing to accept a moderate degree of share price fluctuation;
- are seeking access to markets that can be less accessible to individual investors;
- are seeking to invest for the medium to long term.

Sagicor Preferred Income Fund may not be appropriate for investors who:

- are investing to meet short-term financial goals;
- are seeking to maximise returns from an aggressive growth strategy that is invested in equities at all times;
- are unwilling to accept a moderate degree of risk and market fluctuation.

## FEES AND EXPENSES

### ANNUAL CHARGE

The investment management fee will be calculated on the net asset value of the Fund. This fee is equivalent to 0.75% per annum of the net asset value of the Fund.

The Custodian fee will be calculated on the net asset value of the Fund. This fee is equivalent to 0.25% per annum of the net asset value of the Fund.

### OTHER CHARGES

There shall be a sales charge of 2% payable on all investments made into the Fund. The Directors may however from time to time waive or suspend such sales charge, with or without conditions annexed thereto, for such periods of time as they may determine.

### DIVIDEND POLICY

Dividends will be paid twice annually to holders of the Preferred Income Fund Shares. It is expected that such dividends will be paid on May 31, and November 30th of each year, with the first distribution having been paid on November 30, 2005. Fund Shares will go ex-div on 1st December and 1st June with the first ex-div date being 1st December 2005.

All dividends unclaimed in excess of one year shall automatically be reinvested by the Manager in purchasing additional shares of the Fund for the Fund Shareholder.

## SHAREHOLDER TAXATION AND INVESTMENT INCENTIVES

### Tax Incentives for Investors Subject to Income Tax in Barbados

In accordance with the provisions of the Income Tax Act, individuals resident in Barbados may claim an annual deduction in respect of investments made in authorised mutual funds licensed under the Mutual Funds Act, Cap 320B. The maximum annual amount which may be deducted from income is BDS \$ 10,000.00. Disposal of any such investments within five years will give rise to recapture of the tax relief given. In addition individuals resident in Barbados, whose employers do not offer them shares in lieu of bonus, may claim as a deduction the

lower of 75% of their annual bonus or \$7,500, if such a bonus is invested in a mutual fund within four months from the date on which the annual bonus payment was made.

### CAPITAL GAINS TAX

There is no capital gains tax in Barbados and therefore capital gains earned by the Fund will not be subject to tax.

### DIVIDENDS

Dividends received by the Fund from other resident companies registered in Barbados are not subject to the final 12.5% withholding tax on dividends. For countries in the Caribbean Community (Caricom) which have signed the Caricom Double Taxation Agreement, investment income originating from those countries is taxed at zero percent. *The countries which have so far signed this agreement include Antigua, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent and the Grenadines and Trinidad & Tobago*

### PROPERTY TRANSFER TAX AND STAMP DUTY

In accordance with section 55 of the Mutual Funds Act, Cap 320B, the Fund is exempt from all provisions of the Stamp Duty Act and the Property Transfer Tax Act with respect to transactions concerning the acquisition or transfer of shares in Mutual Funds.

### TAXATION OF SHAREHOLDERS

Any dividends paid by the Fund to individual shareholders resident in Barbados will be subject to a final withholding tax of 12.5%. Companies resident in Barbados are not subject to tax on dividends received from the Fund.

## TAXATION OF THE FUND

### Corporation Tax

The Fund is licensed as a mutual fund under the Mutual Funds Act, Cap 320B of Barbados. In calculating the assessable income of the Fund for tax purposes, the Income Tax Act of Barbados provides for a deduction of up to 100% of the income that is designated to be income of the Fund Shareholders. All of the profits of the Fund are designated to be the profits of the Fund's Class "B" and "BU" shareholders and consequently we have been advised that the Fund will not be subject to Corporation tax on such profits.



## PART D: OUR SHAREHOLDERS MANUAL

## PART D OUR SHAREHOLDERS MANUAL

### HOW TO BUY SHARES

To make your initial investment you must open an account with Sagicor Funds Incorporated – “Sagicor Preferred Income Fund” by purchasing Shares either direct from the Company or through any recognised dealer or broker who is a member of the Barbados Stock Exchange.

Your initial investment must be for a minimum of BDS \$500 (US \$255).

There are four convenient ways for you to continue to invest in the Fund after you have made your initial investment.

- **Lump Sum Purchases**

You may continue to add to your investment whenever you have the available funds for investment. (Minimum BDS \$200 (US \$102.00))

- **Monthly Savings Plan**

You may increase your investment by using the monthly savings plan. Just complete our direct Debit Form and return it to us. We will then arrange to have your bank account debited by the 10th day of each month and purchase on your behalf an equivalent amount of Fund Shares based on the value of the Fund at the immediately next valuation date

- **Securities Exchange Plan**

If you are a Shareholder in one or more public companies or the holder of debt securities such as Bonds and Debentures, in each case listed on a recognised Securities Exchange or Stock Market, you may transfer your Shares or debt securities to the Company in Exchange for an equivalent value of Fund Shares based on the current market value of the Shares and Securities transferred net of any brokerage and Stock Exchange transaction costs.

- **Dividend Interest Reinvestment Plan**

If you are a Shareholder in a public company or the holder of debt securities and are usually in receipt of dividends or interest of at least BDS \$200 per company/security, you can complete a dividend and interest mandated form and have such dividends or interest paid direct to the Company in exchange for an equivalent value of Preferred Income Fund Shares based on the value of the Fund at the

immediately next valuation date after receipt by the Company of the mandated dividend or interest payment.

### PROCEDURE FOR APPLICATION

1. Complete and send in an application form. (You will find a copy at the back of this Prospectus). If you apply for Shares on more than one application form, the price of Shares in respect of each application will depend on the date on which you apply and the date the application is received by the Company; but all Shares purchased in the same names(s) will be aggregated in the Register of Members.
2. Joint applications are acceptable.
3. All cheques or banker’s drafts MUST be made payable to, and will be presented for payment in favour of “**Sagicor Funds Incorporated - SPIF a/c**” or “**Sagicor Preferred Income Fund**”.
4. Applications MUST be made on official Application Forms, and should be forwarded to any of the following locations:
  - a. **Sagicor Asset Management Inc.**, Sagicor Corporate Centre, Wildey, St. Michael, Barbados.
  - b. **Sagicor Life Inc.** at any of the following locations:
    - Sagicor Corporate Centre, Wildey, St. Michael, Barbados
    - Sagicor Financial Centre, Collymore Rock, St. Michael, Barbados
    - Barbados Branch, 1st Avenue, Belleville, St. Michael, Barbados
    - Sagicor Financial Centre, 16 Queens Park West, Port of Spain, Trinidad.
    - The Sagicor Building, De Verteuil and Penco Streets, Chaguanas, Trinidad
    - Independence Ave, San Fernando, Trinidad
  - c. **Butterfield Bank (Barbados) Limited**, at any of the following locations:
    - Mutual Building, Lower Broad Street, Bridgetown
    - Lower Collymore Rock, St. Michael, Barbados
    - JB’s SuperCentre, Sargeants Village, Christ Church, Barbados
    - Big B SuperCentre, Worthing, Christ Church, Barbados

5. Applications MUST be accompanied by a remittance for the total amount payable on application and each application must be accompanied by a separate remittance.
6. All cheques are liable to be presented for payment on receipt, and Sagicor Funds Incorporated reserves the right to accept or reject in whole or in part any application.
7. Subscriptions from residents of Barbados within the meaning of the Exchange Control Act of Barbados Chapter 71 of the Law of Barbados for Preferred Income Fund Shares must be in Barbados currency. The minimum initial subscription by any one applicant is BDS \$500.00.
8. Subscriptions from non-residents of Barbados within the meaning of the said Exchange Control Act must be in United States Currency. The minimum initial subscription by any one non-resident applicant is US \$255.00.

## HOW TO SELL OR REDEEM YOUR SHARES

A Fund Shareholder may cash in or redeem any or all of the Fund Shares owned by such Shareholder in accordance with the redemption Policy of the Fund.

Fund Shares will be redeemed at their net asset value as determined at the Valuation Date next following the day on which the Fund receives the Shareholder's Redemption Order minus any applicable fees and charges payable by the Shareholder pursuant to the provisions set out under initial sales charge on page 9. Where however, the Fund Shareholder had paid an initial sales charge on monies invested into the Fund, no fees or charges are payable on the redemption of the Shares so purchased.

Requests for redemption which are received by 3:00 p.m. on a Redemption Day will be processed on that day, and requests for redemption which are received after 3:00 p.m. on a Redemption Day will be processed on the next Redemption Day.

The Shareholder may be asked by the Company to provide such reasonable documentation as the Fund Manager(s) may require in completing the redemption request. Provided the Fund Shareholder has delivered all the required documents to the Company, payment will be made in accordance with written instructions within ten (10) business days of the relevant valuation date.

In order to redeem Fund Shares, Fund Shareholders must notify the Manager by lodging a redemption form by 3:00 p.m. on a Redemption Day at any of the following offices:

The Manager, **Sagicor Asset Management Inc., Sagicor Financial Centre**  
Collymore Rock, St. Michael, Barbados

The Manager, **Sagicor Asset Management Inc., Sagicor Corporate Centre**  
Willey, St. Michael, Barbados

The Manager, Sagicor Life Inc., **Sagicor Financial Centre**, 16 Queens Park  
West, Port of Spain, Trinidad.

or at any branch of the **Butterfield Bank (Barbados) Limited**

## REDEMPTION

The Fund Shares are not listed on any Stock Exchange but Fund Shares may be purchased and redeemed through the Manager.

Fund Shareholders may therefore request redemption of all or part of their Fund Shares on any Redemption Day, normally Thursday, (such being a business day) immediately preceding a Valuation Day. The Valuation Day for the Fund will be Friday of each week.

## TRANSACTION POLICIES

### Exchange Control

Barbados has a regime of exchange control administered by the Central Bank of Barbados. The regulations require that residents convert foreign currency receipts to Barbados Dollars and purchase their foreign currency requirements for goods and services from the commercial banks which have delegated authority to sell foreign exchange on behalf of the Central Bank. Since 1975, Barbados has maintained a fixed exchange rate of approximately BDS \$2.00 to US \$1.00.

In the case of non-residents who desire to purchase Shares in Barbados corporations, prior approval of the Central Bank is required. Similar requirements exist for residents of Barbados investing abroad or borrowing in foreign currency. In order to facilitate the trading of Fund Shares, the Central Bank has granted the Fund an exemption from exchange control approval regarding the purchase and redemption of its Shares. Under the Exchange Control regulations for cross border trading, the Fund will also be able to purchase and sell securities within the policy guidelines of the regulations without prior approval from the Central Bank.

Unless and until permitted under the provisions of the Exchange Control Act of Barbados Series BU Shares to be paid for and redeemed in US \$ may not be purchased by residents of Barbados.

As an Authorised Mutual Fund, the Fund will be able to make investments, of an amount equal to all foreign currency raised through the issuance of Shares, in assets outside of Barbados. The Fund can also apply to the Central Bank for permission to invest additional sums outside of the Caribbean.

## DECLARATION ON PURCHASE OF SHARES

In keeping with the provisions of the Money Laundering and Financing of Terrorism (Prevention and Control) Act of Barbados and guidelines issued thereunder, the Company may request an applicant to complete and file a Declaration of Source of Funds in respect of investments made into the Fund.

## REDEMPTION OF SHARES

On a redemption of Series BU Shares, if the Shares so to be redeemed were purchased with US\$ by a person resident outside Barbados, remittance of the redemption proceeds will be made to that person (if not then resident in Barbados) in US\$, converted at the then par exchange rate of the BDS\$ with the US\$ (currently US\$0.50 for BDS\$1 for the redemption of Shares). The redemption price will be quoted in US \$ to any such person redeeming or intending to redeem such Shares.

Funds Shares are redeemed at the net asset value per Share less the relevant redemption charge (if any) and less taxes (if any) levied thereon as at the relevant Valuation Day. Remittance of redemption proceeds will be made within ten (10) Business Days following each Valuation Day. Where redemption is deemed by the Manager and the Custodian Trustee to be impracticable, the Manager may suspend redemptions.

The Manager shall send to each Fund Shareholder who has submitted a duly completed redemption form a statement with the redemption proceeds detailing:

- The number of Fund Shares redeemed;
- The redemption price of such Fund Shares;
- The redemption charge or other charges, if any, in respect of such Fund Shares;
- The redemption settlement date.

In the event of unusual circumstances, if the Fund receives redemption requests within any 30 consecutive days, representing more than 33% of the Fund's assets, the Manager (with the consent of the Custodian Trustee) reserves the right, subject to the approval of the Securities Commission, to limit the then latest and all subsequent redemptions to 20% of the Fund

Shares held by each then Fund Shareholder and to hold a special meeting of all Fund Shareholders to consider the liquidation of the Fund.

Payment will be made in the name of the registered Fund Shareholder or in the case of joint holders of the first named holder, unless alternative payment instructions are provided on the redemption form or by written signed instructions from the relevant Shareholders.

## INVOLUNTARY REDEMPTIONS

If the Custodian Trustee or the Manager is made aware that Fund Shares are being held by non-eligible investors, or held by any person in breach of the law or for any other reason which the Custodian Trustee or the Manager believes in its sole discretion could impact negatively on the integrity of the Fund, then the Manager (with the consent of the Custodian Trustee) may, subject to the provisions of any regulatory authority, compulsorily redeem such Shares in accordance with the provisions of By-Law No. 3.

To relieve the Fund of the cost of maintaining uneconomical accounts, the Manager may redeem the Fund Shares of any Fund Shareholder at the redemption price where the Fund Shares of that Shareholder (due to Shareholder redemption or otherwise) have a redemption value of less than BDS \$200.00 or US \$102.00. At least 60 days prior to such involuntary redemption, the Manager will mail a notice to the Fund Shareholder so that the Shareholder may, should be or she so desire, make an additional purchase to avoid the redemption.

## VALUATION OF SHARES

The net asset value of Fund Shares is determined by dividing the net asset value of the total Fund by the number of Fund Shares issued and outstanding.

The issued price is calculated as the net asset value of Fund Shares as at the Valuation Day next after receipt of an application plus, any applicable sales charge.

The redemption price of Fund Shares is calculated as the net asset value of Fund Shares as at the Valuation Day next after receipt of a redemption request, less the relevant redemption charge (if any) (as indicated on page 11 under the sub-caption 'Initial Sales Charge') and where applicable less any taxes (if any) levied thereon as at the relevant valuation date. (As at the date of this Prospectus there are no taxes payable on the redemption of Fund Shares).

## PUBLICATION OF PRICES

The subscription and redemption price of the Fund Shares will be published weekly as part of the trading summary issued by the Barbados Stock Exchange.

## SHARE TRANSFERS

Fund Shares may be transferred by a written instrument of transfer signed by the transferor and naming the transferee. Where the form of Share Certificate is in the format of a statement of account issued by the Company, the transferor may lodge the instrument of transfer with the Registrar & Transfer Agent for certification before presentation to the transferee.

Any certification given by the Registrar & Transfer Agent on a transfer shall be valid for not more than 28 days from the date of such certification. When a certification of a transfer has been given in respect of a transfer, the Company and/or the Registrar & Transfer Agent shall be entitled to place a block against the respective Fund Shareholder's account and decline acceptance of a transfer to any other transferee, or of any redemption form, lodge or made in respect of those Shares during the period of 28 days from the date on which a certification of transfer was given.

## FUND MANAGER'S DISCRETIONARY AUTHORITY

The Manager may in its discretion reject any application to purchase Shares. Such decision must however be made within five business days after receipt of the application. If an application is rejected, all money received with the application will be returned through the post at the risk of the applicant.

The Manager reserves the right to purchase any Shares tendered for redemption in the underlying Fund and to allocate some or all of these Shares for subscriptions and/or redemptions at the Fund's NAV in an effort to manage the timing of cash flows in and out to the Fund. Where this methodology is used the Manager must send a report of the transactions to the Securities Commission.

Due to the lack of an active primary and secondary market for debt securities in Barbados and the wider Caribbean, and in order to protect existing Shareholders in the Fund, the Manager reserves the right, subject to the provisions of any regulatory authority, to restrict new investment into the Fund from time to time until such time as new potential investments become available or existing Shareholders redeem their Shares. In such cases, the Manager will accept subscriptions from potential investors on a first come first served basis, in the exact order in which they are received.

## SUSPENSION AND VALUATION

In extenuating circumstances, the Manager (with the consent of the Custodian Trustee) may, subject to any regulatory requirements, at any time for periods not exceeding 3 months suspend calculating the net asset value of the Fund and of the Fund Shares if it is of the opinion that there is good and sufficient reason to do so having regard to the interests of the Shareholders.

No Fund Shares shall be issued, repurchased or sold by the Manager during any period in which the calculation of the net asset value of the Fund Shares is suspended.

## ACCOUNTING PERIOD AND SHAREHOLDERS STATEMENTS

The financial year end of the Fund is 31st December. Statements showing the number of Shares held and the net asset value per Share will be mailed to Fund Shareholders twice annually. The issue of a new statement will constitute the replacement and cancellation of any prior statements issued in the name of a Shareholder.

## SIGNATURE GUARANTEES

A signature guarantee is designed to protect Shareholders and the Fund against fraudulent transactions by unauthorised persons. Transactions for which a signature guarantee may be required include, but are not limited to:

- request that redemption proceeds be sent to a different name or address than is registered on an account;
- establishing a bank account with no owners in common with your Sagicor Funds account or when all joint account owners are not also the bank account owners;
- transferring the ownership of an account to another individual or organisation;
- adding or changing a name or adding or removing an owner on an account; and
- adding or changing the beneficiary on an account.

A signature guarantee may be obtained from any eligible guarantor acceptable to the Fund. These would normally include banks, credit unions, insurance companies, and brokerage firms. A declaration signed before a notary public or witnessed by a justice of the peace is not acceptable for this purpose.



PART E: FINANCIAL PERFORMANCE



## SAGICOR FUNDS INCORPORATED

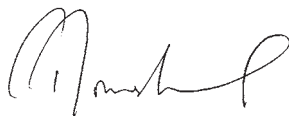
## BALANCE SHEET

AS OF DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

	Notes	2005	2004
<b>ASSETS</b>			
Due from related parties	5	\$ 1,264,103	\$ 1,331,188
Due from parent company	5	1,791,439	2,357,054
Accounts receivable	6	21,084	1,235,265
Financial investments	7	111,973,536	74,571,368
Cash resources	8	7,869,623	19,435,955
<b>Total assets</b>		<b>122,919,785</b>	<b>98,930,831</b>
<b>LIABILITIES</b>			
Due to related parties	5	1,093,224	657,486
Accounts payable	9	136,176	260,300
<b>Total liabilities (excluding net assets attributable to fund shareholders)</b>		<b>1,229,400</b>	<b>917,786</b>
<b>Net assets attributable to fund shareholders</b>	10	<b>120,659,059</b>	<b>97,013,045</b>
<b>Total liabilities</b>		<b>121,888,459</b>	<b>97,930,831</b>
<b>EQUITY</b>			
Share capital	11	1,000,000	1,000,000
Retained earnings		31,326	-
<b>Total equity</b>		<b>1,031,326</b>	<b>1,000,000</b>
<b>Total liabilities and equity</b>		<b>\$ 122,919,785</b>	<b>\$ 98,930,831</b>

Approved on June 30, 2006



Chairman



Director

**SAGICOR FUNDS INCORPORATED**  
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO FUND SHAREHOLDERS**

FOR THE YEAR ENDED DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

	2005		2004	
	Number of Shares	Total \$	Number of Shares	Total \$
<b>Net assets attributable to fund shareholders at January 1</b>	60,769,002	97,013,045	36,440,002	60,668,964
Proceeds from issue of shares	17,934,673	21,533,473	26,554,063	29,944,911
Redemption of shares	(2,349,894)	(4,310,371)	(2,225,063)	(4,062,239)
Net increase from share transactions	15,584,779	17,223,102	24,329,000	25,882,672
Increase in net assets attributable to fund shareholders from operations		6,422,911		10,461,409
<b>Net assets attributable to fund shareholders at December 31</b>	<b>76,353,781</b>	<b>120,659,059</b>	<b>60,769,002</b>	<b>97,013,045</b>

**SAGICOR FUNDS INCORPORATED**  
**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

	Share Capital \$	Retained earnings \$	Total \$
<b>Balance at December 31, 2003</b>	100	-	100
Proceeds from issue of shares	999,900	-	999,900
<b>Balance at December 31, 2004</b>	1,000,000	-	1,000,000
Net income for the year	-	31,326	31,326
<b>Balance at December 31, 2005</b>	1,000,000	31,326	1,031,326

**SAGICOR FUNDS INCORPORATED**  
**STATEMENT OF INCOME**

FOR THE YEAR ENDED DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

	Notes	2005	2004
<b>REVENUE</b>			
Interest income		\$ 2,114,385	\$ 1,533,143
Dividend income		1,326,505	1,127,533
Net gains on financial investments	13	5,620,618	9,361,186
		9,061,508	12,021,862
<b>EXPENSES</b>			
Management fee	14	1,758,621	1,314,912
Custodian fee	14	279,492	181,213
Interest expense		3,936	-
Other expenses		26,782	869
		2,068,831	1,496,994
<b>INCOME FROM ORDINARY ACTIVITIES</b>		6,992,677	10,524,868
Distribution to fund shareholders		472,959	-
		6,519,718	10,524,868
Withholding taxes		65,481	63,459
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO FUND SHAREHOLDERS FROM OPERATIONS AND NET INCOME FOR THE YEAR</b>		\$ 6,454,237	\$ 10,461,409

**SAGICOR FUNDS INCORPORATED**  
**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

	2005	2004
<b>Cash flows from operating activities:</b>		
Increase in net assets attributable to fund shareholders from operations and net income for the year	\$ 6,454,237	\$ 10,461,409
Adjustments for:		
Interest income	(2,114,385)	(1,533,143)
Dividend income	(1,326,505)	(1,127,533)
Interest expense	-	-
Gain on sale of investments	(4,455,000)	(541,743)
Net unrealised losses/(gains) on investments	(1,235,688)	(8,824,927)
Distribution to fund shareholders	472,959	-
	(2,204,382)	(1,565,937)
<b>Changes in operating assets and liabilities</b>		
Due from related parties	67,086	(1,331,091)
Due from parent company	565,615	(1,909,449)
Accounts receivable	1,214,181	(1,235,265)
Due to related parties	435,738	(350,151)
Accounts payable	(124,123)	87,984
Net cash used in operating activities	(45,885)	(6,303,909)
<b>Cash flows from investing activities</b>		
Purchase of investments	(76,616,228)	(21,705,075)
Net proceeds on sale of investments	43,082,000	13,964,649
Interest received	1,609,009	2,215,701
Dividends received	1,326,505	1,127,533
Net cash used in investing activities	(30,598,714)	(4,397,192)

**SAGICOR FUNDS INCORPORATED**  
**STATEMENT OF CASH FLOWS (continued)**

FOR THE YEAR ENDED DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

	2005	2004
<b>Cash flows from financing activities</b>		
Proceeds from issue of redeemable fund shares	21,533,473	29,944,911
Proceeds from issue of common shares	-	999,900
Redemption of shares	(4,310,371)	(4,062,239)
Distribution paid to fund shareholders	(472,959)	-
Net cash from financing activities	16,750,143	26,882,572
<b>Net (decrease)/increase in cash and cash equivalents</b>	(13,894,456)	16,181,471
<b>Cash and cash equivalents - beginning of year</b>	23,159,947	6,978,476
<b>Cash and cash equivalents - end of year</b>	\$ 9,265,491	\$ 23,159,947
<b>Cash and cash equivalents:</b>		
Cash at bank	7,869,623	19,435,955
Term deposits	1,395,868	3,723,992
	\$ 9,265,491	\$ 23,159,947

**SAGICOR GLOBAL BALANCED FUND**  
**BALANCE SHEET**

AS OF DECEMBER 31, 2005

(Expressed in Barbados Dollars)

	Notes	2005	2004
<b>ASSETS</b>			
Due from related parties	5	\$ 2,889,939	\$ 89,584
Due from parent company	5	174,652	2,357,054
Accounts receivable	6	18,816	1,235,265
Financial investments	7	74,654,651	67,272,074
Cash resources	8	4,402,288	4,648,394
<b>Total assets</b>		<b>82,140,346</b>	<b>75,602,371</b>
<b>LIABILITIES</b>			
Due to related parties	5	1,122,981	1,403,168
Accounts payable	9	85,273	260,300
<b>Total liabilities (excluding net assets attributable to fund shareholders)</b>		<b>1,208,254</b>	<b>1,663,468</b>
<b>Net assets attributable to fund shareholders</b>		<b>80,932,092</b>	<b>73,938,903</b>
<b>Total liabilities</b>		<b>\$ 82,140,346</b>	<b>\$ 75,602,371</b>
No. of redeemable Sagicor Global Balanced Fund shares outstanding at end of year		<b>38,969,854</b>	<b>37,877,319</b>
Net asset value per redeemable Sagicor Global Balanced Fund share at end of year		<b>\$ 2.0768</b>	<b>\$ 1.9521</b>
Increase in net asset value per redeemable Sagicor Global Balanced Fund share for year		<b>6.4%</b>	<b>17.5%</b>

Approved on June 30, 2006

  
 Chairman

  
 Director

**SAGICOR GLOBAL BALANCED FUND****STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO FUND SHAREHOLDERS**

FOR THE YEAR ENDED DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

	2005		2004	
	Number of Shares	Total \$	Number of Shares	Total \$
Net assets attributable to fund shareholders at January 1	37,877,319	73,938,903	36,440,002	60,668,964
Proceeds from issue of shares	2,932,875	5,900,514	3,662,380	7,053,228
Redemption of shares	(1,840,340)	(3,778,462)	(2,225,063)	(4,062,239)
Net increase from share transactions	1,092,535	2,122,052	1,437,317	2,990,989
Increase in net assets attributable to fund shareholders from operations		4,871,137		10,278,950
<b>Net assets attributable to fund shareholders at December 31</b>	<b>38,969,854</b>	<b>80,932,092</b>	<b>37,877,319</b>	<b>73,938,903</b>



**SAGICOR GLOBAL BALANCED FUND**  
**STATEMENT OF INCOME**

FOR THE YEAR ENDED DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

	Notes	2005	2004
<b>REVENUE</b>			
Interest income	12	\$ 1,289,416	\$ 1,529,996
Dividend income		1,071,195	1,127,533
Net gains on financial investments	13	4,278,066	9,181,004
		6,638,677	11,838,533
<b>EXPENSES</b>			
Management fee	14	1,511,040	1,314,912
Custodian fee	14	203,496	181,213
Other expenses		4,831	-
		1,719,367	1,496,125
<b>INCOME FROM ORDINARY ACTIVITIES</b>		4,919,310	10,342,408
Withholding taxes		48,173	63,458
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO FUND SHAREHOLDERS FROM OPERATIONS</b>		\$ 4,871,137	\$ 10,278,950

**SAGICOR GLOBAL BALANCED FUND****STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

	2005	2004
<b>Cash flows from operating activities:</b>		
Increase in net assets attributable to fund shareholders from operations	\$ 4,871,137	\$ 10,278,950
Adjustments for:		
Interest income	(1,289,416)	(1,529,996)
Dividend income	(1,071,195)	(1,127,533)
Gain on sale of financial investments	(4,790,352)	(541,743)
Net unrealised losses/(gains) on financial investments	512,286	(8,639,261)
	(1,767,540)	(1,559,583)
<b>Changes in operating assets and liabilities</b>		
Due from related parties	(2,800,355)	(89,584)
Due from parent company	2,182,402	(1,909,449)
Accounts receivable	1,216,449	(1,235,265)
Due to related parties	(280,186)	395,531
Accounts payable	(175,027)	87,984
Net cash used in operating activities	(1,624,257)	(4,310,366)

**SAGICOR GLOBAL BALANCED FUND**  
**STATEMENT OF CASH FLOWS (continued)**

FOR THE YEAR ENDED DECEMBER 31, 2005

(Expressed in Barbados Dollars)

	2005	2004
<b>Cash flows from investing activities</b>		
Purchase of investments	(30,642,798)	(14,604,291)
Net proceeds on sale of investments	25,344,295	13,964,648
Interest received	1,155,283	2,225,397
Dividends received	1,071,195	1,127,533
Net cash (used in)/from investing activities	(3,072,025)	2,713,287
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	5,900,514	7,053,228
Redemption of shares	(3,778,462)	(4,062,239)
Net cash from financing activities	2,122,052	2,990,989
<b>Net (decrease)/increase in cash and cash equivalents</b>	(2,574,230)	1,393,910
<b>Cash and cash equivalents - beginning of year</b>	8,372,386	6,978,476
<b>Cash and cash equivalents - end of year</b>	\$ 5,798,156	\$ 8,372,386
<b>Cash and cash equivalents:</b>		
Cash resources	4,402,288	4,648,394
Term deposits	1,395,868	3,723,992
	\$ 5,798,156	\$ 8,372,386

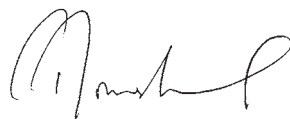
**SAGICOR PREFERRED INCOME FUND****BALANCE SHEET**

AS OF DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

	Notes	2005	2004
<b>ASSETS</b>			
Due from related parties	5	\$ 502,303	\$ 1,292,067
Accounts receivable	6	2,268	-
Financial investments	7	15,531,688	2,843,525
Cash resources	8	704,105	5,795,197
<b>Total assets</b>		<b>16,740,364</b>	<b>9,930,789</b>
<b>LIABILITIES</b>			
Due to related parties	5	661,889	504,792
Accounts payable	9	500	-
<b>Total liabilities (excluding net assets attributable to fund shareholders)</b>		<b>662,389</b>	<b>504,792</b>
<b>Net assets attributable to fund shareholders</b>		<b>16,077,975</b>	<b>9,425,997</b>
<b>Total liabilities</b>		<b>\$ 16,740,364</b>	<b>\$ 9,930,789</b>
No. of redeemable Sagicor Preferred Income Fund shares outstanding at end of year		15,380,536	9,385,006
Net asset value per redeemable Sagicor Preferred Income Fund share at end of year		\$ 1.0453	\$ 1.0044
Increase in net asset value per redeemable Sagicor Preferred Income Fund share for year		4.1%	0.4%

Approved on June 30, 2006



Chairman



Director

## SAGICOR PREFERRED INCOME FUND

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO FUND SHAREHOLDERS

FOR THE YEAR ENDED DECEMBER 31, 2005

*(With comparatives for the period from December 2, 2004 to December 31, 2004)**(Expressed in Barbados Dollars)*

	2005		2004	
	Number of Shares	Total \$	Number of Shares	Total \$
Net assets attributable to fund shareholders at January 1	9,385,006	9,425,997	-	-
Proceeds from issue of shares	6,069,187	6,285,503	9,385,006	9,385,006
Redemption of shares	(73,657)	(76,616)	-	-
Net increase from share transactions	5,995,530	6,208,887	9,385,006	9,385,006
Increase in net assets attributable to fund shareholders from operations		443,121		40,991
<b>Net assets attributable to fund shareholders at December 31</b>	<b>15,380,536</b>	<b>16,077,975</b>	<b>9,385,006</b>	<b>9,425,997</b>

**SAGICOR PREFERRED INCOME FUND****STATEMENT OF INCOME**

FOR THE YEAR ENDED DECEMBER 31, 2005

*(With comparatives for the period from December 2, 2004 to December 31, 2004)**(Expressed in Barbados Dollars)*

	Notes	2005	2004
<b>REVENUE</b>			
Interest income	12	\$ 784,489	\$ 3,147
Dividend income		9,848	-
Net gains on financial investments	13	261,741	38,576
		1,056,078	41,723
<b>EXPENSES</b>			
Management fee	14	93,195	-
Custodian fee	14	31,065	-
Interest expense		3,936	-
Other expenses		5,951	732
		134,147	732
<b>INCOME FROM ORDINARY ACTIVITIES</b>		<b>921,931</b>	<b>40,991</b>
Distribution to fund shareholders		472,929	-
		449,002	40,991
Withholding taxes		5,881	-
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO FUND SHAREHOLDERS FROM OPERATIONS</b>		<b>\$ 443,121</b>	<b>\$ 40,991</b>

**SAGICOR PREFERRED INCOME FUND****STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2005

*(With comparatives for the period from December 2, 2004 to December 31, 2004)**(Expressed in Barbados Dollars)*

	2005	2004
<b>Cash flows from operating activities:</b>		
Increase in net assets attributable to fund shareholders from operations	\$ 443,121	\$ 40,991
Adjustments for:		
Interest income	(784,489)	(3,147)
Dividend income	(9,848)	-
Loss on sale of investments	183,359	-
Net unrealised gains on investments	(451,232)	(44,038)
Distribution to fund shareholders	472,959	-
	(146,160)	(6,194)
<b>Changes in operating assets and liabilities</b>		
Due from related parties	789,764	(1,292,068)
Accounts receivable	(2,268)	-
Due to related parties	157,097	504,792
Accounts payable	500	-
Net cash from/(used in) operating activities	798,933	(793,470)

**SAGICOR PREFERRED INCOME FUND**  
**STATEMENT OF CASH FLOWS (continued)**

FOR THE YEAR ENDED DECEMBER 31, 2005

(With comparatives for the period from December 2, 2004 to December 31, 2004)

(Expressed in Barbados Dollars)

	2005	2004
<b>Cash flows from investing activities</b>		
Purchase of investments	(17,813,079)	(2,786,643)
Net proceeds on sale of investments	5,756,196	-
Interest received	421,081	(9,696)
Dividends received	9,849	-
Net cash used in investing activities	(11,625,953)	(2,796,339)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	6,285,503	9,385,006
Redemption of shares	(76,616)	-
Distribution paid to fund shareholders	(472,959)	-
Net cash from financing activities	5,735,928	9,385,006
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,091,092)</b>	<b>5,795,197</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>5,795,197</b>	<b>-</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 704,105</b>	<b>\$ 5,795,197</b>
<b>Cash and cash equivalents:</b>		
Cash resources	\$ 704,105	\$ 5,795,197



## SAGICOR SELECT GROWTH FUND

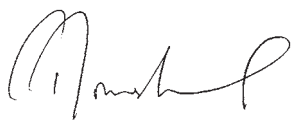
## BALANCE SHEET

AS OF DECEMBER 31, 2005

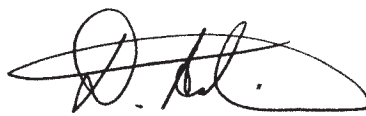
*(Expressed in Barbados Dollars)*

	Notes	2005	2004
<b>ASSETS</b>			
Due from related parties	5	\$ 2,129,360	\$ 200,012
Financial investments	7	21,787,197	4,455,769
Cash resources	8	1,557,252	8,992,364
<b>Total assets</b>		<b>25,473,809</b>	<b>13,648,145</b>
<b>LIABILITIES</b>			
Due to related parties	5	1,774,414	-
Accounts payable	9	50,403	-
<b>Total liabilities (excluding net assets attributable to fund shareholders)</b>		<b>1,824,817</b>	<b>-</b>
<b>Net assets attributable to fund shareholders</b>		<b>23,648,992</b>	<b>13,648,145</b>
<b>Total liabilities</b>		<b>\$ 25,473,809</b>	<b>\$ 13,648,145</b>
No. of redeemable Sagicor Select Growth Fund shares outstanding at end of year		22,003,392	13,506,677
Net asset value per redeemable Sagicor Select Growth Fund share at end of year		\$ 1.07	\$ 1.01
Increase in net asset value per redeemable Sagicor Select Growth Fund share for year		5.9%	1%

Approved on June 30, 2006



Chairman



Director

**SAGICOR SELECT GROWTH FUND****STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO FUND SHAREHOLDERS**

FOR THE YEAR ENDED DECEMBER 31, 2005

*(With comparatives for the period from December 2, 2004 to December 31, 2004)**(Expressed in Barbados Dollars)*

	2005		2004	
	Number of Shares	Total \$	Number of Shares	Total \$
<b>Net assets attributable to fund shareholders at January 1</b>	13,506,677	13,648,145	-	-
Proceeds from issue of shares	8,932,611	9,347,457	13,506,677	13,506,677
Redemption of shares	(435,896)	(455,293)	-	-
Net increase from share transactions	8,496,715	8,892,164	13,506,677	13,506,677
Increase in net assets attributable to fund shareholders from operations		1,108,683		141,468
<b>Net assets attributable to fund shareholders at December 31</b>	22,003,392	23,648,992	13,506,677	13,648,145

**SAGICOR SELECT GROWTH FUND****STATEMENT OF INCOME**

FOR THE YEAR ENDED DECEMBER 31, 2005

*(With comparatives for the period from December 2, 2004 to December 31, 2004)**(Expressed in Barbados Dollars)*

	Notes	2005	2004
<b>REVENUE</b>			
Interest income	12	\$ 25,543	\$ -
Dividend income		245,462	-
Net gains on financial investments	13	1,080,811	141,606
		1,351,816	141,606
<b>EXPENSES</b>			
Management fee	14	154,386	-
Custodian fee	14	44,931	-
Interest expense		16,407	-
Other expenses		15,982	138
		231,706	138
<b>INCOME FROM ORDINARY ACTIVITIES</b>		1,120,110	141,468
Withholding taxes		11,427	-
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO FUND SHAREHOLDERS FROM OPERATIONS</b>		\$ 1,108,683	\$ 141,468

**SAGICOR SELECT GROWTH FUND**  
**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED DECEMBER 31, 2005

*(With comparatives for the period from December 2, 2004 to December 31, 2004)*

*(Expressed in Barbados Dollars)*

	2005	2004
<b>Cash flows from operating activities:</b>		
Increase in net assets attributable to fund shareholders from operations	\$ 1,108,683	\$ 141,468
Adjustments for:		
Interest income	(25,543)	-
Dividend income	(245,462)	-
Interest expense	16,407	-
Loss on sale of investments	151,993	-
Net unrealised gains on financial investments	(1,296,742)	(141,628)
	(290,664)	(160)
<b>Changes in operating assets and liabilities</b>		
Due from related parties	(1,929,348)	(200,012)
Due to related parties	1,774,414	-
Accounts payable	50,403	-
Net cash used in operating activities	(395,195)	(200,172)

**SAGICOR SELECT GROWTH FUND****STATEMENT OF CASH FLOWS (continued)**

FOR THE YEAR ENDED DECEMBER 31, 2005

*(With comparatives for the period from December 2, 2004 to December 31, 2004)**(Expressed in Barbados Dollars)*

	2005	2004
<b>Cash flows from investing activities</b>		
Purchase of investments	(28,160,351)	(4,314,141)
Net proceeds on sale of investments	11,981,509	-
Interest paid	(16,407)	-
Interest received	17,706	-
Dividends received	245,462	-
Net cash used in investing activities	(15,932,081)	(4,314,141)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	9,347,457	13,506,677
Redemption of shares	(455,293)	-
Net cash from financing activities	8,892,164	13,506,677
<b>Net (decrease)/increase in cash and cash equivalents</b>	(7,435,112)	8,992,364
<b>Cash and cash equivalents - beginning of year</b>	8,992,364	-
<b>Cash and cash equivalents - end of year</b>	\$ 1,557,252	\$ 8,992,364
<b>Cash and cash equivalents comprise:</b>		
Cash resources	\$ 1,557,252	\$ 8,992,364

## SAGICOR FUNDS INCORPORATED

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

#### 1. REGISTRATION, PRINCIPAL ACTIVITY AND REGISTERED OFFICE

Sagicor Funds Incorporated (The Fund), which is wholly owned by Sagicor Life Inc, was incorporated on May 20, 1997 and includes all the mutual funds currently operated by the Sagicor Group.

On June 2, 1997, Sagicor Funds Incorporated issued Series A and Series AU shares known as Sagicor Global Balanced Fund shares, constituting the Sagicor Global Balanced Fund.

On December 2, 2004, Series B and Series BU shares known as Sagicor Preferred Income shares, constituting the Sagicor Preferred Income Fund and Series C and Series CU shares known as Sagicor Select Growth Fund shares, constituting the Sagicor Select Growth Fund were issued.

The aim of Sagicor Global Balanced Fund (SGBF) is to achieve income and long-term capital appreciation through investment in a diversified portfolio of shares, stocks and bonds listed on the main Caribbean and International Stock Exchanges. The aim of Sagicor Preferred Income Fund (SPIF) is to achieve a high level of current income and preservation of capital through investments in a diversified portfolio of debt securities, asset backed securities, high income funds and selected equities. The aim of Sagicor Select Growth Fund (SSGF) is to achieve an above average total return over the long term consistent with the preservation of capital through investments primarily in a diversified portfolio of securities and other mutual funds with growth strategies.

Sagicor Asset Management Inc is the appointed Trustee and Manager of the Funds and administers the Funds from its offices at Sagicor Corporate Centre, Wildey, St. Michael, Barbados.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented unless otherwise stated.

##### 2.1 Basis of preparation

These financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Funds' accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

All amounts in these financial statements are shown in Barbados dollars, unless otherwise stated.

## SAGICOR FUNDS INCORPORATED

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.1 Basis of preparation (continued)

(a) Changes in IFRS

The introduction of new IFRSs and revisions to IASs affects the Funds from the 2005 reporting year. These changes affect how items are presented in the financial statements, the disclosures made in the notes to the financial statements and how certain items are accounted for.

The relevant revised standards are as follows:

IAS 1	Presentation of Financial Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property

These have resulted in several overall changes in presentation and in the consequential restatement of 2004 comparative amounts.

A summary of the changes significantly affecting the Funds are set out below.

## (i) Changes to IAS 1 – Presentation of Financial Statements

As a result of the adoption of this revised standard a note on critical accounting estimates and judgements has been included in Note 3.

## (ii) Changes to IAS 24 – Related party disclosures

The revisions to this standard have affected the identification of related parties and consequently the disclosures made.

## (iii) Changes to IAS 39 – Financial Instruments: Recognition and Measurement

The revisions to this standard affected the categories of financial assets for recognition and measurement purposes. The Funds redesignated their available-for-sale (AFS) financial instruments as financial investments at fair value through income. Fair value gains and losses on AFS instruments were previously recognised in income. Up to December 2004, the Funds classified certain investments as originated loans (carried at amortised cost). The changes to IAS 39 have resulted in the Funds reclassifying these investments as loans and receivables (carried at amortised cost).

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.2 Foreign currency translation**

(a) Functional and presentational currency

Items included in the financial statements of the Funds are measured using the currency of the primary economic environment in which the Funds operate (the functional currency). This is the Barbados dollar.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held at fair value through income are reported as part of the fair value gain or loss.

Currency exchange rates are determined by reference to the respective central banks. Currencies which are fixed to the United States dollar are converted into Barbados dollars at the equivalent fixed rates. Currencies which float are converted to the Barbados dollar by reference to the average of buying and selling rates quoted by the respective central banks.

Exchange rates of the other principal operating currencies to the Barbados dollar were as follows:

	December		December	
	2005 closing rate	2005 average rate	2004 closing rate	2004 average rate
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Jamaica dollar	31.19	31.12	30.73	30.58
Trinidad & Tobago dollar	3.15	3.13	3.14	3.14
United States dollar	0.50	0.50	0.50	0.50



**SAGICOR FUNDS INCORPORATED****NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)***2. SIGNIFICANT ACCOUNTING POLICIES (continued)****2.3 Financial assets**

The Funds classify their financial assets into two categories:

financial assets at fair value through income;  
loans and receivables.

Management determines the appropriate classification of these assets at initial recognition.

Financial assets in the category at fair value through income have been so designated by management at inception and form part of a managed portfolio, whose performance is evaluated on a fair value basis, in accordance with a documented investment strategy. These investments are measured initially at cost and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Realised and unrealised gains and losses are recorded in income.

Purchases and sales of these investments are recognised on the trade date. Cost of purchases includes transaction costs. Interest income arising on investments is accrued using the effective yield method. Dividends are recorded in revenue when due.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost less provision for impairment.

An interest bearing asset is considered impaired if its carrying amount exceeds its estimated recoverable amount. The impairment loss for such assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in revenue.

**2.4 Cash and cash equivalents**

For the purposes of the cash flow statement, cash resources comprise cash on hand, call deposits, other liquid balances with original maturities of ninety days or less, and bank overdrafts. Cash resources do not include balances principally of an investment nature.

**2.5 Provisions**

Provisions are recognised when the Funds have a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

## SAGICOR FUNDS INCORPORATED

### NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 2.6 Interest income

Interest income is recognised in the income statement for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment securities, loans and deposits and accrued discount and premium on discounted instruments.

##### 2.7 Taxation

The Funds operate under The Mutual Fund Act 1998-45. Consequently the Funds will not be subject to corporation tax on income derived from their investing activities provided that all income arising in an income year is designated to be income of the fund shareholders.

The Funds currently incur withholding taxes imposed by certain countries or financial institutions on investment income. Such income is recorded gross of withholding tax in the income statement.

##### 2.8 Distributions

Distributions are paid twice annually to holders of redeemable Sagicor Preferred Income Fund shares.

##### 2.9 Management fee, Investment Advisory and Custodian fees

Sagicor Asset Management Inc (SAMI), serves as investment adviser and manager to the Funds. As a result of the provision of these services by SAMI, a management fee based on the actual Net Asset Value of each Fund is calculated weekly and payable in arrears. The rate charged is 1.75% per annum for SGBF and 0.75% for SPIF and SSGF.

Merrill Lynch (ML) and Oppenheimer & Co (Oppenheimer) serve as consultants to the investment adviser. ML earns a management fee calculated at 1.00% per annum of the value of the portfolio of assets under their management. This is payable quarterly. Oppenheimer earns a management fee calculated at 1.25% - 3% of the asset value of the portfolio managed, which is also payable quarterly.

Sagicor Life Inc (Sagicor) serves as custodian of the Sagicor Select Growth Fund whereas Sagicor Life Inc (Sagicor) and Maduro and Curiel's Bank NV (Maduro) serve as custodians of the Sagicor Global Balanced Fund and the Sagicor Preferred Income Fund. As a result of providing custodial services, Sagicor receives a custodian fee based on the actual Net Asset Value of each Fund, calculated weekly and payable in arrears, at the rate of 0.25% per annum. Maduro receives a custodian fee based on 1% per annum of the value of the assets under their custody. This fee is payable semi-annually.

##### 2.10 Net asset value per share

The net asset value per share of each fund is calculated by dividing the net assets of the respective fund by the number of shares at year end.

**SAGICOR FUNDS INCORPORATED****NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)***3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The development of estimates and the exercise of judgement in applying accounting policies may have a material impact on the Funds' reported assets, liabilities, revenues and expenses. The items which may have the most effect on the Funds' financial statements are set out below.

**3.1 Valuation of unquoted securities**

The Funds use internally developed models to estimate market values for unquoted debt securities. The estimated market value is based on best estimate assumptions and may vary substantially as these assumptions are varied.

**4. RISK MANAGEMENT**

The Funds' activities are related principally to the use of financial instruments. As such, the Funds are exposed to financial risks and the principles utilised in dealing with these risks are set out below.

**4.1 Credit Risk**

The Funds take on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risks are primarily associated with financial investments held.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

Significant concentrations of credit risk associated with financial investments are set out in notes 7 and 8.

**4.2 Foreign exchange risk**

The Funds are exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets and liabilities are denominated in a number of different currencies.

Assets and liabilities by currency are set out in note 15.

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)***4. RISKMANAGEMENT (continued)****4.3 Interest rate risk**

The Funds are exposed to interest rate risk.

The return on investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. The Funds are therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates.

The effective interest rates of the Funds' financial assets are set out in note 7.

**4.4 Liquidity risk**

In order to manage liquidity risks, management seeks to maintain levels of cash and short-term deposits which are sufficient to meet reasonable expectations of its short-term obligations.

The Funds are exposed to daily calls on their available cash resources for redemptions and operating expenses. The Funds do not maintain cash resources to meet all these needs as experience shows that a minimum level of revenue flows and maturing investments can be predicted with a high level of certainty.

The maturity profiles of the Funds' financial assets are disclosed in note 7.

**4. RISK MANAGEMENT (continued)****4.5 Market price risk**

The Funds' debt and equity securities are susceptible to market price risk arising from uncertainties about future prices of these instruments. The Funds' market price risk is managed through diversification of the investment portfolio.

The Funds' overall market positions are monitored on a daily basis by the Fund Manager and are reviewed on a quarterly basis by the Board of Directors.

The overall market exposures are disclosed in note 7.

**SAGICOR FUNDS INCORPORATED****NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)***4. RISKMANAGEMENT (continued)****4.6 Fair values of financial assets and financial liabilities**

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

The estimated fair values of financial assets are based on market values of quoted securities as at December 31 where available. In assessing the fair value of non-traded financial assets and financial liabilities, the Funds use internal valuation techniques.

The Funds' financial assets and financial liabilities as disclosed in the balance sheet approximate their fair value.

**5. RELATED PARTY BALANCES**

These balances are interest free, unsecured and have no fixed terms of repayment.

**6. ACCOUNTS RECEIVABLE**

	2005 \$	2004 \$
<b>Sagicor Global Balanced Fund</b>		
Bond proceeds receivable	-	1,235,265
Other	18,816	-
	18,816	1,235,265
<b>Sagicor Preferred Income Fund</b>		
Other	2,268	-
	21,084	1,235,265
<b>Total Fund accounts receivable</b>	21,084	1,235,265

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

(Expressed in Barbados Dollars)

**7. FINANCIAL INVESTMENTS**

**7.1 Analysis of financial investments**

	2005 \$	2004 \$
	Fair value	Fair value
<b>Sagicor Global Balanced Fund</b>		
<b>Securities at fair value through income</b>		
Debt securities	15,708,936	14,144,862
Equity securities	57,545,859	49,368,020
	73,254,795	63,512,882
<b>Loans and other receivables</b>		
Demand and term deposits	1,399,856	3,759,192
	74,654,651	67,272,074
<b>Sagicor Preferred Income Fund</b>		
<b>Securities at fair value through income</b>		
Debt securities	13,683,348	2,843,525
Equity securities	1,848,340	-
	15,531,688	2,843,525

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

7. FINANCIAL INVESTMENTS (continued)

7.1 Analysis of financial investments (continued)

	2005 \$	2004 \$
	Fair value	Fair value
<b>Sagicor Select Growth Fund</b>		
Securities at fair value through income		
Debt securities	463,214	-
Equity securities	21,323,983	4,455,769
	21,787,197	4,455,769
<b>Total Fund financial investments</b>	111,973,536	74,571,368
	2005 \$	2004 \$
<b>Debt securities comprise:</b>		
<b>Sagicor Global Balanced Fund</b>		
Government debt securities	13,424,317	12,329,493
Corporate debt securities	2,284,619	1,815,369
	15,708,936	14,144,862
<b>Sagicor Preferred Income Fund</b>		
Government debt securities	8,213,484	2,805,550
Corporate debt securities	5,469,864	37,975
	13,683,348	2,843,525
<b>Sagicor Select Growth Fund</b>		
Corporate debt securities	463,214	-

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

**7. FINANCIAL INVESTMENTS (continued)**

**7.2 Significant concentrations**

	2005	2004
<b>Sagicor Global Balanced Fund</b>		
<b>Securities at fair value through income</b>		
Equity securities:		
Goddard Enterprises Limited	8.5%	-
McEneaney Alston	5.1%	-
RBTT Financial Holdings Limited	5.7%	14.5%
<b>Sagicor Preferred Income Fund</b>		
<b>Securities at fair value through income</b>		
Debt securities:		
Arawak Cement Co. Limited	7.4%	-
Government of Barbados Debenture 2017	7.1%	-
Government of St. Kitts # 20	11.0%	56.3%
Princess Juliana Bond	6.4%	-
Government of St Kitts Air and Sea Port	3.7%	19.1%
Government of St. Kitts # 17	1.1%	5.5%
Government of St. Kitts Fixed rate note	2.2%	15.3%
Equity securities:		
McEneaney Alston	7.5%	-



**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

**7. FINANCIAL INVESTMENTS (continued)**

**7.3 Effective interest rates**

**Sagicor Select Growth Fund**

**Securities at fair value through income**

Equity securities:

Barbados Shipping & Trading Co. Limited	10.2%	-
Goddard Enterprises Limited	14.4%	-
McEneaney Alston	11.4%	-
RBTT Financial Holdings Limited	7.8%	-
West India Biscuit Company Limited	6.4%	-
Paulson Access Limited	2.6%	12.0%
Standard & Poors	1.6%	54.3%
Vega Access Limited	2.2%	11.9%

**2005**                      **2004**

**Sagicor Global Balanced Fund**

Debt securities	7.7%	9.3%
Demand and term deposits	8.2%	8.1%

**Sagicor Preferred Income Fund**

Debt securities	10.1%	0.2%
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**Sagicor Select Growth Fund**

Debt securities	6.0%	0.2%
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**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)***7. FINANCIAL INVESTMENTS (continued)****7.4 Maturity profiles**

	December 31, 2005				
	Repayable within one year \$	Repayable between one and five years \$	Repayable after five years \$	Non-Interest Bearing \$	Total \$
<b>Sagicor Global Balanced Fund</b>					
<b>Assets</b>					
Other assets	-	-	-	3,083,407	3,083,407
Financial investments	2,441,608	5,667,238	8,999,946	57,545,859	74,654,651
Cash resources	4,402,288	-	-	-	4,402,288
<b>Total assets</b>	<b>6,843,896</b>	<b>5,667,238</b>	<b>8,999,946</b>	<b>60,629,266</b>	<b>82,140,346</b>
<b>Liabilities</b>					
<b>Total liabilities (excluding net assets attributable to fund shareholders)</b>	-	-	-	1,208,254	1,208,254
Interest rate sensitivity gap	6,843,896	5,667,238	8,999,946		

## SAGICOR FUNDS INCORPORATED

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

## 7. FINANCIAL INVESTMENTS (continued)

## 7.4 Maturity profiles (continued)

	December 31, 2005				
	Repayable within one year \$	Repayable between one and five years \$	Repayable after five years \$	Non-Interest Bearing \$	Total \$
<b>Sagicor Preferred Income Fund</b>					
<b>Assets</b>					
Other assets	-	-	-	504,571	504,571
Financial investments	-	3,652,731	10,030,617	1,848,340	15,531,688
Cash resources	704,105	-	-	-	704,105
<b>Total assets</b>	<b>704,105</b>	<b>3,652,731</b>	<b>10,030,617</b>	<b>2,352,911</b>	<b>16,740,364</b>
<b>Liabilities</b>					
<b>Total liabilities (excluding net assets attributable to fund shareholders)</b>	-	-	-	662,389	662,389
Interest rate sensitivity gap	704,105	3,652,731	10,030,617		

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)***7. FINANCIAL INVESTMENTS (continued)****7.4 Maturity profiles (continued)**

	December 31, 2005				
	Repayable within one year \$	Repayable between one and five years \$	Repayable after five years \$	Non-Interest Bearing \$	Total \$
<b>Sagicor Select Growth Fund</b>					
<b>Assets</b>					
Other assets	-	-	-	2,129,360	2,129,360
Financial investments	-	463,214	-	21,323,983	21,787,197
Cash resources	1,557,252	-	-	-	1,557,252
<b>Total assets</b>	<b>1,557,252</b>	<b>463,214</b>	<b>-</b>	<b>23,453,343</b>	<b>25,473,809</b>
<b>Liabilities</b>					
<b>Total liabilities (excluding net assets attributable to fund shareholders)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,824,817</b>	<b>1,824,817</b>
Interest rate sensitivity gap	1,557,252	463,214	-		

## SAGICOR FUNDS INCORPORATED

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

## 7. FINANCIAL INVESTMENTS (continued)

## 7.4 Maturity profiles (continued)

	December 31, 2004				
	Repayable within one year \$	Repayable between one and five years \$	Repayable after five years \$	Non-Interest Bearing \$	Total \$
<b>Sagicor Global Balanced Fund</b>					
<b>Assets</b>					
Other assets	-	-	-	3,681,903	3,681,903
Financial investments	7,487,427	5,004,584	5,412,043	49,368,020	67,272,074
Cash resources	4,648,394	-	-	-	4,648,394
<b>Total assets</b>	<b>12,135,821</b>	<b>5,004,584</b>	<b>5,412,043</b>	<b>53,049,923</b>	<b>75,602,371</b>
<b>Liabilities</b>					
<b>Total liabilities (excluding net assets attributable to fund shareholders)</b>	-	-	-	1,663,468	1,663,468
Interest rate sensitivity gap	12,135,821	5,004,584	5,412,043		

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)***7. FINANCIAL INVESTMENTS (continued)****7.4 Maturity profiles (continued)**

	December 31, 2004				
	Repayable within one year \$	Repayable between one and five years \$	Repayable after five years \$	Non-Interest Bearing \$	Total \$
<b>Sagicor Preferred Income Fund</b>					
<b>Assets</b>					
Other assets	-	-	-	1,292,067	1,292,067
Financial investments	37,975	550,892	2,254,658	-	2,843,525
Cash resources	5,795,197	-	-	-	5,795,197
<b>Total assets</b>	<b>5,833,172</b>	<b>550,892</b>	<b>2,254,658</b>	<b>1,292,067</b>	<b>9,930,789</b>
<b>Liabilities</b>					
<b>Total liabilities (excluding net assets attributable to fund shareholders)</b>	-	-	-	504,792	504,792
Interest rate sensitivity gap	5,833,172	550,892	2,254,658		

## SAGICOR FUNDS INCORPORATED

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

## 7. FINANCIAL INVESTMENTS (continued)

## 7.4 Maturity profiles (continued)

	December 31, 2004				
	Repayable within one year \$	Repayable between one and five years \$	Repayable after five years \$	Non-Interest Bearing \$	Total \$
<b>Sagicor Select Growth Fund</b>					
<b>Assets</b>					
Other assets	-	-	-	200,012	200,012
Financial investments	-	-	-	4,455,769	4,455,769
Cash resources	8,992,364	-	-	-	8,992,364
<b>Total assets</b>	<b>8,992,364</b>	<b>-</b>	<b>-</b>	<b>4,655,781</b>	<b>13,648,145</b>
<b>Liabilities</b>					
<b>Total liabilities (excluding net assets attributable to fund shareholders)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Interest rate sensitivity gap	8,992,364	-	-		

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)***7. FINANCIAL INVESTMENTS (continued)****7.5 Market exposure**

	2005		2004	
	Fair value \$	% of portfolio	Fair value \$	% of portfolio
<b>Sagicor Global Balanced Fund</b>				
<b>Securities at fair value through income</b>				
Debt securities				
Bonds	15,708,936	21.0%	14,144,862	21.0%
Equity securities				
Common shares	46,871,008	62.8%	38,060,475	56.6%
Mutual funds	10,674,851	14.3%	11,307,545	16.8%
	57,545,859	77.1%	49,368,020	73.4%
<b>Loans and other receivables</b>				
Demand and term deposits	1,399,856	1.9%	3,759,192	5.6%
	74,654,651	100.0%	67,272,074	100.0%
<b>Sagicor Preferred Income Fund</b>				
<b>Securities at fair value through income</b>				
Debt securities				
Treasury bills	500,000	3.2%	-	
Bonds	13,183,348	84.9%	2,843,525	100.0%
	13,683,348	88.1%	2,843,525	100.0%
Equity securities				
Common shares	1,848,340	11.9%	-	-
	15,531,688	100.0%	2,843,525	100.0%



## SAGICOR FUNDS INCORPORATED

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

## 7. FINANCIAL INVESTMENTS (continued)

## 7.5 Market exposure (continued)

	Fair value \$	2005 % of portfolio	Fair value \$	2004 % of portfolio
<b>Sagicor Select Growth Fund</b>				
<b>Securities at fair value through income</b>				
Debt securities				
Bonds	463,214	2.1%	-	-
Equity securities				
Common shares	16,548,309	76.0%	3,480,785	78.1%
Mutual funds	4,775,674	21.9%	974,984	21.9%
	21,323,983	97.9%	4,455,769	100.0%
	21,787,197	100.0%	4,455,769	100.0%

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

**7. FINANCIAL INVESTMENTS (continued)**

**7.6 Geographical distribution of investments**

The Funds' investments are distributed geographically as follows:

	2005	2004
<b>Sagicor Global Balanced Fund</b>		
Local	37.8%	24.2%
Regional	36.1%	45.6%
International	26.1%	30.2%
	100.0%	100.0%
<b>Sagicor Preferred Income Fund</b>		
Local	39.8%	-
Regional	40.2%	100.0%
International	20.0%	-
	100.0%	100.0%
<b>Sagicor Select Growth Fund</b>		
Local	47.2%	-
Regional	19.2%	21.9%
International	33.6%	78.1%
	100.0%	100.0%

## SAGICOR FUNDS INCORPORATED

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

## 8. CASH RESOURCES

Significant concentrations of cash resources at December 31 are as follows:

	2005 \$	2004 \$
<b>Sagicor Global Balanced Fund</b>		
Butterfield Bank	3,016,510	2,544,924
Merrill Lynch	460,647	1,453,479
<b>Sagicor Preferred Income Fund</b>		
Butterfield Bank	355,718	5,795,197
Oppenheimer & Co Inc	346,205	-
<b>Sagicor Select Growth Fund</b>		
Butterfield Bank	1,557,252	8,992,364

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

9. ACCOUNTS PAYABLE

	2005 \$	2004 \$
<b>Sagicor Global Balanced Fund</b>		
Redemptions payable	82,623	223,705
Other	2,650	36,595
	85,273	260,300
<b>Sagicor Preferred Income Fund</b>		
Other	500	-
	500	-
<b>Sagicor Select Growth Fund</b>		
Redemptions payable	41,745	-
Other	8,658	-
	50,403	-
<b>Total Fund accounts payable</b>	<b>136,176</b>	<b>260,300</b>

**SAGICOR FUNDS INCORPORATED****NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)***10. REDEEMABLE MUTUAL FUND SHARES**

Authorized

An unlimited number of redeemable shares of no par value in series:

Series A and AU - Sagicor Global Balanced Fund shares

Series B and BU - Sagicor Preferred Income Fund shares

Series C and CU - Sagicor Select Growth Fund shares

The holders of redeemable mutual fund shares have an interest in the undivided portion of the assets of the respective Fund. These shares secure an equal share in the distribution of the net income and net capital gains and participate equally in all other respects.

The holders of redeemable mutual fund shares are entitled to vote only in respect of:

- the liquidation of the Fund;
- an increase, if any in the fees and charges to the Fund;
- any change in the nature or kind of investments in which the fund may be invested, or modification of the investment objectives;
- proposals for the removal of the Manager or Custodian Trustee;
- the reconstruction of the Fund, and/or the amalgamation of Sagicor Funds Incorporated and/or the Fund with any other company or mutual fund;
- the winding up of Sagicor Funds Incorporated or
- the amendment of any provision in the Articles appertaining to the Funds and By-law No. 2 of Sagicor Funds Incorporated.

**11. SHARE CAPITAL**

	2005	2004
	\$	\$
Common shares		
Authorized		
1,000,000 common shares of no par value		
Issued		
1,000,000 (2004 -1,000,000) common shares	1,000,000	1,000,000

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

12. INTEREST INCOME

	2005 \$	2004 \$
<b>Sagicor Funds Incorporated</b>	31,344	-
<b>Sagicor Global Balanced Fund</b>		
Debt securities	1,120,635	1,337,380
Demand and term deposits	168,781	192,616
	1,289,416	1,529,996
<b>Sagicor Preferred Income Fund</b>		
Debt securities	784,489	3,147
<b>Sagicor Select Growth Fund</b>		
Debt securities	25,543	-

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

13. NET GAINS ON FINANCIAL INVESTMENTS

	2005 \$	2004 \$
<b>Sagicor Global Balanced Fund</b>		
Realised		
Gain on sale of financial investments	4,790,352	541,743
Unrealised		
Net unrealised (losses)/gains on financial investments at fair value through income	(512,286)	8,639,261
	4,278,066	9,181,004
<b>Sagicor Preferred Income Fund</b>		
Realised		
Loss on sale of financial investments	(183,359)	-
Foreign exchange loss	(6,132)	(5,462)
Unrealised		
Net unrealised gains on financial investments at fair value through income	451,232	44,038
	261,741	38,576
<b>Sagicor Select Growth Fund</b>		
Realised		
Loss on sale of financial investments	(151,993)	(22)
Foreign exchange loss	(63,938)	-
Unrealised		
Net unrealised gains on financial investments at fair value through income	1,296,742	141,628
	1,080,811	141,606
<b>Total Fund net gains on financial investments</b>	<b>5,620,618</b>	<b>9,361,186</b>

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

**14. RELATED PARTY TRANSACTIONS**

(a) Material related party transactions:

	2005 \$	2004 \$
<b>Sagicor Global Balanced Fund</b>		
Management fee	1,358,139	1,199,424
Custodian fee	194,020	171,346
<b>Sagicor Preferred Income Fund</b>		
Management fee	93,195	-
Custodian fee	31,065	-
<b>Sagicor Select Growth Fund</b>		
Management fee	154,386	-
Custodian fee	44,931	-

(b) Shares held by related parties

Parties related to the Funds held shares in the Funds during the year as follows:

	2005	2004
<b>Sagicor Global Balanced Fund</b>		
Sagicor Life Inc		
Number of shares held at December 31	5,045,228	5,045,228



## SAGICOR FUNDS INCORPORATED

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

## 14. RELATED PARTY TRANSACTIONS (continued)

	2005	2004
<b>Sagicor Preferred Income Fund</b>		
Sagicor Life Inc		
Number of shares held at January 1	1,000,000	-
Net share transactions for the year	-	1,000,000
Number of shares held at December 31	1,000,000	1,000,000
<b>Sagicor Select Growth Fund</b>		
Sagicor Life Inc		
Number of shares held at January 1	1,000,000	-
Net share transactions for the year	-	1,000,000
Number of shares held at December 31	1,000,000	1,000,000

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)***15. ASSETS AND LIABILITIES BY CURRENCY**

Balances denominated in

	Barbados	Jamaica	Trinidad	EC	US	Other currencies	2005 Total
	\$	\$	\$	\$	\$	\$	\$
<b>Sagicor Global Balanced Fund</b>							
<b>ASSETS</b>							
Due from related parties	3,064,591	-	-	-	-	-	3,064,591
Accounts receivable	18,816	-	-	-	-	-	18,816
Financial investments	28,276,511	7,103,141	11,105,454	4,651,855	19,456,113	4,061,577	74,654,651
Cash resources	4,402,288	-	-	-	-	-	4,402,288
<b>Total assets</b>	<b>35,762,206</b>	<b>7,103,141</b>	<b>11,105,454</b>	<b>4,651,855</b>	<b>19,456,113</b>	<b>4,061,577</b>	<b>82,140,346</b>
<b>LIABILITIES</b>							
Due to related parties	1,122,981	-	-	-	-	-	1,122,981
Accounts payable	85,273	-	-	-	-	-	85,273
<b>Total liabilities (excluding net assets attributable to fund shareholders)</b>	<b>1,208,254</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,208,254</b>
<b>Net assets attributable to fund shareholders</b>	<b>34,553,952</b>	<b>7,103,141</b>	<b>11,105,454</b>	<b>4,651,855</b>	<b>19,456,113</b>	<b>4,061,577</b>	<b>80,932,092</b>

## SAGICOR FUNDS INCORPORATED

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)*

## 15. ASSETS AND LIABILITIES BY CURRENCY (continued)

Balances denominated in

	Barbados	Jamaica	Trinidad	EC	US	Other currencies	2005 Total
	\$	\$	\$	\$	\$	\$	\$
<b>Sagicor Preferred Income Fund</b>							
<b>ASSETS</b>							
Due from related parties	502,303	-	-	-	-	-	502,303
Accounts receivable	2,268	-	-	-	-	-	2,268
Financial investments	6,173,512	-	-	4,869,732	3,116,532	1,371,912	15,531,688
Cash resources	704,105	-	-	-	-	-	704,105
<b>Total assets</b>	<b>7,382,188</b>	<b>-</b>	<b>-</b>	<b>4,869,732</b>	<b>3,116,532</b>	<b>1,371,912</b>	<b>16,740,364</b>
<b>LIABILITIES</b>							
Due to related parties	661,889	-	-	-	-	-	661,889
Accounts payable	500	-	-	-	-	-	500
<b>Total liabilities (excluding net assets attributable to fund shareholders)</b>	<b>662,389</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>662,389</b>
<b>Net assets attributable to fund shareholders</b>	<b>6,719,799</b>	<b>-</b>	<b>-</b>	<b>4,869,732</b>	<b>3,116,532</b>	<b>1,371,912</b>	<b>16,077,975</b>

**SAGICOR FUNDS INCORPORATED**  
**NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2005

*(Expressed in Barbados Dollars)***15. ASSETS AND LIABILITIES BY CURRENCY (continued)**

Balances denominated in

	Barbados	Jamaica	Trinidad	EC	US	Other currencies	2005 Total
	\$	\$	\$	\$	\$	\$	\$
<b>Sagicor Select Growth Fund</b>							
<b>ASSETS</b>							
Due from related parties	2,129,360	-	-	-	-	-	2,129,360
Financial investments	10,244,243	1,087,524	3,123,345	-	7,332,085	-	21,787,197
Cash resources	1,557,252	-	-	-	-	-	1,557,252
<b>Total assets</b>	<b>13,930,855</b>	<b>1,087,524</b>	<b>3,123,345</b>	<b>-</b>	<b>7,332,085</b>	<b>-</b>	<b>25,473,809</b>
<b>LIABILITIES</b>							
Due to related parties	1,774,414	-	-	-	-	-	1,774,414
Accounts payable	50,403	-	-	-	-	-	50,403
<b>Total liabilities</b> <b>(excluding net assets</b> <b>attributable to</b> <b>fund shareholders)</b>	<b>1,824,817</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,824,817</b>
<b>Net assets attributable</b> <b>to fund shareholders</b>	<b>12,106,038</b>	<b>1,087,524</b>	<b>3,123,345</b>	<b>-</b>	<b>7,332,085</b>	<b>-</b>	<b>23,648,992</b>





## PART F: OUR MANAGEMENT TEAM

## PART F OUR MANAGEMENT TEAM

### Management and Administration

<b>Custodian Trustee, Registrar And Transfer Agent:</b>	<b>Sagicor Life Inc.</b> Sagicor Corporate Centre Wildey St. Michael, Barbados	<b>Auditors:</b>	<b>PricewaterhouseCoopers</b> The Financial Services Centre Bishops Court Hill St. Michael, Barbados
<b>Administrator:</b>	<b>Sagicor Funds Incorporated</b> Sagicor Corporate Centre Wildey St. Michael, Barbados	<b>Bankers:</b>	<b>Butterfield Bank (Barbados) Limited</b> Mutual Building Lower Broad Street Bridgetown, Barbados
<b>Manager and Investment Adviser:</b>	<b>Sagicor Asset Management Inc.</b> Sagicor Corporate Centre Wildey St. Michael, Barbados		
<b>Legal Advisers:</b>	<b>Barry V L Gale, Q.C.</b> Attorney-at-Law Blades & Williams Building Tweedside Road St. Michael, Barbados		
	<b>Hobsons</b> Attorneys-at-Law and Notaries Public 21-25 Independence Avenue San Fernando, Trinidad		

## INVESTMENT ADVISERS

The Investment Advisers provide general investment advisory services and subject to such terms and conditions as may from time to time be imposed have the power to enter into transactions on behalf of the Fund subject to By-Law No. 3 (as may be amended from time to time). The appointment of Investment Advisers may be terminated by 3 months' written notice by the Company.

## INVESTMENT MANAGEMENT

The Manager of the Fund is Sagicor Asset Management Inc., a limited liability company incorporated under the Companies Act Chapter 308 of the Laws of Barbados. The Manager has the responsibility to buy and sell securities on behalf of the Fund. The Manager receives a fee for services based on the net asset value of the Fund. The appointment of the Manager will be for a period of 3 years commencing September 10, 2004 and continues thereafter unless determined by 3 months written notice.

## CUSTODIAN TRUSTEE

The Custodian Trustee is Sagicor Life Inc., a corporation incorporated by statute in Barbados and reincorporated under the Companies Act Cap 308 of the laws of Barbados. It is also registered as an external Company under the Companies Act of the laws of Trinidad and Tobago. The Custodian Trustee has exclusive authority and ultimate responsibility for the custody and security of the Fund's assets and maintenance of Shareholder records, in addition to acting as Registrar and Transfer Agent to the Fund. The Custodian Trustee may, however, in its sole discretion – subject only to the provisions of any regulatory authority – delegate certain responsibilities. The Custodian Trustee is also responsible for the settlement of all transactions. The Custodian Agreement may be terminated on 3 months notice by the Company or by the Custodian Trustee. Officers of the Custodian Trustee are not precluded from being employed in relation to advisory, management, legal, accounting, investment banking or other services for the Fund, or from receiving compensation for such services at comparable market rates. Such officers are also entitled to be paid travelling and other expenses properly incurred by them.

## LIMITATION OF LIABILITY

The Directors, Custodian Trustee and the Manager of the Fund may act upon statements of advice or information obtained from any banker, accountant, broker, lawyer, agent or other person, not being an employee or

officer of the Custodian Trustee, acting as or informed in relation to the matters upon which they are consulted. Neither the Company, nor its directors, nor the Custodian Trustee, nor the Manager shall be liable for anything done or omitted or suffered in reliance upon such advice or information.

The Custodian trustee shall not, save in relation to any act or omission in the keeping of securities by any person appointed as agent of the Custodian trustee for that purpose, be responsible for any misconduct, mistake, oversight, error of judgement, forgetfulness or want of prudence on the part of any such banker, accountant, lawyer, agent or other person.

## DISTRIBUTION AGENTS

Marketing and distribution of the Fund Shares, and appointing Distributors of the Fund, are the responsibility of the Manager. The Distributors are the Company, Sagicor Life Inc.'s Agency Force, any branch of Bank of Butterfield and any member or broker of The Barbados Stock Exchange Inc. Distributors are paid out of the Fund's sales charge.

Copies of this Prospectus and Application Forms may be obtained during normal business hours from:

- Sagicor Asset Management Inc. in Barbados
- Any branch of Sagicor Life Inc. in Barbados
- Any branch of Sagicor Life Inc. in Trinidad & Tobago
- Any branch of Butterfield Bank (Barbados) Limited
- Any member or broker of the Barbados Stock Exchange



**DIRECTORS:** Dr. Marjorie Patricia Downes-Grant  
7A Edgehill Heights  
St. Thomas, Barbados  
**President and Chief Executive Officer**  
**Sagicor Life Inc.**

Mr. Donald St. Clair Austin  
111 Welches Terrace  
St. Thomas, Barbados  
**President**  
**Cable & Wireless (Barbados) Limited**

Mr. Richard Owen Byles  
Lot 40, Fort George Heights  
Stony Hill, Kingston 9  
Jamaica  
**President and Chief Executive Officer**  
**Life of Jamaica Limited**

Mr. Dodridge Denton Miller  
Lot 1 Brighton  
St. George, Barbados  
**President and Chief Executive Officer**  
**Sagicor Financial Corporation**

Dr. Grenville Winslow Phillips. C.B.E.  
9 Emerald Ridge, Mullins  
St. Peter, Barbados  
**President and Principal Consultant**  
**Grenville Phillips & Associates Inc.**

**SECRETARY:** Miss Sandra Osborne  
6 Lodge Hill  
St. Michael, Barbados  
**Executive Vice-President,**  
**General Counsel and Secretary,**  
**Sagicor Financial Corporation**

**REGISTERED OFFICE:** **Sagicor Funds Incorporated**  
Sagicor Corporate Centre  
Willey  
St. Michael, Barbados



## PART G: FOR YOUR FURTHER INFORMATION

## PART C FOR YOUR FURTHER INFORMATION

### GENERAL INFORMATION

The following are available for inspection at the offices in Barbados and Trinidad and Tobago mentioned below on any Business Day from Monday to Friday inclusive, between the hours 9:00 a.m. to 3:00 p.m.:

- By-Law No. 3 of Sagicor Funds Incorporated
- The audited financial statements of Sagicor Funds Incorporated
- The contract for the appointment of the Manager and Investment Adviser
- The Custodian Agreement
- The consents of the Directors
- The permission of the Exchange Control Authority of Barbados in relation to the purchase and redemption of Fund Shares

In Barbados:

- Sagicor Funds Incorporated, Sagicor Corporate Centre, Wildey, St Michael
- Sagicor Life Inc, Sagicor Financial Centre, Collymore Rock, St Michael

In Trinidad and Tobago:

- Sagicor Life Inc, Sagicor Financial Centre, 16 Queen's Park West, Port of Spain
- Sagicor Life Inc, The Sagicor Building, De Verteuil and Penco Streets, Chaguanas
- Sagicor Life Inc, Independence Avenue, San Fernando

Any extracts included in this Prospectus from referenced sources were not prepared for specific inclusion in this Prospectus.

- The Articles do not fix any number of Shares as qualifications for Directors, nor do they make any special provision for their remuneration.
- The Directors and Officers of the Company, Sagicor Life Inc., Bank of Butterfield, Sagicor Asset Management Inc., Merrill Lynch, PricewaterhouseCoopers, Mr. Barry Gale Q.C. and Hobsons have

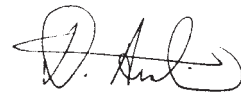
all given and have not withdrawn their written consent to the inclusion of their names in this Prospectus in the form and context in which they are included.

- The Directors of the Company and Sagicor Asset Management Inc. accept responsibility for the information contained in this Prospectus which to the best of their information, knowledge and belief is accurate as at the date of publication thereof.
- Save as disclosed there is no closing date for applications made pursuant to this Prospectus. The purchase price for a Share shall be equal to the net asset value (which is calculated at the close of business on the Valuation Day next following the receipt of an application for the purchase of Shares).
- The Company, upon the advice of the Manager, may from time to time close the subscription list for new Fund Shares of the Company.
- Sagicor Funds Incorporated was incorporated on May 20, 1997 under the name of The Mutual Funds Incorporated. The Company subsequently filed Articles of Amendment changing inter alia its name to Sagicor Funds Incorporated, and changing the designation of the previously issued "Series U" Shares to "Series AU" Shares.
- There is no restriction against Directors acquiring Shares in the Fund.
- Fractional shares of the Company may be issued.
- No Share Certificates in the usual format will be issued by the Company, but the Company shall issue to each Fund Shareholder a statement showing the number of Fund Shares held by each such Shareholder.
- Appendix 3 which follow is included for investor's general information. However, it must not be deemed to form part of this Prospectus for the purpose of creating any contractual relationship between investors and the Company howsoever arising.

Signed by or on behalf of the Directors of the Company.



Marjorie Patricia Downes-Grant



Donald St. Clair Austin



Richard Owen Byles



Dodridge Denton Miller



Grenville Winslow Phillips

This Prospectus is dated October 20, 2006

## APPENDIX 1

### EXTRACT FROM THE INCOME TAX ACT

Sections 37E and 37F of the Income Tax Act (“IT Act”), as amended by Acts Nos. 1996-30 and 1998-42, provide relief to encourage investors in mutual funds in Barbados, as follows:

- “37E. (1) With effect from the 1st day of January, 1996 in calculating the taxable income for an income year of an individual, there shall be deducted from the assessable income of that individual amounts invested in mutual funds, on such terms as the Minister approves, up to a total, in respect of all such investments, of an amount not exceeding \$10,000.
- 37E. (2) Where a person withdraws any investment from a mutual fund within 5 years of making such an investment the amount so withdrawn from the mutual fund shall be brought back into charge to tax in the year in which the withdrawal was made.
- 37F. (1) In calculating the assessable income of a mutual fund for an income year, there shall be deducted such part of its assessable income for that income year as is designated by the mutual fund in respect of particular units, Shares or other equity interests in the firm owned by a unit holder or other investor.
- 37F. (2) The total of the amounts deductible under subsection (1) for an income year shall not exceed the amount that would be the income of the fund for the year if no deductions were made under that subsection.
- 37F. (3) An amount designated shall not be included in computing the income of a taxpayer for the income year in which such designation was made, unless a distribution of that amount to unit holders, Shareholders and other investors has been made.”

The limit applies to all investment in Shares or mutual funds or any combination thereof (subsection (3)).

Section 9(1)(p.1) (amounts not included in assessable income) of the IT Act provides further incentives as follows:

“(p.1) subject to section 8(1), annual bonus payments payable to employees by a company that is not offering Shares to those employees, that are converted into bonds, debentures or stock of the Government of Barbados or in mutual funds within a period of 4 months for the date on which payment of the annual bonus becomes due and that are equal to not more than 75 percent of the value of the bonus payable to each employee up to a limit in respect of each employee of \$7,500”

Disposal of any such investments with 5 years will give rise to recapture of the tax relief given in the year in which the disposal is made (section 8(1)(1)(ii) of the IT Tax.

## APPENDIX 2

**SAGICOR FUNDS INCORPORATED****BY-LAW NO. 3**

A by-law relating generally to the administration of and matters pertaining to

**SAGICOR PREFERRED INCOME FUND**

This By-law, which must be read in conjunction with By-law No. 1, is hereby MADE as an additional By-law of Sagicor Funds Incorporated.

**1. INTERPRETATION AND DEFINITIONS**

1.1 In this By-law unless the context otherwise requires:

- (a) “Assets of the Fund” or “Fund Assets” means all of the monies, investments, securities and other assets purchased, sold and repurchased out of the proceeds of subscriptions for Preferred Income Shares of the Company.
- (b) “Income Fund” or “Preferred Income Fund” means SAGICOR PREFERRED INCOME FUND, as distinct from any other mutual fund of the Company.
- (c) “Bank” means an institution licensed as such under the Financial Institutions Act Cap 324A of the Laws of Barbados or any Act amending or in substitution for the same or any bank of repute established outside Barbados which is acceptable to the Custodian Trustee, and references to banker shall be construed accordingly.
- (d) “Business Day” means any day (excluding Saturday and Sunday) on which Banks are open for normal business in Barbados.
- (e) “Companies Act” means the Companies Act Chapter 308 of the Laws of Barbados.
- (f) “Company” means Sagicor Funds Incorporated.
- (g) “Custodian”, “Trustee” or “Custodian Trustee” means the person appointed from time to time by the Company to have exclusive authority and ultimate responsibility for the custody and security of Fund Assets and maintenance of Shareholder records, in addition to acting as Registrar and Transfer Agent to the Fund, and to be responsible for the settlement of all transactions.
- (h) “Fund” means, as the circumstances may require, the Preferred Income Fund, the net subscription proceeds received from investors in that Fund, or the pool of investments purchased from the proceeds of the subscriptions made by Fund Shareholders (and any investments added to or substituted therefor) and all other assets, less any liabilities of the Fund.
- (i) “Fund Shareholder” means a holder from time to time of one or more Series B or BU Shares in Sagicor Funds Incorporated, and “Fund Shareholders” shall collectively and exclusively mean all the holders of such Shares.
- (j) “Fund Shares” or “Shares” means the Series B and/or the Series BU Redeemable Shares of the Company entitling the holders thereof to an interest in Sagicor Preferred Income Fund.
- (k) “Investment Manager” means the person or company appointed from time to time by the Company to manage the monies and investments of the Company.
- (l) “Manager” or “Fund Manager” means the person or company appointed from time to time by the Company to be responsible for the general marketing and administration of the Fund, for the maintenance of the books of account, the preparation of financial statements, the issue and redemption of Fund Shares, and reporting all relevant information to the Custodian Trustee on a weekly basis.

- (m) “Net Asset Value” means, in relation to the pricing of Fund Shares, the value of all the assets of the Fund, less all liabilities of the Fund. In determining the Net Asset Value of the Fund on any Valuation Day, any of the securities owned by the Fund will be valued at market, using as a price the last sale thereof on the Valuation Day, or if no sale was made on that day, then a representative price within the limits of the bid and ask prices for that day. From that price will be deducted any brokerage fees or other costs of disposal. In relation to securities for which market quotations are not readily available, and all other assets, they will be valued at fair value as determined by or at the direction of the board of directors as approved by the Securities Commission of Barbados.
- (n) “Recognised Stock Exchange” or “Stock Exchange” means the Barbados Stock Exchange or any other exchange which is acceptable to the Custodian Trustee.
- (o) “Redemption Day” means any Business Day immediately preceding a Valuation Day.
- (p) “Valuation Day” means any Business Day which is a Friday (but between 22nd December and 3rd January inclusive and the Manager may substitute another day of the week as Valuation Day).

## 2. STRUCTURE OF THE COMPANY

- 2.1 The Company is an open-end public company incorporated in Barbados within the meaning of section 32 of the Companies Act that carries on only the business of investing the consideration it receives for the Shares it issues and all or substantially all of whose issued Shares are redeemable upon the demand of Shareholders.
- 2.2 The Company is substantially structured as one or more open-end mutual funds and is authorised to issue an unlimited number of Redeemable Preferred Income Fund Shares, as well as other Redeemable Shares to provide for the promotion of other mutual funds, all being of no par value.

## 3. DESCRIPTION OF FUND SHARES

- 3.1 All Preferred Income Fund Shareholders will have an interest in an undivided proportion of the net assets of the Income Fund, according to the number of Preferred Income Shares each Shareholder owns.

- 3.2 Each Preferred Income Fund Share will be entitled to an equal Share in the distributions (if any) of net income and of net capital gains, and will participate in the Fund equally in all other respects.

- 3.3 The Company is authorised to issue fractional Shares.

## 4. MAXIMUM NUMBER OF JOINT HOLDERS

- 4.1 The Company shall not be bound to register more than 3 persons as joint Shareholders.

## 5. PRE-EMPTIVE RIGHTS

- 5.1 The holder of a Fund Share shall have no pre-emptive right to any other Shares issued by the Company or transferred by or to any other person.

## 6. OWNERSHIP OF ASSETS OF THE FUND

- 6.1 Title to all of the Assets of the Fund shall at all times be vested in the Company or the Custodian Trustee. For the purpose of this provision, securities held to the exclusive order of the Company or the Custodian Trustee by any federal insured financial institution or brokerage firm in Canada, The United States of America or the United Kingdom of Great Britain shall, as the circumstances may apply, be deemed to be vested in the Company or the Custodian.

## 7. ISSUE, NET ASSET VALUE AND PRICING OF FUND SHARES

- 7.1 **Issue Price of Fund Shares:** The initial issue of Fund Shares shall be at such price per Share as the directors may determine. The initial offer of Fund Shares at such initial offer price may remain open for a period not exceeding 30 days. Thereafter, the issue price of Fund Shares shall be ascertained by reference to the Net Asset Value of the Fund in accordance with clause 7.2 hereof.
- 7.2 **Net Asset Value of Fund Shares:** The Net Asset Value of each Fund Share shall be determined by dividing the Net Asset Value of the Fund by the number of Fund Shares issued and outstanding on that day.

- 7.3 **Evidence of Values:** The Custodian Trustee and/or Investment Manager may accept as sufficient evidence of the value of any investment or the cost or sale price therefor or of any Stock Exchange or of any other matter within his competence a certificate by a stockbroker or other investment adviser approved by the Custodian Trustee.
- 7.4 **Pricing of Fund Shares:** After the initial issue of Fund Shares, the issue price of each Fund Share shall be determined by adding to the Net Asset Value of each Fund Share, as so computed, a sales charge on all purchases, as herein set out. The sale charge shall not form part of the Assets of the Fund.
- 7.5 **Applications to Purchase Fund Shares:** Subject to any resolution of the directors, the Fund Manager may accept applications from time to time for the purchase of Fund Shares.
- 7.5:1 If an application is received and approved and the necessary funds received before 3:00 p.m. on the Business Day preceding a Valuation Day then the purchase order may be processed on that Valuation Day using the Net Asset Value for Fund Shares as of that Valuation Day. Applications received after 3:00 p.m. on the Business Day preceding a Valuation Day or on any other day which is not a Valuation Day will be processed using the Net Asset Value as determined on the next Valuation Day.
- 7.5:2 If an application to purchase Fund Shares is received from any person resident in Barbados, and approved, the Shares shall be paid for in Barbados Dollars, and the Shares to be issued shall be “Series B Shares”.
- 7.5:3 If an application to purchase Fund Shares is received from any person resident outside Barbados, and approved, the Shares shall be paid for in United States Dollars, and the Shares to be issued shall be “Series BU Shares”.
- 7.6 **Minimum Investment:** The minimum initial investment by way of subscription for Fund Shares by any one investor shall be BDS\$500 (US\$255) and the minimum for additional subscriptions shall be BDS\$200. (US\$102)
- 7.7 **Periodic Investment Plan:** A person who has satisfied the minimum investment requirement of BDS\$500 (US\$255) may continue to invest through a periodic investment plan which allows for deductions of a specific amount from that person’s bank account on a monthly, quarterly or semi-annual basis and for investments to be

made for the purchase of Fund Shares until a predetermined objective is attained or until further notice. The minimum periodic investment shall be BDS\$200. (US\$102)

- 7.8 **Rejection of Application:** The Fund Manager may in his discretion reject any application to purchase Fund Shares. Such decision must however be made within 5 days after receipt of the application. If an application is rejected, all money received with the application must be returned immediately.

## 8. REDEMPTION OF FUND SHARES

- 8.1 A Fund Shareholder may surrender for redemption any or all of the Fund Shares owned by such Fund Shareholder in accordance with the redemption policy of the Fund (which may from time to time be determined by resolution of the directors) by delivering a written request for redemption on the appropriate form to the Fund Manager.
- 8.2 Fund Shares shall be redeemed at their Net Asset Value less a redemption charge (as herein set out) as determined as at the Valuation Day next following a Redemption Day. If a redemption request is received before 3:00 p.m. on a Redemption Day the redemption will be processed on the Valuation Day immediately following that day. Redemption requests received after 3:00 p.m. on a Redemption Day or on any other day which is not a Redemption Day will be processed on the next following Valuation Day. The redemption charge shall not form part of the Assets of the Fund.
- 8.3 Provided the Fund Shareholder has delivered all necessary documentation, payment will be mailed to such Fund Shareholder within 10 Business Days of the Valuation Day immediately following the relevant Redemption Day. The Fund Shareholder may be asked to provide such reasonable documentation as the Fund Manager may require in order to process the redemption request.
- 8.4 On a redemption of any Series BU Shares remittance of the redemption proceeds will be made to that person (if not then resident in Barbados) in United States Dollars, and such payment will be made in accordance with the provisions contained in the offering document or prospectus pursuant to which the Shares were offered.



- 8.5 In the event of unusual circumstances and the Company receives redemption requests within any 30 day period for more than 33% of Fund Assets, the directors of the Company reserve the right subject to the approval of the Securities Commission to limit the then latest and all subsequent redemptions to 20% of the Fund Shares held by each then Fund Shareholder and to hold a special meeting of all Fund Shareholders to consider the liquidation of the Fund.

## 9. CHARGES AND COMMISSIONS

- 9.1 **Sales Charge:** There shall be a sales charge of 2% of all amounts invested in the Fund by Fund Shareholders, payable to the Company. The directors may however from time to time waive or suspend such sales charge, with or without conditions annexed thereto, for such periods of time as they may determine.
- 9.2 **Annual Charge:** There shall be paid to the Investment Manager an annual charge of 0.75% per annum of the Net Asset Value of the Fund calculated on the midpoint between bid and offer valuation of Fund Assets. The payment shall be made in weekly instalments at the rate of 1/52nd part of 0.75%.
- 9.3 **Custodian Fee:** There shall be paid to the Custodian Trustee an annual charge not exceeding 0.25% of the Net Asset Value of the Fund. The payment shall be made in weekly instalments at the rate of 1/52nd part of 0.25%.
- 9.4 **Brokerage and Commission:** The directors may from time to time pay brokerage and commission expenses out of the Assets of the Fund for services rendered in connection with the marketing and promotion of the Fund Shares and for the buying and selling of securities for the Fund's portfolio. The fact that a broker is a director or Shareholder of the Company shall not disqualify him from receiving such brokerage or commission.
- 9.5 **Other Expenses:** The Fund shall bear the cost of all other reasonable expenses pertaining to the Fund, including audit, legal, postage and printing and stationery costs.
- 9.6 **Increase of Charges:** Any increase in the fees and charges stipulated in this By-law No. 3 charged to the Fund shall require approval of the Fund's Shareholders.

## 10. PAYMENT OF EXPENSES AND FEES OUT OF ASSETS OF THE FUND

- 10.1 The Custodian Trustee and Investment Manager are authorised to pay out of the Assets of the Fund all expenses, fees, charges, taxes and liabilities incurred or arising in connection with the Fund, or in connection with the management thereof, including, but not limited to, the Custodian Trustee's and Investment Manager's compensation and such expenses and charges for the services of the Fund's officers, employees, Investment Advisers or Manager, auditor, counsel and such other agents or independent contractors and such other expenses and charges as the directors may deem necessary or proper to incur.
- 10.2 Without prejudice to the generality of clause 10.1 of this By-law, there may be charged to the Fund the costs incurred in the preparation of any prospectus, advertising and marketing of Fund Shares, in the establishment of the Company (which costs may be amortized over a period not exceeding 3 years) and the costs of preparing any supplementary or substituted prospectus for the Fund.
- 10.3 Subject to any resolution of the directors, the Custodian Trustee and Investment Manager may decide whether any payment should be borne out of the capital or income of the Fund.

## 11. POWER TO APPOINT TRUSTEES, MANAGERS, ADVISERS AND BROKERS

- 11.1 The directors may from time to time appoint Custodian Trustee(s), Investment Manager(s), Manager(s) Investment Adviser(s), advisers and brokers, and unless fixed by the By-laws pay such persons such fees, costs, charges and out-of-pocket expenses as the directors may determine. The fact that such Custodian Trustee, Investment Manager, Investment Adviser, adviser or broker is a director or Shareholder of the Company shall not disqualify them from receiving such remuneration for such professional services as may be determined.
- 11.2 **Removal of the Manager or Investment Manager or Custodian Trustee:** Any proposal by at least 5% of Fund Shareholders holding not less than 5% of the then issued Fund Shares for the removal of the Manager or Investment Manager or Custodian Trustee of the Fund shall require the approval by way of special resolution of Fund's Shareholders.

## 12. RELIANCE ON DOCUMENTS, RESOLUTIONS AND SIGNATURE OF FUND SHAREHOLDERS

- 12.1 The Company, Directors, Custodian Trustee and the Manager shall not be responsible for the authenticity of any signature on or any seal affixed to any transfer form or application, endorsement or other document affecting the title to or transmission of Fund Shares or be in any way liable for any forged or unauthorised signature or seal. The Custodian Trustee and the Manager shall nevertheless be entitled, but not bound, to require that the signature of any Fund Shareholder or joint Fund Shareholders to any document required to be signed by any Fund Shareholder be verified by a Justice of the Peace, banker or broker or other responsible person or otherwise authenticated to his or their reasonable satisfaction. The Custodian Trustee and the Manager may also in their discretion require a signature guarantee to any document submitted to the Company by or on behalf of any Fund Shareholder.
- 12.2 The Custodian Trustee and the Manager shall not be responsible for acting upon any resolution purporting to have been passed at any meeting of the Fund Shareholders in respect whereof minutes shall have been made and signed even though it may be subsequently found that there was some defect in the constitution of the meeting or the passing of the resolutions or that for any reason the resolution was not binding upon all the Fund Shareholders.

## 13. DUTIES OF CUSTODIAN TRUSTEE

- 13.1 **Generally:** If not a trust corporation authorised to provide trustee services in Barbados, the Custodian Trustee may be required to give such bond for the faithful performance of its duties as the directors in their discretion may require.
- 13.2 **Custody of Monies, etc.:** Subject to the provisions of any resolution of the directors, the Custodian Trustee shall have the care and custody of all monies and securities of the Fund and shall deposit and maintain the same in the name and/or for the account of the Company.

### 13.3 CUSTODY OF INVESTMENTS

- 13.3:1 The documents of title to any investments forming part of the Assets of the Fund shall be dealt with as the Custodian Trustee may think proper for the purpose of providing for the safe

custody thereof, Any investment in registered form shall, as soon as reasonably practicable after receipt of the necessary documents by the Custodian Trustee, be registered in the name of the Company or the Custodian Trustee or its nominee and shall remain so registered until disposed of by the Company.

- 13.3:2 The Custodian Trustee shall also be entitled, if it considers that it is expedient to do so, to cause to be deposited with any person of good repute in any part of the world the documents of title to any investments in registered form to be held upon trusts provided that the Trustee shall first have satisfied itself after making reasonable enquiries and at regular intervals that such person is a fit and proper person to whom to entrust such documents.
- 13.3:3 Any expense of whatsoever nature incurred by the Custodian Trustee in effecting such registration or providing such safe custody (including insurance) may be payable out of the Assets of the Fund.
- 13.3:4 The Custodian Trustee may, in relation to the acquisition, holding and disposal of any overseas investments, utilise its own services (if a banker or insurance company) or the services of any affiliate or associate (if a banker or insurance company) on terms no less favourable to the Fund than would be applicable to a comparable customer without there being any liability to account therefor.
- 13.3:5 In relation to any call or put options written or purchased for the account of the Fund the Custodian Trustee need not obtain any certificates or other documents but may rely on confirmation notes issued or purporting to be issued by and on the records of any Recognised Stock Exchange or any option exchange, futures exchange, broker or other agent through whom such option was written or purchased. The Trustee shall be fully protected in relying on any such confirmation note and shall not be under any liability or responsibility as a result thereof.
- 13.4 **Registrar and Transfer Agent:** Subject to the provisions of any resolution of the directors, the Custodian Trustee shall act as Registrar and Transfer Agent, and shall keep all records necessary in relation to Fund Shares and Fund Shareholders.

**13.5 Delegation:** The Custodian Trustee may provide for any act or matter to be done by the Custodian Trustee to be performed on behalf of the Custodian Trustee by any officer or responsible official of the Custodian Trustee and any act or matter so performed shall be deemed for all purposes to be the act of the Custodian Trustee.

## 14. DUTIES OF MANAGER

**14.1** Subject to the provisions of any resolution of the directors, the duties of the Manager shall be to promote and market the Fund and to keep or cause to be kept such books, records and documents as may be necessary for the proper administration of the Fund. Where the Manager and the Investment Manager is one and the same person then the duties of the Manager shall include the duties of the Investment Manager.

## 15. DUTIES OF INVESTMENT MANAGER

**15.1** Subject to the provisions of any resolution of the directors, the duties of the Investment Manager shall be to manage the portfolio of investments in accordance with the policy of the Fund as determined from time to time by the directors and in pursuance thereof to buy and sell such securities as may be desirable for the Fund's portfolio, maintain such books, records and documents as may be necessary to give a true and accurate account of all transactions pertaining to the management of the investments of the Fund, calculate the Net Asset Value of the Fund Shares and issue and redeem Fund Shares in accordance with the regulations and policies of the Company and, in the absence of the appointment of a Registrar or Transfer Agent, maintain the records of Fund Shareholders and generally to act and perform such duties as Registrar and Transfer Agent to the Fund.

**15.2 Remuneration of the Investment Manager:** The remuneration of the Investment Manager shall be the annual charge herein set out, and any payments to Investment Advisers, other than brokerage fees and commissions earned on the purchase and sale of portfolio securities, shall be made out of the annual charge.

## 16. POWERS OF AND RESTRICTIONS ON INVESTMENT

**16.1 Generally:** Subject to any resolution of the directors and to the Articles and By-laws of the Company, the Investment Manager shall have all powers necessary or convenient to manage the portfolio of investments and without limiting the foregoing the Investment Manager, and where

appropriate the Custodian Trustee, shall have power and authority to invest and reinvest cash in authorised investments and to hold cash uninvested.

### 16.2 Restrictions on Investment:

**16.2:1** The Investment Manager is required to follow an investment policy designed to ensure risk diversification.

**16.2:2** Not more than 15% of Fund Assets may be invested in securities that are not quoted and not regularly traded.

**16.2:3** The Investment Manager may not invest more than 5% of Fund Assets in securities issued by any one company.

**16.2:4** The Investment Manager may not enter into any derivative transaction and forward currency transaction for speculative purposes.

### 16.3 "authorised investments" means:

**16.3:1** Quoted securities and other securities which are regularly traded on established stock exchanges, including Barbados, regional and international securities traded on the respective stock exchanges.

**16.3:2** Canadian, British and US Government securities, Investment Grade Corporate Bonds of A (Standard and Poors) or better, and Investment Grade Global Bonds.

**16.3:3** Equity securities of companies and Shares in mutual fund companies domiciled in Canada, Britain and the United States and securities denominated in currencies other than US dollars such as in those securities which are issued by multinationals on the Euro Dollar market.

**16.3:4** Convertible bonds which have a minimum rating of A (Standard and Poors).

**16.3:5** Government securities denominated in local or regional currencies. There is no limitation on such investments.

**16.3:6** In appropriate circumstances, existing positions in the Fund may be hedged against adverse political, fiscal or exchange control risks, market activity or adverse movements in interest rates.

16.3:7 Subject to the above, currencies, shares, stock, debentures, debenture stock, loans (whether secured or unsecured) or money of any currency or interest in currency, financial futures, contracts, warrants, options, bonds, obligations, evidences of indebtedness, choses in action, certificates of deposit, treasury bills, trade bills, bank acceptances, bills of exchange, gold bullion and other metals and commodities and securities of all kinds whether or not now known or hereafter (as the case may be) effected and whether or not devised, created or issued or guaranteed by any government, sovereign ruler, commissioners, body or authority, supreme, municipal, local or otherwise, in any part of the world, or by any unit trust or mutual fund, company, Organisation, bank, association or partnership, whether with limited or unlimited liability, constituted or carrying on business in any part of the world; and Shares or units of or participations in any trust scheme, mutual fund or collective investment scheme in any part of the world; and policies of assurance; and any rights and interests to or in any of the foregoing, including without limitation any right or interest in any Share, stock, bond, debenture, debenture stock, unit, sub-unit or other security or other loan whether secured or unsecured of money or any currency or interest in any currency and any financial stock market index, interest rate or currency futures or similar financial or other instrument and any rights in or options over any of the aforesaid.

16.4 **Change of Powers of Investment or Investment Objectives of the Fund, etc.:** Any change in the nature or kind of investments in which the Fund may be invested, or modification of the investment objectives, shall require approval by way of a special resolution of Fund Shareholders.

## 17. BORROWING POWERS OF THE INVESTMENT MANAGER

17.1 Subject to Clause 5 of By-law No. 1 and to this By-law, the Fund may not borrow money except for (a) short term from Banks as may be necessary for the clearance of portfolio transactions and (b) borrowing from Banks for temporary or emergency purposes, including the meeting of redemption requests which may require the untimely disposition of its portfolio securities. The borrowing limit shall be an amount equal in value to 30% of the Fund's assets. The Fund may

mortgage, pledge or hypothecate such assets as may be required to secure such borrowing

## 18. OTHER POWERS OF THE INVESTMENT MANAGER/ CUSTODIAN TRUSTEE

18.1 Subject to the provisions of By-law No. 1 and of this By-law, the Investment Manager, and where applicable the Custodian Trustee, may:

- (i) Sell, exchange, lend, pledge, mortgage, hypothecate, write options on and lease any or all of the Assets of the Fund.
- (ii) Vote or give assent or exercise any rights of ownership for and on behalf of the Company with respect to stock or other securities or property and to execute and deliver proxies or powers of attorney to such person or persons as the Custodian Trustee shall deem proper, granting to such person or persons such power and discretion in relation to securities or property as the Custodian Trustee shall deem proper.
- (iii) Consent to or participate in any plan for the reorganisation, consolidation or merger of any corporation or issuer, any security of which is or was held as part of the Fund Assets, and to consent to any contract, lease, mortgage, purchase or sale of property by such corporation or issuer, and to pay calls or subscriptions with respect to any security held in the Fund.
- (iv) Join other security holders in acting through a committee, depository, voting trustee or otherwise, and in that connection to deposit any security with, or transfer any security to, any such committee, depository or trustee, and to delegate to them such power and authority in relation to any security (whether or not so deposited or transferred) as the Custodian Trustee shall deem proper, and to agree to pay, and to pay, such portion of the expenses and compensation of such committee, depository or trustee as the Custodian Trustee shall deem proper.
- (v) Compromise, arbitrate or otherwise adjust claims in favour of or against the Assets of the Fund or any matter in controversy, including but not limited to claims for taxes.

- (vi) Purchase and pay for entirely out of the Fund Assets such insurances as it may deem necessary or appropriate for the conduct of the business, including, without limitation, insurance policies insuring the Assets of the Fund and payment of distributions and principal on its portfolio investments and insurance policies insuring the Fund Shareholders, Custodian Trustee, Investment Manager, officers, employees, agents, Investment Advisers or principal underwriters or independent contractors of the Company, institute legal action on behalf of the Company for the benefit of the Fund individually against all claims and liabilities of every nature arising by reason of holding, being or having held any such office or position, or by reason of any action alleged to have been taken or omitted by any such person as aforesaid.
- (vii) For the purpose of facilitating sales and purchases of Fund Shares make a market in Fund Shares by buying and selling such Shares if deemed appropriate so to do.

## 19. RELIANCE UPON ADVISERS

- 19.1 The Directors, Custodian Trustee, the Manager and the Investment Manager may act upon any statements or advice or information obtained from any banker, accountant, broker, lawyer, agent or other person acting as or informed in relation to the matters upon which they are consulted. The Directors, Custodian Trustee, the Manager and the Investment Manager shall not be liable for anything done or omitted or suffered in reliance upon such advice or information. Neither the directors nor the Custodian Trustee shall, save in relation to any act or omission in the keeping of securities by any person appointed as agent of the Directors or Custodian Trustee for that purpose, be responsible for any misconduct, mistake, oversight, error of judgment, forgetfulness or want of prudence on the part of any such banker, accountant, broker, lawyer, agent or other person as aforesaid. Any such advice or information may be obtained or sent by letter, facsimile transmission, telegram, telex message or cablegram and the Directors, Custodian Trustee, Manager or Investment Manager shall not be liable for acting on any advice or information purported to be conveyed by any such letter, facsimile transmission, telegram, telex message or cablegram.

## 20. DISTRIBUTIONS

- 20.1 The directors may each year on a date or dates to be determined by the directors distribute to Fund Shareholders out of the Assets of the Fund, pro rata in proportion to the number of Shares held by each Shareholder such dividends as the Custodian Trustee and Investment Manager may recommend as being appropriate. Such distributions shall be made in cash, Fund Shares or other property, or a combination thereof, as determined by the directors.
- 20.2 Unless otherwise determined by the directors, dividends will be paid twice annually.

## 21. INVOLUNTARY REDEMPTIONS

- 21.1 To relieve the Company of the cost of maintaining uneconomical accounts, the Manager may effect the redemption of the Fund Shares at the Net Asset Value, less any relevant redemption charge, of any Fund Shareholder where the Fund Shares of that Shareholder (due to Fund Shareholder redemptions or otherwise) have a redemption value of less than BDS\$200 (US \$102). At least 60 days prior to such involuntary redemption the Manager must mail a notice to the Fund Shareholder so that such Shareholder may, should he/she so desire, make an additional purchase to avoid such redemption.
- 21.2 If the Custodian Trustee or the Manager is made aware that Fund Shares are being held by non-eligible investors or held by any person in breach of the Law or for any other reason which the Custodian Trustee and the Manager believe in their sole discretion could impact negatively on the integrity of the Fund then the Manager (with the consent of the Custodian Trustee) may, subject to the provision of any regulatory authority, upon giving the Fund Shareholder 30 days' notice, compulsorily redeem such Shares by paying to the holders thereof the Net Asset Value of such Fund Shares, less any relevant redemption charge, at the relevant redemption date.

## 22. SUSPENSION OF VALUATION

- 22.1 The Manager (with the consent of the Custodian Trustee) may at any time for a period not exceeding 3 months suspend calculating the Net Asset Value of the Fund and of the Fund Shares if it is of the opinion that there is good and sufficient reason to do so having regard to the interests of the Fund Shareholders.

22.2 No Fund Shares shall be issued, repurchased or sold by the Manager during any period in which the calculation of the Net Asset Value of the Fund Shares is suspended in accordance with this By-law.

### 23. TRANSFER OF FUND SHARES

23.1 The Preferred Income Shares may be transferred by a written instrument of transfer signed by the transferor and naming the transferee. Where the form of Share Certificate is in the format of a statement of account issued by the Company the transferor may lodge the instrument of transfer with the Company for certification before presentation to the transferee or the Company for registration.

23.2 Any certification on a transfer given by the Manager shall be valid for a period not exceeding 28 days from the date of such certification.

23.3 When a certification of a transfer has been given the Company shall be entitled to place a block against the respective Fund Shareholder's account and decline acceptance of any other transfer lodged or made in respect of those Shares during the period of 28 days from the date on which a certification of transfer was given.

23.4 A Fund Shareholder may not request the Company to cancel a certificate of transfer or certification of a transfer given by the Company or by the Manager within the period of its validity except upon an indemnity given by the Fund Shareholder in a form acceptable to the directors

### 24. CLASS MEETING

24.1 **Quorum:** Whenever the circumstances require that a meeting of the Preferred Income Fund Shareholders be convened the quorum required for such meeting shall be 5% of the total number of Fund Shareholders holding in aggregate not less than 5% of the issued and outstanding Fund Shares.

24.2 **The Business of Class Meetings:** The business of any class meeting of Fund Shareholders shall be limited to the following:

- (i) the liquidation of the Fund, or
- (ii) an increase, if any, in the fees and charges charged to the Fund, or to impose fess that are not provided for in the constitutive document, or
- (iii) any change in the nature or kind of investments in which the fund may be invested, or modification of the investment objectives, or

(iv) the removal of the Manager or Investment Manager or Custodian Trustee, or

(v) the reconstruction of the Company, and/or the amalgamation of the Company and/or the Fund with any other company or mutual fund, or

(vi) the winding up of the Company, or

(vii) the amendment of any provisions in the Company's Articles appertaining to the Fund and this By-Law.

24.3 Subject to the Articles, and subject as aforesaid, all the provisions of By-law No. 1 in relation to meetings of the holders of common shares of the Company, where the context permits, shall apply mutatis mutandis to class meetings of Fund Shareholders.

### 25. AMALGAMATION AND RECONSTRUCTION

25.1 **Amalgamation:** Any proposal for the amalgamation of the Company with any other company, or the amalgamation of the Preferred Income Fund with any other mutual fund, shall require approval of a special meeting of Fund Shareholders.

25.2 **Reconstruction:** Any proposal by the directors for the reconstruction of the Company shall require approval of a special meeting of Fund Shareholders.

### 26. WINDING UP

26.1 Upon any resolution being passed by the common Shareholders to wind up the Company the following supplemental provisions shall apply.

26.2 Any resolution by the common Shareholders for winding up the Company shall also require approval of a special meeting of Fund Shareholders.

26.3 The Fund Shareholders shall together be entitled to all of the net proceeds of the Assets of the Fund, after satisfying the costs of realisation, but shall not be entitled to Share in any surplus property of the Company.

26.4 The Common Shareholders of the Company shall not be entitled to participate or Share in the distribution of any Assets of the Fund.

- 26.5 The Custodian Trustee shall sell or otherwise howsoever realise all investments then remaining in its hands as part of the Assets of the Fund and shall pay there out all liabilities properly so payable and such sale and payment shall be carried out and completed in such manner and within such period as the Custodian Trustee in its absolute discretion thinks advisable.
- 26.6 The Custodian Trustee shall from time to time and at such time or times as it shall deem convenient and in its absolute discretion distribute to the Fund Shareholders pro rata to their respective interests in the Assets of the Fund all net cash proceeds derived from the realisation of the Assets of the Fund and any such other cash then forming part thereof and available for the purpose of such distribution; PROVIDED THAT the Custodian Trustee shall be entitled to retain out of any monies in its hands under the provisions of this By-law full provision for all costs, charges, expenses, claims and demands incurred or made by the Custodian Trustee in connection with or arising out of the liquidation of the Assets of the Fund and out of the monies so retained to be indemnified and saved harmless against any such costs, charges, expenses, claims and demands; AND PROVIDED ALSO THAT the Custodian Trustee shall not be bound (except in the case of the final distribution) to distribute any of the monies for the time being in its hands the amount of which is insufficient to pay BDS 20 cents in respect of each Fund Share.
- 26.7 Every distribution shall be made to a Fund Shareholder upon delivery to the Custodian Trustee of such form of request for payment and receipt as the Custodian Trustee shall in its absolute discretion require.
- 26.8 Any unclaimed net proceeds or other cash held by the Custodian Trustee under the provisions of this By-law may at any time after the expiration of 12 months from the date on which the same were payable be paid into court subject to the right of the Custodian Trustee to deduct there from any expenses it may incur in carrying out this provision.
- 27. GENERAL OVERRIDING PROVISION**
- 27.1 This By-Law must be read in conjunction with By-Law No. 1 where appropriate. Where however in any matter the provisions of these By-Laws are in conflict with the Articles of Incorporation then the provisions as contained in the Articles shall prevail.

This By-Law, was MADE by Resolution of the Directors on the 19th day of October, 2004, and CONFIRMED by Resolution of the Holders of the Common Shares in the Company on the 19th day of October, 2004.

ORIGINAL SIGNED

BY



Chairman

ORIGINAL SIGNED

BY



Secretary

## APPENDIX 3

### Our Privacy Policy

When you choose to invest your money with Sagicor Funds Incorporated, you not only entrust us with your investments, but also with your personal and financial data. Just as we're dedicated to managing your money well, we are also committed to respecting your privacy and protecting the information you give to us.

We do not disclose any non public personal information about you to non affiliated third parties except as required by law. In order to service your account and to effect transactions that you request or authorize, we may provide your non public personal information to companies that perform administrative or marketing services on our behalf. We require these

outside companies to protect the confidentiality of your information and to use the information only for the purpose for which the disclosure is made.

We restrict access to your non public personal information to our employees who need to know the information to provide products and services to you. Furthermore, we maintain physical, electronic and procedural safeguards in our effort to protect your non public personal information.

We will continue to adhere to our privacy policy even after your account is closed or becomes inactive.



## SAGICOR FUNDS INCORPORATED

### SUPPLEMENT TO PROSPECTUS for

### SAGICOR PREFERRED INCOME FUND

(Please list here all the funds, within all the categories)

### SAGICOR PREFERRED INCOME FUND

#### ADDENDUM TO PROSPECTUS

for Investors' use in Trinidad and Tobago

(1)(i) This distribution is being made by a foreign mutual fund pursuant to disclosure documents prepared in accordance with foreign securities laws. Purchasers should be aware that these requirements may differ from those of Trinidad and Tobago.

(ii) All of the directors and officers of the foreign mutual fund and certain of the experts named in this Prospectus reside outside of Trinidad and Tobago. Substantially all of the assets of these persons and of the foreign mutual fund may be located outside of Trinidad and Tobago. The foreign mutual fund has appointed Kendrick Arthur Marshall, Executive, Vice-President and General Manager of Sagicor Life Inc in Trinidad and Tobago, of and whose address for service is Sagicor Financial Centre, 16 Queen's Park West, Port of Spain, Trinidad, as its agent for Service of Process in Trinidad and Tobago. It may not be possible for investors to effect service of process within Trinidad and Tobago upon the directors and officers referred to above. It may also not be possible to enforce against the foreign mutual fund, its directors and officers named in this Prospectus judgments obtained in Trinidad and Tobago.

(iii) Purchasers should be aware that the experts responsible for any expertise statement, report or opinion in the Prospectus have not submitted to the jurisdiction of Trinidad and Tobago and therefore it may not be possible for an investor to take legal proceedings against the experts in Trinidad and Tobago.

(iv) The foreign mutual fund is incorporated or organized under the laws of a foreign jurisdiction and the rights and remedies available under Trinidad and Tobago law may not be available.

(2) The foregoing, together with the following documents incorporated herein by reference:

(a) Certificate regarding use of the Prospectus in Trinidad and Tobago;  
(b) Form of Submission to Jurisdiction and Appointment of Agent for Service of Process for Foreign Mutual Funds;

(c) Certificate regarding Appointment of Agent to distribute securities in Trinidad and Tobago;

(d) Certificate of Compliance with securities legislation in the home jurisdiction, which are filed with the Trinidad and Tobago Securities and Exchange Commission, constitutes full, true and plain disclosure of all material facts related to the securities being distributed by this Prospectus.

Dated: October 20, 2006

Signed:



MARJORIE PATRICIA DOWNES-GRANT  
DIRECTOR



SANDRA OSBORNE  
SECRETARY

(duly authorised representatives of SAGICOR FUNDS INCORPORATED.)

Dated: October 20, 2006

Signed:



KENDRICK ARTHUR MARSHALL

(duly authorised Agent of SAGICOR FUNDS INCORPORATED.)

**CERTIFICATE REGARDING USE OF THE PROSPECTUS  
IN TRINIDAD AND TOBAGO**

**Re: SAGICOR FUNDS INCORPORATED**

**SAGICOR PREFERRED INCOME FUND**

**SAGICOR FUNDS INCORPORATED - SAGICOR PREFERRED INCOME FUND** hereby certifies that the prospectus hereto attached may be legally used and will be used for the distribution in Trinidad and Tobago of securities of **SAGICOR PREFERRED INCOME FUND**.

Dated: October 20, 2006

Signed:



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SANDRA OSBORNE  
SECRETARY

Duly authorised representative of: SAGICOR FUNDS INCORPORATED  
SAGICOR PREFERRED INCOME FUND

Signed:



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KENDRICK ARTHUR MARSHALL  
EXECUTIVE VICE PRESIDENT & GENERAL MANAGER  
SAGICOR LIFE INC.

**FORM OF SUBMISSION TO JURISDICTION AND APPOINTMENT OF  
AGENT FOR SERVICE OF PROCESS FOR  
FOREIGN MUTUAL FUND**

1. Name of foreign mutual fund:  
SAGICOR FUNDS INCORPORATED - SAGICOR PREFERRED INCOME FUND
2. Jurisdiction of incorporation of foreign mutual fund:  
BARBADOS
3. Address of principal place of business of foreign mutual fund:  
SAGICOR CORPORATE CENTRE, WILDEY,  
ST. MICHAEL, BARBADOS.
4. Description of Securities (the "Securities"):  
REDEEMABLE PREFERRED INCOME FUND SHARES IN  
SAGICOR PREFERRED INCOME FUND
5. Date of Prospectus (the "Prospectus") pursuant to which the Securities are offered:  
October 20, 2006
6. Name of agent for service (the "Agent For Service")  
SAGICOR LIFE INC.
7. Address for service of process on Agent For Service in Trinidad and Tobago:  
SAGICOR FINANCIAL CENTRE, 16 QUEEN'S PARK WEST, PORT OF SPAIN
8. The foreign mutual fund designates and appoints the Agent For Service at the address of the agent stated above as its agent upon whom may be served any notice, writ, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding (the "Proceeding") arising out of or relating to or concerning the distribution of the securities made or purported to be made pursuant to the Prospectus, and irrevocably waives any right to raise as a defence in any such Proceeding any alleged lack of jurisdiction to bring such Proceeding.
9. The foreign mutual fund irrevocably and unconditionally submits to the

non-exclusive jurisdiction of Trinidad and Tobago in any proceeding arising out of or related to or concerning the distribution of the Securities made or purported to be made pursuant to the Prospectus.

10. This Submission to Jurisdiction and Appointment of Agent for Service of Process shall be governed by and construed in accordance with the laws of Trinidad and Tobago.

Dated: October 20, 2006


SAGICOR FUNDS INCORPORATED  
SAGICOR PREFERRED INCOME FUND

By:   
\_\_\_\_\_  
SANDRA OSBORNE  
SECRETARY  
SAGICOR FUNDS INCORPORATED

The undersigned accepts the appointment as agent for service of process of SAGICOR FUNDS INCORPORATED - SAGICOR PREFERRED INCOME FUND pursuant to the terms and conditions of the foregoing Appointment of Agent for Service of Process.

Dated: October 20, 2006

SAGICOR LIFE INC.: Agent

By:   
\_\_\_\_\_  
KENDRICK ARTHUR MARSHALL  
EXECUTIVE VICE PRESIDENT & GENERAL MANAGER  
SAGICOR LIFE INC.

CERTIFICATE REGARDING APPOINTMENT  
OF AGENT TO DISTRIBUTE SECURITIES IN TRINIDAD AND TOBAGO

Re: SAGICOR FUNDS INCORPORATED  
SAGICOR PREFERRED INCOME FUND

SAGICOR FUNDS INCORPORATED - SAGICOR PREFERRED INCOME FUND hereby certifies that it has appointed SAGICOR LIFE INC. to act on its behalf for the distribution in Trinidad and Tobago of securities of SAGICOR PREFERRED INCOME FUND.

Dated: October 20, 2006

Signed:   
\_\_\_\_\_  
SANDRA OSBORNE  
SECRETARY

Duly authorised representative of: SAGICOR FUNDS INCORPORATED  
SAGICOR PREFERRED INCOME FUND

Signed:   
\_\_\_\_\_  
KENDRICK ARTHUR MARSHALL  
EXECUTIVE VICE PRESIDENT & GENERAL MANAGER  
SAGICOR LIFE INC.

CERTIFICATE OF COMPLIANCE

Re: SAGICOR FUNDS INCORPORATED  
SAGICOR PREFERRED INCOME FUND

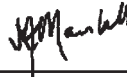
SAGICOR FUNDS INCORPORATED - SAGICOR PREFERRED INCOME FUND hereby certifies that it has complied fully with the disclosure requirements of the applicable securities legislation in the home jurisdiction of the foreign mutual fund.

Dated: October 20, 2006

Signed:   
\_\_\_\_\_  
SANDRA OSBORNE  
SECRETARY

Duly authorised representative of: SAGICOR FUNDS INCORPORATED  
SAGICOR PREFERRED INCOME FUND

Dated: October 20, 2006

Signed:   
\_\_\_\_\_  
KENDRICK ARTHUR MARSHALL  
EXECUTIVE VICE PRESIDENT & GENERAL MANAGER  
SAGICOR LIFE INC.

## NOTES

## NOTES

## NOTES

## NOTES



## NOTES

## NOTES



**Sagikor**

Sagikor Funds Inc.  
Sagikor Corporate Centre  
Wildey, St. Michael, Barbados  
Tel: (264) 467-7500

# APPLICATION FOR PURCHASE OF SHARES

MUTUAL FUNDS

## PERSONAL INFORMATION

(PLEASE PRINT)

TITLE \_\_\_\_\_ SURNAME \_\_\_\_\_ FIRST NAME \_\_\_\_\_ MIDDLE INITIAL(S) \_\_\_\_\_

OTHER APPLICANTS (if joint shareholders, if beneficiary) \_\_\_\_\_

COMPANY NAME (if applicable) \_\_\_\_\_

FULL ADDRESS \_\_\_\_\_

AREA CODE \_\_\_\_\_ HOME TELEPHONE NO. \_\_\_\_\_ WORK TELEPHONE NO. \_\_\_\_\_ DATE OF BIRTH (optional) \_\_\_\_\_ RESIDENT \_\_\_\_\_ NON-RESIDENT \_\_\_\_\_ N.I.S NUMBER \_\_\_\_\_

EXISTING SHAREHOLDER A/C # (if applicable) \_\_\_\_\_ NATIONAL REGISTRATION NO. \_\_\_\_\_ PLEASE SELECT THE FUND FOR INVESTMENT (✓) please tick Sagicor Global Balanced Fund  Sagicor Preferred Income Fund  Sagicor Select Growth Fund

Cash  Cheque  Direct Debit\*  Salary Deduction\*  Standing Order\*  Telegraphic Transfer\*  Yes  No  Income Tax Allowance (✓) tick as appropriate  Employment  Other  If other please specify \_\_\_\_\_ SALES REPRESENTATIVE \_\_\_\_\_ AMOUNT \$ \_\_\_\_\_ / \_\_\_\_\_ M \_\_\_\_\_ Y \_\_\_\_\_ DATE \_\_\_\_\_ / \_\_\_\_\_ D \_\_\_\_\_ / \_\_\_\_\_ M \_\_\_\_\_ Y \_\_\_\_\_ Source of Funds \_\_\_\_\_

## WHEN MAKING FAST DEPOSIT PLEASE ENCLOSE THE WHITE COPY OF THE FORM IN THE FAST DEPOSIT ENVELOPE.

## TERMS AND CONDITIONS

I/We confirm having read the Prospectus, dated \_\_\_\_\_ and am/are aware of the nature of the **Fund** and the risks associated with an investment therein and that shares are issued on the basis of the Prospectus, a copy of which is available for my/our perusal on request. On the basis of those documents I/we apply for shares as indicated. [If the applicant is a company] I/We attach or agree to provide to you a list of persons authorised to sign on behalf of the company I/We declare that I am/we are **resident / non-resident** in Barbados for the purpose of the Exchange Control Act of Barbados. I/We understand that the value of shares in the Fund are not guaranteed nor are they insured by any authority as the value can go down as well as up, and there is no guarantee of the achievement of the objectives of the Fund.

\_\_\_\_\_  
SIGNATURE (1) \_\_\_\_\_ SIGNATURE (2) (if Joint Shareholder) \_\_\_\_\_ SIGNATURE (3) (if beneficiary) \_\_\_\_\_

## NOTES

1. Payments should be sent to Sagicor Funds Incorporated, Sagicor Corporate Centre, Wildey, St. Michael or any branch of Bank of Butterfield and made payable in cleared funds to **Sagikor Funds Incorporated** by cheque or banker's draft in either case crossed "NOT NEGOTIABLE" and for the account of the payee only. If payment is by telegraphic transfer, it should be sent to:- **Sagicor Funds Incorporated - Sagicor Corporate Centre, Wildey, St. Michael**, to the credit of the account of **Sagicor Funds Incorporated**
2. A corporation may execute this application either under its common seal or under the hand of a duly authorised officer, who should state his capacity, and supply a list of authorised signatories. It should insert its registered or head office address.
3. If this form is signed under power of attorney, such power, or a duly certified copy thereof, must accompany this form.
4. For joint holdings, signatures of all holders are required.

## FOR OFFICIAL USE ONLY

TRANSACTION DATE: \_\_\_\_\_ D \_\_\_\_\_ / \_\_\_\_\_ M \_\_\_\_\_ Y \_\_\_\_\_ PRICE AT WHICH SHARES WERE PURCHASED \$ \_\_\_\_\_  
NUMBER OF SHARES PURCHASED: \_\_\_\_\_ CHECKED BY: \_\_\_\_\_  
TOTAL VALUE OF SHARES PURCHASED \$ \_\_\_\_\_ APPROVED BY: \_\_\_\_\_  
ACCOUNT NO: \_\_\_\_\_ REPRESENTATIVE NO: \_\_\_\_\_  
BROKER NAME: \_\_\_\_\_ ORDER NO: \_\_\_\_\_  
DATE \_\_\_\_\_ / \_\_\_\_\_ D \_\_\_\_\_ / \_\_\_\_\_ M \_\_\_\_\_ Y \_\_\_\_\_



**DECLARATION OF SOURCE OF FUNDS**

1. Customer Name (Last, First, Middle) or Business: \_\_\_\_\_
7. Name of person conducting transaction, (If different from previous): \_\_\_\_\_
2. Permanent Address: \_\_\_\_\_
8. Permanent Address: \_\_\_\_\_
3. Date and Place of Birth: \_\_\_\_\_
9. Date and Place of Birth: \_\_\_\_\_
4. Nationality: \_\_\_\_\_
10. Nationality: \_\_\_\_\_
5. Occupation: \_\_\_\_\_
11. Occupation: \_\_\_\_\_
6. Telephone Number (H): \_\_\_\_\_ Telephone Number (W): \_\_\_\_\_ Telephone Number (H): \_\_\_\_\_ Telephone Number (W): \_\_\_\_\_
12. Telephone Number (H): \_\_\_\_\_ Telephone Number (W): \_\_\_\_\_
13. A/C Number: \_\_\_\_\_
14. Amount of Transaction & Currency: \_\_\_\_\_
15. Name of Company (Sagicor Life Inc., or Sagicor Funds Incorporated): \_\_\_\_\_

**FORM OF VERIFICATION (Please check box)**

**ISSUER & DATE**

**NUMBER**

National I.D.

Passport

Drivers Licence

Social Security

Other (Specify) \_\_\_\_\_

**DESCRIPTION/NATURE OF BUSINESS TRANSACTION:**

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**DECLARATION**

I declare the US\$ (Other)

Totalling \$

Presented to complete this transaction, by means of: (record particulars of instrument or attach copy) represents the proceeds of monies obtained from the following source

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I acknowledge that this declaration is required under the Company's anti-money laundering and anti-terrorism policy and consent is given to the Company, a member of the SAGICOR Group, to disclose this information to Money Laundering personnel with the SAGICOR Group of companies and their affiliates for the purpose of ensuring that the Company complies with Anti-Money Laundering legislation.

Customer Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Time: \_\_\_\_\_

Transaction Approved?  Yes  No

If No, state reason: \_\_\_\_\_

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Officer Completing Transaction  
(Signature & Title)

Authorising/Compliance Officer  
(Signature & Title)





