Sagicor
SELECTFUNDS

September 2019 Quarterly Report

Sagicor Select Funds - Financial Fund



Sagicor SELECTFUNDS

DIRECTORS REPORT

On behalf of the Board of Directors of Sagicor Select Funds Limited (SELECTF) we are pleased to report on the performance of the company for the nine months ended September 2019. Sagicor Select Funds Limited was incorporated on January 11, 2019. The company recorded net profit in the nine months ended September 2019 of $913 million, or $0.18 per share. The company recorded a Q3 profit of $502 million.

FINANCIAL PERFORMANCE

For the period ending September 2019, the company recorded net earnings of $913.3 million. This was attributable to the income of $1.0 billion which was higher than the expenses of $94.8 million.

The company benefitted from the stock market performance over the period. Consequently, the income was largely derived from appreciation in prices of the securities held as well as the dividend income. Stock prices increased by an average of 37% while several of the financial companies continue their dividend-paying trend.

The expenses of the company largely reflected transaction cost and legal & professional fees, which were $36.3 million and $50.9 million, respectively. Transaction cost was associated with the acquisition of the stocks over the period. Similarly, legal & professional fees reflected the cost of the initial public offering during the period.

Assets held by the company as at the end of September 2019 was $6.0 billion. The company assets are largely financial assets held by the company (94.1%) and cash & cash equivalents (5.9%). The assets held by the company were mainly financed by a capital injection of $1.1 billion by the seed investor and approximately $4B raised at the IPO in July 2019.

OVERVIEW

The local stock market continues to benefit from the stability and increase resilience of the Jamaican economy. The major indicators continue to show positive signs. The International Monetary Fund (IMF) recently noted that Jamaica's sustained commitment to the economic programme has resulted in significant improvement in the economy. Unemployment is at an all-time low of 7.8%, taxes have been reduced, business confidence is high, inflation and the external current account deficits are low, and the level of foreign currency reserves is comfortable at about US$3.0 billion.



Sagicor SELECTFUNDS

TOP TEN PERFORMERS (SEPTEMBER 2019)

Top 10 Performer: JSE Main Index

	Close Price ($)		
Security	31-Dec-18	30-Sep-19	% Change
JSE	10.26	26.57	159%
SCIJMD	10.97	23.85	117%
WISYNCO	10.94	23.56	115%
VMIL	3.76	8.00	113%
SJ	37.47	71.22	90%
RJR	0.89	1.68	89%
CCC	42.40	80.00	89%
SEP	29.96	56.14	87%
EPLY	9.15	14.94	63%
BIL	53.17	86.46	63%

Top 10 Performer: Financial Companies

	Close Price ($)		
Security	31-Dec-18	30-Sep-19	% Change
JSE	10.26	26.57	159%
SCIJMD	10.97	23.85	117%
VMIL	3.76	8.00	113%
GENAC	3.54	6.90	95%
SJ	37.47	71.22	90%
EPLY	9.15	14.94	63%
BIL	53.17	86.46	63%
PROVENJA	26.47	40.03	51%
PJAM	72.67	104.00	43%
NCBFG	149.22	208.79	40%

Additionally, the Statistical Institute of Jamaica (STATIN) announced that for January–June 2019, real GDP is estimated to have increased by 1.6% relative to the corresponding period of the previous year. Higher output was estimated for all industries except for Agriculture, Forestry & Fishing.

This growth trend is expected to continue over the near to medium term. For July to September 2019, growth prospects for the economy are generally positive, based on the anticipated strengthening of the performance of most industries relative to the similar quarter of 2018.

The outcome will be supported by:

- **The low interest rate environment - which is stimulating investments**
- **Fiscal consolidation programme - which is re-directing capital toward productive ventures.**

Within the context of favourable economic performance, the local equity market continues to outperform most asset classes. For the nine months ending September 2019, the JSE Main Market Index appreciated by 36%. Similarly, the JSE Financial Index was higher by 43% since inception in March 2019.

The price performance of the stocks on the JSE Main Market Index, as measured by the advance to decline ratio, was 26:10 for the 9-months to September 2019. Stock price appreciation was largely concentrated among the Financial, Manufacturing and Conglomerates sectors. Over the period, the Financial category dominated the list of top ten advancing stocks.

This trend is expected to continue in 2019 and over the medium term. The attraction to the equity market is being influenced by:

- **Positive developments in the macro-economy, which included growth in real economic activity, low inflation and improved liquidity conditions.**
- **The positive signal from the end of the IMF programme.**
- **Higher profits by large corporations.**

The performance of the local equity market has brought heightened interest as investors seek additional source to **Create, Grow and Preserve Wealth**. This has led to increased demand for stocks.

INVESTMENT OBJECTIVE

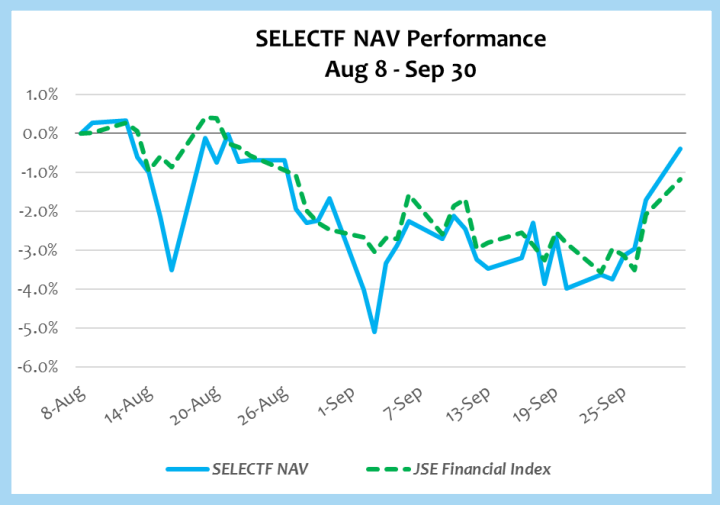
The Financial Select Fund seeks to track the investment results of an index composed of Jamaican equities in the financial sector. The fund and the index are comprised of publicly traded financial stocks that are listed on the JSE.

The Fund invests in a representative sample of securities included in the Index that collectively has an investment profile similar to the Index. Due to the use of representative sampling, the Fund may or may not hold all of the securities that are included in the Index.

PERFORMANCE

KEY FACTS	
Net Assets as of Sep 30, 2019	5,978,319,767
Listing Date	8-Aug-19
Asset Class	Equity
Benchmark Index	JSE Financial Index
JSE Ticker	SELECTF
Shares Outstanding	5,100,000,000
Number of Holdings Sep 30, 2019	20
Bid Price as of Sep 30, 2019	1.16

CHARACTERISTIC	
Expense Ratio	0.19%
Mgmt Fees	0.00%
P/E Ratio	6.48
P/B Ratio	0.99



Sagicor SELECTFUNDS

PORTFOLIO INFORMATION

Security Name	Number of Units	Position Cost	Current Capital Value	Unrealized Gains/(loss)
NCB FINANCIAL GROUP LTD	10,692,834	1,951,735,073	2,245,495,140	293,760,067
SAGICOR GROUP JAMAICA LTD	16,930,674	818,563,320	1,252,023,342	433,460,023
SCOTIA GROUP JAMAICA	13,487,986	733,836,683	836,255,132	102,418,450
PANJAM INVESTMENT LTD	4,621,955	447,794,353	484,611,982	36,817,629
JMMB GROUP LTD	7,068,810	297,749,065	324,811,820	27,062,755
JAMAICA STOCK EXCHANGE LTD	3,328,641	61,709,910	89,706,875	27,996,965
MAYBERRY JAMAICAN EQUITIES LTD	6,482,385	78,305,797	77,788,620	(517,177)
PROVEN INVESTMENTS LTD	1,349,090	48,470,321	50,590,875	2,120,554
VICTORIA MUTUAL INVESTMENTS	6,135,970	38,595,154	49,026,400	10,431,246
MAYBERRY INVESTMENTS LTD	4,274,223	38,033,787	37,826,874	(206,913)
GENERAL ACCIDENT INSURANCE	5,066,798	21,027,212	34,960,906	13,933,695
PROVEN INVESTMENTS LTD	750,000	25,557,656	27,227,816	1,670,159
LASCO FINANCIAL SERVICES LTD	5,500,000	25,850,000	26,950,000	1,100,000
SYGNUS CREDIT INVESTMENTS LTD	799,219	16,334,217	19,021,412	2,687,195
PORTLAND JSX LTD	1,486,257	11,543,515	12,187,307	643,792
EPPLEY LTD	835,000	14,195,000	10,020,000	(4,175,000)
STERLING INVESTMENTS LTD	1,623,516	6,370,640	5,000,429	(1,370,211)
IRONROCK INSURANCE CO LTD	1,000,000	4,500,000	3,950,000	(550,000)
SSL VENTURE CAPITAL JAMAICA	2,109,741	3,476,141	3,396,683	(79,458)
SYGNUS CREDIT INVESTMENTS LTD	794,875	10,381,068	794,875	(9,586,193)

INVESTMENT VALUATION AND FAIR VALUE MEASUREMENTS

Investment Valuation Policies: The Fund's investments are valued at fair value (also referred to as "market value" within the financial statements) each day that the JSE is open.

Fair Value Inputs and Methodologies: Equity investments traded on Jamaica Stock Exchange are valued at that day's closing bid price or the last traded price.

FINANCIAL STATEMENTS

Sagicor Select Fund – SELECTF

Sagicor Select Funds Limited
Statement of Financial Position
As at September 30, 2019
(Expressed in thousands of Jamaican dollars)

	September 2019 Unaudited
Assets	
Cash and Cash Equivalents	353,345
Financial assets at fair value through profit or loss	5,629,208
Taxation Recoverable	22
	5,982,575
Financed by:	
Capital account	5,065,000
Net Surplus	913,320
	5,978,320
Liabilities	
Other Liability	4,255
	4,255
	5,982,575

FINANCIAL STATEMENTS

Sagicor Select Fund – SELECTF

Sagicor Select Funds Limited
Income Statement
for nine-months ended September 30, 2019
(Expressed in thousands of Jamaican dollars)

	Q3 2019 Unaudited	September 2019 Year-to-date Unaudited
	J$'000	J$'000
Income		
Net investment income	570,665	1,006,308
Fees and other income	2,067	1,805
Total revenue	**572,732**	**1,008,113**
Expenses		
Administration expenses	71,051	92,806
Other taxes	11	1,987
Total expenses	**71,062**	**94,793**
NET PROFIT	**501,670**	**913,320**
Issue shares ('000)	**5,100,000**	**5,100,000**
EPS	**0.10**	**0.18**

FINANCIAL STATEMENTS

Sagicor Select Fund – SELECTF

Cash Flow Statement
As at September 30, 2019
(Expressed in thousands of Jamaican dollars)

Cash Flows from Operating Activities	
Net surplus for the year	913,236
Adjustments for:	
Items not affecting cash:	
Adjustments for non-cash items, interest and dividends	(914,810)
Changes in other operating assets and liabilities	(4,715,580)
Dividend received	61,793
Net cash used in operating activities	**(4,655,361)**
Changes in operating assets and liabilities:	
Sale of ordinary shares	5,065,000
Loans proceeds	3,700,000
Loan repayment	(3,705,410)
Costs associated with ordinary shares issued	(50,884)
Net cash provided by investing activities	**5,008,706**
Increase in cash and cash equivalents	353,345
Cash and cash equivalents at beginning of year	-
Cash and Cash Equivalents at End Of Year	**353,345**
Comprising:	
Balances with Banks	221,028
Securities purchased under resale agreements	132,317
	353,345

FINANCIAL STATEMENTS

Sagicor Select Fund – SELECTF

State of change in Shareholder's Net Equity
As at September 30, 2019

(Expressed in thousands of Jamaican dollars)

	Share Capital	Retained Earnings	Total
	000	000	000
Balance as at January 1, 2019	-	-	-
Shares Issued and fully paid	5,065,000		5,065,000
Total Comprehensive Income		913,320	913,320
Balance as at September 30, 2019	5,065,000	913,320	5,978,320

Colin Steele Chairman

Janene Shaw Director

Notes to the Unaudited Financial Statements

1. Identification

The Company was incorporated on the 11th of January 2019 as a public company, for the primary purpose of trading in securities listed on recognised exchanges. The Financial Select Fund is a close-ended non-diversified investment fund.

The Company entered into a management agreement with SIJL to act as Fund Manager.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets at fair value through profit and loss.

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 Entity's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note.

Standards, interpretations and amendments to published standards effective in the current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Entity has assessed the relevance of all such new standards, interpretations and amendments and has put into effect the following:

- **IFRS 9, 'Financial Instruments'**, became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

(i) Classification of financial assets

The Entity classifies its investments based on both the Entity's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed, and performance is evaluated on a fair value basis. The Entity is primarily focused on fair value information and uses that information to assess the assets' performance and to make decision. The Entity has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Entity's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows is only incidental to achieving the Entity's business model's objective. Consequently, all investment are measured at fair value through profit or loss.

(ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognized on the trade date – the date on which the Entity commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognized when the rights to received cash flows from the investments have expired or the Entity has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other net changes in fair value of financial assets at fair value through profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognized in the statement of comprehensive income within dividend income when the Entity's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognized in the statement of comprehensive income within interest income based on the effective interest rate.

(iii) Recognition, derecognition and measurement

Purchases and sales of investments are recognised on trade date – the date on which the Entity commits to purchase or sell the asset. Investments are initially recognised at fair value, and transaction costs for all financial assets carried

at fair value through profit or loss are expensed as incurred in the statement of comprehensive income.

Investments are derecognised when the rights to receive cash flows from the investments have expired or the Entity has transferred substantially all risks and rewards of ownership.

Subsequently to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in statement of comprehensive income in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognized in the statement of comprehensive income within dividend income when the Entity's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognized in the statement of comprehensive income within interest income based on the effective interest rate.

Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly trading securities) is based on quoted market prices at the statement of position date. The quoted market price used for financial assets held by the Entity is the current bid price. If the market for a financial asset is not active (and for unlisted securities), the Entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(iv) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from investment in securities purchased under agreements to resell, Government of Jamaica securities, quoted and unquoted equities and other investment services provided in the ordinary course of the Fund's activities. Revenue is recognised as follows:

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income and interest from financial assets at fair value through profit or loss

Interest is recognised on a time-proportionate basis using the effective interest method. Interest income includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss includes interest from debt securities.

Gain or loss on sale of investment

Gain or loss on the disposal or maturity of investment, is determined by comparing sale proceeds with the carrying amount of the investment. This amount is recognised in income or expenditure.

Fair value gains or losses on investments

Fair value gains or losses on investments are recognized when there is a change in the fair value of investments from one period to the next.

TOP TEN SHAREHOLDINGS

For Sagicor Select Funds Limited - Financial

As at September 30, 2019

	Primary Account Holder	Joint Holder(s):	Volume	Percentage
1	JCSD TRUSTEE SERVICES LTD - SIGMA EQUITY			
			21,760,307	0.4267%
			1,100,000,000	21.5686%
		Client total ownership	**1,121,760,307**	**21.9953%**
2	SAGICOR EQUITY FUND			
			145,506,312	2.8531%
		Client total ownership	**145,506,312**	**2.8531%**
3	SAGICOR POOLED EQUITY FUND			
			84,900,212	1.6647%
		Client total ownership	**84,900,212**	**1.6647%**
4	JCSD TRUSTEE SERVICES LTD - SIGMA DIVERSIFIED INVESTOR			
			71,000,000	1.3922%
		Client total ownership	**71,000,000**	**1.3922%**
5	NCB INSURANCE COMPANY LIMITED			
			63,861,367	1.2522%
		Client total ownership	**63,861,367**	**1.2522%**
6	BRITISH CARIBBEAN INSURANCE CO. LTD.			
			52,287,880	1.0253%
		Client total ownership	**52,287,880**	**1.0253%**
7	PANJAM INVESTMENT LIMITED			
			35,981,715	0.7055%
		Client total ownership	**35,981,715**	**0.7055%**
8	CHRISTOPHER W. ZACCA			
			20,400,000	0.4000%
		Client total ownership	**20,400,000**	**0.4000%**
9	JCSD TRUSTEE SERVICES LTD - SIGMA GLOBAL VENTURE			
			20,000,000	0.3922%
		Client total ownership	**20,000,000**	**0.3922%**
10	PAM - POOLED EQUITY FUND			
			14,422,028	0.2828%
		Client total ownership	**14,422,028**	**0.2828%**

Total Issued Capital:	**5,100,000,000**
Total Units Owned by Top 10 Shareholders:	**1,630,119,821**
Total Percentage Owned by Top 10 Shareholders:	**31.9631%**

NOTE: Information reflected above reports on the top 'x' shareholdings where 'x' identifies the shareholder count. In cases where more than one shareholder has equal number of units as at report date; the holdings will be 'grouped' for counting purposes and counted as one.

Sagicor SELECTFUNDS

DIRECTORS AND THEIR CONNECTED PARTIES

For Sagicor Select Funds Limited - Financial

As at September 30, 2019

Director	Primary Name Joint Holder(s)	Relationship	Volume	Percentage
Omar Brown				
	Omar Brown	Self	0.00	0.0000
		Director Holdings	0.00	0.0000
		Connected Party	0.00	0.0000
		Combined Holdings	0.00	0.0000
Faith Vincent				
	Faith Vincent	Self	102,000.00	0.0000
		Director Holdings	102,000.00	0.0000
		Connected Party	0.00	0.0000
		Combined Holdings	102,000.00	0.0000
Kevin Donaldson				
	Ramona L. Donaldson	Unknown	102,000.00	0.0000
	Kevin A. Donaldson	Self		
	Khalil J. Donaldson	Unknown	51,000.00	0.0000
	Kevin A. Donaldson	Self		
	Kevin A. Donaldson	Self	1,000,000	0.0002
		Director Holdings	1,000,000.00	0.0002
		Connected Party	153,000.00	0.0000
		Combined Holdings	1,153,000.00	0.0002
Colin Steele				
	Colin Steele	Self	7,362,437.00	0.0014
		Director Holdings	7,362,437.00	0.0014
		Connected Party	0.00	0.0000
		Combined Holdings	7,362,437.00	0.0014
Janene Shaw				
	Janene Shaw	Self	0.00	0.0000
		Director Holdings	0.00	0.0000
		Connected Party	0.00	0.0000
		Combined Holdings	0.00	0.0000

DIRECTORS AND THEIR CONNECTED PARTIES (CONT'D)

For Sagicor Select Funds Limited - Financial

As at September 30, 2019

Director	Primary Name Joint Holder(s)	Relationship	Volume	Percentage
Daniella Silvera				
	Daniella Silvera	Self	0.00	0.0000
		Director Holdings	0.00	0.0000
		Connected Party	0.00	0.0000
		Combined Holdings	0.00	0.0000
Warren Chin				
	Warren Chen	Self	3,571,000.00	0.0009
		Director Holdings	3,571,000.00	0.0009
		Connected Party	0.00	0.0000
		Combined Holdings	3,571,000.00	0.0009