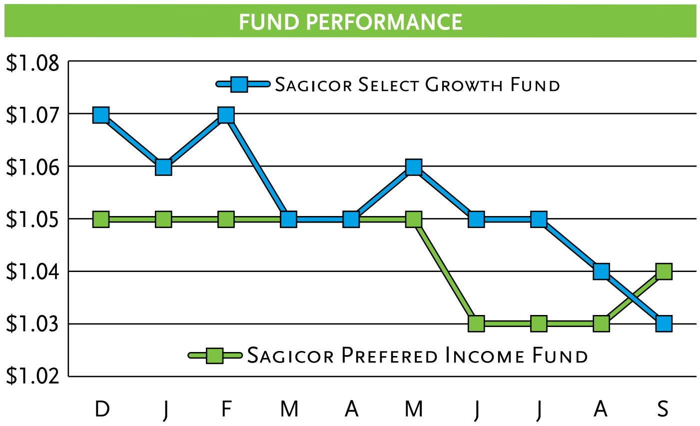
INVESTMENT COMMENTARY

Sagicor Funds Inc

September 2006

Sagicor MUTUAL FUNDS

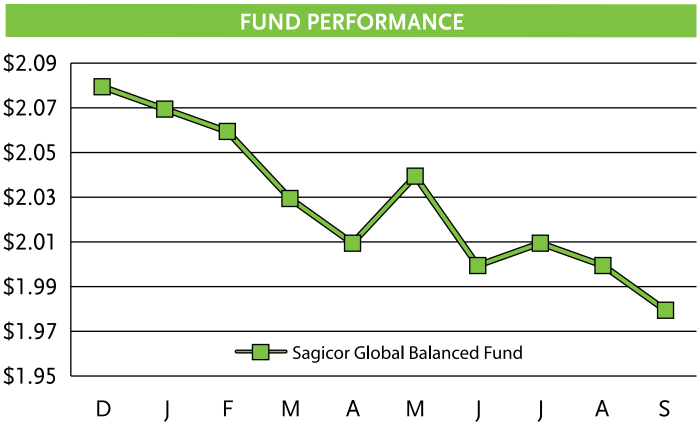
There was a turn around in the performance of international equities markets during the quarter as equities achieved new highs for the year. The volatility and oscillation of markets which were evident during the first half of the year subsided during the quarter. Third quarter investment returns were supported by the increase in US oil inventory and the decrease in the price of oil, which remains a key industrial input.



The U.S. Federal Reserve relaxed its tightening bias during the period and kept its target for the federal funds rate at 5.25%, after four successive increases during the first six months of the year. The Federal Reserve indicated that inflationary pressures seemed likely to be moderating over time. The moderation reflected the cumulative effects of earlier monetary policy actions to restrain aggregate demand and contain inflation.

In Barbados, the discount rate payable by commercial banks on temporary advances from the Central Bank remained at 12.0% for the quarter after an increase from 10.0% to 12.0% in the first quarter of the year. In 2006, the savings rate remained constant at 4.75% after four successive increases in 2005.

The international markets had their strongest rally in the third quarter. The Dow Jones Industrial index increased 4.7% while the Nasdaq and S&P 500 indices recorded gains of 4.0% and 5.2% respectively. These indices are currently at their highest levels for the year and are estimated to have a positive outlook for the last quarter. The Dow Jones Industrial and Nasdaq indices are up 8.1% and 2.4% respectively, while the S&P 500 index advanced by 7.0% for the year. These exchanges gained momentum from strong corporate earnings results.



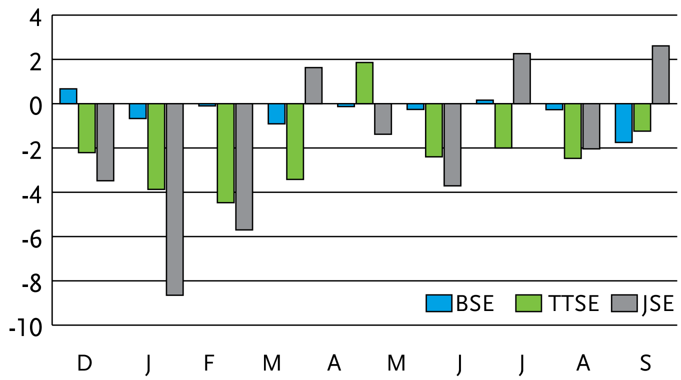
There was general weakness on the regional exchanges. The Barbados Stock Index and the Trinidad Stock Index lost 1.9% and 5.6% respectively during the third quarter while the Jamaica Stock Index made gains of 2.8% for the period. For the year, the Barbados stock index showed the best performance of all the regional indices. The Barbados stock index declined 3.2% for the year to date period ended September 30, 2006 while the Jamaica and Trinidad indices declined by 17.5% and 18.6% respectively.

By the end of September, the Sagicor Preferred Income Fund, which made a dividend payment of 3.14 cents per share in May, recorded a total return of 2.1%. The Sagicor Select Growth Fund and the Sagicor Global Balanced Fund recorded losses of 4.2% and 4.9% respectively. The overall weakness in the mutual fund industry was attributable to the negative returns from the regional indices where local mutual funds have the majority of their exposure.

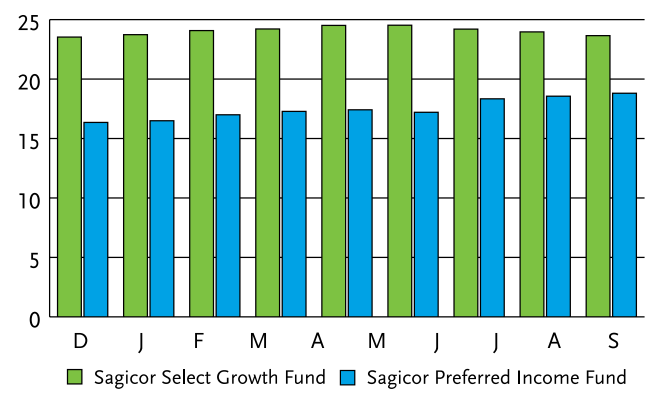
For the quarter the Global Balanced Fund and the Select Growth Fund recorded net investment income of $519,752 and $110,430 respectively. The Preferred Income Fund realized a net investment income of $256,523 for the year. Realized gains were the greatest contributors to net income for the quarter.

Although geopolitical concerns have abated somewhat, the global markets remain volatile and potential for renewed tensions continue to cause major concerns for international investors. The positive momentum from corporate earnings and reversion of oil prices to lower levels, should translate into higher returns and greater levels of liquidity in the markets which should benefit the Fund's international portfolio in the medium-term. Regional equity markets, particularly the Barbados and Jamaica markets, have stabalised and this should positively contribute to the performance.

REGIONAL STOCK MARKETS % CHANGE



GROWTH IN ASSETS
(Millions of $)



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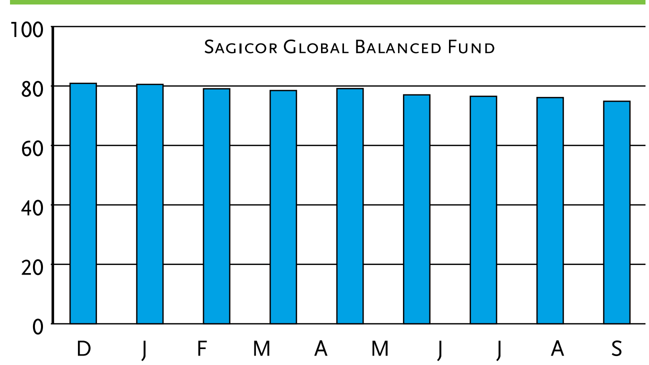

FINANCIAL HIGHLIGHTS AS AT SEPTEMBER 30, 2006 (YTD)

	Balanced Fund	Growth Fund	Income Fund
Investments at Cost	$ 61,596,075	$ 20,836,496	$ 17,295,001
Net Assets	$ 74,147,638	$ 23,588,640	$ 17,242,061
Net Asset Value	$ 1.98	$ 1.03	$ 1.04
Number of Units	37,474,792	22,974,526	17,894,065
Net Income (YTD)	$ (1,228,869)	$ (652,699)	$ 387,944
Portfolio Appreciation	$ 9,249,568	$ 221,044	$ (29,856)
Interest Accrued on Investments	$ 860,141	$ 0	$ 463,219