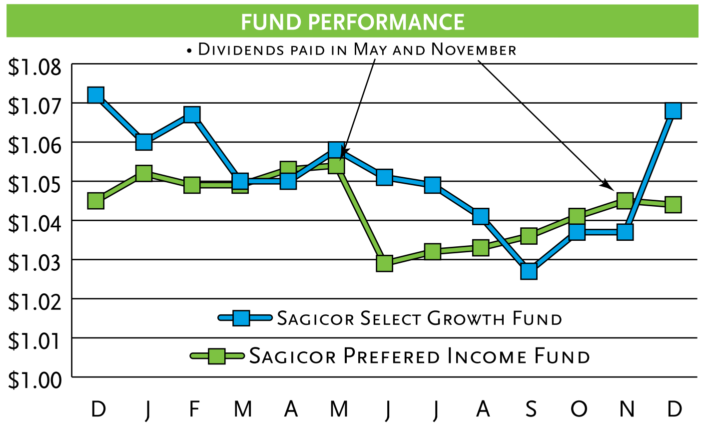
INVESTMENT COMMENTARY

Sagicor Funds Inc

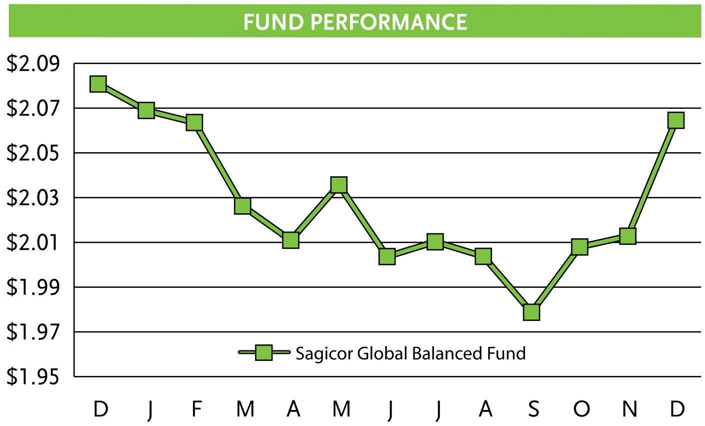
December 2006

The Sagicor Preferred Income Fund recorded a total return of 5.7% for 2006 while the Sagicor Select Growth Fund and the Sagicor Global Balanced Fund recorded moderate losses of 0.4% and 0.8% respectively for the year. For the quarter, the Sagicor Preferred Income Fund recorded a 3.7% return. The Global Balanced Fund and the Select Growth Fund recorded gains of 2.9% and 2.2% respectively for the quarter. The overall weakness in the mutual fund industry was attributable to the negative returns from the regional indices.



Regional equities showed a significant recovery in the final quarter of 2006, while international equities continued to strengthen in the fourth quarter after positive third quarter gains. US equities recovered from mid year lows as bullish investor sentiment defied a slumping housing market, record oil prices, and a two-year campaign of interest rate hikes. The high levels of volatility that marked the first half of the year subsided during the second half as the markets extended their gains.

The U.S. Federal Reserve maintained its balanced outlook on the economy by keeping the Federal Funds rate at 5.25% for the second half of the year. This stabilization came after four successive rate increases during the first six months of 2006. The Federal Reserve indicated that U.S. economic growth slowed over the course of the year, partly reflecting a substantial cooling of the housing market. They stated that inflation seems likely to slowdown during 2007 due to decreased energy prices, lower inflation expectations, and the previous actions taken by the Federal Reserve to curb inflation.



The international markets had their strongest rally in the fourth quarter. The Dow Jones Industrial index increased by 6.7%, while the Nasdaq and S&P 500 indices recorded gains of 7.0% and 6.2% respectively. These indices reached their highest levels for the year. The Dow Jones Industrial and Nasdaq indices grew 16.3% and 9.5% respectively, while the S&P 500 index advanced by 13.6% for 2006. These indicies gained momentum from strong corporate earnings results in the second half of 2006.

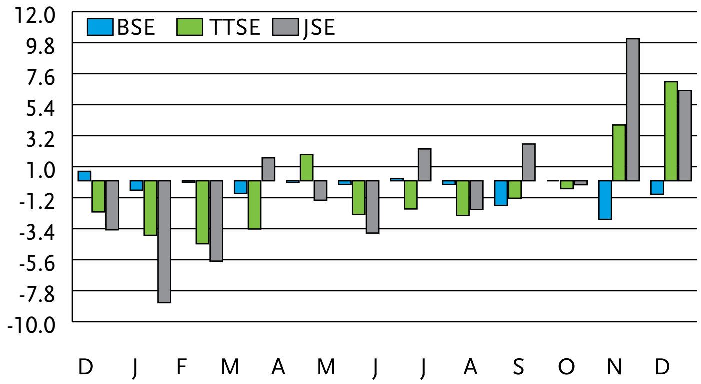
In Barbados the discount rate payable by commercial banks on temporary advances from the Central Bank remained at 12.0% for the fourth quarter after an increase from 10.0% in the first quarter of the year. In the fourth quarter of 2006, the savings rate was increased by 0.5% to 5.25% after four successive increases in 2005.

There was general weakness on the regional exchanges during 2006. While the Barbados Stock Exchange lost 5.4% during the fourth quarter, the Trinidad Stock Exchange and the Jamaica Stock Exchange staged a recovery growing 9.3% and 19.9% respectively during the quarter. For the year, the Jamaica stock index showed the best performance of all the regional indices. The Jamaica stock index declined 3.7% for the year while the Barbados and Trinidad indices declined by 6.8% and 9.9% respectively.

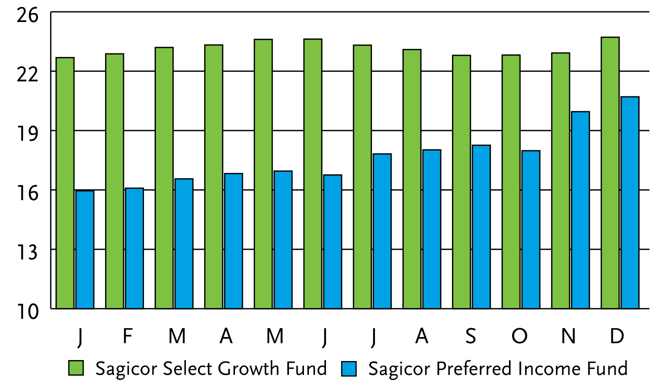
For the year the Global Balanced Fund recorded net investment income of $1.1 million. The Select Growth Fund and the Preferred Income Fund realized net investment income of $282,353 and $1.0 million respectively for the year. Realized gains were the greatest contributors to net investment income for the quarter.

Increased geo-political concerns in 2007 are expected to impact negatively on investor sentiment in the medium-term. However, with average oil prices expected to be lower this year as compared to 2006, inflationary pressures should abate and investors are expected to find additional strength in the equity markets. The positive momentum from the regional and international indices in 2006, along with the increasing levels of investor confidence will provide the funds with increased opportunities for growth.

REGIONAL STOCK MARKET % CHANGE



GROWTH IN ASSETS
(Millions of $)



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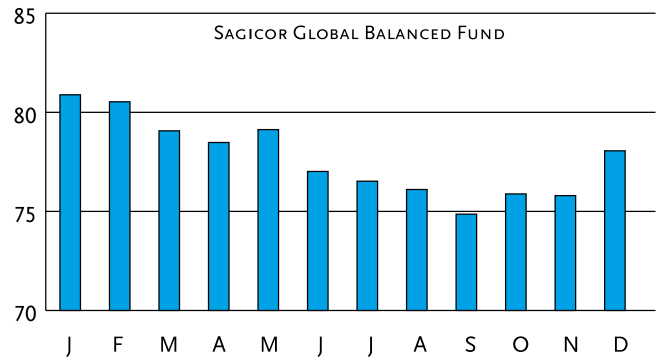

FINANCIAL HIGHLIGHTS AS AT DECEMBER 31, 2006 (YTD)

	Balanced Fund	Growth Fund	Income Fund
Investments at Cost	$ 62,259,164.40	$ 20,240,047.24	$ 18,590,361.00
Net Assets	$ 76,786,457.55	$ 24,406,584.19	$ 21,196,152.05
Net Asset Value	$ 2.06	$ 1.07	$ 1.04
Number of Units	37,194,991.37	22,848,635.43	20,294,303.26
Net Investment Income (YTD)	$ 1,087,749.16	$ 282,353.25	$ 1,019,909.72
Portfolio Appreciation	$ 12,140,696.47	$ 1,623,040.48	$ 186,745.71
Interest Accrued on Investments	$ 368,474.20	$ 6,928.78	$ 220,926.23