MUTUAL FUNDS

INVESTMENT COMMENTARY

Sagicor Funds Inc

SEPTEMBER 2008

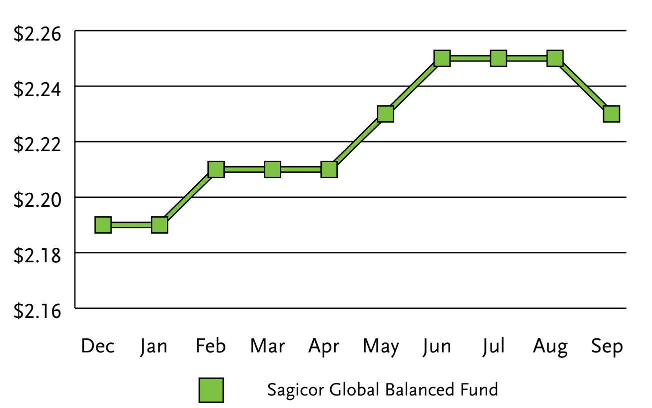
The third quarter of 2008 was marked by unprecedented levels of volatility, multiple bankruptcies and double digit year losses on the world stock indices. The dramatic decline in global equity markets due to the contagion effects of the sub-prime crisis deepened during the quarter leading to the closure of several major financial institutions worldwide. The collapse of the global markets forced governments in the developed world to institute emergency measures ranging from multi billion dollar bailouts to coordinated interest rate reduction to promote economic growth. Global liquidity contracted as the faltering markets forced financial institutions to hoard cash and worsened the credit crisis. Companies showed a preference for the relative safety of government securities resulting in a reduction in credit to the corporate sector.

The pace of economic activity slowed markedly in the quarter as the intensification of financial market declines exerted additional restraint on spending. This further reduced the ability of households and businesses to obtain credit resulting in weakened demand for goods and services. The overall weakness reduced the pressures on the global market for the price of oil per barrel. Oil prices peaked at $147 per barrel in July and fell 45.6% to $101 by the end of September. These declines eroded the double digit percentage increases for the year. As consumer confidence continues to wane, oil prices are expected to decline and this should translate into moderated inflationary pressures.

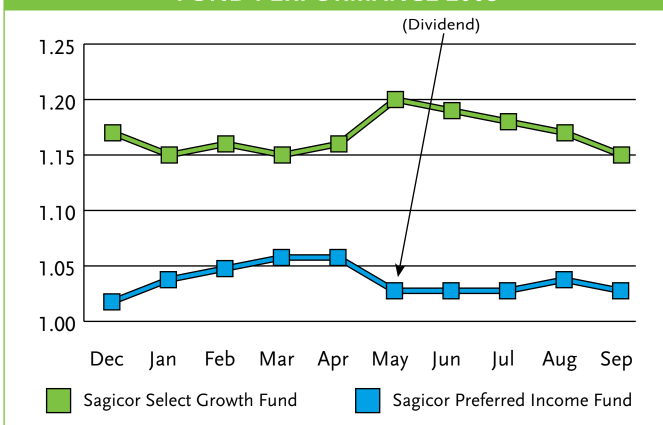
Despite the overall market weakness, the Sagicor Funds performed creditably during the quarter. The Sagicor Global Balanced Fund and the Sagicor Select Growth Fund declined 0.1% and 3.2% respectively for the quarter. The Sagicor Preferred Income Fund gained 0.1% for the quarter. The Sagicor Global Balanced Fund the Sagicor Preferred Income Fund remained in positive territory with gains of 1.7% and 4.2% respectively for the year. The Sagicor Select Growth Fund declined 2.1% for the year. The Fund's performance was supported by a strategy of geographical diversification and careful stock selection. We pared our exposure to stocks and maintained our cash position in light of market volatility. Weakness in the regional indices is expected to continue into the fourth quarter as equity markets continue to decline, while international markets show indications of continued volatility.

The international markets fell sharply during the quarter as the "crisis of confidence" eroded investor sentiment. The Dow Jones Industrial Average fell 4.4% during the period and ended the quarter below the 11,000 mark. The NASDAQ and the S&P 500 declined significantly for the quarter and ended the period with losses of 8.8% and 9.0% respectively. The Dow Jones Industrial Index and Standard and Poors Index fell 20.7% and 18.2% respectively for the year, while the NASDAQ declined 21.2%. Despite the volatility and weakness in the markets, the United States Federal Reserve maintained its monetary policy stance during the quarter and held the Federal Funds Rate at 2.0%.

FUND PERFORMANCE 2008



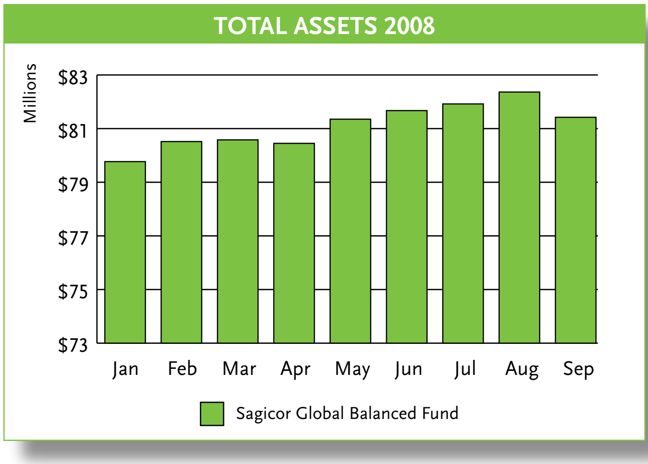
FUND PERFORMANCE 2008

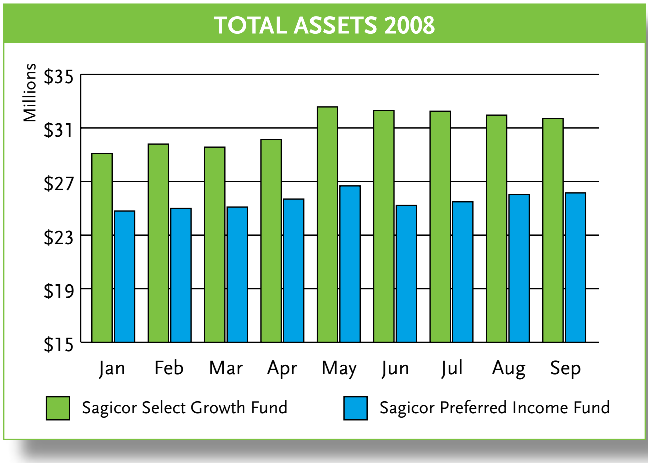


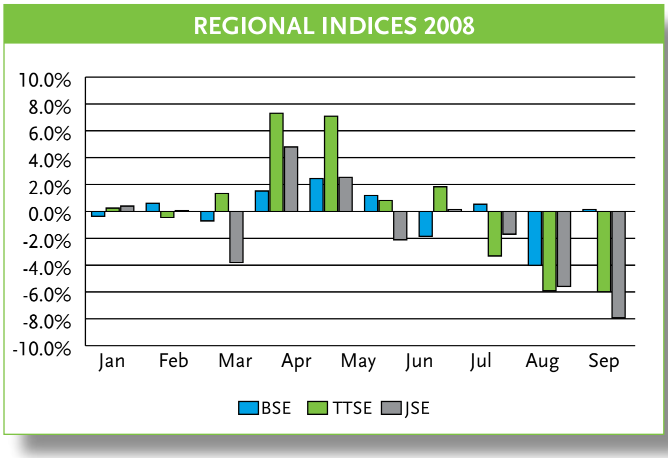
Emerging markets, which for the past few years have outperformed the developed indices experienced a significant decline as investors showed a preference for the safety of government bonds in the developed market. Stock market gains in the region were eroded by declines in their respective capital markets. Most notably, Jamaica and Trinidad have seen significant declines in their equity markets during the quarter. The Trinidad and Jamaica indices fell 7.4% and 7.1% respectively for the quarter. The Barbados index fell 5.3% for the period. For the year to date period the Barbados and Jamaica indices have declined 0.8% and 5.5% respectively while the Trinidad index rose 8.8%. In Barbados, the three month treasuries slid from 4.07% in June to 3.48% at the end of the period. The Central Bank maintained the minimum savings rate 4.50% during the quarter.

The Global Balanced Fund recorded a net investment income of $1.0 million for the year. The Select Growth Fund and the Preferred Income Fund realized net investment income of $325,359 and $1.1 million respectively for the year. Realized and unrealized gains were the major contributors to net income for the quarter.

The “crisis of confidence” has become a global contagion affecting economies around the world. Sagicor Funds Incorporated does not have any direct exposure to any of the failed banking institutions but is not totally immunized from the wider market effects. As markets remain uncertain in the immediate future, we remain poised to take advantage of any investment opportunities and are committed to prudently managing shareholder wealth.







FINANCIAL HIGHLIGHTS AS AT SEPTEMBER 30, 2008 (YTD)			
	Balanced Fund	Growth Fund	Income Fund
Investments at Cost	$ 67,337,672.33	$ 25,011,760.30	$ 23,238,866.73
Net Assets	$ 80,918,302.33	$ 31,562,627.79	$ 25,739,531.24
Net Asset Value	$ 2.23	$ 1.14	$ 1.04
Number of Units	36,255,086.43	27,589,934.91	24,877,400.17
Net Investment Income (YTD)	$ 1,047,617.17	$ 325,359.48	$ 1,090,118.90
Portfolio Appreciation	$ 7,654,412.10	$ 732,680.33	($ 265,344.81)
Interest Receivable	$ 532,169.34	$ 41,138.85	$ 694,162.60

Sagicor
MUTUAL FUNDS

October 14, 2008

Dear Client

Re: Current Financial Environnent

The financial markets have been characterized by unprecedented levels of volatility during the past weeks as the current credit crisis unfolded. This has undoubtedly created challenges across the investment landscape and resulted in the dislocation of some financial service entities. However, our funds have no material exposure to distressed entities and we continuously monitor our capital market exposure for significant risks. This current turmoil has highlighted the downside of financial internationalization and emphasized the need for a prudent long term focus in investing.

Sagicor Funds Incorporated was established with a vision of providing sound investing products and has successfully navigated these crises in the past. Sagicor's business and franchise remains strong and our approach to investing underlines prudence and adherence to the tenants of good risk management. The Funds maintain strong balance sheets and liquidity positions and are supported by the skills and experience of our employees.

While we expect some volatility in performance, we continue to adhere to our focus on long term investment strategies. We have seen historically, that the markets have experienced strong performance after periods of market decline and this bodes well for investors who retain their investments. As we write, the markets have shown a strong rebound following the proposals of the governments of the major industrial nations to support the financial markets. On October 13, 2008, the Dow Industrial Average increased by a record 936 points and recorded an 11% gain, while the S&P 500 Index increased 11.6%.

The Sagicor Global Balanced Fund has delivered good long-term performance with an average annual return of 7.4%, while the more recently launched Select Growth Fund and Preferred Income Fund had average annual returns of 5.4% and 6.0% respectively. The principal focus of Sagicor Funds Incorporated remains that of employing strategies consistent with sound long-term management and delivering good service to our clients. In the midst of the challenges ahead, there will be opportunities for growth and we remain committed to the further development of our business to the benefit of our shareholders.

Sagicor Funds Incorporated is a wholly owned subsidiary of Sagicor Financial Corporation a financial services corporation with over 168 years experience in insurance and investment management and assets of US$3.6 billion.

Dexter Moe
Assistant Vice President