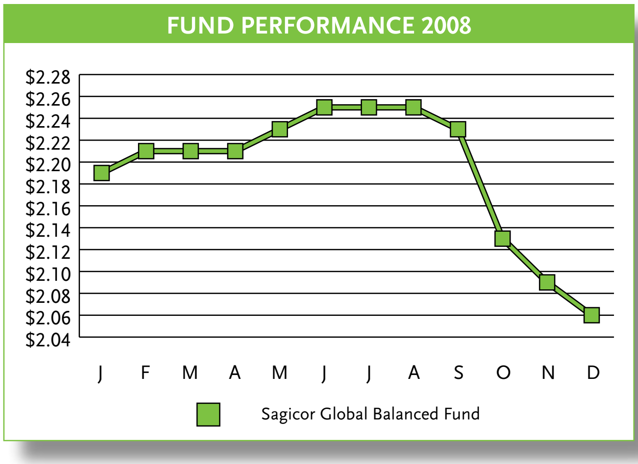
INVESTMENT COMMENTARY

Sagicor Funds Inc

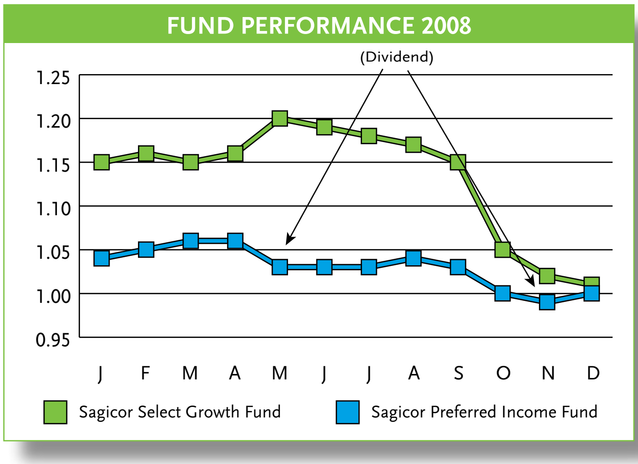
DECEMBER 2008

Sagicor
MUTUAL FUNDS

The financial contagion significantly constrained international equity returns causing substantial declines in major indices. The Sagicor suite of funds outperformed major indices, however performance fell below expectations for the year. The Sagicor Global Balanced Fund and the Sagicor Select Growth Fund declined 6.3% and 11.7% respectively for the quarter. The Sagicor Preferred Income Fund declined 1.9% for the quarter. The Sagicor Preferred Income Fund remained in positive territory with gains of 1.9% for the year. The Sagicor Select Growth Fund and the Sagicor Global Balanced Fund declined 13.6% and 6.0% respectively for the year.



We adopted a defensive posture and pared the Funds' exposures to the regional and international equities in favor of fixed income securities and cash holdings. Returns on the global equity markets are expected to remain depressed into the first quarter of 2009 as key global indicators continue to worsen.



The international markets declined in the final quarter of the year as the US and European nations fell into recession. The Dow Jones Industrial Average fell 19.1% during the quarter. The NASDAQ and the S&P 500 declined significantly for the quarter and ended the period with losses of 24.6% and 22.5% respectively. The Dow Jones Industrial Index and Standard and Poors Index fell 38.5% and 33.9% respectively for the year, while the NASDAQ declined 40.5%.

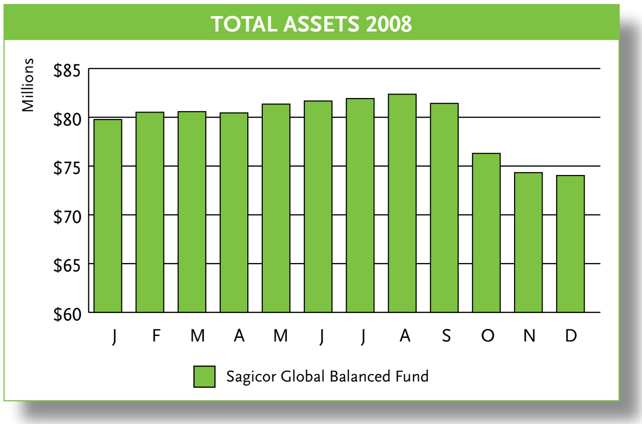
The effects of the ongoing financial crisis led to significant deterioration in consumer spending, industrial production and global labor markets. During the fourth quarter, the financial markets remained stressed and credit conditions continued to tighten. Regional and international equities declined sharply as the weakening financial and automobile industries lobbied for assistance to stave off impending bankruptcies. The announcement that the United States economy had slipped into recession in December 2007 further depressed global markets. The current recession is the third longest recession since World War II and is projected to end at earliest, in the middle of 2009.

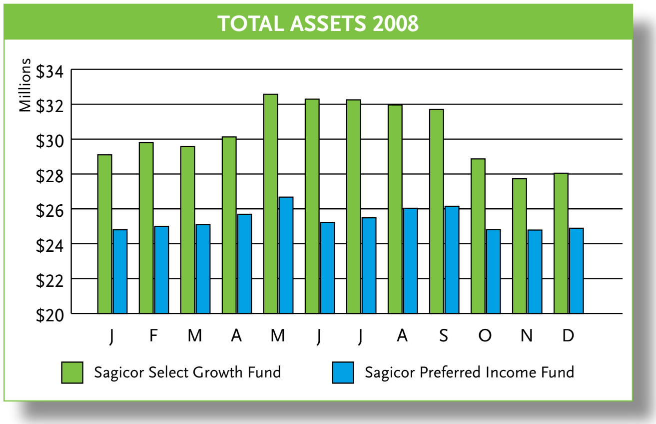
The weakened US housing market declined during the quarter to its lowest levels in fifty years whilst unemployment rose to its highest level in close to two decades. Declining investor sentiment resulted in the slowing of international economic activity. The global downturn and capital flight from riskier investments led to historically low short term yields on US treasury issues. Inflationary fears gave way to pressures of an ongoing recession and led the Board of Governors at the US Federal Reserve to reduce the Federal Funds Rate by 0.75%. This established a target range of 0.0% to 0.25% on intra bank rates at the end of the year. This reduction of rates was announced amidst significantly lower oil prices and historically low retail statistics over the peak retail seasons. The price of oil declined significantly to $45 per barrel. This value represented a $100 per barrel decline in the value of oil over the final six months of the year.

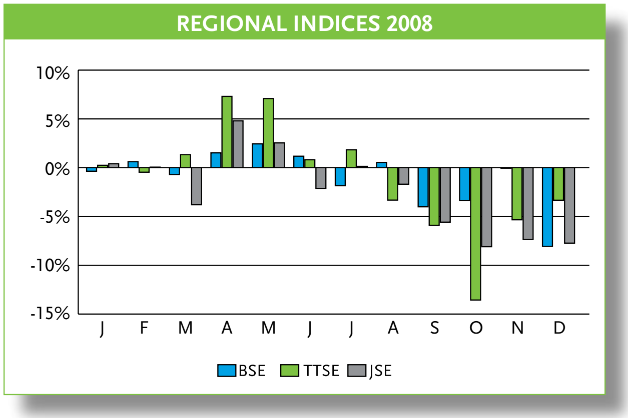
Investors seeking the safety of US treasuries, drove yields down to historical lows. This significantly stymied growth of emerging market debt by decreasing the prices of existing issues. Losses on emerging equity indices during the year have been substantial and have resulted in five and ten year lows for historically buoyant markets in Europe and Asia. In the Caribbean, all three major indices experienced double digit declines for the year. The Barbados Stock Exchange declined 11.2% in the final quarter and Jamaica and Trinidad indices declined 21.4% and 20.9% respectively. For the year to date period, the Barbados Stock Exchange declined 11.9% and Jamaican and Trinidadian indices declined 25.8% and 14.2% respectively. Locally, the three month treasuries rallied to 4.68% by the end of the year, and the savings rate and the discount rate declined to 4.0% and 10.0% respectively.

The Global Balanced Fund recorded a net income of $1.2 million for the year. The Select Growth Fund and the Preferred Income Fund realized net investment income of $375,763 and $1.5 million respectively for the year. Unrealized losses were the major detractors to net income for the year.

With the global economy facing its worst prospects in 60 years the financial crisis is expected to slow global growth to 0.9% in 2009 from 5.0% in 2008. The global contagion has resulted in wholesale restructuring efforts to preserve shareholder wealth. Despite the tumultuous year, evidenced by the global meltdown and the crippling financial scandals, the markets still appear show signs of cautious optimism as the price of raw materials continue to decline. Sagicor Funds Incorporated will maintain a defensive position in the markets and seek to capitalize on opportunities where value is favourable.







FINANCIAL HIGHLIGHTS AS AT DECEMBER 31, 2008 (YTD)			
	Balanced Fund	Growth Fund	Income Fund
Investments at Cost	$ 66,685,269.48	$ 27,609,130.62	$ 24,216,901.49
Net Assets	$ 74,030,443.49	$ 28,045,531.73	$ 24,890,214.85
Net Asset value	$ 2.06	$ 1.01	$ 1.00
Number of Units	35,893,475.16	27,727,672.40	24,908,436.49
Net Income	$ 1,183,136.04	$ 375,763.93	$ 1,462,839.16
Portfolio Appreciation	$ 2,281,070.68	($ 2464996.81)	($ 1221162.97)
Interest Receivable	$ 572,414.20	$ 5,779.27	$ 798,512.03