INVESTMENT COMMENTARY

Sagicor Funds Inc

SEPTEMBER 2011

Sagicor MUTUAL FUNDS

The third quarter of 2011 was marked by unprecedented levels of volatility, igniting a flight to quality as major world equity indices experienced double digit losses while government bonds rallied. The main headwinds to global economic stability were the political gridlock in the United States, the beleaguered Euro-Zone economies and the threat of displacement in China. The flight to quality has boosted the prices of 'safe haven' assets.

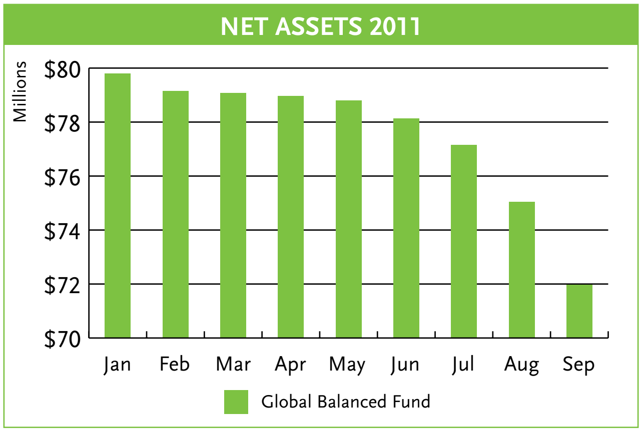
The Sagicor Global Balanced Fund declined 6.9% for the quarter and 3.4% for the year and the Sagicor Select Growth Fund decreased 9.7% for the quarter and 5.9% for the year. The Sagicor Preferred Income Fund gained 0.4% for the quarter and 2.5% for the year. The Fund also paid a dividend of 2.13 cents at the end of May. During the quarter, the US economy was downgraded by Standard and Poors to AA resulting in record volatility and a significant sell off of riskier assets. The flight to quality continued in September as the European Sovereign debt crisis worsened, causing nervous investors to boycott global equity markets. The financial system remained vulnerable to the inflationary pressure as food and energy prices moved higher which caused an erosion of consumer purchasing power and a decline in spending.

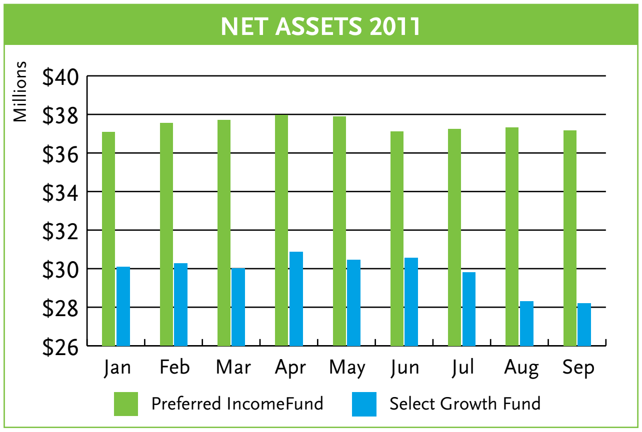
In an effort to fulfill its dual mandate of price stability and full employment, the U.S. Federal Reserve sustained its loose monetary policy, and continued its purchases of longer-term securities through reinvestment of principal payments from existing securities. The unemployment rate remained elevated and stood at 9.2% at the end of the quarter. The increase in inflation is expected to be temporary and fueled by soaring energy and commodity prices which are expected to decline in the latter half of the year. The Federal Reserve maintained its accommodative policy stance of keeping the target range of 0.00% to 0.25% for the Federal Funds Rate unchanged. The Federal Reserve reiterated its intention to closely monitor these monetary policy initiatives to ensure that they remained in line with the achievement of its mandate and to make adjustments where necessary.

The developed markets declined significantly for the quarter. The Dow Jones Industrial Average decreased 12.1% during the quarter and 5.7% for the year. The NASDAQ and the S&P 500 declined 12.9% and 14.3% respectively for the quarter and declined 9.0% and 10.0% respectively for the year. The FTSE 100 declined of 13.7% for the quarter and decreased 13.0% for the year. Rates on US treasuries lingered at historical lows and the Federal Funds Rate remain between 0.00% to 0.25%.

Headwinds to economic growth remained present as the economies of the Eastern Caribbean Currency Union (ECCU) continued to be negatively impacted by the displacement in global financial markets. Real growth within the ECCU continued to be constrained primarily by the decline in tourist arrivals from key source markets, coupled with persistent unemployment. However, tourist arrivals are expected to expand moderately during the winter season. Furthermore, there seemed to be an uptick in construction based upon the rising level of importation of materials used in building and construction. The increase in personal loans to facilitate construction of new homes and refurbishment of existing structures from June onwards supported this increase in construction activity. Given the ECCU's susceptibility to the volatility in international economies, estimated real growth in the ECCU has been revised downwards to 0.4% for 2011.

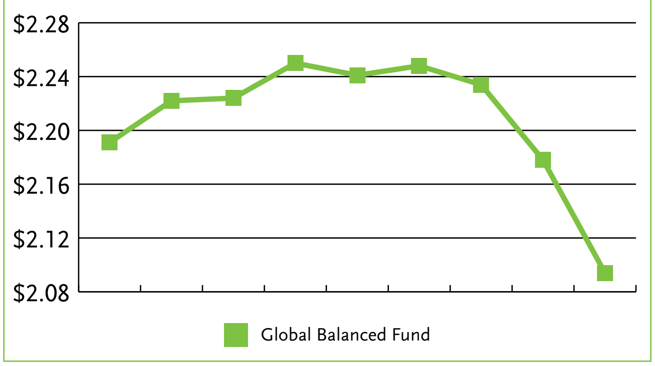
During the third quarter, the Eastern Caribbean Securities Exchange declined by 0.13%. Liquidity in the banking system improved, buoyed by large increases in grants and official inflows. There was modest expansion of foreign reserves primarily driven by increases in grants, loan inflows as well as improvements in the tourism industry. The Eastern Caribbean Central Bank





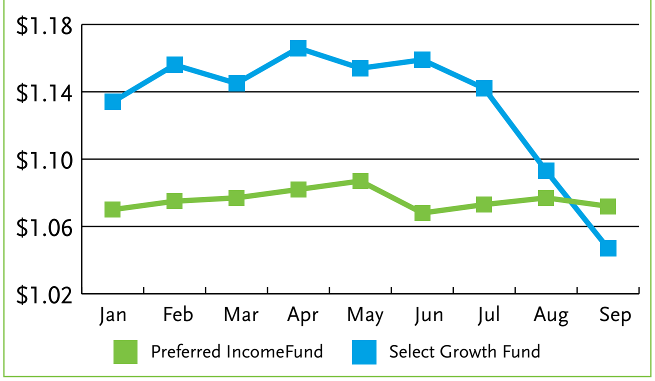
maintained the minimum savings deposit rate at 3.0% and the discount rate at 6.5%. The ECCU dollar remains pegged at EC$2.7 to US$1.0.In the economic forecast industry experts lowered projections for the increase in global GDP for the final quarter of 2011 and in the medium term. The incoming data on labor market conditions and indicators of consumer and business sentiment were weaker than anticipated. In addition, financial conditions deteriorated since the time of the half year forecast as investors pulled back from riskier assets. The global projection for inflation was little changed from previous forecasts at the end of the second quarter. The upward pressure on consumer prices from increases in import and commodity prices earlier in the year were expected to recede further in the coming quarters.

FUND PERFORMANCE 2011



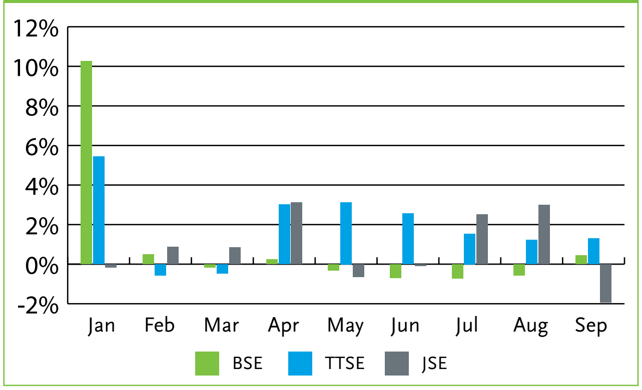
The biggest bond gains in almost a decade pushed returns on Treasuries above stocks over the past 30 years, the first time that's happened since before the Civil War. Fixed-income investments advanced 6.3% this year, almost triple the 2.2% rise in the Standard & Poor's 500 Index. Debt instruments are expected to be the favored investments for the balance of the year as investors are expected to continue to increase their holdings of fixed income instruments.

FUND PERFORMANCE 2011



The United States Federal Reserve's policy is still accommodative and will serve to test the integrity of the U.S. recovery and the full impact of this action on economic recovery remains unknown. Furthermore, the long term outlook for Greece remains very fragile and the implementation of the recently accepted austerity measures will determine the survival of its economy. In light of the above, emerging markets are expected to provide the impetus for spurring the economic recovery in the global financial markets. Growth in the developed markets are expected to slow in the final quarter of the year, as a result of the implementation of more stringent monetary policies and austerity measures.

REGIONAL INDICIES 2011



Financial markets are expected to remain volatile and investor sentiment low for the rest of the year and into 2012. Weakened equity markets are expected to detract from global growth and the investment of safe debt instruments are expected to continue to strengthen returns. The threat of further default from Greece and Italy in the European Union and from within the Caribbean presents an ever persistent threat to global and regional instability. However, despite the challenges, we remain poised to take advantage of any investment opportunities and remain committed to managing shareholder wealth during these difficult times.

FINANCIAL HIGHLIGHTS AS AT JUNE 30, 2011 (YTD)

	Balanced Fund	Growth Fund	Income Fund
Investments at Cost	$ 67,874,764.00	$ 30,310,375.43	$ 36,110,845.27
Net Assets	$ 71,972,475.15	$ 28,196,883.06	$ 37,178,812.49
Net Asset Value	$ 2.09	$ 1.05	$ 1.07
Number of Units	34,366,910.09	26,918,494.24	34,689,017.03
Net Investment Income	($ 1,701,957.09)	($ 740,830.77)	$ 1,155,454.39
Portfolio Appreciation	$ 1,134,154.36	($ 265,588.48)	$ 1,530,799.93
Interest Income	$ 1,814,498.24	$ 152,128.30	$ 2,205,431.72