Sagicor
MUTUAL FUNDS

INVESTMENT COMMENTARY

Sagicor Funds Inc

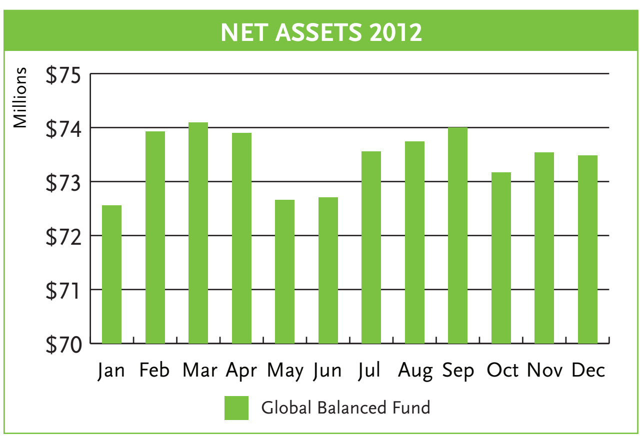
DECEMBER 2012

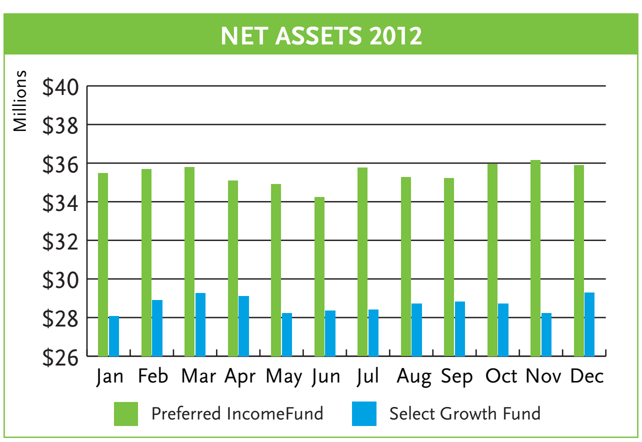
The year 2012 marked an improvement for international equity markets relative to 2011. Major international indices registering double digit gains for the year. Generally the economic environment remained uncertain, albeit to a lesser extent, as compared to volatility that prevailed during the previous year.

During the fourth quarter, concerns regarding the US Fiscal Cliff dominated investor sentiment. Furthermore, volatility in international equity market heightened on the backdrop of macro-geopolitical events and the financial impact of Hurricane Sandy. International equities experienced mixed results for the quarter. U.S. indices declined moderately while emerging market indices showed moderate gains. Regionally, equity markets in Barbados and Trinidad contracted while the Jamaica equity market showed a moderate improvement for the quarter.

The Sagicor Funds performed creditably. For the year ended December 31, 2012 the Select Growth Fund and Global Balanced Fund increased by 10.3% and 6.5% respectively while the Preferred Income Fund increased by 1.7%. The Sagicor Preferred Income Fund and Sagicor Select Growth Fund both gained by 0.8% for the quarter ending December 31st 2012 while the Sagicor Global Balanced Fund for the declined -0.1%.The Funds' performance was supported by the diversification of the portfolios with international emphasis, somewhat counteracting weakness in regional equity markets.

The Federal Open Market Committee (FOMC) continued their focus on maximum employment and price stability and thus implemented $45 billion of monthly treasury purchases upon the completion of "Operation Twist". The injections were used to supplement their plan of $40 billion a month mortgage bond purchases. They also decided to maintain the Federal Funds rate at the range of 0% - 0.25% until the unemployment rate falls below 6.5% or inflation rises above 2.5% a year. The US unemployment rate for December 2012 was 7.8%. This highly accommodative monetary policy was expected to support these FOMC goals. The policy will be monitored along with other factors such as labor market conditions and indicators of inflation pressures to ensure that they remain consistent with the long term goals.



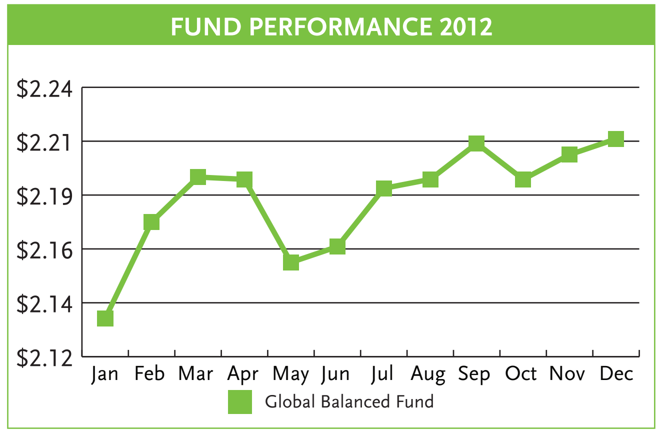


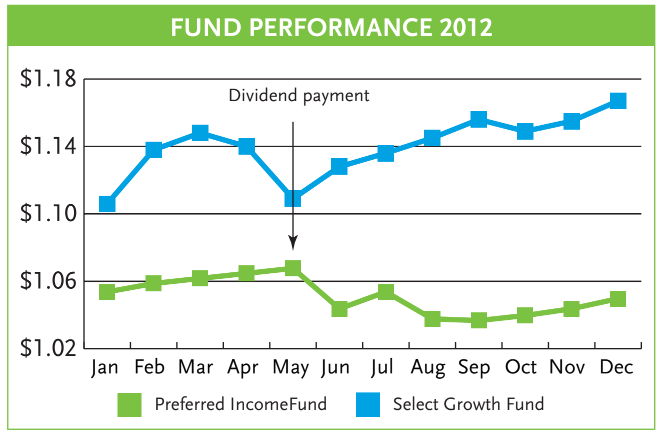
The US markets declined during the final quarter of 2012 with the Dow Jones Industrial Average and S&P 500 indices decreasing by 1.7% and 0.4%. The NASDAQ fell by 2.5%. For the year the indices had significant gains with the NASDAQ leading with growth of 17.5% and the S&P and DOW Jones recording gains of 16.0% and 10.2% respectively. The FTSE 100 and DAX both increased for the quarter and for the year with returns of 5.8% and 29.1% respectively for the year.

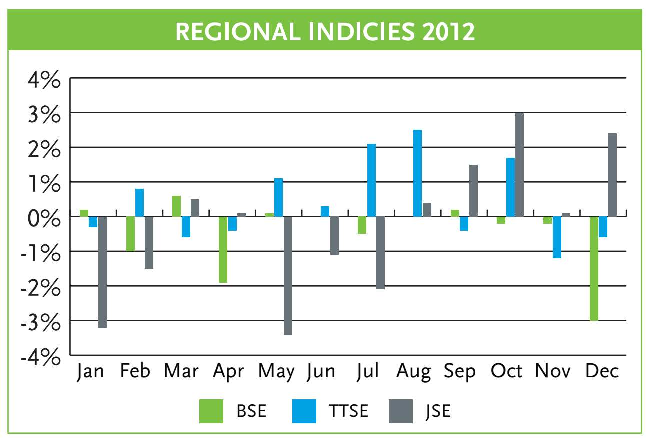
Regional markets had mixed performances for 2012. During the quarter Barbados' Index declined by 3.5% and Jamaica's Index increased 5.6%, and both indices decreased by 5.7% and 3.4% respectively for the year. The Trinidad and Tobago Index declined 0.1% for the quarter and advanced 5.1% for the year. The Barbados three month Treasury Bill rate was of 3.62% and the six month Treasury Bill rate was 3.58%.

The funds' portfolios continue to be well diversified among local, regional and international holdings. In light of the current low interest rate environment, the fixed income portfolio has been re-positioned through reduction of its duration. This is a tactical measure that should mitigate the negative impact of increasing interest rates and reduce reinvestment risk. During the quarter the equity portfolio benefited from the accommodative monetary policy stance by the Central Banks in developed markets. We will continue to emphasize segments expected to benefit from these actions going forward.

There is an expectation for growth in 2013 to be more subdued than first forecasted with most experts revising their global growth rates. The IMF lowered its forecast for global economic growth for 2013 to 3.5% from an earlier estimate of almost 4.0%. With the resolution for the Fiscal Cliff being a temporary measure and the debt ceiling being the next obstacle faced by the US, it is anticipated that there will be low growth in the first half of the year. There has been some improvement in the labor statistics in the US but these have not been sufficient to improve expectations. With the uncertainty of the US debt ceiling negotiations and the expectation of the Euro area to go into further recession before recovery, further volatility is expected. Despite these challenges, we remain positioned to capitalize on feasible investment opportunities and to effectively manage shareholders' wealth.







FINANCIAL HIGHLIGHTS AS AT DECEMBER 30, 2012 (YTD)

	SGBF	SPIF	SSGF
Investments at Cost	$ 67,273,942.11	$ 34,406,375.12	$ 29,238,119.96
Net Assets	$ 73,486,272.67	$ 35,906,401.19	$ 29,278,550.65
Net Asset Value	$ 2.22	$ 1.08	$ 1.17
Number of Units	33,146,167.19	34,188,963.07	25,098,262.63
Net Investment Income	$ 118,031.04	$ 512,020.27	$ 269,045.53
Portfolio Appreciation	$ 527,189.00	$ 605,143.31	$ 380,699.83
Interest Income	$ 401,707.34	$ 483,671.01	$ 32,309.05