Sagicor
MUTUAL FUNDS

INVESTMENT COMMENTARY

Sagicor Funds Inc — September 2014

International equity markets experienced relatively depressed performances for the third quarter of 2014 as volatility intensified against the backdrop of increased geopolitical tension within the Middle East and Ukraine, as well as uncertainty surrounding future changes to monetary policy in the U.S. However, despite a relative slowdown in momentum, U.S. equity markets ended the quarter in positive territory. Within the U.S., investor sentiment showed moderate improvement as favourable economic data released during the quarter showed economic growth of 4.6% for the second quarter, the fastest growth rate since 2011. The unemployment rate continued along its downward trajectory to 5.9% in September, the lowest level since 2008. Emerging market equities lagged the performance of their developed market counterparts, and ended the quarter in negative territory. Regionally equity markets posted mixed performances as the Barbados Stock Exchange and the Trinidad and Tobago Stock Index registered declines for the quarter, while the Jamaica Stock Index advanced for the period.

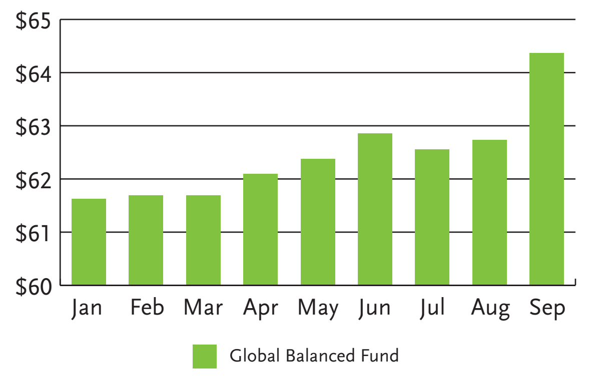
Generally, global fixed income markets registered declines for the quarter. However, U.S. fixed income markets benefited from increased demand for safe haven assets coupled with the relative strength of the U.S. dollar. During the quarter, yields on longer maturity Treasuries declined as evidenced by the decrease on the yield of the 10 year Treasury to 2.5% as at September 30, 2014 from 2.52% as at June 30, 2014. Emerging markets debt underperformed as prices softened due to the transition of liquidity out of emerging market assets into Treasuries amid an anticipated decline in growth within key emerging market countries coupled with falling commodity prices and a relatively stronger U.S. dollar.

The Sagicor Mutual Funds had mixed performances for the third quarter of 2014. The Sagicor Select Growth Fund and the Sagicor Global Balanced Fund decreased 1.8% and 0.4% respectively for the quarter, while the Sagicor Preferred Income Fund gained 0.8% for the period. For the year to date period the funds the Sagicor Preferred Income Fund returned 2.8% while the Sagicor Select Growth Fund and Sagicor Global Balanced Fund both increased by 1.8%. The Funds were impacted by the volatility that persisted in the international markets during the third quarter of the year.

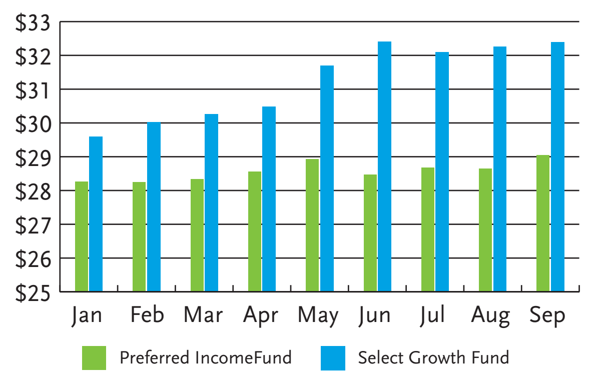
The Federal Open Market Committee (FOMC) continued to pursue its mandate of maximizing employment and price stability. Within the U.S., key economic indicators showed improvement, therefore the FOMC maintained the tapering of its bond repurchase program, and announced its plans to reduce the program by another $10 billion. The FOMC reiterated the probable end of the bond purchase program in October 2014 and communicated its decision to maintain the Federal Funds rate at the range of 0.00% - 0.25% in an effort to stimulate the economy. However, concerns surrounding the low inflation rate prompted the FOMC to indicate its intention to maintain the Fed Funds Rate near zero for the foreseeable future. Inflation remained subdued and was reflected at 1.7% as at August 2014.

The U.S. equity markets ended the third quarter with positive returns. The S&P 500 Index and the NASDAQ Composite Index gained 1.1% and 2.2%, respectively, while the Dow Jones Industrial Average (DJIA) Index increased 1.9% for the quarter. The S&P 500 Index and the NASDAQ Composite year to date returns increased to 8.3% and 8.6% while the DJIA Index returned 4.6%. Both international developed equities and emerging markets lagged the US equities for the quarter. The FTSE 100 Index decreased 1.8% while the German DAX Index remained flat for the third quarter of 2014. The MSCI EAFE Index decreased 5.8% for the quarter, while the MSCI Emerging Market Index decreased by 3.4%. The MSCI EAFE declined 1.0% for the year to date period while the MSCI Emerging Market Index increased by 2.7%.

NET ASSETS 2014



NET ASSETS 2014



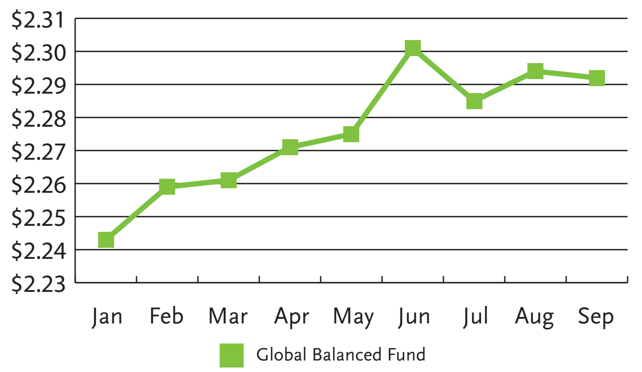
Regional indices had mixed returns for the third quarter of 2014. The Trinidad and Tobago Stock Index and the Barbados Stock Exchange declined 2.0% and 1.1% respectively. The Jamaica Stock Index increased by 2.1% for the third quarter. For the year to date period these indices all recorded declines, the Barbados Stock Index had the most significant decrease and declined by 28.7%, while the Jamaica Stock Index and the Trinidad and Tobago Stock Index decreased 11.2% and 3.0% respectively. The Barbados three-month Treasury Bill rate was 3.42% and the six-month Treasury Bill rate rose to 3.51%, relative to the previous quarter.

The Sagicor Global Balanced Fund net assets amounted to $64.4 million at the end of the third quarter. The Sagicor Preferred Income Fund and the Sagicor Select Growth Fund net assets increased to $29.0 million and $32.4 million, respectively. For the year to date period, the Sagicor Global Balanced Fund and the Sagicor Select Growth Fund recorded net investment income of $3.2 million and $2.1 million respectively. The Sagicor Preferred Income Fund recorded net investment income of $1.2 million.

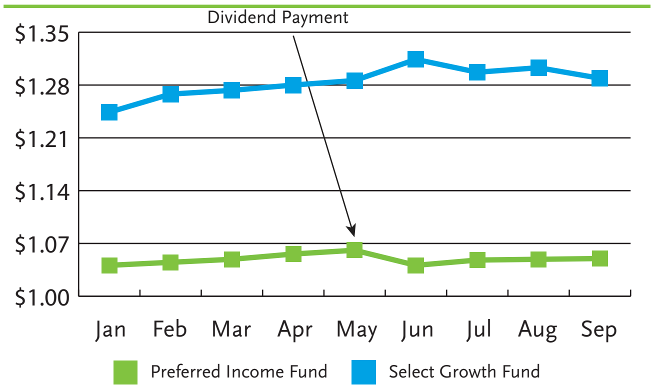
The performance of the Select Growth Fund and Global Balanced Fund was impacted by the decline in the international equity markets and emerging markets in the third quarter of the year, while the regional equity market holdings also negatively impacted the portfolio. The Preferred Income was positively impacted by the improvement in the fixed income markets during the period.

The IMF revised global economic growth downward to 3.3% for the year 2014. The revision was due to relatively depressed economic activity in advanced economies such as Europe and Japan which continued to be adversely impacted by recessionary conditions and falling export levels, respectively. Economic growth within Europe remained tepid while Japan's economy contracted by 0.3% for the first half of 2014. Therefore, further monetary policy accommodation is anticipated to stimulate economic growth within these countries. Emerging markets are expected to maintain the lead in spurring global growth, however, major emerging market economies continue to show signs of economic slowdown largely attributable to softer commodity prices and reduced export levels. Growth within the U.S. has improved during the second quarter and is expected to maintain momentum throughout the remainder of the year. Locally, the IMF has revised upwards Barbados' growth for 2015 to 0.5% and anticipates that the economy will record a slight contraction of 0.6% for 2014 after remaining flat for the first half of this year.

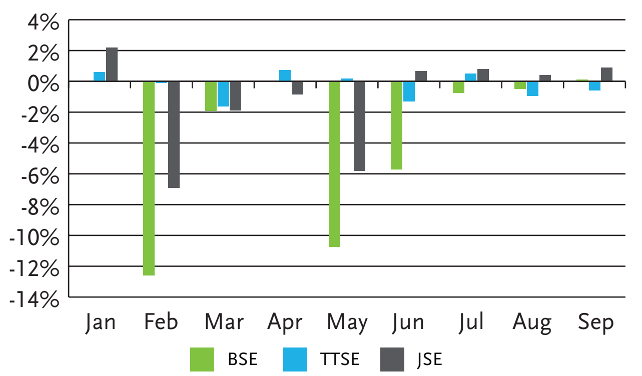
FUND PERFORMANCE 2014



FUND PERFORMANCE 2014



REGIONAL INDICIES 2014



FINANCIAL HIGHLIGHTS AS AT SEPTEMBER 30, 2014 (YTD)			
	SGBF	SSGF	SPIF
Investments at Cost	$ 59,425,343.26	$ 31,185,175.20	$ 28,957,992.40
Net Assets	$ 64,371,933.64	$ 32,392,493.99	$ 29,049,800.70
Net Asset Value	$ 2.29	$ 1.29	$ 1.05
Number of Units	28,084,351.51	25,127,967.78	27,654,900.28
Net Investment Income	$ 3,202,163.51	$ 2,079,206.06	$ 1,181,352.96
Portfolio Appreciation	$ 4,686,612.52	$ 2,579,493.37	$ 1,524,074.53
Interest Income	$ 1,121,931.35	$ 79,771.89	$ 1,607,105.44