



SAGICOR MERCHANT
US\$ GLOBAL BALANCED FUND





Wise Financial Thinking for Life

**SAGICOR MERCHANT
US\$ GLOBAL BALANCED FUND**
(Organised in the Republic of Trinidad and Tobago)

PROSPECTUS

Dated the 1st of July 2008

Fund Manager: SAGICOR MERCHANT LIMITED

The Trinidad and Tobago Securities Exchange Commission has not in any way evaluated the merits of the securities distributed hereunder and any representation to the contrary is an offence

Sagicor Merchant Limited
Sagicor Financial Centre
16 Queen's Park West,
Port-of-Spain
Trinidad & Tobago
www.sagicor.com

SAGICOR MERCHANT LIMITED

(The Company)

A New Issue of an Unlimited Number of Fund Units of Sagicor Merchant US\$ Global Balanced Fund

A copy of this document was registered with the Trinidad and Tobago Securities and Exchange Commission on 8th August 2007 in accordance with the provisions of the Securities Industries Act 1995 of the Laws of the Republic of Trinidad & Tobago. The Trinidad and Tobago Securities and Exchange Commission takes no responsibility as to the validity or the veracity of the contents of this Prospectus, neither has the Commission commented on the financial soundness of the Fund Shares nor approved or disapproved the issue of any of the securities herein mentioned.

It is not the current intention of the Company to file a copy of this document or to register any of the securities herein mentioned with any regulatory authority or agency in any country outside of Trinidad & Tobago. The Company however reserves the right to do so.

No person receiving a copy of this document in any country other than Trinidad & Tobago may treat this document as constituting an invitation to purchase or subscribe for any shares unless in the relevant country such an invitation could lawfully be made without the Company's compliance with any registration or other legal requirements. Persons wishing to subscribe for Fund Shares should satisfy themselves that, in doing so, they comply with the laws of the relevant country, and that they obtain any requisite governmental or other consents and observe any other applicable formalities. The Fund shares are not available for purchase by American Citizens and other persons resident or domiciled in the United States of America.

Further, neither this Prospectus nor the Fund's Website nor any other document shall constitute, and may not be used for the purpose of, an offeror solicitation in any jurisdiction (i) in which such offer or solicitation is not authorised, or (ii) in which the person making such offer or solicitation is not qualified to do so, or (iii) to any person to whom it is unlawful to make such offer or solicitation. It is the responsibility of any person reading this Prospectus or the Website or other related documents to inform him or herself of all applicable legal and regulatory requirements and other consequences that might apply in any relevant jurisdiction, as a consequence of his or her citizenship, residence, domicile or otherwise.

IMPORTANT

If you are in any doubt about the contents of this Prospectus you should consult your bank manager, attorney, accountant, broker or other legal or financial adviser. The price of shares is subject to fluctuation and there is no guarantee that the investment objectives of the Funds will be realised. See Investment Policy in the section dealing with specific Funds and Risks Disclosures on page 6 of this Prospectus for further particulars.

SAGICOR MERCHANT LIMITED

**Offers for Subscription
An Unlimited Number of Fund Units
Of
Sagicor Merchant US\$ Global Balanced Fund
At
The initial Offer Price of US\$10.00 Per Unit
Payable in full on Application**

The minimum amount required to open an account is US\$1000

The Application list for subscriptions at the initial offer price of US\$10.00 per unit will open at 9:00 am on Monday September 29th, 2008 and will remain open until 12 Noon on Friday October 31st, 2008. Thereafter Investors may continue to purchase Fund Units at the net asset value of the Fund.

Applications Forms completed in good order together with the full amount payable for the Units should be sent to
SAGICOR MERCHANT LIMITED
Sagicor Financial Centre
16 Queen's Park West,
Port-of-Spain
Trinidad & Tobago

(Please see page 17 for information on how to open an account).

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“Wealth is the ability to
fully experience life.”

AYN RAND

This prospectus contains information to help you make an informed investment decision and to help you understand your rights. It contains information about the Fund as well as the names of persons responsible for its organisation and management. You are strongly encouraged to read this prospectus in its entirety prior to making investment decisions.

Sagicor Merchant Limited

Introduction

Incorporated in the Republic of Trinidad and Tobago on August 11, 2005, Sagicor Merchant Limited (“SML”) is registered with the Trinidad and Tobago Securities Exchange Commission as a dealer, investment adviser, trader and underwriter of securities. SML is a 100%-owned subsidiary of Sagicor Life Inc. (“SLI”).

Sagicor Life Inc. (SLI) is a 100%-owned subsidiary of the Sagicor Financial Corporation (“SFC”). Established in 1840 as The Barbados Mutual Life Assurance Society, SLI is one of the oldest insurers in the Americas. Owing to the limitations imposed by the “mutual” structure, a strategic decision was made to demutualise, rebrand and restructure the enterprise in November 2002. As a result Barbados Mutual Life Assurance Society was rebranded as Sagicor Life Inc. and a holding company, Sagicor Financial Corporation, was formed and its shares listed on the Stock Exchanges of Barbados and Trinidad and Tobago. More recently SFC’s shareholders voted in favour of the removal of a 20% restriction on shareholding, thereby facilitating the Group’s strategic move toward a listing on the London Stock Exchange which listing was made in February 2007.

SLI enjoys leading positions and brand name recognition in the key insurance markets of Barbados, Jamaica and Trinidad and Tobago. Our focus on providing high quality financial products and services at

competitive prices has helped to create customer loyalty to the Sagicor brand across the Caribbean. According to the Barbados insurance regulator, we are the leading provider of life insurance in Barbados, with market share of 74% (2004 figures) based on premium income and in Trinidad we ranked first, jointly with another insurance carrier, in market share, with 23% of the market in terms of 2004 premium income.. Our Jamaican subsidiary, Life of Jamaica also enjoys market leader position with a 42% market share based on 2004 premium income. Sagicor Life Inc. enjoys an “A” (Excellent) rating from A.M. Best and is rated BBB+ by Standard and Poors.

The Sagicor Financial Group has consistently grown its underlying business while cautiously pursuing an acquisition-driven strategy, transforming from a domestic to a regional and international company. Our revenues grew 87.0% between the year ended December 31, 2002 and the year ended December 31, 2005. This growth was 21.9% excluding all of our acquisitions during this period.

Sagicor’s merchant banking business has historically operated primarily out of Jamaica through Pan Caribbean Merchant Bank (“PCMB”). In August 2005, Sagicor Merchant Ltd was incorporated in Trinidad and Tobago to continue our expansion into financial services and to offer a broader range of products to our clients.

Sagicor Life Inc, which focuses on insurance operations in Barbados, Trinidad and Tobago and the Eastern Caribbean, has been able to grow its insurance business by expanding in its existing markets and by increasing the insurance penetration rate in the overall population. Since acquiring Life of Jamaica in 2001, the Group has also been able to grow business in Jamaica by leveraging on LOJ's brand and our insurance operational expertise. In 2005 the Group acquired a 20% interest in FAMGUARD (Bahamas), a leading insurance company in the Bahamas with similar product offerings, and also acquired a 51% stake in Cayman General, a leading health insurance and property and casualty insurance company in the Cayman Islands. In September 2005, we acquired Laurel Life, a United States-based life insurance company, with business in 41 states and the District of Columbia, but predominantly in Texas, Arizona, Ohio, California and Indiana. We believe that these acquisitions further strengthen our financial position and create growth opportunities both in the Caribbean Region and the U.S. insurance market.

Most recently, Sagicor acquired a Lloyd's Syndicate from Gerling Re of Germany. The syndicate, which has a capacity of £65 million, will be called Sagicor at Lloyds. The transaction extends Sagicor's operating base to the important London market.

In May 2006, SFC and SLI successfully issued USD\$150 million long-term senior unsecured debt on the international markets. The bond was awarded a BBB rating by international credit rating agency, Standard and Poors (S&P), while SLI received a BBB+ counterparty credit and financial strength rating, with a stable outlook from S&P. The stable outlook given by S&P incorporated the expectation that Sagicor would maintain its excellent leading life insurance market position in the Caribbean and gradually expand its business in the US market, achieving a larger geographic diversification.

The Sagicor Financial Group currently operates in 20 countries, in four languages and use 11 different currencies.

Welcome

Welcome to Sagicor Merchant Family of US\$ Global Funds. This Prospectus contains selected important information to help you make an informed decision and to understand your rights as an investor investing in Sagicor Merchant US\$ Global Balanced Fund. The Sagicor Merchant US\$ Global Balanced Fund is denominated in the lawful currency of the Republic of Trinidad and Tobago.

The other funds in the family is the Sagicor Merchant US\$ Global Equity Fund which are collectively or singly referred to, as the circumstances may apply, as Sagicor Merchant US\$ Global Funds.

Throughout this document:

- we, SML, Manager or Fund Manager or the Company refer to Sagicor Merchant Limited, the manager of the Fund
- you refers to everyone who invests in the Fund
- dealer or broker dealer refers to both the dealer and the representative registered in your territory who advises you on your investments
- Sagicor Merchant Funds, SML Funds, Fund or Funds refers to the fund offered by this Prospectus together with the other mutual funds promoted by Sagicor Merchant Limited where the context so admits.

Additional information about Sagicor Merchant US\$ Global Balanced Fund will be available in the following documents:

- the most recently filed annual financial statements of the Fund;
- any interim financial statements filed after those annual financial statements;
- the most recently filed annual management report of Fund performance; and
- any interim management report of Fund performance filed after that annual management report.

These documents are deemed to be incorporated by reference into this Prospectus upon their publication, which means that when published they legally form part of this document just as if they were printed as a part of this document. After publication you can get a copy of these documents, at your request, and by calling us at (868)628-2652 or from your Sagicor Financial Adviser.

The delivery of this Prospectus shall not under any circumstances whatsoever create any implication that there has been no material change in the affairs of the Fund since the date of this offer – the net asset value of the Fund, and of each Unit in the Fund, which will fluctuate according to the current value of the investments in the Fund's portfolio. To reflect material changes in net asset value, this document may from time to time be updated and prospective purchasers should enquire of the distributors as to the availability of any later prospectus.

Investors are reminded that no oral representations made by any sales agent or other person whomsoever in respect of the Funds Units, and no written representations, other than official updates of the Prospectus, made or issued by any person, shall be binding upon Sagicor Merchant Limited, the Trustees nor the Fund offered by this Prospectus.

The Prospectus, financial statements, management reports of funds performance and other information about Sagicor Merchant's Funds, will also be available on the [Sagicor Financial Corporation website at www.sagicor.com](http://www.sagicor.com).

“Life can only be understood backwards;
but it must be lived forwards.”

SOREN KIERKEGAARD



What is a Mutual Fund?

A mutual fund is a financial intermediary consisting of a pool of money contributed by people with similar investment objectives. The fund is managed by an investment company who invests the money raised from investors in securities for the investors benefit. Mutual funds are broadly classified into two categories, namely 'open-end' funds and 'closed-end' funds.

An open-end fund is so named because its sponsoring organization generally stands ready at any time to issue new shares or to redeem existing shares on redemption days at their net asset value. An open-end fund offers investors with moderate means, the diversification, professional management, economy of scale, and, where it might not otherwise exist, the liquidity available only to large investors.

Closed-end funds, are so named because, unlike open-end mutual funds their sponsoring organisations do not issue and redeem the fund shares on a continuous basis. Such funds have a fixed capitalisation represented by a stated number of publicly traded shares that are usually listed on stock exchanges.

Sagicor Merchant Family of US\$ Global Funds are open-end funds: People who contribute money become Unit-holders of the mutual fund in which they invest ("Unit-holders").

Unit-holders share in the fund's income, expenses, and any gains and losses that the mutual fund makes on its investments in proportion to the units they own. The value of an investment in a mutual fund is realized by redeeming the units held. Where a mutual fund issues more than one class of shares or units, Unit-holders share in the mutual fund's income, expenses and any gains and losses allocated to the Unit-holders' class in proportion to the units they own as of that date. Each of Sagicor Merchant US\$ Global Funds has one class of shares called Units.

The Sagicor Merchant US\$ Global Funds are similar to conventional mutual funds that invest in stocks, bonds, cash and other securities

or a combination of these. Each fund is a mutual fund that invests primarily in a selection of securities. This pool of securities is commonly referred to as the underlying securities of the Fund and managed in a manner aimed at achieving the Fund's investment objective.

The Sagicor Merchant Family of US\$ Global Funds are designed to simplify the investment process for investors by offering a professionally designed and selected mix of funds. Each Fund may share many of the same features but has its own investment objective and strategies designed to cater to the varying needs of investors.

Are there Risks of Investing in Mutual Funds?

All investments carry an element of risk and individuals have different tolerances for risk. You need to take into account your own comfort with risk as well as the amount of risk suitable for your investment goals bearing in mind that mutual fund investing is aimed at investors with medium to long-term investment horizons.

Mutual funds invest in different types of investments, such as stocks, bonds, cash and/or derivatives, depending upon the investment objectives of the particular mutual fund. Different investments have different types of investment risk. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions, and market and company news. As a result, the value of a mutual fund's units may go up or down on a daily basis.

We do not guarantee that the full amount of your original investment in any of the funds will be returned to you. The values of mutual fund units are not insured or underwritten by Sagicor Merchant Limited, any insurance corporation or any government agency and under exceptional circumstances, a mutual fund may suspend redemptions.

Different kinds of mutual funds may also have different kinds of risk, depending on the securities they own. Below is a summary of the various types of investment risk that may be applicable to the fund you decide to purchase. These include, but are not limited to:

- **Stock Market Risk:** Funds with equity portfolios are subject to stock market risks and fluctuations in value. If the stock market declines in value, such funds are likely to decline in value. A fund's focus on medium to large capitalization stocks and value-style of investing subject it to the risk that its performance may be lower than that of other types of funds with equity portfolios that focus on other types of stocks (such as small cap) or that have a broader investment style (such as growth or general market). The Equity Fund in particular may also be subject to the risk that medium to large capitalization and/or value stocks may under-perform other segments of the equity market or the equity market as a whole. In general, the prices of the securities in which the fund invests may decline for a number of reasons. The price declines of common stocks may be steep, sudden and/or prolonged.

- **Securities Selection Risk:** The portfolio or underlying securities held by the Fund may decline in value or not increase in value when the market in general is rising and may fail to meet the funds' investment objectives.

- **Interest Rate Risk:** The Funds may invest in debt securities. In general, the value of bonds and other debt securities rises when interest rates fall and falls when interest rates rise. Longer term obligations are usually more sensitive to interest rate changes than shorter term obligations. While bonds and other debt securities normally fluctuate less in price than do common stocks, there have been extended periods of increases in interest rates that have caused significant declines in bond prices.

- **Credit Risk:** The Fund may invest in debt securities not backed by the full faith and credit of sovereign states. The issuers of such bonds and other debt securities may not be able to make interest or principal payments. Even if these issuers are able to make interest or principal payments, they may suffer adverse changes in financial condition that would lower the credit quality of the issuer, leading to greater volatility in the price of the security.

- **Currency Risk:** Foreign currency risk is the risk that, for example, the U.S. dollar value of foreign securities held by any fund may be affected favourably or unfavourably by changes in foreign currency exchange rates and exchange control regulations. The value of the Funds may go up and down as the value of the dollar rises and falls compared to a foreign currency.

- **Derivative Risk:** Although the Funds may use derivatives to minimize risk, they have their own kinds of risk:

- The use of derivatives for hedging may not be effective.

- Some derivatives, such as call options, may limit a mutual fund's potential for gain as well as loss.

- The cost of entering and maintaining derivative contracts may reduce a mutual fund's total return to investors.

- The price of a derivative may not accurately reflect the value of the underlying currency or security.

- There is no guarantee that a market will exist when a mutual fund wants to buy or sell the derivative contract. This could prevent the mutual fund from making a profit or limiting its losses.

- If the other party (the counterparty) to a derivative contract is unable to meet its obligations, a mutual fund may experience a loss.

- Stock Exchanges may set daily trading limits on futures contracts or options. This could prevent a mutual fund from closing a contract.

- **Large Redemption Risk:** A Fund may have particular investors who hold a significant amount of units of the Fund. If one of those investors decides to redeem its investment in the Fund, the Fund may have to sell portfolio investments so that it can pay the redemption proceeds. These investments may have to be sold quickly and at a lower price than if they were sold over a more extended time period. In addition, the portfolio composition of the Fund could be altered before the portfolio manager believes the time is right to do so. This can reduce the returns of the Fund.

- **Liquidity Risk:** Regional markets or exchanges tend to have less trading volume than the New York Stock Exchange or similar international stock exchanges or markets, which mean that the foreign markets may have less liquidity. Lower liquidity in regional markets can affect the Fund's ability to purchase or sell blocks of securities and obtain the best price in the foreign market. This may cause the Funds to lose opportunities for favourable purchases or sales of investments. Because foreign markets may trade at times and on days different than U.S. markets, the Funds' values may change when an investor's account cannot be accessed.

- **Foreign Investment Expense Risk:** Investing in foreign securities generally costs more than investing in U.S. securities because of higher transaction costs, such as the commissions paid per share. As a result, mutual funds that invest in foreign securities tend to have higher expenses due to higher commissions and higher advisory and custodial fees.

- **Foreign Political and Economic Risks:** The degree of political and economic stability varies from country to country. If a country confiscates money from foreigners or takes over an industry, Funds may lose some or all of any particular investment in that country. Parts of individual foreign economies may vary favourably or unfavourably from the U.S. economy (e.g., inflation rate) which may affect the value of Funds' investment in any foreign country.

- **Governmental Regulation Risk:** Many foreign countries do not subject their markets to the same degree and type of laws and regulations that cover the U.S. and other well regulated markets. Many governments also impose restrictions on investments as well as taxes or other restrictions on repatriation of investment income. The regulatory differences between countries make investing or trading in some markets more difficult and risky. In addition some industries, such as financial services, health care and telecommunications are sometimes heavily regulated and may receive government funding. Investments in these sectors may be substantially affected by changes in government policy, such as increased regulation, ownership

restrictions, and deregulation or reduced government funding. The value of a mutual fund that buys these investments may rise and fall substantially due to changes in these factors.

- **Corporate Disclosure Standard Risk:** Many countries have laws making information on publicly traded companies, banks and governments more difficult to obtain, incomplete or unavailable. The lack of uniform accounting standards and practices among countries impairs the ability of investors to compare common valuation measures, such as price/earnings ratios, for securities of different countries.

- **Prepayment Risk:** The issuers of bonds and other debt securities held by the Fund may prepay principal due on securities, particularly during periods of declining interest rates. Securities subject to prepayment risk generally offer less potential for gain when interest rates decline, and may offer a greater potential for loss when interest rates rise. Rising interest rates may cause prepayments to occur at a slower than expected rate. This will increase the average life of the security and make the security more sensitive to interest rate changes.

- **Securities Lending, Repurchase and Reverse Risk:** The Fund may enter into securities lending, repurchase transactions and reverse repurchase transactions in order to earn additional income. Securities lending involves lending securities held by a fund to qualified borrowers who have posted collateral. In lending its securities a fund is subject to the risk that the borrower may not fulfil its obligations leaving the fund holding collateral worth less than the securities it has lent, resulting in a loss to the fund.

Over time, the value of the securities sold under a repurchase transaction might exceed the value of the collateral held by the Fund. If the other party defaults on its obligation to resell the securities to the fund the collateral may be insufficient to enable the fund to purchase replacement securities

“We must never be too busy
earning a living to remember
to make money.”

Investment Philosophy

At Sagicor Merchant Limited, our goal is to create long-term wealth for the Funds' unit-holders.

We will seek to achieve this goal by following a well-proven and disciplined investment philosophy:

We aim to invest in excellent businesses in strong, long-term growth industries.

Using this investment strategy, we strive to achieve our goal of a superior rate of total return for the US\$ Global Balanced Fund

Grow Capital

For the US\$ Global Balanced Fund We seek to grow investor capital at a high rate of return relative to our peers and to the relevant market indices and risks. We attempt to do this by investing in high quality businesses that operate in strong, long-term growth industries – businesses that have consistently delivered solid returns on shareholders' equity.

Generate Income

For the US\$ Global Balanced Fund We seek to generate income earned at a superior rate of return relative to our peers and to the relevant market indices and risks. We attempt to do this by investing in high yielding, high quality fixed income investments that operate in strong credit sectors.

Preserve Capital

We seek to preserve capital and aim to protect investors' capital from permanent losses by investing in high quality securities. To select securities for the Funds' portfolio, the portfolio manager(s) will engage in thorough security research as well as rigorous analysis of general economic conditions.

Tax Efficiency

We seek to invest in a tax efficient manner. We attempt to minimize taxes payable by the funds and our Unit-holders by not selling the excellent businesses in which we aim to invest as long as their long-term prospects remain strong. By not engaging in speculative trading, investors' capital usually compounds in a more efficient manner.

Professional Management

Sagicor Merchant US\$ Global Funds are managed by professional investment managers, in this case by Sagicor Merchant Limited.

Investment Adviser

The Investment Advisers provide general investment advisory services and subject to such terms and conditions as may from time to time be imposed have the power to enter into transactions on behalf of the Fund. The appointment of Investment Advisers may be terminated by 3 months' written notice by the Company.

Board of Directors

The Board of Directors of the Fund is presently comprised of 5 members, 2 of whom reside outside the Republic of Trinidad & Tobago.

Directors and Officers owe a duty of care to the Fund. In exercising their powers and discharging their duties they are required to act honestly and in good faith with a view to the best interest of the Fund; and exercise the care diligence and skill that a reasonable prudent person would exercise in comparable circumstances.

As an investor in the fund, you should be aware that you may not be able to effectively serve process on non-resident directors and officers to enforce any civil liabilities under applicable laws of the Republic of Trinidad and Tobago. Therefore, you may not be able to enforce a Trinidad and Tobago court judgment against non-resident directors and officers of the Company.

Counsel, Independent Registered Public Accounting Firm and Service Providers

Our legal adviser Hobsons has passed upon the validity of the issuance of units of the Fund.

PricewaterhouseCoopers has been selected as the independent public accounting firm for the Fund.

The Investment Committee of Sagicor Merchant Limited

The Investment Committee of SML is comprised of a team of professionals with considerable experience in the financial sector, specializing in accounting, economics, finance and investment.

The Investment Committee members are:-

Mr. Terrence Martins
Chairman
Sagicor Financial Corporation

Mr. Dodridge Denton Miller
President and Chief Executive Officer
Sagicor Financial Corporation

Dr. Marjorie Patricia Downes-Grant
President and Chief Executive Officer
Sagicor Life Inc.

Mr. William Lucie-Smith
Director
Sagicor Financial Corporation

Management and Administration

**Trustee,
Registrar And
Transfer Agent:** FirstCaribbean International Bank
(Trinidad & Tobago) Limited
74 Long Circular Road,
Maraval,
Port of Spain
Trinidad and Tobago

Custodian Trustee: FirstCaribbean International Bank
(Trinidad & Tobago) Limited
74 Long Circular Road,
Maraval,
Port of Spain
Trinidad and Tobago

Promoter/Sponsor: Sagicor Merchant Limited
Sagicor Financial Centre
16 Queen's Park West,
Port-of-Spain
Trinidad & Tobago

Fund Manager: Sagicor Life Inc.
Sagicor Financial Centre
16 Queens Park West,
Port of Spain
Trinidad and Tobago

**Investment & Portfolio
Manager:** Sagicor Merchant Limited.
Sagicor Financial Centre
16 Queens Park West,
Port of Spain
Trinidad and Tobago

Legal Advisers: Hobsons
Attorneys-at-Law & Notaries Public
Sagicor Centre
21-25 Independence Avenue
San Fernando
Trinidad

Auditors: PricewaterhouseCoopers
P.O. Box 550
11-13 Victoria Avenue,
Port of Spain
Trinidad and Tobago

Bankers:

Citibank (Trinidad and Tobago) Limited
12 Queen's Park East,
Port of Spain
Trinidad and Tobago

Scotiabank (Trinidad and Tobago) Limited
Scotia Centre
Park and Richmond Streets
Port of Spain
Trinidad and Tobago

Investment Management: The Manager has the responsibility to buy and sell securities on behalf of the Fund. The Manager receives a fee for services based on the net asset value of the Fund. The appointment of the Manager will be for a period of 3 years commencing 1st July 2008 and continues thereafter unless determined by the Trustee and/or the Settlor at any time by written notice (with the approval of the Unit-holders unless the successor manager is an affiliate of the existing manager) or by resolution of the Unit-holders.

Trustee: The Trustee is FirstCaribbean International Bank (Trinidad & Tobago) Limited (formerly The Mercantile Banking & Financial Corporation Limited), a company incorporated under the laws of Barbados, and registered as an external Company under the Companies Act of the laws of Trinidad and Tobago. The Trustee has ultimate responsibility for the custody and security of the Fund's assets, maintenance of Unit-holder records, the provision of Registrar and Transfer Agent services to the Fund and the settlement of all transactions. The Trustee may, however, in its sole discretion – subject only to the provisions of any regulatory authority - delegate certain responsibilities to the Fund Manager.

The Trustee has experience in the collective investment scheme industry dating back to August 2005.

Officers of the Trustee or Custodian Trustee are not precluded from being employed in relation to advisory, management, legal, accounting,

investment banking or other services for the Funds, or from receiving compensation for such services at comparable market rates. Such officers are also entitled to be paid travelling and other expenses properly incurred by them.

The directors of the Trustee are :-

Michael Kelvin Mansoor
Banker

Dennis Adrian Gurley
Attorney-at-Law

Selwyn Carlisle Lee Young
Civil Engineer

Neil Gaston Rollingson
Economist

Larry Roger Nath
Banker

Hassan Philip Michael Rahaman
Banker

Custodian Trustee: The Custodian Trustee is FirstCaribbean International Bank (Trinidad & Tobago) Limited. The duty of the Custodian Trustee is to assist the Trustee by providing custodian services for the custody and security of Fund assets. FirstCaribbean International Bank (Trinidad & Tobago) Limited currently has 2 funds under custodianship.

Limitation of Liability: The Directors, Custodian Trustees and the Manager of the Funds may act upon statements of advice or information obtained from any banker, accountant, broker, lawyer, agent or other person, not being an employee or officer of the Custodian Trustee, acting as or informed in relation to the matters upon which they are consulted. Neither the Company, nor its directors, nor the Custodian Trustee, nor the Funds Manager shall be liable for anything done or omitted or suffered in reliance upon such advice or information.

The Custodian Trustees shall not, save in relation to any act or omission in the keeping of securities by any person appointed as agent of the Custodian trustees for that purpose, be responsible for any misconduct, mistake, oversight, error of judgement, forgetfulness or want of prudence on the part of any such banker, accountant, lawyer, agent or other person.

Distribution Agents: Marketing and distribution of the Fund Shares, and appointing Distributors of the Fund, are the responsibility of the Manager. The Distributors are The Company and Sagicor Life Inc.'s Agency Force. Distributors are paid out of the Fund's service fee.

Copies of this Prospectus and Application Forms may be obtained during normal business hours from:
Sagicor Merchant Limited
Any branch of Sagicor Life Inc.

Directors:

Mr Terrence Martins
Chairman
Sagicor Financial Corporation

Mr Dodridge Denton Miller
President and Chief Executive Officer
Sagicor Financial Corporation

Dr. Marjorie Patricia Downes-Grant
President and Chief Executive Officer
Sagicor Life Inc

Mr. Robert Trestrail
Executive Vice President & General Manager
Sagicor Life Inc

Mr. Keston Howell
Managing Director
Sagicor Merchant Limited

Mr. William Lucie-Smith
Director
Sagicor Financial Corporation

Secretary: Miss Althea Hazzard
Vice President Legal & Compliance
Sagicor Life Inc

Registered Office: Sagicor Merchant Limited
Sagicor Financial Centre
16 Queen's Park West,
Port-of-Spain
Trinidad & Tobago

Your Right to Vote

As investors in Sagicor Merchant US\$ Global Balanced Fund you have a right to be consulted and vote. Fund Unit-holders shall, subject to any regulatory authority and the provisions of the Trust Deed creating the Fund, be entitled to vote on all of the following matters:

- (i) An increase, if any, in the fees and charges charged to the Fund or to impose fees that are not provided for in the constitutive document, or
- (ii) Any change in the nature or kind of investments in which the Fund may be invested, or modification of the investment objectives, or
- (iii) The removal other than by resignation of the Fund Manager or Trustee, or
- (iv) The reconstruction of the Fund, and/or the amalgamation of the Fund with any other mutual fund, or
- (v) The winding up of the Fund.

Whenever the circumstances require pursuant to the Trust Deed that a meeting of the Unit-holders be convened, The quorum necessary for a meeting shall be at least 10 persons present in person or by proxy and holding or representing by proxy the holders of at least 5% of the Units on Issue. If within 15 minutes from the time appointed for any meeting a quorum is not present the meeting shall stand adjourned to the same day in the next week at the same time and the same place. At an adjourned meeting the Unit-holders present in person or by proxy (whatever their number and the number of units represented by their certificates) shall form a quorum and shall have power to pass resolutions. The Trustee or its duly appointed representative shall be entitled to attend and address the meeting and preside over its business.

Subject to the foregoing and save and except as provided for by any regulatory authority Unit-holders shall however not be entitled to attend and vote at any meetings of shareholders of Sagicor Merchant Limited.

Description of Fund Units

The capital of Sagicor Merchant US\$ Global Funds are divided into redeemable units. In other literature these units are sometimes referred to as shares or mutual fund shares.

Sagicor Merchant US\$ Global Balanced Fund may issue an unlimited number of units. Without your consent or notice to you, the Fund Manager may establish additional classes of units and may determine the rights as between those classes. However no such additional classes of units issued without your consent may abridge or in any way diminish your rights under this prospectus.

All units of the Fund are entitled to participate in the fund's assets on liquidation on an equitable basis. Units are issued as fully paid and non-assessable and are redeemable at their net asset value as detailed under the following caption "How are Unit Prices Determined".


How are Unit Prices Determined?

The price at which you purchase and redeem units of any of our funds is called the net asset value ("NAV"). SML Funds will normally calculate the NAV as of the close of each Business Day. The NAV is the value of a fund's assets, less its liabilities, divided by the number of units outstanding of that fund.

Each security owned by the Fund should be valued at its last sale price or official closing price on the date as of which assets are valued. If market quotations are not available, the Fund will value securities at their fair value pursuant to procedures established by and under the supervision of its Board of Directors. The fair value of a security is the amount which the Fund might reasonably expect to receive upon a current sale. In exceptional circumstances the fair value of a security may differ from the last quoted price and therefore the Fund may not be able to sell a security at the fair value. In such circumstances the fair value thereof shall be determined by an Approved Valuer.

In making such determination the Approved Valuer shall be acting as an expert and not as an arbitrator, may engage and rely upon such experts as he thinks fit and his determination shall be final and binding on the Trustee, all Unit-holders, all former Unit-holders and any other interested party. The cost of any such determination shall be borne by the Unit-holders in the same proportion as the number of units they each hold bears to the total number of Units on Issue at the time such determination is requested.

Approved Valuer means as the circumstances may apply a licensed practising broker or securities dealer on a recognised regulated stock exchange, a merchant bank, an expert real estate valuer, a chartered accountant or in default such other expert as the Trustee may determine.



“There’s no great secret
in fortune-making.”

HETTY GREEN

The issue price (i.e. the price at which you buy a Unit) is calculated as the net asset value of fund units as at the Valuation Day next after receipt of an application (the calculated price) plus any applicable sales charge. Applications received and approved before 3.00 p.m. on a Thursday (the day preceding a Valuation Day) will be processed using the net asset value as at the next Valuation Day. Applications received after 3.00 p.m. on a Thursday or on a day which is not the day before a Valuation Day will be processed on the next following Valuation Day. The number of fund units issued to any applicant will be determined by dividing the dollar amount applied for by the calculated price. If necessary, fractional units will be issued.

Fund Unit-holders may request redemption of all or part of their Fund Units on any Redemption Day (normally a Thursday), being the Business Day immediately preceding a Valuation Day. Applications received and approved before 3.00 p.m. on a Thursday (the day preceding a Valuation Day) will be processed using the net asset value as at the next Valuation Day. Applications received after 3.00 p.m. on a Thursday or on a day which is not the day before a Valuation Day will be processed on the next following Valuation Day.

“Valuation Day” is any business day.

The redemption price (i.e. the price at which you will sell your Units back to the Fund Manager) for any applicant will be determined by multiplying the Fund Units submitted for redemption by the calculated price less any applicable redemption charge.

What are the Fund’s Fees and Expenses?

The table below describes the estimated fees and expenses that you may pay if you buy and hold units of any of our funds.

Unit-holder Fees (fees paid directly from your investment)
Maximum Sales Load imposed on Purchases

(as a percentage of offering price)	None
Maximum Deferred Sales Load (as a percentage of original, purchase price or redemption proceeds, as applicable)	None
Maximum Sales Load imposed on Reinvested Dividends (as a percentage of offering price)	None
Redemption Fee (as a percentage of amount redeemed) (1) ..	2.00% (2) *
Exchange Fee	None

Annual Fund Operating Expenses (expenses that are deducted from Fund assets) (as a percentage of average net assets)	
Management Fees	1.50%
Distribution Fees	0.50%
Trustee Fees	0.20%
Other Expenses (3)	0.50%
Total estimated Annual Fund Operating Expenses	2.70%

(1) The Fund’s transfer agent charges a fee of US\$25.00 for wire redemptions.

(2) The redemption fee only applies to units held for less than 1 year.

(3) Other expenses include: (i) custodian, transfer agency, and other customary Fund expenses not listed above; and (ii) unit-holders servicing fees paid for services provided to the funds’ unit-holders estimated to be up to 0.25% of the average daily net asset value of the funds’ units.

*** Note See also under Frequent Purchases and Redemptions of Units on page 27**

How to Purchase Units (shares) of the Funds

To open an account, you must invest at least the minimum amount:

Minimum Investments

To Open Your Account

US\$1000

To Add to Your Account

US\$100

Purchase Requests

When making a purchase request, make sure your request is in good order. “Good order” means your purchase request must include:

- The name of the Fund in which you wish to invest;
- The dollar amount of Units to be purchased
- Account application form (or investment stub for additions to your account)
- Cheque or bank draft payable to Sagicor Merchant Limited (or in the name of the fund).

Methods of Buying

Opening an Account:

To open an account, complete an account application form and send it together with your cheque to the address below. To make additional investments once you have opened your account, send your cheque together with the detachable form that is included with your Fund Account statement or confirmation. You may also send a letter stating the amount of your investment with your name, the name of the Fund and your account number together with a cheque to the address of the Fund Manager above.

Automatic Investment Plan: Once your account has been opened, you may purchase units of the Fund in which you have invested through an Automatic Investment Plan (“AIP”). The minimum investment amount of each such purchase is US\$100. You can have money automatically transferred from your chequing or savings account. To be eligible for this plan, your bank must be a domestic institution. The Fund Manager

may modify or terminate the AIP at any time. The first AIP purchase should take place no earlier than 15 days after the Fund Manager has received your request. If your payment is rejected by your bank, the Fund Manager will charge a US\$25 fee to your account. Any request to change or terminate an AIP must be made in writing, at least 10 days prior to the effective date.

Cheques: Cheques should be made payable to “Sagicor Merchant Limited” or in the name of the fund in which you wish to invest. If your cheque is returned for any reason, a US\$25 fee will be assessed against your account. You will be responsible for any losses suffered by the Fund as a result.

In an effort to restrict check fraud, Sagicor Merchant Limited as manager of the Fund reserves the right in its sole discretion to decline acceptance of third party cheques, credit card cheques, and traveller’s cheques for the purchase of units.

NOTE: Sagicor Merchant Limited and its funds do not consider any Postal Service or other independent delivery services to be their agents.

In compliance with applicable law and corporate best practices please note that the Fund Manager (which expression shall include any of its agents) will verify certain information on your account application as part of the Funds’ Anti-Money Laundering Compliance Program. As requested on the application, you should supply your full name, date of birth, national identification card number (or its equivalent) and permanent street address. Mailing addresses containing a P.O. Box will not be accepted in lieu of a permanent street address. Please contact the Fund Manager at (868)628-2652 if you need additional assistance when completing your application.

If we do not have a reasonable belief of the identity of a unit-holder, the account will be rejected or you will not be allowed to perform a transaction on the account until such information is received. The Fund Manager reserves the right to close the account after thirty (30) days if clarifying information/documentation is not received.

Declaration on Purchase of Units

In keeping with the provisions of the Anti-Money Laundering Laws and procedures, the Fund Manager may request an applicant to complete and file a Declaration of Source of Funds in respect of investments made into the Fund.

Fund Manager's Discretionary Authority

The Fund Manager may in its discretion reject any application to purchase Units. Such decision must however be made within five business days after receipt of the application. If an application is rejected, all money received with the application will be returned through the post at the risk of the applicant.

In an effort to manage the timing of cash flows in and out of the Fund, The Fund Manager reserves the right to purchase any Units tendered for redemption in the Fund and to allocate some or all of those Units for subscriptions and/or redemptions at the Fund's NAV. Where this methodology is used the Fund Manager must send a report of the transactions to the Custodian Trustees.

To protect the interest of existing Unit-holders in the Fund, the Fund Manager reserves the right, with the consent of the Custodian Trustees and subject to the provisions of any regulatory authority, to restrict new investment into the Fund from time to time until such time as new potential investments become available or existing Unit-holders redeem their Units. In such cases, the Fund Manager will accept subscriptions from potential investors on a first come first served basis, in the exact order in which they are received.

Information You Will Receive

When you make your initial purchase, you will receive a statement from the Fund indicating the purchase price per Unit and the number of Units you purchased. Similarly, at the time of any additional purchase, transfer between funds, or redemption of Units you will receive a statement giving details of the transaction and a summary of the Units you hold.

Additional information about each Fund is available in the following documents:

- The most recently filed annual financial statements;
- Any interim financial statements filed after those annual financial statements;
- The most recently filed annual management report of fund performance; and
- Any interim management report of fund performance filed after that annual management report of fund performance.

Unless otherwise stated, upon publication of these documents they are deemed to be incorporated by reference into this Prospectus, which means that they will legally form part of this document just as if they were printed as a part of this document.

On publication you may obtain a copy of those documents, at your request, and at no cost, by calling us at (868)628-2652. The prospectus, financial statements, management reports of fund performance and other information about the Funds, will also be available on the Funds internet site at www.sagicor.com.

Unless you request otherwise, you will also receive audited annual financial statements of the Fund and un-audited semi annual financial statements of the Fund and annual management reports of Fund performance.

How to Redeem Units (shares) of the Funds

In the alternative and especially If you purchased your units direct through the Fund Manager, you should send your written redemption request to the address below. Your request should contain the Fund's name from which you wish to make the redemption, your account number and the number of units or the dollar amount of units to be redeemed. **Be sure to have all account holders sign the redemption request.**

(The Name of the Fund)
Sagicor Merchant Limited
Sagicor Financial Centre
16 Queen's Park West
Port-of-Spain
Trinidad & Tobago

Additional documents are usually required for Unit-holders that are corporations, partnerships, executors, trustees, administrators, or guardians (i.e., corporate resolutions or trust documents indicating proper authorization etc).

NOTE: Sagicor Merchant Limited and/or the Fund Manager will require a signature guarantee of each account owner in the following circumstances:

- If ownership is changed on your account
- When redemption proceeds are sent to a different address than that registered on the account
- If the proceeds are to be made payable to someone other than the account's owner(s)
- Any redemption transmitted by wire transfer to a bank other than the bank of record
- If a change of address request has been received by the Fund Manager within the previous 30 days of receipt of a redemption request
- For all redemptions of US\$25,000 or more from any shareholder account

A signature guarantee assures that your signature is genuine and protects you from unauthorized account transfers. You may obtain signature guarantees from most trust companies, commercial banks or other eligible guarantor institutions such as insurance companies. A notary public cannot guarantee signatures.

If you purchase units using a cheque and soon after request a redemption, the Fund Manager will honour the redemption request, but will not mail the proceeds until your purchase cheque has cleared (usually within 15 calendar days from the purchase date). The redemption proceeds will be subject to early redemption charges as outlined in the section detailing the Fund's fees and expenses.

Except where prior notice of at least one month is given to the Fund Manager, the Fund will redeem units solely in cash up to the lesser of US\$250,000 or 1% of the net asset value of the fund during any 30-day period for any one Unit-holder. The Fund reserves the right to pay other redemptions, either total or partial, by a distribution in kind of readily marketable securities (instead of cash) from the Fund's portfolio. The securities distributed in such a distribution would be valued at the same amount as that assigned to them in calculating the net asset value for the units being redeemed. If a shareholder receives a distribution in kind, he or she should expect to incur transaction costs when he or she converts the securities to cash.

Systematic Withdrawal Plan

Investors who own units of any fund valued at a minimum of US\$50,000 may establish a Systematic Withdrawal Plan. Regularly scheduled payments (e.g., monthly, quarterly or annually) will be made by the Fund Manager by redeeming a portion of the units owned by you and mailing the proceeds via cheque to the address of record, or sending the proceeds via electronic funds transfer to your bank account.

The minimum withdrawal payment amount under the plan is US\$250 and if the date you select to have the withdrawal made is not a valuation date, a weekend or holiday, the redemption will be made on the next valuation date for the fund. You may elect this option by completing the appropriate section of the account application or by writing to the Fund Manager.

In all cases Units will be redeemed at the NAV next determined after the Fund Manager receives your redemption request in good order. Your redemption request cannot be processed on days other than valuation days.

Redemption Requests to be in Good Order: When making a redemption request, make sure your request is in good order. “Good order” means your letter of instruction includes:

- The name of the Fund from which the redemption is being made
- The dollar amount or the number of units to be redeemed
- Signatures of all registered Unit-holders exactly as the units are registered
- The account number

Accounts with Low Balances: Due to the high cost of maintaining accounts with low balances, the Fund may mail you a notice if your account falls below US\$1,000 requesting that you bring the account back up to US\$1,000 or close it out. If you do not respond to the request within 30 days, the Fund may close the account on your behalf and send you the proceeds.

Frequent Purchases and Redemptions of Fund Units

Frequent purchases and redemptions of Units by a Unit-holder may harm other Fund Unit-holders by interfering with the efficient management of the Funds’ portfolio, increasing brokerage and administrative costs, and potentially diluting the value of their units. The Funds’ Board of Directors is committed to protecting long-term Unit-holders against market timing and has adopted a policy to discourage excessive trading (collectively, the “market timing policy”). The market timing policy does not apply to the systematic withdrawal plan of any fund.

In order to deter market timers and excessive trading, the Fund Manager will impose a 3.00% redemption levy in addition to the redemption fee of 2.00% on the value of units redeemed less than 90 calendar days after the date of purchase. The proceeds of this redemption levy will be paid to the Fund.

In addition, the Fund Manager may temporarily or permanently bar future purchases into the Fund by such investor or, alternatively, may limit the amount, number or frequency of any future purchases and/or the method by which such investor may request future purchases and redemptions. Although the Fund will take steps to discourage frequent purchases and redemptions of fund Units, the Fund Manager cannot guarantee that such trading will not occur.

Investors are subject to these policies whether they are direct Unit-holders of the Fund or they invest in the Fund indirectly through a financial intermediary such as a broker-dealer, a bank, an investment adviser or an administrator or trustee of any plan that maintains an “Omnibus Account” with the Fund for trading on behalf of its customers.

While the Fund will encourage financial intermediaries to apply this market timing policy to their customers who invest indirectly in our Funds, unless the financial intermediaries have the ability to apply the Funds’ market timing policy to their customers through such methods as implementing short-term trading limitations or restrictions or assessing the Funds’ redemption levy, the Funds may not be able to determine whether trading by customers of financial intermediaries is contrary to the Funds’ market timing policy.

If inappropriate trading is detected in an Omnibus Account registered in the name of a nominee, financial intermediary or plan sponsor, the Fund may request that the nominee, financial intermediary or plan sponsor take action to prevent the particular investor or investors from engaging in frequent or short-term trading. If inappropriate trading recurs, the Fund may refuse all future purchases from the plan, including those of plan participants not involved in the inappropriate activity.

Switches

Certain switches are permitted between Units of one Fund into Units of another Fund priced in the same currency and provided the minimum investment requirements are met. A switch of Units between our Funds will be completed by redeeming (selling) the Units of the Fund to be switched out of and using the proceeds, less any redemption fees or short-term trading fees if any, to purchase Units of the Fund that you wish to acquire.

Involuntary Redemptions

If the Custodian Trustee or the Fund Manager is made aware that Fund Units are being held by non-eligible investors, or held by any person in breach of law or for any other reason which the Custodian Trustees or the Fund Manager believes in its sole discretion could impact negatively on the integrity of the Fund, then the Fund Manager (with the consent of the Custodian Trustee) may, subject to the provisions of any regulatory authority, compulsorily redeem such Units, close the account of the investor and send the proceeds to the Unit-holder through the post at the risk of the Unit-holder.

Suspension of Valuation

In extenuating circumstances, the Trustee may, subject to any regulatory requirements, at any time for periods not exceeding 3 months suspend calculating the net asset value of any Fund and of the Fund Units if it is of the opinion that there is good and sufficient reason to do so having regard to the interests of the Unit-holders.

No Fund Units shall be issued, repurchased or sold by the Fund Manager during any period in which the calculation of the net asset value of the Fund Units is suspended.

Alteration to Trust Deed

(a) The Trustee may from time to time in its absolute discretion, but subject to (b) and (c) below vary any of the provisions of the Trust Deed (including this clause) by a deed or by oral or written resolution of the Trustee.

(b) Any of the provisions of the Trust Deed may be amended by the Trustee at any time or times without any need to obtain the consent, approval or ratification of any of the Unit-holders or of any other person, if in the sole judgment and discretion of the Trustee such amendment will not be detrimental to the interests of Unit-holders and, without prejudice to the generality of the foregoing, any such amendment or amendments may be made for the purpose of:

- (a) ensuring that the trust will comply with any applicable laws or requirements of any governmental agency or authority of Trinidad and Tobago;
- (b) ensuring that such additional protection is provided for the interests of Unit-holders as the Trustee may consider expedient;
- (c) removing any conflicts or inconsistencies between the provisions of the Trust Deed and any prospectus filed with any regulatory or other governmental body with respect to the Trust, or any applicable law or regulation of any jurisdiction; or
- (d) making any typographical or non-substantive changes that counsel may advise are necessary or desirable for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or any clerical omission, mistake or manifest error herein.

(c) Subject to b above, no variation of the Trust Deed shall be made unless consented to in writing by Unit-holders holding not less than 75% of the Units on Issue at such time or by resolution passed at a duly convened meeting of Unit-holders by 75% of Unit-holders present and voting.

Termination of the Trust Deed

(a) The Trust shall be deemed to have commenced on the date of this Deed and to terminate, unless previously terminated by the provisions of this Deed, on the Vesting Day.

(b) Provided any of the conditions in (c) below occur, at any time before the date referred to in (i) of the definition of the Vesting Day, the Trustee shall by deed or oral or written resolution appoint an earlier date to be the Vesting Day.

(c) The Trust shall be terminated on the happening of one of the following events:

- (i) if it become illegal or, in the trustee's opinion, impracticable or inadvisable or contrary to the interests of Unit-holders to continue the Trust
- (ii) if the Unit-holders holding not less than 75% of the Units so resolve or by resolution passed at a duly convened meeting of Unit-holders by 75% of Unit-holders present and voting
- (iii) if the Trustee or Fund Managers become bankrupt or being a corporation goes into compulsory or voluntary liquidation (otherwise than for purpose of amalgamation or reconstruction) and a new Trustee or Fund Manager is not appointed within thirty (30) days after commencement of the bankruptcy or liquidation

“Vesting Day” means

- (i) the day after the expiration of twenty one (21) years after the date of death of the last descendant of Queen Elizabeth living at the date of the Trust Deed; or
- (ii) such earlier date determined pursuant to b above.

Dividend and Capital Gain Distributions

Dividends and capital gains distributions, if any, will usually be made in cash or additional Units on an annual basis.

Unless you elect otherwise, dividend and capital gains distributions will be paid in additional shares of the Fund. You may elect to receive cash dividends and distributions by notifying the Fund in writing. You may make this election on the Account Application. You may change your election by writing to the Fund Manager.

If an investor elects to receive distributions in cash and the Postal Service cannot deliver your cheque, or if a cheque remains uncashed for six months, the Fund reserves the right to reinvest the distribution cheque in the unit-holder's account at the Fund's then current net asset value and to reinvest all subsequent distributions.

What About Taxes?

The interest and dividends received by the funds on certain foreign securities may be subject to foreign withholding taxes. Paying foreign withholding taxes may reduce the net amount of income received by a fund and consequently the amount available for distribution to that fund's shareholders.

A distribution may be treated as though paid on December 31 of the calendar year if it is declared by the Fund in December of that year to Unit-holders of record on a date in such month and paid by the Fund during January of the following calendar year. Such distributions may, where applicable, be taxable to Unit-holders in the calendar year the distributions are declared, rather than the calendar year in which the distributions are received.

The Fund Manager has been advised that qualified Collective Investment Schemes are exempt from corporation taxes and business levies and that income paid as dividends to residents of Trinidad and Tobago are not subject to any tax save that dividends received by Trinidad and Tobago resident companies and partnerships are subject to green fund levy, and that income paid as dividends to Caricom nationals of Caricom jurisdictions that have ratified the Caricom Treaty would not be subject to withholding taxes.

The above comments are not exhaustive of all tax considerations and are not intended to constitute legal or tax advice to an investor. Investors should seek independent advice regarding the tax consequences of investing in the Fund, based on the investors' own particular circumstances.

Financial Highlights

Financial highlights are intended to help you understand the Fund's financial performance usually for the past five fiscal years of operations. Certain information will reflect financial results for a single Unit while other information may reflect the performance of the Fund.

The total returns presented in the financial highlights will represent the rate that an investor would have earned on an investment in a Fund (assuming reinvestment of all dividends and distributions). This information will be audited by the Fund's Auditors, whose report, along with the Fund's financial statements, will be included in the Annual Report which will be sent to each account holder and will be available to other potential investors upon request.

Sagicor Merchant US\$ Global Balanced Fund is a new fund now being launched and accordingly there is no historical data for formulation of a financial review. However, Sagicor Life Inc. has demonstrated its confidence in the product now being offered to investors and has made a commitment to purchase eighty thousand Units at the initial purchase price of US\$10.00 on the opening of the subscription list.

Sagicor Merchant Limited, which has been in existence since August 11, 2005, has audited financial statements for the year ending December 31, 2006.

Additional information about each SML US\$ Global Fund will be available in the following periodically published documents:

- The most recently filed annual financial statements;
- Any interim financial statements filed after those annual financial statements;
- The most recently filed annual management report of fund performance; and
- Any interim management report of fund performance filed after that annual management report of fund performance.

Sagicor Merchant Limited 2-year Summary of Financial Position

Financial Highlights

	2006 (000)	2005 (000)
Total Assets (TT\$)	59,364	38,619
Total Income (TT\$)	4,766	694
Net Income/(Loss) (TT\$)	1,301	(269)

“The only way not to think
about money is to have
a great deal of it.”

EDITH WHASTON

Formula for Calculating the Performance Data for the Fund

The performance data for the Fund will be calculated as the annualised return and as described below:-

The performance for a period will be calculated as the net asset at the end of the period adjusted for dividend distributions less the net asset value at the start of the period divided by the net asset value at the beginning period to give the percentage return for the period.

Accounting Period and Unit-holders' Statements

The financial year end of the Fund is 31st December. Statements showing the number of Units held and the net asset value per Unit will be mailed to Fund Unit-holders twice annually. The issue of a new statement will constitute the replacement and cancellation of any prior statements issued in the name of a Unit-holder.

Publication of Prices

The Net Asset Value of the Fund Units will be published weekly in a local newspaper in the Republic of Trinidad & Tobago.

Publication of the Financial Statements

A Statement on the Assets and Liabilities of the Net Income of the Fund will be published every six (6) months in a daily newspaper in Trinidad and Tobago.

Forward-Looking Statements

Except for the historical information contained in this prospectus and the documents referred to under the caption of "Financial Highlights", certain matters discussed in this prospectus and the documents to which reference is made may contain forward-looking statements. Although we believe that in making any such statements our expectations are based on reasonable assumptions, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected.

When used, the words "anticipates," "believes," "expects," "intends," "plans" "projects" and similar expressions, as they relate to us, are intended to identify those forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties. There are factors that could cause actual results to differ materially from those in forward-looking statements, certain of which factors are beyond our control. Accordingly, we cannot assure you that any of the events anticipated by the forward-looking statements will transpire or occur or, if any of them do, what impact they will have on the Fund's results of operations or financial condition. We neither intend, nor undertake, any obligation to publicly revise any forward-looking statements that have been made to reflect the occurrence of events after the date hereof other than as may be contained in any subsequent published revision of this prospectus or the documents aforementioned in the normal course of events.

Our Invitation

Sagicor Merchant Limited invites applications for the purchase of an unlimited number of units in Sagicor Merchant US\$ Global Balanced Fund at the initial offer price of US\$10.00 per Unit and thereafter at the net asset value per Unit calculated at the close of business on the Valuation Day next following the receipt of an application for the purchase of Units. The initial offer price and the amount representing such net assets value per share is payable in full on application.

All Applications must be made solely on the basis of the information and representations made and subject to the terms and conditions set out in this prospectus and in the Trust Deed creating the Fund and upon the accompanying application form (inserted in the back cover hereof) or on an application form obtainable from Sagicor Life Inc or any of its agents or distributors.

The Application list for subscriptions at the initial offer price of US\$10.00 per unit will open at 9:00 am on Monday September 29th, 2008 and will remain open until 12 Noon on Friday October 31st, 2008. Thereafter investors may continue to purchase Fund Units at the net asset value of the Fund.

Terms and Conditions of the Offer

By completing and delivering an application form for the purchase of Fund Units together with payment for the Units for which application is made, you

- (a) offer to purchase the number of Units of the fund specified in your application which, at the price referred to above, your payment will buy (or such smaller number for which the application is accepted) on the terms of and subject to the conditions set out in this Prospectus, The Trust Deed creating the Fund and in the accompanying Application Form;
- (b) authorise the Fund Manager to send a statement for the number of Units for which your application is accepted and/or a cheque for any money returnable by post at your risk to the address of the person (or the first-named person) named in your Application Form and to place your name (and the names(s) of any other joint applicants) on the Register of Members of the Fund in respect of the Units to which you are entitled.
- (c) warrant that your remittance will be honoured on first presentation;
- (d) agree that your application, and acceptance of it, and contracts resulting there from, shall be governed and construed in accordance with the Laws of the Republic of Trinidad & Tobago;

- (e) warrant that, if you sign an Application Form on behalf of a third party, you have the authority to do so;
- (f) warrant that you are not a citizen of the United States of America or a person resident or domiciled in the United States of America or acquiring the shares on behalf of any such person;
- (g) warrant that you are not applying for the shares as nominee for an ineligible person or in contravention of the laws of the Republic of Trinidad & Tobago or of any jurisdiction outside of the Republic of Trinidad & Tobago
- (h) agree that any letter of acceptance and any moneys returnable may be held pending clearance of your remittance;
- (i) agree that, in respect of those Units for which your application has been received and is not rejected, acceptance of your application shall be made by notification by post by the Fund Manager;
- (j) confirm that, in making your application, you are not relying on any information or representation in relation to this offer other than such as may be contained in this Prospectus and accordingly agree that neither Sagicor Merchant Limited, Sagicor Life Inc., The Fund, nor any of its Directors, Agents or Servants nor The Custodian Trustees named in this Prospectus nor any person responsible for this Prospectus or any part of it or otherwise named herein shall have any liability for any information other than such as is contained in this Prospectus;
- (k) confirm that you have read the Prospectus pertaining to the Units for which application is made;
- (l) agree, save where the context otherwise requires, that terms used in the Application Form or in any correspondence in relation thereto, are as defined in this Prospectus.

Sagicor Merchant Limited

US\$ Global Balanced Fund

Investment Goal

The Fund aims to achieve an above average total return over the long term consistent with the preservation of capital through investments primarily in a diversified portfolio of equities and other select securities in companies and industries with good growth potential coupled with investing globally in the debt and short term securities, of both private and public corporate and governmental issues, with no prescribed country or regional limits.

Who May Want to Invest

Sagicor Merchant US\$ Global Balanced Fund may be appropriate for investors who:

- are seeking exposure to equity securities denominated in foreign currencies
- are seeking exposure to a broader spectrum of fixed income investments than would be accessible by individual investors;
- are seeking long term growth potential with an element of income flows;
- are investing for total return;
- are seeking to diversify their portfolio;
- are investing with a long term horizon;
- are willing to accept an element of higher short term risks and a moderate degree of Unit price fluctuation;
- are seeking access to markets that are often less accessible to individual investors;

Sagicor Merchant US\$ Global Balanced Fund may not be appropriate for investors who:

- are investing to meet short-term financial goals;
- are seeking or investing solely for either a high level of current income or a high level of capital appreciation;
- are unwilling to accept an element of higher short term risks and a moderate degree of share-price fluctuation.

How will the Fund Pursue Its Investment Goal?

Emphasis on Balance

At least, normally 50% of the Fund's assets will be invested in equities of well managed companies operating in industries with good growth potential. At least 25% of the Fund's net assets may be invested in other mutual funds, hedge funds, closed-end funds or other investment schemes to facilitate better access to opportunities in foreign markets.

The Fund may also invest up to 50% of its net assets in debt obligations, bonds and rated commercial paper of American and foreign companies; Bonds, Debentures and Treasury Bills issued by Sovereign States and their Municipalities, and in derivative securities for non-speculative purposes. The Fund will invest primarily for total return.

Asset Allocation

The Manager will allocate the Fund's assets among the various market segments based upon the anticipated returns and risks of each of the market segments.

In allocating assets among market segments, the Manager will employ both fundamental and technical analysis to assess relative risk and reward potential throughout the financial markets, with the objective of providing the best opportunity for achieving an above average total return consistent with the preservation of capital over the long-term. The Fund's portfolio may vary considerably among the various market segments in response to changes in economic and market trends. The Manger may overweigh market segments that it believes have above average market potential with below average market risk. By allocating its investments in this manner, the Fund believes it will not be exposed to the same degree of market risk as a mutual fund that invests in only one market segment.

In making asset allocation decisions, the Manager will evaluate projections of risk, market conditions, economic conditions, interest rate expectations, volatility, yields and returns. The Manager will use database systems to help analyse past situations and trends, research in each of the asset classes to help in securities selection, portfolio management professionals to determine asset allocation and to select mutual funds, closed-end investment companies and individual securities.

Asset Sub-classes

The asset allocation process is not limited to determining the degree to which the Fund's assets should be invested in these different market segments. The Manager will continually explore opportunities in various sub-classes of assets using various economic indicators such as:

- * Geo-economic considerations
- * Maturities of fixed income securities (for example "short term" versus "long term")
- * Market capitalisations (for example, "blue chip" versus small capitalisations)
- * Sector rotation (for example, "high tech" versus industrial)
- * Interest rate structure of fixed income securities (for example "fixed rate" versus "floating rate")
- * Issuer profile (for example "sovereign" versus "corporate" or "investment grade" versus "speculative")

Selecting Securities

The Manager will select underlying securities in which to invest based, in part, on their investment goals and strategies, and where applicable their investment adviser and portfolio manager, and on the analysis of their past performance (absolute, relative and risk-adjusted).

With respect to investing in other mutual funds the Manager will also consider other factors such as fund size, liquidity, expense ratios, quality of shareholder service, reputation and tenure of portfolio manager, general composition of its investment portfolio and current and expected portfolio holdings.

Funds in which the Fund will invest may not share the same investment goal and investment limitations as the Fund. Normally, the Fund will invest its assets in mutual funds from several different mutual funds families, managed by a variety of investment advisers and having a variety of different investment goals and strategies. In particular the Manager may invest up to 10% of the assets of the Fund in registered hedge funds.

What is a Hedge Fund?

The term "Hedge Fund" is derived from the practice of investment managers who would take long positions in various securities and then "Hedge" against the risk of a general market decline by taking short positions in other securities. Today, the term usually refers to private investment vehicles that may utilize a wide range of investment strategies and instruments.

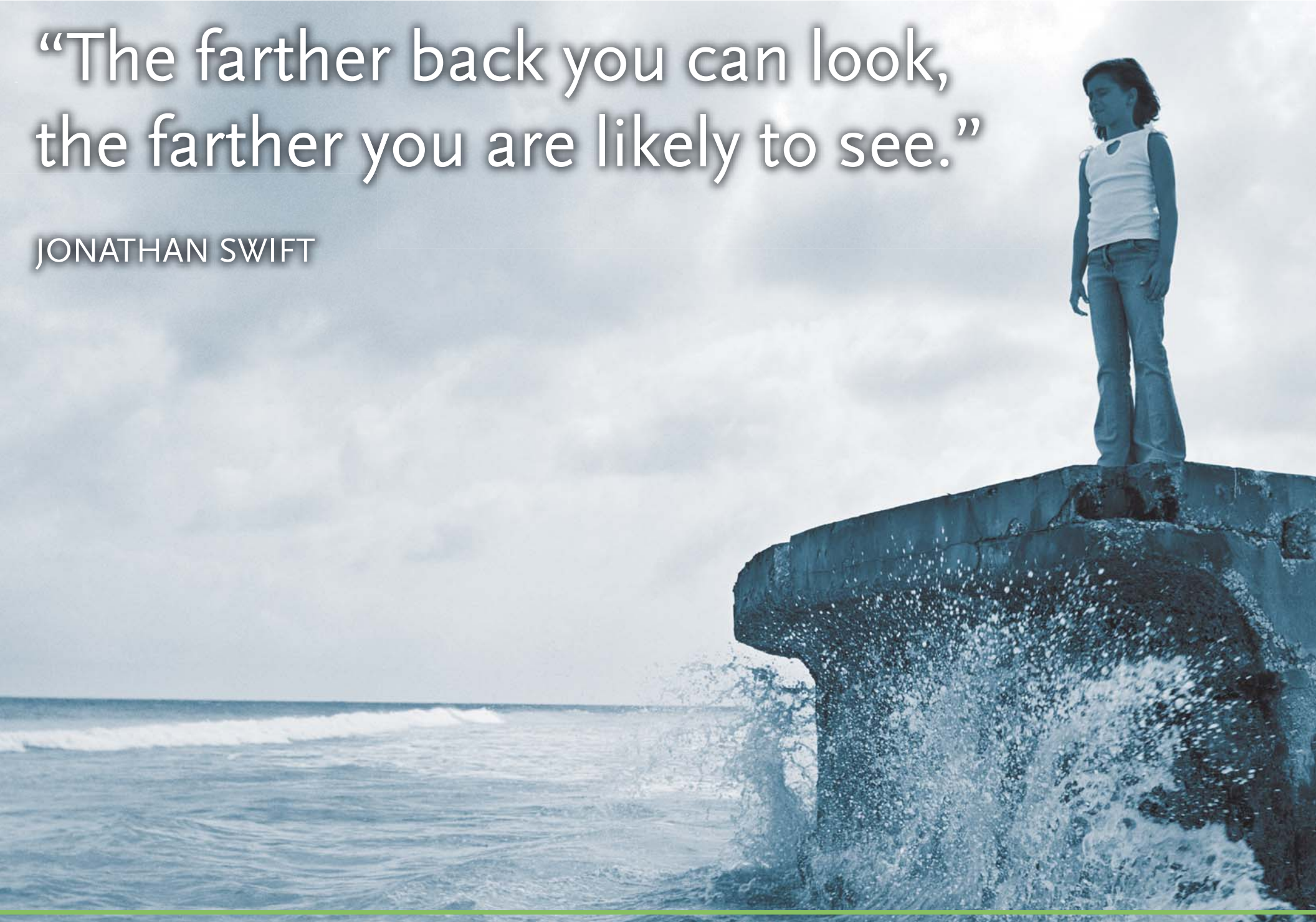
Hedge fund strategies can provide access to instruments, markets and investment techniques not typically used by traditional investment programs. In addition, hedge funds typically pursue positive absolute returns rather than seeking to outperform a benchmark. Consequently, hedge funds are also described as "absolute-return strategies."

A fund of hedge funds (also known as a multi-strategies fund or multi-manager fund) is a pooled investment vehicle that seeks to reduce volatility by spreading investments among many different hedge funds. These funds of funds blend a host of hedge funds in a single portfolio tailored to meet investors' specific risk/return objectives.

Fund of hedge funds investing permits greater diversification with the same amount of dollars than could otherwise be attained and can enable investors to gain the benefits of hedge fund investing while better managing the risks. In addition, a fund-of-hedge-funds manager can perform the due diligence and fund monitoring on the individual managers that are critical to a successful hedge fund allocation. Internationally, the fund of funds approach has become one of the preferred investment forms for many pension funds, endowment funds, insurance companies, private banks, family offices and high net worth individuals.

“The farther back you can look,
the farther you are likely to see.”

JONATHAN SWIFT



These alternative investment strategies can reduce portfolio risk; however the method of accessing these strategies can increase portfolio risk. The major risks include misrepresentation of investments, forbidden exposure (i.e. excessive leverage, position or sector overlap/concentration), strategy or style drift, and inappropriate valuation methods. In addition many hedge funds are not registered and are therefore loosely regulated. It is for this reason that any investment made by the Fund in hedge funds will employ the fund of hedge funds vehicle and will be restricted to those funds of hedge funds that are registered and regulated by an appropriate regulatory authority.

Investments Strategy

The Fund may invest in the acquisition by original subscription or by purchase or otherwise of the shares or stock of any company, building society, municipal or other statutory authority wheresoever situated or incorporated. Such shares or stock may be ordinary, preferred, deferred, redeemable or otherwise and partly or fully paid or having any liability thereon. Such company, building society, municipal or statutory authority may be public or proprietary.

The Fund may invest in the bonds, debentures, stocks or other evidence of indebtedness of or guaranteed by the Government of Trinidad and Tobago or of any other country.

The Fund may invest in the bonds, debentures or other evidence of indebtedness issued by an authority or other body without share capital established and empowered pursuant to a statute of any Government.

The Fund may participate in the bonds, debentures or other evidence of indebtedness of a corporation incorporated in any jurisdiction which are fully secured.

The Fund may participate in the purchase or upon mortgage of land of any tenure improved or unimproved and wheresoever situated. It may participate in the erection of buildings of any description or type or the making of improvement on land of any tenure improved or unimproved and wheresoever situated.

The Fund will seek to invest in securities that are, in the opinion of the Investment Adviser, undervalued. To select investments and securities for the Fund's portfolio, the Investment Adviser will engage in thorough risk research and assessment, as well as rigorous analysis of general economic conditions.

The Fund will seek to benefit from specific economic trends in the global economy by appropriate allocation of the assets of the Fund among the countries, industries and sectors.

The Fund may invest in the equity securities of small and emerging growth companies, and a portion of its debt portfolio may be invested in high yield securities.

The Fund may invest, with no limitation, in units or sub-units of any fixed or flexible unit trust or mutual fund with a comparable global balanced investment allocation.

Investment in options, hedge transactions and all other forms of derivative instruments for the purposes of maximizing investment returns and/ or minimizing risks are permitted.

The Fund is permitted to place monies on loan with or without interest to any person or persons whether an executor, trustee or otherwise or on deposit with or loan to any firm or business whatsoever and wheresoever situated with or without security and for any period whatsoever.

The Fund is permitted to maintain cash or near-cash instruments on deposit with any licensed financial institution for any period whatsoever for liquidity purposes. The Fund is permitted to maintain cash on deposit with or loan to any company or building society wheresoever situated or incorporated and whether public or proprietary and with or without security and for any period whatsoever.

The Manager may vary the percentage of the Fund's assets allocated to the various markets based upon the mix of these markets that the Manager believes will most likely achieve the Fund's investment goal.

Investment Policy and Limitations

Under the provisions of the Trust Deed creating the Fund, the assets of the Fund may be invested in the following Authorised Investments namely

- i. investments made in the purchase of or at interest upon the security of such shares stocks funds securities land or other investments or property of whatever nature and wheresoever situate and whether involving liabilities or not (and in particular without limiting the generality of the foregoing the Trustee may apply money as aforesaid in the purchase of or subscription for contributing or redeemable shares or stock in any company wheresoever situated or incorporated and whether public or proprietary and whether or not such shares or stock would normally be proper to be acquired by a trustee) or upon such personal credit with or without security as the Trustee shall in its absolute discretion think fit and generally the Trustee shall have the same powers of investment in all respects as if it were the absolute owner beneficially entitled to the Trust Fund and without in any way limiting the generality of the foregoing in any one or more of the following modes:
 - ii. in the purchase or upon mortgage of land of any tenure improved or unimproved and wheresoever situated;
 - iii. in the purchase of government securities of the Government of the United States of America or of any other country;
 - iv. on deposit with any bank for any period whatsoever;
 - v. on deposit with or loan to any company or Building Society wheresoever situated or incorporated and whether public or proprietary and with or without security and for any period whatsoever;
 - vi. on loan with or without interest to any person or persons whether an executor trustee or otherwise or on deposit with or
- vii. loan to any firm or business whatsoever and wheresoever situated with or without security and for any period whatsoever;
- viii. in the acquisition by original subscription or by purchase or otherwise of the shares or stock (whether ordinary preferred deferred redeemable or otherwise and whether partly or fully paid or having any liability thereon) of any company or building society wheresoever situated or incorporated and whether public or proprietary and debenture notes or other securities of any such company or building society or municipal or other statutory authority in the United States of America, Canada, Great Britain or any other country with power to take up new shares or other securities in any such company, building society or authority;
- ix. in any partnership firm or business whatsoever and wheresoever situate;
- x. in units or sub units of any fixed or flexible unit trust, mutual fund whatsoever or in interests or any property or other trust whatsoever;
- xi. in the erection of buildings of any description or type or the making of improvements on land of any tenure improved or unimproved and wheresoever situated;
- xii. in the construction and operating of hotels, motels, serviced apartments, flats, restaurants, shopping centres and office buildings;

The Manager will normally invest in quoted securities and other securities which are regularly traded however, the Manager may also invest a portion of the Fund's assets in securities that are not quoted and not regularly traded. Not more than an aggregate of 10% of the Fund's assets, taken at market value at the time of purchase, may be invested in unquoted securities and not more than 10% of the Fund's assets, taken at market value at the time of the purchase, may be invested in securities issued by any one company. The Fund shall not purchase a security of an issuer

- a. if, immediately after the purchase, the Fund would hold securities representing more than 10% of the votes attaching to the outstanding securities of that issuer, or the outstanding equity securities of that issuer; or
- b. for the purpose of exercising control or discretion over, or control or discretion over the management of, the issuer of the security.

There is no limitation however on investments in Government Securities denominated in US dollars and other international currencies. In appropriate circumstances, existing positions in the Fund may be hedged against adverse political, fiscal or exchange control risks, market activity or adverse movement in interest rates.

At least fifty percent (50%) of its total net assets shall be invested in debt obligations, debentures and treasury bills issued by Sovereign States and their municipalities, corporate debt instruments, guaranteed commercial paper and other obligations (including mortgage and asset backed securities) and high income funds. The Fund may also invest up to 50% of its net assets in stocks and shares of local, regional and international companies, other mutual funds and unit trusts and in derivative securities for non-speculative purposes.

Restriction on Investment

The Fund may not enter into any derivative transaction and forward currency transaction for speculative purposes but it may invest in hedge funds whose primary investment strategy is not speculative but who otherwise may engage in investing in derivative and forward currency transactions.

The Fund is not restricted from investing in quoted securities issued by Sagicor Financial Corporation but any such investment must be disclosed to the Trinidad & Tobago Securities and Exchange Commission within 7 business days of the end of the month in which the acquisition or sale of any such securities occurred and such investment shall not exceed 10% of the Fund's assets.

Modification of the investment policy requires approval and consent by resolution of the Fund's Unit-holders holding not less than 75% of the Units or by resolution passed at a duly convened meeting of Unit-holders by 75% of Unit-holders present and voting.

Restriction on Borrowing

The Fund may not borrow money except for (a) short term from banks as may be necessary for the clearance of portfolio transactions and (b) borrowing from banks for temporary or emergency purposes, including the meeting of redemption requests, which may require the untimely disposition of its portfolio securities. The borrowing limit shall be an amount equal in value to 5% of the Fund's assets. The Fund may mortgage, pledge or hypothecate such portion of its assets as may be required to secure such borrowing.

Fund Risk

It is the objective of the Fund to maximise positive total returns on the investments of the Fund. However, there is no guarantee that the investment objectives of the Fund will always be achieved. The capital value of an investment portfolio can go down as well as up, and any such fluctuation will be reflected in the value of the Fund's Units.

The Fund is not insured by Sagicor Merchant Limited. or by any other authority. Any investment in the Fund is therefore at the sole risk of the investor.

Conflicts of Interest

Sagicor Merchant Limited holds the roles of Promoter, Fund Manager and Investment Manager. Thus Sagicor Merchant Limited has a conflict of interest between its duty to act in the best interest of the Fund and its interest in benefiting itself as Investment Manager.

Sagicor Life Inc, as holder of all the shares in Sagicor Merchant Limited, controls all of the voting interests in Sagicor Merchant Limited and consequently can appoint or remove directors of SML. The directors have the power to terminate the services of SML's agents or representatives.

The Investment Manager may also provide investment management services to companies other than SML; conflicts may arise between the interests of the Fund and those of other accounts and clients. In that connection, the Investment Manager may give advice in the performance of its duties to other clients that may differ from the timing and nature of action taken with respect to the Fund. Because of different objectives or other factors, a particular asset may be bought for one or more managed funds (including the Fund), companies or accounts, when one or more of the other funds, companies or accounts advised by the Investment Manager are selling the same asset. Also, if purchases or sales of assets are made by the Investment Manager for two or more such funds, companies or accounts, or arise for consideration at or about the same time, transactions in such assets will be allocated, in so far as feasible, for the respective funds, companies and accounts in a manner determined by the Investment Manager to be equitable to all. As a result of a number of factors including the foregoing considerations, the results of the Fund's investment activities may differ significantly from the results of the other funds, companies or clients advised by the Investment Manager. There may be circumstances when purchases or sales of assets for one or more funds, companies or accounts advised by the Investment Manager have an adverse effect on other funds (including the Fund), companies or accounts advised by the Investment Manager, including a negative effect on the price of securities owned by the Fund or which the Fund desires to purchase.

“Wealth is not a matter
of intelligence, it’s a matter
of inspiration.”

JIM ROBIN

For Your Further Information

General Information

The following are available for inspection, without charge, at the offices of Sagicor Merchant Limited on any Business Day from Monday to Friday inclusive, between the hours 9:00 a.m. to 12:00 noon.

- * The Articles of Incorporation of Sagicor Merchant Limited
- * The Trust Deed creating the Fund
- * The contract for the appointment of the Manager and Investment Adviser
- * The Custodian Agreement
- * The consents of the Directors

Any extracts included in this Prospectus from referenced sources were not prepared for specific inclusion in this Prospectus.

- The Trust Deed does not fix any number of Units as qualifications for Directors.
- The time for opening the subscription list is 9:00 a.m. on Monday September 29th, 2008.
- The Directors and Officers of Sagicor Merchant Limited, Sagicor Life Inc., , PricewaterhouseCoopers LLP and Hobsons have all given and have not withdrawn their written consent to the inclusion of their names in this Prospectus in the form and context in which they are included.
- The Directors of the Sagicor Merchant Limited. accept responsibility for the information contained in this Prospectus which to the best of their information knowledge and belief is accurate as at the date of publication thereof.

- Save as disclosed there is no closing date for applications made pursuant to this Prospectus. The purchase price for a Unit shall be equal to the net asset value (which is calculated at the close of business on the Valuation Day next following the receipt of an application for the purchase of Shares).
- The Company, upon the advice of the Manager, may from time to time close the subscription list for new Fund Shares.
- There is no restriction against Directors acquiring Units in the Funds.
- Fractional shares of the Units may be issued.
- No share certificates in the usual format will be issued by the Funds, but the Funds shall issue to each Fund Unit-holder a statement showing the number of Fund Units held by each such shareholder.

The Appendices #1 and #2 which follow are included
for investor's general information.

They must not be deemed however to form part of this Prospectus
for the purpose of creating any contractual relationship
between investors and the Company or the Funds
howsoever arising.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the collective investment scheme distributed by this prospectus

Signed by or on behalf of the Fund Directors



Marjorie Patricia Downes-Grant



Dodridge D. Miller



Terrence A. Martins



Robert J.L. Trestrail



Keston D. Howell

This Prospectus is dated the 1st of July 2008.

APPENDIX 1

Our Privacy Policy

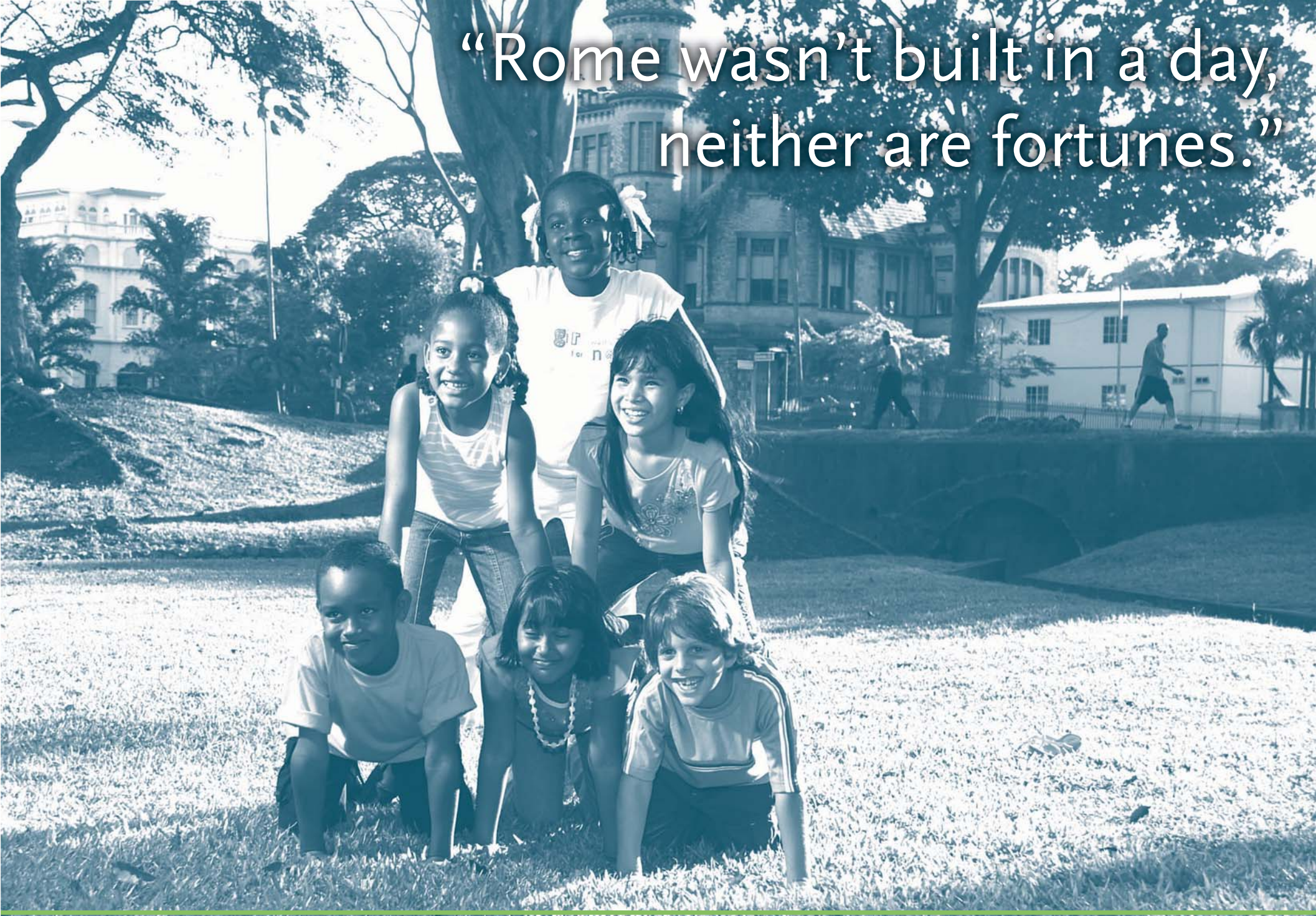
When you choose to invest your money with Sagicor Merchant US\$ Global Funds, you not only entrust us with your investments, but also with your personal and financial data. Just as we're dedicated to managing your money well, we are also committed to respecting your privacy and protecting the information you give to us.

We will not disclose any non public personal information about you to non affiliated third parties except as required by law. In order to service your account and to effect transactions that you request or authorize, we may provide certain non public personal information to companies that perform administrative or marketing services on our behalf. We require these outside companies to protect the confidentiality of your information and to use the information only for the purpose for which the disclosure is made.

We restrict access to your non public personal information to our employees who need to know the information to provide products and services to you. Furthermore, we maintain physical, electronic and procedural safeguards in our effort to protect your non public personal information.

We will continue to adhere to our privacy policy even after your account is closed or becomes inactive.

“Rome wasn’t built in a day,
neither are fortunes.”



APPENDIX 2

Investment Glossary

We partner with you in the management of your investments. As an active investor you will no doubt, from time to time, be reading articles in the financial press. As you do so, you may encounter words and terms used by financial analyst and those who write on business matters which may not be quite familiar. We hope that you will find the Glossary useful.

Arbitrage is the practice which attempt to exploit and profit from temporary price discrepancies between similar securities or commodities traded on two or more markets through buying the cheaper one and selling short the more expensive one. There are other forms of arbitrage which entail varying degrees of risks.

Asset-backed Securities are securities backed by unsecured debt, such as credit card debt; these securities are often guaranteed or over-collateralized to enhance their credit quality. Credit and interest rate risks are the principal risks.

Bear Markets represent a prolonged period of falling prices. A bear market in stocks is usually brought on by the anticipation of declining economic activity, and a bear market in bonds is caused by rising interest rates.

Bull Markets represent a prolonged rise in the prices of stocks, bonds or commodities. Bull markets usually last for several months and sometimes years and are characterised by high trading volumes.

Convertible Securities are debt or equity securities which may be converted on specified terms into stock (shares) of the issuer. Market, interest rate, prepayment and credit risks are the principal risks.

Credit Risk means that the issuer of a security or the counterparty to an investment contract may default or become unable to pay its obligations when due.

Currency Contracts involve the right or obligation to buy or sell a given amount of foreign currency at a specified price and future date.

Currency Risk happens when a Fund, or the underlying entities in which a Fund invests, buy or sell a security denominated in foreign currency. Foreign currencies generally “float” in value against the U.S. dollar. Adverse changes in foreign currency value can cause investment losses when the Fund’s, or the underlying entities, investments are converted to U.S. dollars or to a currency pegged to the US dollar.

Extension Risk means the risk that an unexpected rise in interest rates will extend the life of a mortgage-backed security beyond the expected prepayment time, typically reducing the security’s value.

Financial Futures and Options; Securities and Index Options are contracts involving the right or obligation to deliver or receive assets or money depending on the performance of one or more assets or an economic index.

Foreign Securities are issued by foreign governments or companies located outside of the host country of the Fund. The Fund considers a company to be located outside of its host country if the principal securities trading market, for its equity securities, is located outside the host country or it is organized under the laws of, and has its principal office in, a country other than the host country. Market, currency, transaction, liquidity, information and political risks are the principal risks.

Forward Foreign Currency Contracts are privately negotiated contracts committing the holder to purchase or sell a specified quantity of a foreign currency on a predetermined future date. Market, opportunity and leverage risks are the principal risks.

“Money is easier made
than kept.”

SAMUEL BUTTER

Hedging Risk comes into play when the Fund, or the underlying entities in which the Fund invests, use a security whose value is based on an underlying security or index to “offset” the Fund’s or the underlying entities position in another security or currency. The objective of hedging is to offset potential losses in one security with gains in the hedge. But a hedge can eliminate or reduce gains as well as offset losses.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the value of an investor’s securities. When interest rates rise, the value of fixed-income securities will generally fall. Conversely, a drop in interest rates will generally cause an increase in the value of fixed-income securities. Longer-term securities are subject to greater interest rate risk.

Investment Grade Bonds are rated BBB (Standard & Poor’s) or Baa (Moody’s) or above. Bonds rated below investment grade are subject to greater credit risk than investment grade bonds. Interest rate, prepayment, market and credit risks are the principal risks.

- **Leverage Risk** is associated with securities or practices (such as borrowing) that multiply small index or market movements into large changes in value. If the Fund invests in underlying funds that use leverage, it will have the risks arising from the use of leverage.
- **Hedged** – when a derivative (a security whose value is based on another security or index) is used as a hedge against an opposite position that the Fund also holds, any loss generated by the derivative should be offset by gains on the hedged investment, and vice versa. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains.
- **Speculative** – To the extent that a derivative is not used as a hedge, the Fund is directly exposed to the risks of the derivative. Gains or losses from speculative positions in a derivative may be substantially greater than the derivative’s original cost.

Liquidity Risk occurs when investments cannot be sold readily. The Fund, or the underlying funds in which the Fund invests, may have to accept a less-than-desirable price to complete the sale of an illiquid security or may not be able to sell it at all.

Long or Long Position means ownership of a security, giving the investor the right to transfer ownership to someone else by sale or by gift; the right to receive any income paid by the security; and the right to any profits and losses as the security’s value changes.

Management Risk is the risk that a strategy used by the Fund’s management may fail to produce the intended result. This risk is common to all mutual funds.

Market Risk exists in all mutual funds and means the risk that the price of securities in a market, a sector, or an industry will fluctuate, and that such movements might reduce an investment’s value.

Mortgage-backed Securities are securities backed by pools of mortgages and other senior classes of collateralized mortgage obligations. Credit, extension, prepayment, liquidity, interest rate risks are the principal risks.

Non-investment Grade Debt Securities – debt securities rated below BBB/Baa, sometimes called “junk bonds,” generally have more credit risk than higher-rated securities. Companies issuing lower-rated securities are not as strong financially as those with higher credit ratings. These companies are more likely to encounter financial difficulties and are more vulnerable to changes in the economy, such as a recession or a sustained period of rising interest rates, which could prevent them from making interest and principal payments. The market price of lower-rated securities may fluctuate more than higher-rated securities, and lower-rated securities may be less liquid than higher-rated securities. Credit, market, interest rate, liquidity, valuation, information risks are the principal risks.

Opportunity Risk means missing out on an investment opportunity because the assets necessary to take advantage of it are committed to less advantageous investments or strategies.

Political Risk comes into play with investments, particularly foreign investments, which may be adversely affected by nationalization, taxation, war, government instability or other economic or political actions or factors.

Pre-emptive Rights. If the constitutive documents of a company so provide, no shares of a class of shares may be issued unless the shares have first been offered to the shareholders of the company holding shares of that class. In such circumstances those shareholders have a pre-emptive right to acquire the offered shares in proportion to their holding of the shares of that class, at such price and on such terms as those shares are to be offered to others.

Prepayment Risk is the risk that, as interest rates fall, borrowers are more likely to refinance their debts. As a result, the principal on certain fixed income securities, including mortgage-backed securities, may be paid earlier than expected, which could cause investment losses and cause prepaid amounts to have to be reinvested at a relatively lower interest rate.

Repurchase Agreements mean the purchase of a security that must later be sold back to the issuer at the same price plus interest. Credit risk is the principal risk.

Repurchase Transaction involves a fund selling a security at one price and agreeing to buy it back from the same party at a lower price.

Reverse Repurchase Transaction involves a fund buying a security at one price and agreeing to sell it back to the same party at a higher price.

Sector Focus occurs when a significant portion of the Fund's assets are invested in a relatively small number of related industries. Funds will not normally concentrate more than 25% of their total assets directly in any one industry. However, if a Fund invests in underlying entities that concentrate investments in one or a small number of related industries, the Fund will have the risks arising from sector focus. Sector focus may increase both market and liquidity risk.

Short Sales means the selling of securities which have been borrowed on the expectation that the market price will drop and that the securities will be able to be bought back at a lower price at a later date.

Short-Term Trading means selling a security soon after purchase. If a Fund engages in short-term trading, you will normally have higher turnover and transaction expenses. Short-term trading may also result in short-term capital gains. Market risk is the principal risk.

Securities Lending means the lending of securities to financial institutions, which provide cash or government securities as collateral. Credit risk is the principal risk.

Small and Mid-sized Company Securities are securities issued by small or mid-sized companies, as measured by their market capitalization. Historically, smaller company securities have been more volatile in price than larger company securities, especially over the short-term. Among the reasons for the greater price volatility are the less certain growth prospects of smaller companies, the lower degree of liquidity in the market for such securities, and the greater sensitivity of smaller companies to changing economic conditions. In general, the smaller the company, the greater its risks. Market, liquidity and information risks are the principal risks.

Structured Securities means indexed and/or leveraged mortgage-backed and other debt securities, including principal-only and interest-only securities, leveraged floating rate securities and others. These securities tend to be highly sensitive to interest rate movements and their performance may not correlate to these movements in a conventional fashion. Credit, interest rate, extension, prepayment, market, speculative leverage, liquidity, valuation risks are the principal risks.

Transaction Risk means that a Fund, or the underlying funds in which a Fund invests, may be delayed or unable to settle a transaction or that commissions and settlement expenses may be higher than usual.



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