



BARBADOS
SEGREGATED
PENSION FUNDS

ANNUAL REPORT

2016



OUR VISION

To be a great company,
committed to improving
the lives of people in the
communities in which
we operate.



CONTENTS

4

THE SEGREGATED PENSION FUNDS POLICY

5 *Financial Highlights*

8

CHAIRMAN'S STATEMENT

16

TRUSTEE OF THE SEGREGATED PENSION FUNDS

16 *Directors*

17 *Pension Services Department Management*

17 *Portfolio Management Team*

17 *Auditors*

20

FINANCIAL STATEMENTS BONDS FUND

20 *Auditor's Report - Bonds Fund*

24 *Statement of Financial Position - Bonds Fund*

25 *Statement of Changes in Net Assets Attributable to Unit Holders - Bonds Fund*

26 *Statement of Comprehensive Income - Bonds Fund*

27 *Statement of Cash Flows - Bonds Fund*

29 *Notes to the Financial Statements - Bonds Fund*

62

FINANCIAL STATEMENTS EQUITY FUND

62 *Auditor's Report - Equity Fund*

66 *Statement of Financial Position - Equity Fund*

67 *Statement of Changes in Net Assets Attributable to Unit Holders - Equity Fund*

68 *Statement of Comprehensive Income - Equity Fund*

69 *Statement of Cash Flows - Equity Fund*

71 *Notes to the Financial Statements - Equity Fund*

BARBADOS SEGREGATED PENSIONS FUNDS POLICY

Under this policy, Sagicor manages and administers Pension Funds registered in Barbados and facilitates investments in diversified portfolios of securities. Sagicor allows investment in either or both of the two Unit Trusts, in proportions chosen by the client.

Administration services include design of plans, computerized record keeping, regular monthly billing, payment of pension and other benefits and optional provision of actuarial advice.

Actuarial advice is provided through our actuary, Sylvain Goulet, FSA, FCIA, MAAA, Affiliate Member of the (British) Institute of Actuaries.

At present, Pension Funds of 219 companies in Barbados amounting to approximately \$922.2 million are invested in these segregated funds; all but seventy-seven of these Pension Plans are also administered by Sagicor. The total membership stood at 5,800 which includes 600 Pensioners.

BONDS & EQUITY FUNDS - NET ASSETS, UNIT VALUE, YIELD

	Equity Fund			Bonds Fund		
	Assets	Unit Value	Change	Assets	Unit Value	Change
2007	\$422,197	\$42.71	14.26%	\$246,239	\$16.00	8.62%
2008	\$435,613	\$41.01	-3.98%	\$284,074	\$16.89	5.56%
2009	\$445,717	\$41.95	2.30%	\$307,154	\$18.26	8.10%
2010	\$458,067	\$43.52	3.70%	\$322,608	\$19.32	5.83%
2011	\$446,569	\$42.74	-1.79%	\$337,633	\$20.12	4.14%
2012	\$476,581	\$45.67	6.86%	\$364,525	\$21.63	7.54%
2013	\$495,060	\$47.76	4.58%	\$371,004	\$22.51	4.05%
2014	\$479,484	\$47.73	-0.05%	\$383,091	\$23.97	6.79%
2015	\$470,493	\$48.15	0.88%	\$398,466	\$24.89	3.80%
2016	\$499,022	\$51.23	6.39%	\$423,156	\$25.36	1.89%

GROWTH OF THE SEGREGATED FUND ASSETS





CHAIRMAN'S STATEMENT



Our guiding principle has always been to act wisely. By using the knowledge we have acquired over the years, we can do what is best to lead the way, and make everyone's future as bright as possible.

CHAIRMAN'S STATEMENT



Stephen McNamara, CBE
Chairman

Global equities experienced credible performances for the year ended December 31, 2016, amid a volatile investment environment and subdued global growth. Economic and political uncertainty within major developed markets increased through a litany of events which included the UK's vote to exit the European Union (BREXIT), the Federal Reserve Bank's (Fed) indecisiveness on the timing of further increases to the Federal Funds Rate as well as the speculation which surrounded the outcome of the US presidential elections, created periods of volatility. The impact proved to be transitory as key developed market indices recorded double digit returns for the year.

Emerging market equities also registered strong performances and were positively impacted by the relative stability of commodity prices, led by an incipient recovery in oil prices which outweighed the adverse impact from the relative strength of the US dollar versus various emerging market currencies.

In developed markets, US equities led returns for the year. The Standards and Poor's Index and the Dow Jones Industrial Average Index returned 12.0% and 16.5%, respectively. The MSCI EAFE Index, a barometer for developed Ex-US equities advanced 1.5%. Emerging market equities as gauged by the MSCI Emerging Market Index returned 11.6% for 2016 in US dollar terms. The performances across all regional equity indices trended positively for the year. The Barbados and Jamaica stock indices returned 10.1% and 27.6%, respectively and outperformed the Trinidad and Tobago Stock Exchange which returned 4.1% for the year.

Across fixed income markets, yields globally remained protractedly low. In the US, the yield on the 10 year Treasury bond marginally increased from 2.24% at the start of the year and ended the year at 2.45%. The relative increase in benchmark Treasury rates negatively impacted selective existing holdings of US dollar denominated bonds which were further adversely impacted by widening credit spreads. In Japan and across some parts of Europe negative yields were experienced during 2016.

Fixed income markets regionally remained uneventful with respect to credit defaults and

debt restructurings. However, selective issuers experienced rating adjustments including the Government of Barbados and the Government of Trinidad and Tobago which were downgraded by Standards & Poor's to B- and A-, respectively, during the year. Moody's rating agency also downgraded both Barbados' and Trinidad and Tobago's sovereign rating by one notch each to Caa1 and Baa3, respectively. The deterioration of Government of Barbados' credit rating was factored into the fair value computation of Barbados dollar denominated bonds which resulted in a relative decline in the valuation of these holdings.

Against this backdrop, the Sagicor (Equity) Fund benefited from the aforementioned advancement of global equity markets and achieved a competitive returns of 6.4% for the financial year 2016. The Sagicor (Bonds) Fund remained constrained by the protractedly low interest rate environment and returned 1.9% for 2016 relative to 3.8% recorded for 2015.

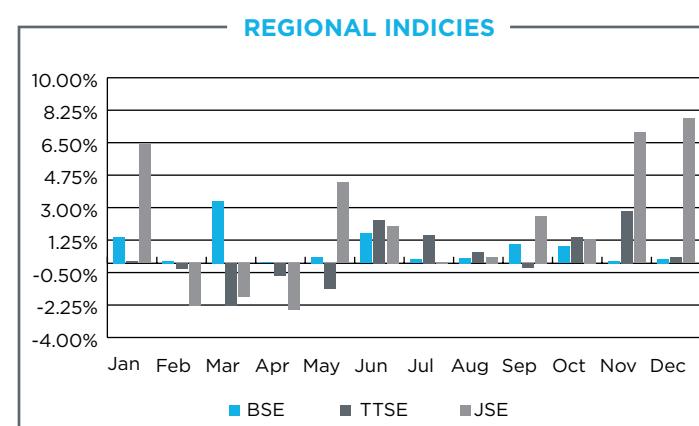
Global growth remained anaemic for 2016 as key developed economies experienced modest growth during the year. In the USA, GDP growth of 1.6% was estimated for 2016 while the economies of Europe and Japan experienced incremental growth of 1.7% and 1.2%, respectively. The USA continued to tighten monetary policy as short term interest rates were increased in December to the range 0.50% to 0.75%, while Europe and Japan prolonged their accommodative fiscal and monetary policies throughout 2016.

Emerging economies generally advanced during much of 2016 but declined during the fourth quarter following Donald Trump's presidential victory as investors were concerned that the trade policies of the new administration would negatively impact developing economies. The Chinese economy was estimated to have expanded by 6.7% for 2016. In light of slower than expected growth in emerging markets such as China, Brazil and the Middle East and the uncertainty associated with the future of the European Union, the International Monetary Fund estimated global growth of 3.1% for 2016.

Economic growth across major Caribbean countries was positive with the exception of Trinidad and Tobago where the economy contracted. However, the protracted economic challenges of burdensome fiscal deficits, increasing debt levels as well as the reduction in foreign direct investment remained hindrances to the economic stability of the region.

The Barbados economy showed moderate improvement during 2016 with estimated GDP growth of 1.6% buoyed by expansion in key sectors such as tourism and construction as well as business and other services. Unemployment trended downward and was estimated at 10.0% for the year ended June 2016 while inflation remained subdued and was reported at negative 0.8%. However, major headwinds remained persistent and continued to threaten the country's economic stability. International reserves remained worrisomely low and decreased to \$0.7 billion which represented 10.3 weeks of import cover. The fiscal deficit for the fiscal year 2015/2016 was projected to have widened to 8.2% of GDP.

The country's debt burden remained high with the gross government debt, including borrowings from Central Bank reported at 108% of GDP. Additionally, the proportion of foreign currency debt was 31% of GDP and the cost of servicing that debt was 8% of earnings from goods and services. During 2016, Barbados' sovereign rating was downgraded to B- and Caa1 by Standard & Poor's and Moody's rating agency, respectively. During the first quarter of 2017, Barbados' sovereign rating continued to deteriorate and was downgraded to CCC+ and Caa3 by Standard and Poor's and Moody's rating agency, respectively.



Trinidad and Tobago's economy was estimated to have contracted by 2.3% for 2016 by the Central Statistical Office. During the year, the price of oil remained under pressure as evidenced by lower real economic activity in the Petroleum sector which contracted by 9.6%. This led to the downward revision in the budgeted average oil price to the unprecedented low level of US\$35 per barrel of crude. The performance of the non-petroleum sector remained constrained and contracted by 1.8% for the year. In terms of the key domestic benchmark interest rate and currency, the Repo rate in Trinidad and Tobago remained unchanged since December 31 2015 and stood at 4.75% as at December 31 2016 while the Trinidadian dollar depreciated by an annualised 4.7% relative to the U.S dollar.

The real GDP growth for Jamaica was estimated at 1.4% for the year 2016. The positive growth in the economy was primarily due to improvements in both net external demand and domestic demand. During 2016, Jamaica's credit rating was upgraded to B3 with a stable outlook by Moody's rating agency. Jamaica continued to make significant efforts to reduce its debt to GDP ratio, improve its current account balance and increase its foreign exchange reserve levels. The economic expansion in Jamaica did not translate to gains in the currency

market as the Jamaican dollar depreciated by an annualised rate of 6.7% relative to the U.S dollar.

Sagicor (Bonds) Fund

The Fund's performance was constrained by the protracted low interest rate environment which resulted in depressed reinvestment yields on fixed income securities across all maturity profiles especially within the investment grade space. High liquidity within the banking system with fewer credit opportunities for redeployment continued to fuel intense competition within the mortgage segment of the portfolio. Consequently, yields on mortgage loans remained under pressure and interest spreads in this segment remained tight.

Global fixed income markets experienced increased volatility during the year, which caused credit spreads to widen and associated fixed income valuations to decline. Regionally, credit events comprising of sovereign debt downgrades also weighed on the performance of the Fund for 2016. During the year, the downgrade of the Government of Barbados' sovereign rating had a significantly negative impact on valuations.

The Sagicor (Bonds) Fund yielded 1.9% for the year amid the low interest rate environment with an upward movement of its NAV to 25.36 as at December 31, 2016 from 24.89 at the end of 2015. The Fund recorded an increase of 6.2% in net assets attributable to shareholders which stood at \$423.0 million as at Dec 31 2016.

The Fund remained primarily invested in the bond asset class, which represented 67.6% of financial investments and totalled \$265.6 million at December 31, 2016. Investment in sovereign debt accounted for 92.4% of the bond portfolio while the residual allocation was to corporate issuances. During 2016, the Fund's concentration to the Government of Barbados debt was systematically reduced to \$148.8 million as compared to the previous reporting period; a reduction of 5.9%.

In an effort to improve the credit quality of the Fund, growth in the bond portfolio occurred principally through the acquisition of investment grade rated regional US dollar denominated

sovereign debt inclusive of bonds issued by the Government of Trinidad and Tobago, Bermuda, Aruba and Panama. The prolonged low interest rate environment continued to favour a relatively short duration strategy. Therefore, prudent management of the portfolio's duration was accomplished through the acquisition of debt with short-term to medium term maturity profiles. The average yield of the Fund's bond portfolio declined slightly to 6.7% in comparison to 6.8% in 2015.

The investment in mortgage loans totalled \$83.3 million as at December 31, 2016 as compared to \$86.9 million for the previous reporting period. Mortgage loans comprised 21.2% of financial investments. Residential mortgages accounted for 54.2% of the mortgage portfolio and totalled \$45.2 million, while commercial mortgages represented 45.8% of the mortgage portfolio and totalled \$38.1 million. The average interest yield on the mortgage portfolio declined to 6.0% in 2016 relative to 8.2% in 2015 and associated interest income totalled \$5.0 million for 2016. Mortgage loan commitments totalled \$5.2 million at year end; up \$0.7 million from 2015.

Total revenue was recorded at \$10.0 million for 2016 as compared to \$18.1 million for 2015. Interest income was the primary contributor to revenue and stood at \$22.5 million for 2016. Net profit and total comprehensive income attributable to unit holders amounted to \$7.7 million for the year and represented a relative decline of \$7.4 million, as compared to \$15.1 million recorded at December 31, 2015. The decline in net comprehensive income was primarily the result of net investment losses realised on financial investments, which totalled to \$12.5 million relative to a loss of \$5.7 million recorded in 2015.

Sagicor (Equity) Fund

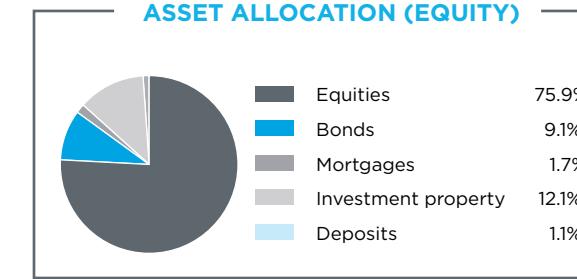
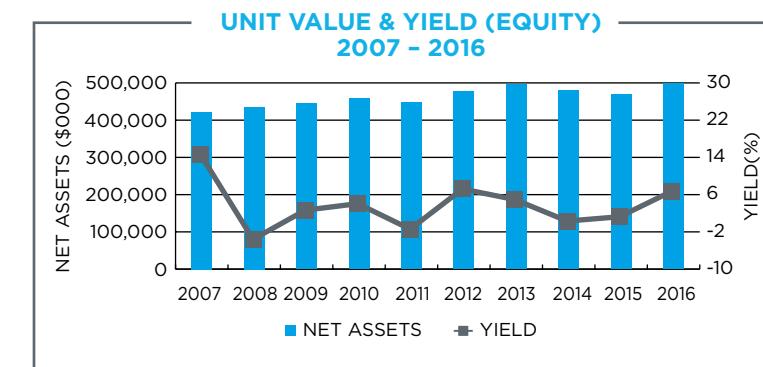
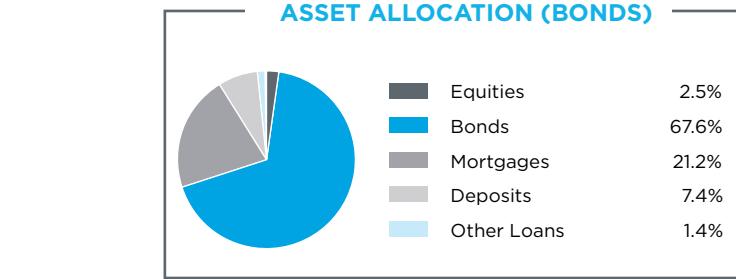
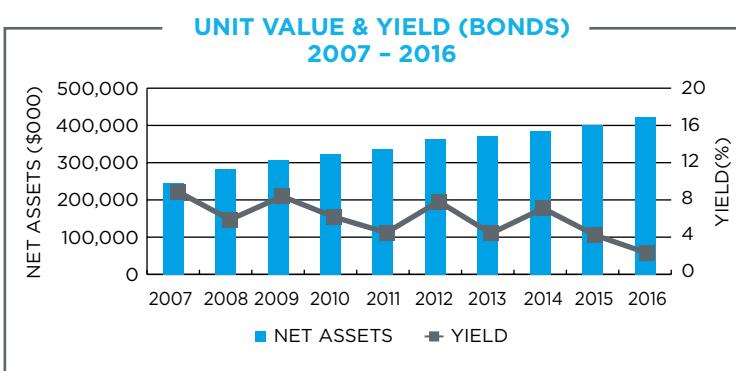
The performance of the Sagicor (Equity) Fund benefited from the rally in international equity markets along with the upward trend in returns in the regional equity markets. US equities continued to outperform ex-US developed markets as developed market stock indices such as the MSCI EAFE advanced by 1.5% for the year while US stock market indices such as the S&P 500 experienced significant

gains and ended the year at 12.0%. Emerging markets made a strong recovery from their 2015 double digit losses and ended the year with strong positive returns.

In light of the equity market buoyancy, the Sagicor (Equity) Fund ended the year with a strong return of 6.4% as compared to the 0.9% for 2015. Net assets totalled \$499.0 million at December 31, 2016, relative to \$470.5 million at the end of 2015.

The asset allocation of the Fund remained biased towards risk seeking asset classes with core exposures to equities and domestic real estate along with marginal exposure to mortgage loans to achieve risk moderation and optimal diversification. Our strategy continued to favour expansion in the international equity portfolio as regional equity markets remained illiquid with limited scope for price discovery.

Equities remained the leading asset class and totalled \$357.2 million which accounted for 86.4% of financial investments. The equity asset class remained well diversified with 38.9% of the portfolio allocated to domestic and regional equities and 61.1% allocated to international equities. The Fund's international portfolio included exposure to global equity markets, international fixed income strategies as well as alternative investment



strategies to provide enhanced diversification, mitigate downside risk and improve the Fund's overall expected long-term risk adjusted returns.

The Fund's equity exposure to Banks Holdings Limited (BHL) was liquidated during the first quarter of 2016 at a share price of \$7.10 up from a carrying value of \$6.00 at December 31 2015. The disposal of the overall holding resulted in considerable realized gains for the Fund. There was also significant improvement in the value of Goddard Enterprises Limited while there was relative improvement in the share price of CIBC First Caribbean International Bank (Barbados) Limited. However, the Fund experienced moderate declines in major regional holdings which included Cable & Wireless (Barbados) Limited and Massy Holdings Limited.

The investment property portfolio increased to \$57.1 million, principally the result of a net increase in fair value of \$0.5 million. Investment property represented 11.1% of the Fund's total assets while financial investments accounted for 80.7% of total assets.

The Fund's net comprehensive income for the year attributable to unit holders increased significantly to \$30.0 million for 2016 compared to a gain of \$4.2 million for the previous year. Net investment gains totalled \$22.7 million for 2016 relative to the loss of \$4.9 million for 2015 and represented the largest component of total revenue as at December 31 2016.

Outlook

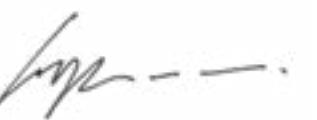
The global economy is expected to pick up pace in 2017 following the tepid economic climate in 2016. Increased economic activity is expected for emerging and developing economies. However, this outcome is heavily dependent on the outcome of the Trump administration's new policies and their global ramifications. In the US, the Federal Reserve has indicated their intention to raise interest rates during 2017 however this outlook will be influenced by the new administration's stimulus programs. Following estimated global growth of 3.1% for 2016, the IMF has projected a moderate improvement in global growth of 3.4% for 2017.

Regionally, economic conditions are expected to continue to show signs of improvement led by the moderate expansion in tourism services and construction projects. However, sustained recovery in the region hinges on the economic conditions in developed markets such as the US and the United Kingdom, which remain the region's main source markets for tourism. Within the region, commodity exporters will benefit from somewhat higher commodity prices, particularly of oil. However, the region continues to face several exogenous risks including the high degree of policy uncertainty in the United States as well as the uncertainty surrounding BREXIT.

Barbados' economy continues to face endogenous economic and fiscal challenges which must be addressed to ensure future economic stability and we remain optimistic in this regard. Our portfolios are strategically positioned to take advantage of improvements in the international equity markets with tactical positioning in the current environment. The international segment remains a significant source of value as we seek to optimize our strategies and enhance fund value.

While international interest rates in the US continue to increase incrementally, the generally low interest rate environment regionally and locally is expected to persist and will favour a short duration strategy. As we navigate with caution, we will actively seek out opportunities to constantly enhance the portfolio's composition, credit profile and diversification.

We thank you for your support, trust and confidence during the year and although the global economic environment remains uncertain, our management and staff will continue to dedicate themselves to the creation of unitholder value.



Stephen McNamara
Chairman

TRUSTEES OF THE FUND



Each and every one of us has the potential to become a great leader.

As we look ahead to the future, we will lead the way to a better tomorrow by not only aspiring towards greatness, but also taking the necessary actions to achieve it. That is how we will become better leaders, and lead others to do better as well.



TRUSTEE OF THE SEGREGATED PENSION FUNDS

DIRECTORS OF SAGICOR LIFE INC

Stephen McNamara – Chairman
Andrew Aleong, MBA
Professor Sir Hilary Beckles, PhD
Ian St Clair Carrington, MPA, FCGA
Peter Clarke, BA, LLB
Dr. L Jeannine Comma, Ed.D.
Dr. Marjorie Patricia Downes-Grant, CBE, MA,MBA, DBA, LLD (Hons)
William Lucie-Smith, MA (Oxon), FCA
Dodridge Miller, FCCA, MBA, LLM, LLD (Hon)
David Wright, FFA, FAIA

TRUSTEE OF THE SEGREGATED PENSION FUNDS

PENSION SERVICES DEPARTMENT MANAGEMENT

Stephen Robinson, BMath (Hons) Vice President
Patricia Greenidge, FCGA, ACIS, CSE Head of Pensions Administration and Accounting
Donna Gibbs, MSc, FLMI, ALHC, HIA, ACS Manager
Marcella Sobers, CERT, AAPA, AIAA, AIRC Manager
Dionne Knight, BSc (Hons) Manager
Nadia Chandler-Guy, BSc (Hons), FCCA Corporate Accountant

PORTFOLIO MANAGEMENT TEAM

Dexter Moe, BSc, MBA, ACIS, CFA Vice President
Michael Millar, BSc, MSc, CFA Assistant Vice President
Nicolette Blackett, BSc Senior Investment Analyst
Rebie Cumberbatch, BSc, MBA Investment Analyst

AUDITORS

PricewaterhouseCoopers SRL

FINANCIAL STATEMENTS



As we look ahead to the future of our company, we will continue to operate with honesty and transparency. Our word is our bond and we will never break it. So when people look to Sagicor for service and advice, they will always know that we will be there to lead them on the path to success.





Independent auditor's report

To the Unitholders of
Sagicor (Bonds) Fund

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Sagicor (Bonds) Fund (the Fund) as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at December 31, 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises Barbados Segregated Pension Funds' Annual Report (Annual Report) (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists



related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the Fund's unitholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinion we have formed.

A handwritten signature in black ink that reads "PricewaterhouseCoopers SRL".

PricewaterhouseCoopers SRL
Bridgetown, Barbados
April 27, 2017

Statement of Financial Position

As of December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	Notes	2016	2015
ASSETS			
Due from Sagicor (Equity) Fund	4	\$ 8,132,588	\$ 19,648,421
Due from Sagicor International Balanced Fund	4	3,337	-
Income tax assets	5	7,243,326	6,256,384
Interest and other receivables	6	10,010,134	3,218,288
Financial investments	7	393,163,383	364,191,168
Cash resources		14,774,439	11,683,294
Total assets		433,327,207	404,997,555
LIABILITIES			
Due to Sagicor Life Inc	4	10,006,804	6,524,701
Accounts payable	9	164,395	6,991
Total liabilities		10,171,199	6,531,692
Net assets attributable to unit holders		\$ 423,156,008	\$ 398,465,863
Represented by:			
UNIT HOLDERS' EQUITY		\$ 423,156,008	\$ 398,465,863
No. of units outstanding at end of year		16,687,899	16,009,576
Net asset value per unit at end of year		\$ 25.36	\$ 24.89
Increase in net asset value per unit for year		1.9%	3.8%

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors on April 27, 2017



Chairman



Director

Statement of Changes in Net Assets Attributable to Unit Holders

For the year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	2016	2015		
	Number of Units	Total \$	Number of Units	Total \$
Balance, beginning of year	16,009,576	398,465,863	15,984,336	383,091,156
Proceeds from issue of units	1,479,146	37,520,382	962,661	23,334,665
Redemption of units	(800,823)	(20,502,203)	(937,421)	(23,056,607)
Net increase from unit transactions	678,323	17,018,179	25,240	278,058
Net profit and total comprehensive income for the year available to unit holders	-	7,671,966	-	15,096,649
Balance, end of year	16,687,899	423,156,008	16,009,576	398,465,863

The accompanying notes are an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	Notes	2016	2015
REVENUE			
Interest income	10	\$ 22,464,753	\$ 23,760,066
Dividend income		63,679	57,131
Net investment (losses)	11	(12,537,242)	(5,705,521)
		<u>9,991,190</u>	<u>18,111,676</u>
EXPENSES			
Management fee	12	2,120,287	1,970,011
Allowance for impairment losses on income tax assets	5	-	1,000,000
Investment expenses		(3,360)	36,322
Bank and interest charges		8,879	8,495
Exchange loss		193,229	184
Total operating expenses		<u>2,319,035</u>	<u>3,015,012</u>
PROFIT BEFORE TAXES			
		<u>7,672,155</u>	<u>15,096,664</u>
Withholding taxes		(189)	(15)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR AVAILABLE TO UNIT HOLDERS			
		<u>\$ 7,671,966</u>	<u>\$ 15,096,649</u>

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	2016	2015
Cash flows from operating activities:		
Profit before taxes	\$ 7,672,155	\$ 15,096,664
Adjustments for:		
Interest income	(22,464,753)	(23,760,066)
Dividend income	(63,679)	(57,131)
Allowance for impairment losses on income tax assets	-	1,000,000
Net losses/ (gains) on financial investments	8,215,336	(228,660)
Allowances for impairment losses	4,321,906	5,934,181
	(2,319,035)	(2,015,012)
Changes in operating assets and liabilities		
Due from Sagicor International Balanced Fund	(3,337)	-
Due from Sagicor (Equity) Fund	11,515,833	(8,784,300)
Issue of mortgage loans	(7,540,810)	(5,973,118)
Repayment of mortgage loans	6,981,724	5,786,479
Purchase of debt securities	(65,748,295)	(27,801,416)
Redemption of debt securities	24,150,133	41,251,409
Purchase of equity securities	(1,550,869)	(42,149)
Sale of equity securities	3,767	-
Amounts deposited	(55,433,596)	(47,823,988)
Deposits redeemed	58,396,817	28,683,966
Other receivables	(6,791,846)	(281,154)
Due to Sagicor International Balanced Fund	-	(6,291)
Due to Sagicor Life Inc	3,482,103	1,111,934
Accounts payable	157,404	(651,167)
Cash used in operations	(34,700,007)	(16,544,807)
Interest received	21,696,425	21,380,630
Dividends received	63,679	57,131
Taxes paid/(net)	(987,131)	(1,004,319)
Net cash (used in) / generated from operating activities carried forward	(13,927,034)	3,888,635

Statement of Cash Flows (continued)

For the year ended December 31, 2015

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

2016 **2015**

Net cash (used in) / generated from operating activities brought forward	(13,927,034)	3,888,635
Cash flows from financing activities		
Proceeds from issue of units	37,520,382	23,334,665
Redemption of units	(20,502,203)	(23,056,607)
Net cash generated from financing activities	17,018,179	278,058
Net increase in cash and cash equivalents	3,091,145	4,166,963
Cash and cash equivalents - beginning of year	11,683,294	7,516,601
Cash and cash equivalents - end of year	\$ 14,774,439	\$ 11,683,294
Cash and cash equivalents comprise:		
Cash resources	14,774,439	11,683,294
	\$ 14,774,439	\$ 11,683,294

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

1. REGISTRATION, PRINCIPAL ACTIVITY AND REGISTERED OFFICE

Sagicor (Bonds) Fund ("The Fund") was registered in April 1969 as a Unit Trust, responsible for the management of investments of Barbados registered pension plans.

The Fund's objective is to generate income and preserve capital through investment in competitively yielding fixed income securities including mortgages, bonds and other debt instruments.

Sagicor Life Inc acts as Asset Manager and Trustee of the fund. Sagicor Life Inc has subcontracted out certain asset management and custodian arrangements with Oppenheimer & Co. Inc. and Morgan Stanley Private Wealth Management. The registered office of the Fund is located at the Cecil F. de Caires Building, Wildey, St. Michael.

If required, these financial statements can be amended after issue, at the recommendation of the Audit Committee and with the approval of the Board of Directors of the Trustee.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by revaluation of financial investments held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

All amounts in these financial statements are shown in Barbados dollars unless otherwise stated.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.1 Basis of preparation (continued)****(a) Amendments to IFRS**

There are no new standards which are effective for the 2016 financial year that have a significant impact on the Fund's financial statements.

Annual Improvements to IFRS
2012-2014 cycle
(January 1, 2016)

Disclosure Initiative -
Amendments to IAS 1
(January 1, 2016)

IFRS 7, 'Financial instruments: Disclosures' is amended to provide specific guidance on transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition.

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes – confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.1 Basis of preparation (continued)****(b) New standards and amendments to standards which are not yet effective**

Certain new standards and amendments have been issued which were not effective at the date of the financial statements. The Fund has not adopted these new standards and amendments. The changes which may have a significant effect on future presentation, measurement or disclosure of the Fund's financial statements are as follows:

IFRS (Effective Date)	Subject / Comments
IFRS 9 – Financial Instruments (January 1, 2018)	The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.
	For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.
	IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.
	The Fund is yet to assess the impact of the standard.

Notes to the Financial Statements
Year ended December 31, 2016

Sagicor (Bonds) Fund
Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards which are not yet effective (continued)

IFRS 15 –
Revenue from contracts with customers
(January 1, 2017)

This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations.
Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Notes to the Financial Statements
Year ended December 31, 2016

Sagicor (Bonds) Fund
Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New standards and amendments to standards which are not yet effective (continued)

Disclosure Initiative –
Amendments to IAS 7
(January 1, 2017)

Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.

The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

The Fund is assessing the impact of the amendment to IAS 7.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Foreign currency translation****(a) Functional and presentational currency**

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which it operates (the functional currency). The financial statements are presented in Barbados dollars, which is the Fund's functional and presentational currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses which result from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on debt securities and other monetary financial assets measured at fair value are included under investment expenses. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the net investment gains or losses in the statement of comprehensive income.

Currency exchange rates are determined by reference to the respective central banks. Currencies which are pegged to the United States dollar are converted into Barbados dollars at the pegged rates. Currencies which float are converted to the Barbados dollar by reference to the average of buying and selling rates quoted by the respective central banks.

Exchange rates of the other principal operating currencies to the Barbados dollar were as follows:

	2016 closing rate	2016 average rate	2015 closing rate	2015 average rate
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Trinidad & Tobago dollar	3.3729	3.3231	3.2098	3.1731
United States dollar	0.50	0.50	0.50	0.50

2.3 Financial assets**(a) Classification**

The Fund classifies its financial assets into two categories:

- financial assets at fair value through profit or loss;
- loans and receivables.

Management determines the appropriate classification of these assets at initial recognition.

Financial assets in the category at fair value through profit or loss have been so designated by management at inception since the assets form part of a managed portfolio whose performance is evaluated on a fair value basis in accordance with a documented investment strategy.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, unless designated as fair value through profit or loss on initial recognition.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 Financial assets (continued)****(b) Recognition, derecognition and measurement**

Purchases and sales of financial investments are recognised on the trade date. Interest income arising on financial investments is accrued using the effective interest rate method.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards and rewards of ownership.

Loans and receivables are initially recorded at fair value and are subsequently carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through profit or loss are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Transaction costs are expensed in the statement of comprehensive income. Realised and unrealised gains and losses are recorded as net investment gains or losses in the statement of comprehensive income. Interest and dividend income are recorded under their respective headings in investment income.

(c) Fair value

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets traded in active markets is based on quoted market prices based on bid prices. In estimating the fair value of non-traded financial assets, the Fund uses a variety of methods such as obtaining dealer quotes and using discounted cashflow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security according to the perceived additional risk of the non-government security. The fair value of mutual funds is based upon prices as determined by the investee fund managers and administrators.

(d) Impaired financial assets

Financial assets are assessed for impairment at each reporting date. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

An impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by an allowance for impairment losses.

If in a subsequent period, the amount of the impairment loss for a debt security decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in income.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise:

- cash balances,
- call deposits,
- other liquid balances with maturities of three months or less from the acquisition date,

Cash equivalents are subject to an insignificant risk of change in value.

2.5 Provisions

Provisions are recognised when the Fund has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.6a Interest income and expenses

Interest income and expenses are recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method. Interest includes coupon interest and accrued discount and premium on financial instruments. Interest income on impaired loan and receivables is recognised using the rate at which the future cash flows are discounted for the purpose of measuring the impairment loss.

2.6b Dividend income

Dividend income is recognised when the fund's right to receive payment is established.

2.7 Taxation

The Fund is exempt from Barbados taxation.

The Fund currently incurs withholding taxes imposed by certain countries or financial institutions on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income and the related tax imposed is recorded as receivable until the amounts are recoverable or expensed as incurred.

2.8 Management fee

As a result of serving as Trustee and Manager of the Fund, Sagicor Life Inc receives a management fee based on the Net Asset Value of the Fund, calculated at a rate of 0.5% per annum.

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.9 Units**

The Fund issues redeemable units which are redeemable at the holder's option. Units are carried at the redemption amount that is payable at the statement of financial position date should the holder exercise the right to redeem the shares. Units redeemed may be put back to the fund for cash or transfer of assets representing the value of the units redeemed.

Units are classified as equity as they meet the following criteria:

- They entitle the holder to a pro-rata share of the net assets of the Fund.
- The total expected cash flows attributable to the units over their life are based substantially on the profits or loss of the Fund.
- The Fund is contractually obliged to deliver cash to unit holders on the repurchase of units or transfer assets representing the value of units redeemed.
- The rights and features attached to each unit are identical.

2.10 Net asset value per unit

The consideration received or paid for units issued or repurchased respectively is based on the Fund's net asset value per unit for the preceding month.

The net asset value per unit is calculated by dividing the net assets by the number of units.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Fund's reported assets, liabilities, revenues and expenses. The items which may have the most effect on the Fund's financial statements are set out below.

3.1 Valuation of unquoted debt securities

The Fund uses internally developed models to estimate market values for unquoted debt securities. The estimated market value is based on best estimate assumptions and may vary substantially as these assumptions are varied. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors. Information about the fair value techniques and sensitivity is disclosed in Note 8.4.

3.2 Impairment of financial assets

A loan or a receivable is considered impaired when management determines that it is probable amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral, and the financial condition and the financial viability of the borrower.

The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics. Refer to Note 8.1 for further discussion.

Management uses estimates based on evidence of impairment when scheduling future cash flows. Were the net present value of estimated future cash flows to differ by + / - 1%, the impairment loss is to be estimated \$55,581 lower or \$350,968 higher.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund
Amounts expressed in Barbados Dollars
4. RELATED PARTY BALANCES

These balances are interest free, unsecured and have no fixed terms of repayment except for a balance of \$895,919 (2015 - \$1,588,083) due from Sagicor (Equity) Fund which bears interest at a rate of 7.75% (2015 - 7.75%) per annum and is repayable over 2 years in monthly instalments of \$61,498. This balance is in relation to the interest held by Sagicor (Equity) Fund in United Nations House Joint Venture. Related party transactions are disclosed in Note 12.

5. INCOME TAX ASSETS

Income tax assets arise from deductions of withholding tax at source on interest income on local financial investments. The Fund's tax-exempt status entitles it to a refund of these taxes by the Barbados Revenue Authority.

Income tax assets are reported at the gross value of \$9,243,326, net of an estimated impairment of \$2,000,000 (2015 - gross value of \$8,256,384; impairment of \$2,000,000)

Withholding tax incurred on extra-regional financial investments is not collectable by the Fund, and is therefore written off as an expense.

6. INTEREST AND OTHER RECEIVABLES

	2016 \$	2015 \$
Bond interest due	367,065	377,263
Unsettled transactions	731,962	1,111,925
Due from broker	6,998,503	-
Other	1,912,604	1,729,100
	<hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/>
	10,010,134	1,729,100

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund
Amounts expressed in Barbados Dollars
7. FINANCIAL INVESTMENTS
Analysis of financial investments

	2016 Fair value \$	2015 Fair value \$
Financial assets at fair value through profit or loss:		
Bonds - Unlisted Local	127,342,910	134,201,768
Bonds - Unlisted Regional	12,625,779	9,676,031
Bonds - Listed International	125,582,625	88,068,558
Bonds - Unlisted International	58,210	142,345
Total debt securities	265,609,524	232,088,702
Common shares - Listed	652,098	473,566
Preferred shares - Unlisted	1,500,000	4,926
Mutual funds - Unlisted	7,575,078	7,308,278
Total equity securities	9,727,176	7,786,770
 2016 Amortised Cost \$		
Loans and receivables:		
Deposits	29,005,956	31,840,865
Mortgage loans, net	83,288,584	86,942,600
Other loans	5,532,143	5,532,231
Total loans and receivables	117,826,683	124,315,696
 Total financial investments	 393,163,383	 364,191,168

Mortgage loans are reported at the gross principal of \$105,103,206, net of impairment of \$21,814,622 (2015 - gross principal of \$104,435,317, net of impairment of \$17,492,716). The fair value of the fixed rate mortgage loans is \$26,706,615 (2015 - \$24,404,857) and the carrying value is \$27,244,735 (2015 - \$24,251,872). The fair value of other loans is \$5,532,143 (2015 - \$5,532,231). All other loans and receivables approximate their fair value.

See note 8.4 for the fair value of loans and receivables.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

7. FINANCIAL INVESTMENTS (continued)**Analysis of financial investments (continued)**

The movement in the provision for impairment is as follows:

	2016 \$	2015 \$
Balance beginning of the year	(17,492,716)	(11,558,535)
Increase in provision	(4,321,906)	(5,934,181)
Balance at end of year	<u>(21,814,622)</u>	<u>(17,492,716)</u>

Debt securities comprise:

	2016 \$	2015 \$
Government debt securities - Listed International	109,081,478	81,546,378
Government debt securities - Unlisted International	58,210	-
Government debt securities - Unlisted Local	123,635,922	130,466,629
Government debt securities - Unlisted Regional	12,625,779	9,676,031
Corporate debt securities - Listed	16,501,147	6,522,180
Corporate debt securities - Unlisted	<u>3,706,988</u>	<u>3,877,484</u>
	<u>265,609,524</u>	<u>150,542,324</u>

Debt securities designated at fair value through profit or loss and valued using internally developed valuation models amounted to \$140,026,899 (2015 - \$143,877,799).

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK**Financial risk factors**

The Fund's activities of accepting funds from unit holders and investing these funds in a variety of financial and other assets expose the Fund to various financial risks.

Financial risks include credit, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The effects of these risks are disclosed in the sections below.

The fund is also exposed to operations such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodians.

The overriding objective of the Fund's risk management framework is to enhance its capital base through investment in competitively yielding income securities and to protect capital against inherent business risks. This means that the Fund accepts certain levels of risk in order to generate returns, and the Fund manages the levels of risk assumed through risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

The effects of financial risks are disclosed in the sections below.

8.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Fund. Credit risks are primarily associated with financial investments held.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as the local and regional stock exchanges act as clearing facilitators, ensuring that monies are placed in the clearing accounts.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor the Fund's credit position on a quarterly basis.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund
Amounts expressed in Barbados Dollars
8. FINANCIAL RISK (continued)
8.1 Credit risk (continued)

The maximum exposures of the Fund to credit risk are set out in the following table.

	2016		2015	
	\$	%	\$	%
Bonds	265,609,524		232,088,702	
Deposits	29,005,956		31,840,865	
Investment portfolio	294,615,480	70	263,929,567	67
Mortgage loans	83,288,584		86,942,600	
Other loans	5,532,143		5,532,231	
Lending portfolio	88,820,727	21	92,474,831	23
Due from Sagicor (Equity) Fund	8,132,588		19,648,421	
Due from Sagicor International Balanced Fund	3,337		-	
Interest and other receivable	10,010,134		3,218,288	
Cash resources	14,774,439		11,683,294	
Other financial assets	32,920,498	8	14,901,582	9
Total balance sheet exposures	416,356,705	99	390,954,401	99
Mortgage loan commitments	5,166,643	1	4,543,213	1
Total	421,523,348	100	395,497,614	100

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund
Amounts expressed in Barbados Dollars
8. FINANCIAL RISK (continued)
8.1 Credit risk (continued)

The Fund's exposures to individual counterparty credit risk exceeding 2.5% of total exposures as at December 31, as rated by Standard & Poors or equivalent, with their comparative amounts are set out below.

	Risk rating	2016 \$	Risk rating	2015 \$
Debt securities:				
Government of Barbados denominated in Barbados dollars	B-	115,350,174	B	121,231,176
Government of Barbados denominated in United States dollars	B-	33,461,046	B	36,385,811
Republic of Trinidad and Tobago denominated in United States dollars	A-	19,459,701	A	7,508,356
Trinidad Generation Unlimited denominated in United States dollars	BBB	9,819,467	-	-
Government of Aruba denominated in United States dollars	BBB+	18,183,448	BBB+	13,770,368
Government of Bermuda denominated in United States dollars	A+	14,814,988	A+	9,016,626
Commonwealth of Bahamas denominated in United States dollars	BB+	7,799,836	BBB-	8,261,722
Government of St. Lucia denominated in Eastern Caribbean dollars	B	9,122,015	B	7,589,724
Sagicor Finance Ltd denominated in United States dollars	BB-	6,681,681	B	6,522,181
Republic of Panama denominated in United States dollars	BBB	13,868,969	BBB	5,206,771
Deposits:				
Globe Finance Inc denominated in Barbados dollars	BB-	8,128,905	BB	7,919,611
On March 3, 2017 Standards & Poor's downgraded the Government of Barbados' long-term foreign and local currency sovereign rating by one notch from 'B-' to 'CCC+' and assigned a negative outlook. On March 9, 2017 Moody's Investors Service also downgraded the Government of Barbados' credit rating one notch from 'Caa1' to 'Caa3' and maintained a stable outlook.				
Exposure to credit risk in respect of mortgage loans is managed in part by obtaining collateral. For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value.				
Exposure to mortgage loans by sector is as follows: -				
		2016 \$	2015 \$	
Commercial sector		38,108,087	45,968,918	
Residential sector		45,180,497	40,973,682	
Total		83,288,584	86,942,600	

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.1 Credit risk (continued)

Exposure to other loans by sector is as follows: -

	2016 \$	2015 \$
Commercial sector	5,532,143	5,532,231
Total	<u>5,532,143</u>	<u>5,532,231</u>

Exposure to cash resources are as follows: -

	2016 \$	2015 \$
First Citizens Bank (Barbados) Limited	3,676,225	9,973,515
Oppenheimer	10,670,836	12,916
Total	<u>14,347,061</u>	<u>9,986,431</u>

Exposure to other assets are as follows:-

	2016 \$	2015 \$
Due from Sagicor (Equity) Fund	8,132,588	19,648,421
Due from Sagicor International Balanced Fund	3,337	-
Total	<u>8,135,925</u>	<u>19,648,421</u>

(a) Past due and impaired financial investments

A financial asset is past due when a counterparty has failed to make payment when contractually due.

The Fund is most exposed to the risk of past due assets with respect to its financial investments namely debt securities and mortgage loans.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded. Mortgage loans less than 180 days past due are not assessed for impairment unless other information is available to indicate the contrary.

The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed. Accumulated allowances for impairment reflect the Fund's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of debt securities and mortgage loans analysed by past due or impairment status.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.1 Credit risk (continued)

(a) Past due and impaired financial investments (continued)

The tables below summarise the carrying value of the financial investments which are past due but are not considered to be impaired.

	2016	Debt securities \$	Mortgage loans \$
Neither past due nor impaired		265,609,524	49,919,977
Past due up to 3 months, but not impaired		-	8,124,158

Past due up to 12 months, but not impaired

Past due up to 5 years, but not impaired

Past due over 5 years, but not impaired

Total past due but not impaired

Impaired assets

Total carrying value

	Accumulated allowances on impaired assets	Debt securities \$	Mortgage loans \$
Accrued interest on impaired assets		-	21,814,622
		-	11,032,410

	2015	Debt securities \$	Mortgage loans \$
--	------	--------------------------	-------------------------

Neither past due nor impaired

Past due up to 3 months, but not impaired

Past due up to 12 months, but not impaired

Past due up to 5 years, but not impaired

Past due over 5 years, but not impaired

Total past due but not impaired

Impaired assets

Total carrying value

	Accumulated allowances on impaired assets	Debt securities \$	Mortgage loans \$
Accrued interest on impaired assets		-	17,492,716
		-	9,839,323

Balances relating to impaired financial investments are summarised in the following table. The accumulated allowance for impairment losses reflects the Fund's assessment of total individually impaired investments at date of the financial statements.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)**8.1 Credit risk (continued)****(a) Past due and impaired financial investments (continued)**

Mortgage Loans	Gross carrying value	Accumulated allowance for impairment	Net carrying value	Estimated fair value of collateral
	\$	\$	\$	\$
As of December 31, 2016				
Commercial sector	37,211,959	20,358,863	16,853,096	26,586,044
Residential sector	5,173,660	1,455,759	3,717,901	5,360,631
Total	42,385,619	21,814,622	20,570,997	31,946,675
As of December 31, 2015				
Commercial sector	31,428,040	16,535,458	14,892,582	22,783,581
Residential sector	3,311,235	957,258	2,353,977	3,535,000
Total	34,739,275	17,492,716	17,246,559	26,318,581

Interest of \$11,032,410 (2015 - \$9,839,323) has been accrued on impaired mortgages.

(b) Repossessed assets

The Fund may foreclose on overdue mortgage loans by repossessing the pledged asset. In some instances, the Fund may provide re-financing to a new purchaser on customary terms.

No assets were repossessed during the year.

(c) Renegotiated assets

The Fund may renegotiate the terms of any financial investment to facilitate borrowers in financial difficulty. Arrangements to waive, adjust or postpone scheduled amounts due may be entered into. The Fund classifies these amounts as past due, unless the original agreement is formally revised, modified or substituted, in which case, the financial investment is classified as renegotiated.

No assets were renegotiated during the year.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)**8.2 Liquidity risk**

The Fund is exposed to daily calls on its available cash resources for redemptions and operating expenses. Liquidity risk is the exposure that the Fund may have insufficient cash resources to meet these obligations as they become due. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunities to increase investment returns.

In order to manage liquidity risks, management seeks to maintain levels of cash and deposits which are sufficient to meet reasonable expectations of its short term obligations. If necessary the fund's secondary source of liquidity is its highly liquid instruments in its investment portfolio.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor the Fund's liquidity position on a quarterly basis.

Contractual cash flow obligations of the Fund in respect of its financial liabilities are summarised in the following table. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.2 Liquidity risk (continued)

(a) Financial liabilities

As of December 31, 2016

	On demand \$	Within 1 year \$	1 to 5 years \$	After 5 years \$	Total \$
--	-----------------	------------------------	-----------------------	------------------------	-------------

Accounts payable	164,395	-	-	-	164,395
Due to Sagicor Life Inc	10,006,804	-	-	-	10,006,804
Off balance sheet commitments:					
Mortgage loan commitments	-	5,166,643	-	-	5,166,643
Total	10,171,199	5,166,643	-	-	15,337,842

As of December 31, 2015

	On demand \$	Within 1 year \$	1 to 5 years \$	After 5 years \$	Total \$
Accounts payable	6,991	-	-	-	6,991
Due to Sagicor Life Inc	6,524,701	-	-	-	6,524,701
Off balance sheet commitments:					
Mortgage loan commitments	-	4,543,213	-	-	4,543,213
Total	6,531,692	4,543,213	-	-	11,074,905

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.2 Liquidity risk (continued)

(b) Financial assets

The Fund's monetary financial assets mature in periods which are summarised in the following tables. Amounts are stated at their carrying values recognised in the financial statements and are analysed by their contractual maturity dates.

As of December 31, 2016	Maturing within 1 year \$	Maturing within 1 to 5 years \$	Maturing after 5 years \$	Total \$
--------------------------------	--	--	--	---------------------

Due from Sagicor (Equity) Fund	8,132,588	-	-	8,132,588
Due from Sagicor International Balanced Fund	3,337	-	-	3,337
Interest and other receivables	10,010,134	-	-	10,010,134
Debt securities	11,738,801	67,661,815	186,208,908	265,609,524
Deposits	26,122,324	2,883,632	-	29,005,956
Mortgage loans	8,276,158	6,888,775	68,123,651	83,288,584
Other loans	5,532,143	-	-	5,532,143
Cash resources	14,774,439	-	-	14,774,439
Total	84,589,924	77,434,222	254,332,559	416,356,705

As of December 31, 2015	Maturing within 1 year \$	Maturing within 1 to 5 years \$	Maturing after 5 years \$	Total \$
--------------------------------	--	--	--	---------------------

Due from Sagicor (Equity) Fund	19,150,055	498,366	-	19,648,421
Interest and other receivables	3,218,288	-	-	3,218,288
Debt securities	11,666,471	55,985,094	164,437,137	232,088,702
Deposits	31,840,865	-	-	31,840,865
Mortgage loans	6,887,819	9,259,601	70,795,180	86,942,600
Other loans	5,532,231	-	-	5,532,231
Cash resources	11,683,294	-	-	11,683,294
Total	89,979,023	65,743,061	235,232,317	390,954,401

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.2 Liquidity risk (continued)

Redeemable units are redeemed at the option of the holder. However, the Board of Directors of the trustee does not envisage that all unit holders will redeem their units as they typically hold them for the long-term. At December 2016, an individual unit holder, Sagicor Life Inc, held 10.2% of the fund's units. The fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within a short period.

The following table shows the ordinary redemption periods of the Investee Funds held.

As at December 31, 2016	Less than 7 Days	Quarterly	1 Year	More than 1 year
Funds and Alternative Investments	-	7,575,078	-	-

As at December 31, 2015	Less than 7 Days	Quarterly	1 Year	More than 1 year
Funds and Alternative Investments	-	7,308,278	-	-

8.3 Market risk

Interest Rate Risk

The Fund is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

The return on financial investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

The Fund is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor and review the Fund's overall interest sensitivity on a quarterly basis.

(a) Financial liabilities

As of December 31, 2016 and 2015 all of the Fund's financial liabilities were non-interest bearing and therefore not exposed to interest rate risk.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.3 Market risk (continued)

Interest Rate Risk (continued)

(b) Financial assets

The table below summarises the exposures to interest rate risks of the Fund's financial assets. It includes assets at carrying amounts, categorised by the earlier of contractual maturity dates.

As of December 31, 2016	Exposure within 1 year	Exposure of 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
	\$	\$	\$	\$	\$

Due from Sagicor (Equity) Fund	895,919	-	-	7,236,669	8,132,588
Due from Sagicor International Balanced Fund	-	-	-	3,337	3,337
Interest and other receivables	-	-	-	10,010,134	10,010,134
Debt securities	11,507,248	67,202,513	183,668,548	3,231,215	265,609,524
Equity securities	-	-	-	9,727,176	9,727,176
Deposits and other loans	31,096,530	2,873,874	-	567,695	34,538,099
Mortgage loans	1,635,760	4,789,175	66,228,209	10,635,440	83,288,584
Cash resources	-	-	-	14,774,439	14,774,439
Total	45,135,457	74,865,562	249,896,757	56,186,105	426,083,881

As of December 31, 2015	Exposure within 1 year	Exposure of 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
	\$	\$	\$	\$	\$

Due from Sagicor (Equity) Fund	1,089,717	498,366	-	18,060,338	19,648,421
Interest and other receivables	-	-	-	3,218,288	3,218,288
Debt securities	11,457,127	55,647,876	162,283,785	2,699,914	232,088,702
Equity securities	-	-	-	7,786,770	7,786,770
Deposits and other loans	36,933,625	-	-	439,471	37,373,096
Mortgage loans	410,343	7,071,208	68,934,412	10,526,637	86,942,600
Cash resources	-	-	-	11,683,294	11,683,294
Total	49,809,812	63,217,450	231,218,197	54,414,712	398,741,171

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)**8.3 Market risk (continued)**

Interest Rate Risk (continued)

The table below summarises the average interest yields on financial assets held during the year.

	2016	2015
Debt securities	6.7%	6.8%
Deposits	3.4%	3.3%
Mortgage loans	6.0%	8.2%
Other loans	7.1%	7.1%

Sensitivity

The effect of a 1% change in interest rates, with all other variables remaining constant, to the fair value of the interest bearing financial assets at the date of the financial statements is as follows.

As of December 31, 2016		\$
Total interest bearing financial assets carried at fair value		262,378,309
The fair value impact of an increase in interest rates of:	1%	(11,986,408)
The fair value impact of a decrease in interest rates of:	1%	12,190,072

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)**8.3 Market risk (continued)**

Foreign exchange risk

The Fund is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial assets are denominated in a number of different currencies. In order to manage foreign exchange risk, the Fund monitors the fluctuation in foreign exchange rates on a periodic basis. The Fund's exposure to foreign exchange risk is however not considered to be significant.

Monetary assets and liabilities by currency are summarised in the following table.

As of December 31, 2016	Barbados \$	Trinidad \$	US \$	EC \$	Total \$
ASSETS					
Due from Sagicor (Equity) Fund	8,132,588	-	-	-	8,132,588
Due from Sagicor International Balanced Fund	-	-	-	3,337	3,337
Interest and other receivables	9,111,389	-	898,745	-	10,010,134
Financial investments	240,996,054	1,309,730	141,735,584	9,122,015	393,163,383
Cash resources	3,710,335	-	11,064,104	-	14,774,439
Total assets	261,950,366	1,309,730	153,698,433	9,125,352	426,083,881
LIABILITIES					
Due to Sagicor Life Inc	10,006,804	-	-	-	10,006,804
Accounts payable	164,395	-	-	-	164,395
Total liabilities	10,171,199	-	-	-	10,171,199
Net position	251,779,167	1,309,730	153,698,433	9,125,352	415,912,682

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)**8.3 Market risk (continued)**

Foreign exchange risk (continued)

Balances denominated in

As of December 31, 2015	Barbados \$	US \$	EC \$	Total \$
ASSETS				
Due from Sagicor (Equity) Fund	19,648,421	-	-	19,648,421
Interest and other receivables	1,783,379	400,115	1,034,794	3,218,288
Financial investments	255,063,916	101,537,528	7,589,724	364,191,168
Cash resources	10,442,918	1,240,376	-	11,683,294
Total assets	286,938,634	103,178,019	8,624,518	398,741,171
LIABILITIES				
Due to Sagicor Life Inc	6,524,701	-	-	6,524,701
Accounts payable	6,991	-	-	6,991
Total liabilities	6,531,692	-	-	6,531,692
Net position	280,406,942	103,178,019	8,624,518	392,209,479

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)**8.3 Market risk (continued)****Price Risk**

The Fund is exposed to other price risk arising from changes in equity prices. The Fund mitigates this risk by holding a diversified portfolio and by the selection of securities and other financial instruments within specified limits set by the Board of Directors of the Trustee.

The Fund's policy also limits individual equity securities to no more than 10% of the equity portion of the portfolio.

The majority of the Fund's equity investments are privately traded. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and reviewed on a quarterly basis by the Board of Directors of the Trustee.

Sensitivity

The effects of an across the board 20% decline in equity prices of the Fund's fair value through income equity securities on income is as follows.

	Fair value	Effect of a 20% decline at Dec 31, 2016
	\$	\$
Fair value through profit or loss equity securities:		
Listed on Caribbean and US stock exchanges and markets	2,152,098	(430,420)
Mutual funds	7,575,078	(1,515,016)
	9,727,176	(1,945,436)

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)**8.4 Fair value of financial instruments**

Financial instruments carried at fair value in the financial statements are measured in accordance with a fair value hierarchy. This hierarchy is as follows:

(a) Level 1 – unadjusted quoted prices in active markets for identical instruments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Fund considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

(b) Level 2 – inputs that are observable for the instrument, either directly or indirectly.

A financial instrument is classified as Level 2 if:

- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In assessing the fair value of non-traded financial liabilities, the Fund uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows.

(c) Level 3 – inputs for the instrument that are not based on observable market data.

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)**8.4 Fair value of financial instruments (continued)**

The techniques and methods described in 2.3 (c) for non traded financial assets and liabilities may also be used in determining the fair value of Level 3 instruments.

The following table shows the financial assets are carried at fair value at December 31 on a security basis by level of the fair value hierarchy.

2016	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
Debt securities	-	125,582,625	140,026,899	265,609,524
Common shares	643,509	8,589	-	652,098
Mutual funds	-	7,575,078	-	7,575,078
Preferred shares	-	-	1,500,000	1,500,000
Total assets	643,509	133,166,292	141,526,899	275,336,700
Total assets by percentage				
	0%	48%	52%	100%
2015	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:				
Debt securities	-	88,068,558	144,020,144	232,088,702
Common shares	473,566	-	-	473,566
Mutual funds	-	7,308,278	-	7,308,278
Preferred shares	-	4,926	-	4,926
Total assets	473,566	95,381,762	144,020,144	239,875,472
Total assets by percentage				
	0%	40%	60%	100%

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.4 Fair value of financial instruments (continued)

The table below provides information about the fair value measurements using significant unobservable inputs (level 3).

Description	Fair Value at December 31		Valuation Technique	Unobservable Inputs	Range of Inputs		Relationship of Unobservable Inputs to fair value
	2016 \$	2015 \$			2016	2015	
Debt Securities	140,026,899	144,020,144	Discounted Cash Flows	Risk Adjusted Market Yields	3.5% - 11.7% Ave (5.7%)	2.8% - 8.0% Ave (6%)	The effect of a 1% increase in interest rates would decrease the fair value by (\$5,857,922) and a 1% decrease in interest rates would increase the fair values by \$6,345,409
Preferred Shares	1,500,000	-	Par Value	N/A	N/A	N/A	N/A

The fair values of the equities securities in Level 3 are based upon prices determined by the investee fund managers and administrators.

There have been no material transfers between Level 1 and Level 2 during 2016 and 2015.

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.4 Fair value of financial instruments (continued)

The following table presents the movement in Level 3 instruments for the year.

	2016 \$	2015 \$
Balance, beginning of year	144,020,144	162,764,802
Fair value changes recorded in income	(4,702,256)	(1,140,659)
Additions	16,719,152	17,600,884
Transfers in	60,787	-
Disposals	(14,592,197)	(35,241,188)
Effect of accrued income changes	21,269	36,305
Balance, end of year	141,526,899	144,020,144

Unrealised gains or (losses) of \$(4,741,445) (2015 - \$295,212) on level 3 assets held at the end of the period are included in Net gains on financial investments.

The fair value hierarchy of other financial instruments not carried at fair value but for which fair value disclosure is required is set out in the following table. Due to their nature, the carrying value of variable rate mortgages approximate fair value.

As at December 31, 2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Loans and receivables:				
Mortgage loans	-	-	26,706,615	26,706,615

As at December 31, 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Loans and receivables:				
Mortgage loans	-	-	24,918,432	24,918,432
Other loans	-	-	5,532,231	5,532,231
	-	-	30,450,663	30,450,663

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)**8.5 Capital risk management**

The capital of the Fund is represented by unit holders' equity. Unit holders' equity changes on a daily basis as the Fund is subject to the redemption and issue of units at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to redeem and issue units in accordance with the terms of the trust deed which includes the ability to restrict redemptions.

The Board of Directors of the Trustee and Fund Manager monitor capital on the basis of unit holders' equity.

9. ACCOUNTS PAYABLE

	2016 \$	2015 \$
Pension benefits and other payables	164,395	6,991

10. INTEREST INCOME

The Fund manages its financial investments by the type of financial instrument (i.e. debt securities, deposits, mortgage loans, etc) and the income therefrom is presented accordingly.

	2016 \$	2015 \$
Debt securities	16,036,180	15,625,777
Deposits	1,029,104	728,754
Mortgage loans	5,018,222	7,025,933
Other loans	381,247	379,602
Total interest income	<u>22,464,753</u>	<u>23,760,066</u>

11. NET INVESTMENT LOSSES

	2016 \$	2015 \$
Net (losses)/ gains on financial investments	(8,215,336)	228,660
Allowances for impairment losses	(4,321,906)	(5,934,181)
	<u>(12,537,242)</u>	<u>(5,705,521)</u>

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

12. RELATED PARTY TRANSACTIONS**(a) Material related party transactions**

	2016 \$	2015 \$
Management fee – Sagicor Life Inc	2,120,287	1,970,011
Interest income – United Nations House Joint Venture	67,341	116,786

(b) Units held by related parties

Parties related to the Fund held units in the Fund during the year as follows:

Sagicor Life Inc.	2016 \$	2015 \$
Value of units held at January 1	31,034,658	26,962,850
Net value of transactions for the year	13,301,100	4,071,808
Value of units at December 31	<u>44,335,758</u>	<u>31,034,658</u>

Sagicor General Inc.	2016 \$	2015 \$
Value of units held at January 1	39,606	26,046
Net value of transactions for the year	19,268	13,560
Value of units at December 31	<u>58,874</u>	<u>39,606</u>



Independent auditor's report

To the Unitholders of
Sagicor (Equity) Fund

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Sagicor (Equity) Fund (the Fund) as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at December 31, 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises Barbados Segregated Pension Funds' Annual Report (Annual Report) (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists



related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report is made solely to the Fund's unitholders, as a body, in accordance with Section 147 of the Companies Act of Barbados. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinion we have formed.

A handwritten signature in black ink that reads "PricewaterhouseCoopers SRL".

PricewaterhouseCoopers SRL
Bridgetown, Barbados
April 27, 2017

Statement of Financial Position

As of December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	Notes	2016	2015
ASSETS			
Investment property	4, 11	\$ 57,100,000	\$ 56,600,000
Property, plant and equipment		820,623	536,740
Investment in associated companies	5	3,855,037	3,736,107
Due from associated company	5	22,663	22,663
Income tax assets	7	1,179,255	1,103,059
Real estate developed for resale	8	327,547	327,547
Accounts receivable	9	9,540,748	7,421,980
Financial investments	10	413,364,184	403,478,561
Cash resources		25,982,524	21,078,314
Total assets		\$ 512,192,581	\$ 494,304,971
LIABILITIES			
Deposits received on real estate developed for resale	8	5,600	5,600
Due to Sagicor Life Inc	6	1,985,265	1,432,356
Due to Sagicor (Bonds) Fund	6	8,140,073	19,608,115
Due to Sagicor International Balanced Fund	6	14,040	8,609
Due to Sagicor Global Balanced Fund	6	24,283	15,526
Accounts payable	13	3,001,555	2,741,972
Total liabilities		13,170,816	23,812,178
Net assets attributable to unit holders		\$ 499,021,765	\$ 470,492,793
Represented by:			
UNIT HOLDERS' EQUITY		\$ 499,021,765	\$ 470,492,793
No. of units outstanding at end of year		9,741,640	9,770,949
Net asset value per unit at end of year		\$ 51.23	\$ 48.15
Increase (decrease)in net asset value per unit for year		6.4%	0.9%

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors on April 27, 2017



Chairman



Director

Statement of Changes in Net Assets Attributable to Unit Holders

For the year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	2016	2015		
	Number of Units	Total \$	Number of Units	Total \$
Balance, beginning of year	9,770,949	470,492,793	10,045,654	479,484,148
Proceeds from issue of units	444,068	21,992,347	318,874	15,137,825
Redemption of units	(473,377)	(23,420,161)	(593,579)	(28,322,969)
Net decrease from unit transactions	(29,309)	(1,427,814)	(274,705)	(13,185,144)
Net profit and total comprehensive income for the year available to unit holders	-	29,956,786	-	4,193,789
Balance, end of year	9,741,640	499,021,765	9,770,949	470,492,793

The accompanying notes are an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	Notes	2016	2015
REVENUE			
Interest income	14	\$ 2,923,120	\$ 2,400,953
Dividend income		8,875,081	10,625,106
Net rental income	15	1,498,691	2,198,640
Share of operating income of associated companies	5	118,930	110,506
Net investment gains/(losses)	16	22,711,539	(4,948,905)
		36,127,361	10,386,300
EXPENSES			
Management fee	17	3,611,270	3,534,713
Investment expenses		172,829	120,472
Commissions and brokers' fees		1,815,558	2,018,658
Total operating expenses		5,599,657	5,673,843
PROFIT BEFORE TAXES		30,527,704	4,712,457
Withholding taxes		(570,918)	(518,668)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR AVAILABLE TO UNIT HOLDERS		\$ 29,956,786	\$ 4,193,789

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	2016	2015
Cash flows from operating activities:		
Profit before taxes	\$ 30,527,704	\$ 4,712,457
Adjustments for:		
Interest income	(2,923,120)	(2,400,953)
Dividend income	(8,875,081)	(10,625,106)
Net losses on financial investments	(22,606,530)	4,930,212
(Appreciation)/depreciation in fair value of investment property	(500,000)	1,900,000
Gain on disposal of investment property	-	(57,746)
Allowances for impairment losses	-	(3,840)
Share of operating gain of associated company	(118,930)	(110,506)
Changes in operating assets and liabilities		
Accounts receivable	(3,211,430)	(827,295)
Restricted cash	324,776	(117,875)
Due to Sagicor Life Inc	552,909	216,675
Due to Sagicor Global Balanced Fund	8,757	(23,714)
Due to Sagicor (Bonds) Fund	(11,468,042)	8,744,033
Due to Sagicor International Balanced Fund	5,431	(5,608)
Accounts payable	259,583	178,283
Issue of mortgage loans	(2,142,361)	-
Repayment of mortgage loans	302,174	563,755
Purchase of debt securities	(24,779,457)	(19,197,263)
Redemption of debt securities	14,661,682	13,266,821
Proceeds from sale of equity securities	117,716,615	68,239,494
Purchase of equity securities	(93,158,317)	(70,956,827)
Purchase of investment property	-	(5,700,000)
Proceeds from sale of investment property	-	5,630,235
Investment in associate	-	-
Additions to equipment	(283,883)	(133,770)
Amounts deposited	(12,719,962)	(11,018,323)
Deposits redeemed	13,006,861	11,974,019
Cash used in operations	(5,420,621)	(822,842)
Interest received	2,756,791	2,132,163
Dividends received	9,967,744	9,031,789

Statement of Cash Flows (continued)

For the year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	2016	2015
Taxes paid	(647,114)	(599,370)
Net cash generated from operating activities	6,656,800	9,741,740
Cash flows from financing activities		
Proceeds from issue of units	21,992,347	15,137,825
Redemptions of units	(23,420,161)	(28,322,969)
Net cash used in financing activities	(1,427,814)	(13,185,144)
Net increase/(decrease)in cash and cash equivalents	5,228,986	(3,443,404)
Cash and cash equivalents - beginning of year	19,982,978	23,426,382
Cash and cash equivalents - end of year	\$ 25,211,964	\$ 19,982,978
Cash resources comprise:		
Cash resources	25,211,964	19,982,978
Restricted cash - managed properties	770,560	1,095,336
	\$ 25,982,524	\$ 21,078,314

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

1. REGISTRATION, PRINCIPAL ACTIVITY AND REGISTERED OFFICE

Sagicor (Equity) Fund ("The Fund") was registered in April 1969 as a Unit Trust, responsible for the management of investments of Barbados registered pension plans.

The Fund's objective is to provide long-term capital growth through investment in a diversified portfolio of equity securities including real estate.

Sagicor Life Inc. acts as Asset Manager and Trustee of the fund. Sagicor Life Inc has subcontracted out certain asset management and custodian arrangements with Oppenheimer & Co. Inc. and Morgan Stanley Private Wealth Management. The registered office of the Fund is located at the Cecil F. de Caires Building, Wildey, St. Michael.

If required, these financial statements can be amended after issue, at the recommendation of the Audit Committee and with the approval of the Board of Directors of the Trustee.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial investments held at fair value through profit or loss and investment property.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

All amounts in these financial statements are shown in Barbados dollars unless otherwise stated.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.1 Basis of preparation (continued)****(a) Amendments to IFRS**

There are no new standards which are effective for the 2016 financial year that have a significant impact on the Fund's financial statements.

Annual Improvements to IFRS 2012-2014 cycle (January 1, 2016)	IFRS 7, 'Financial instruments: Disclosures' is amended to provide specific guidance on transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition.
Disclosure Initiative - Amendments to IAS 1 (January 1, 2016)	<p>The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:</p> <ul style="list-style-type: none"> • Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. • Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. • There is also new guidance on the use of subtotals. • Notes – confirmation that the notes do not need to be presented in a particular order. • OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income. <p>According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.</p>

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.1 Basis of preparation (continued)****(a) Amendments to IFRS (continued)**

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (January 1, 2016)	<p>The amendments to IFRS 11 clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.</p> <p>This includes:</p> <ul style="list-style-type: none"> • measuring identifiable assets and liabilities at fair value • expensing acquisition-related costs • recognising deferred tax, and • recognising the residual as goodwill, and testing this for impairment annually. <p>Existing interests in the joint operation are not re-measured on acquisition of an additional interest, provided joint control is maintained.</p> <p>The amendments also apply when a joint operation is formed and an existing business is contributed.</p> <p>The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate.</p> <p>The IASB has amended IAS 16 Property, Plant and Equipment to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment.</p> <p>IAS 38 Intangible Assets now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either</p> <ul style="list-style-type: none"> • The intangible asset is expressed as a measure of revenue (ie where a measure of revenue is the limiting factor on the value that can be derived from the asset), or • It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.
---	---

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.1 Basis of preparation (continued)****(b) New standards and amendments to standards which are not yet effective**

Certain new standards and amendments have been issued which were not effective at the date of the financial statements. The Fund has not adopted these new standards and amendments. The changes which may have a significant effect on future presentation, measurement or disclosure of the Fund's financial statements are as follows:

IFRS (Effective Date)	Subject / Comments
IFRS 9 - Financial Instruments (January 1, 2018)	<p>The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.</p> <p>For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.</p> <p>IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.</p> <p>The Fund is yet to assess the impact of the standard.</p>

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.1 Basis of preparation (continued)****(b) New standards and amendments to standards which are not yet effective (continued)**

IFRS (Effective Date)	Subject / Comments
IFRS 15 – Revenue from contracts with customers (January 1, 2017)	<p>This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations.</p> <p>Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.</p> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> • Step 1: Identify the contract(s) with a customer • Step 2: Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step 4: Allocate the transaction price to the performance obligations in the contract • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.</p>

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.1 Basis of preparation (continued)****(b) New standards and amendments to standards which are not yet effective (continued)**

IFRS 16 – Leases(Annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied.)	<p>This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.</p> <p>Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Fund is yet to assess the impact of IFRS 16.</p>
Disclosure Initiative – Amendments to IAS 7 (January 1, 2017)	<p>Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.</p> <p>Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.</p> <p>Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.</p> <p>The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.</p> <p>The Fund is assessing the impact of the amendment to IAS 7.</p>

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Investments in other entities****(a) Joint operations**

Joint operations arise when the Fund has rights to the assets and obligations for liabilities of an arrangement. The Fund accounts for its interests in the assets, liabilities and revenues and expenses of jointly controlled operations.

(b) Investment in associated companies

The investments in associated companies, which are not majority-owned or controlled but where significant influence exists, are included in these financial statements using the equity method of accounting. Investments in associated companies are originally recorded at cost and include intangible assets identified on acquisition.

The Fund recognises in income its share of associated companies' post acquisition income and its share of the amortisation and impairment of any intangible assets which were identified on acquisition. Unrealised gains or losses on transactions between the Fund and its associates are eliminated to the extent of the Fund's interest in the associates. The Fund recognises in other comprehensive income, its share of associated companies' post acquisition other comprehensive income.

2.3 Foreign currency translation**(a) Functional and presentational currency**

Items included in the financial statements of the Fund are measured using the currency of the primary economic environment in which it operates (the functional currency). The financial statements are presented in Barbados dollars, which is the Fund's functional and presentational currency.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 Foreign currency translation (continued)****(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses, which result from the settlement of foreign currency transactions and from the re-translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on debt securities and other monetary financial assets measured at fair value are included under investment expenses. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the net investment gains or losses in the statement of comprehensive income.

Currency exchange rates are determined by reference to the respective central banks. Currencies which are pegged to the United States dollar are converted into Barbados dollars at the pegged rates. Currencies which float are converted to the Barbados dollar by reference to the average of buying and selling rates quoted by the respective central banks.

Exchange rates of the other principal operating currencies to the Barbados dollar were as follows:

	2016 closing rate	2016 average rate	2015 closing rate	2015 average rate
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Jamaica dollar	63.9912	62.7146	59.9879	58.5617
Trinidad & Tobago dollar	3.3729	3.3231	3.2098	3.1731
United States dollar	0.50	0.50	0.50	0.50

2.4 Investment property

Investment property consists of freehold lands and freehold properties not occupied by the Fund which are held for rental income and/or capital appreciation.

Investment property is recorded initially at cost and subsequently at fair value determined by independent valuers, with the appreciation or depreciation in value being taken to investment income. Investment property includes property partially owned by the Fund and held under joint operations with third parties for which the Fund recognises its share of the joint operation's assets, liabilities, revenues, expenses and cash flows. On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to income.

Transfers to or from investment properties are recorded when there is a change in use of the property. Transfers to real estate developed for resale are recorded at their fair value at the date of change in use.

Rental income is recognised on an accruals basis.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5 Financial assets****(a) Classification**

The Fund classifies its financial assets into two categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables.

Management determines the appropriate classification of these assets at initial recognition.

Financial assets in the category at fair value through profit or loss have been so designated by management at inception since the assets form part of a managed portfolio whose performance is evaluated on a fair value basis in accordance with a documented investment strategy.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, unless designated as fair value through profit or loss on initial recognition.

(b) Recognition, derecognition and measurement

Purchases and sales of financial investments are recognised on the trade date. Interest income arising on investments is accrued using the effective interest rate method.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Loans and receivables are initially recognised at fair value and are subsequently carried at amortised cost less provision for impairment.

Financial assets in the category at fair value through profit or loss are measured initially at fair value and are subsequently re-measured at their fair value based on quoted prices or internal valuation techniques. Realised and unrealised gains and losses are recorded as net investment gains or losses in the statement of comprehensive income. Interest and dividend income are recorded under their respective heads in investment income.

(c) Fair value

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets traded in active markets is based on quoted market prices based on bid prices. In estimating the fair value of non-traded financial assets, the Fund uses a variety of methods such as obtaining dealer quotes and using discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are discounted at market derived rates for government securities in the same country of issue as the security; for non-government securities, an interest spread is added to the derived rate for a similar government security according to the perceived additional risk of the non-government security. The fair values of alternative investments, which comprise mainly limited partnerships, are based upon prices as determined by the investee fund managers and administrators. The fair value of investments in investee funds that are not quoted in an active market is determined primarily by reference to the latest redemption price of such units for each investee fund as determined by the administrator of such investee funds.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5 Financial assets (continued)****(d) Impaired financial assets**

Financial assets are assessed for impairment at each reporting date. A financial asset is considered impaired if its carrying amount exceeds its estimated recoverable amount.

An impairment loss for assets carried at amortised cost is calculated as the difference between the carrying amount and the present value of expected cash flows discounted at the original effective interest rate. The carrying value of impaired financial assets is reduced by an allowance for impairment losses.

If in a subsequent period, the amount of the impairment loss for a debt security decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, and the amount of the reversal is recognised in income.

2.6 Real estate developed for resale

Lands being made ready for resale along with the cost of infrastructural works are classified as real estate held for resale and are stated at the lower of cost and net realisable value.

Gains and losses realised on the sale of real estate are included in income at the time of sale.

2.7 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise:

- cash balances,
- call deposits,
- proportionate interests in cash balances of managed joint operations

Cash equivalents are subject to an insignificant risk of change in value.

2.8 Provisions

Provisions are recognised when the Fund has a legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

2.9 (a) Interest income and expenses

Interest income and expenses are recognised in the statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective interest rate method. Interest includes coupon and accrued discount and premium on financial instruments. Interest income on impaired loan and receivables is recognised using the rate at which the future cash flows are discounted for the purpose of measuring the impairment loss.

2.9 (b) Dividend income

Dividend income is recognised when the Fund's right to receive payment is established.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**2.10 Taxation**

The Fund is exempt from Barbados taxation.

The Fund currently incurs withholding taxes imposed by certain countries or financial institutions on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income and the related tax imposed is recorded as a receivable until these amounts are recoverable or expensed as incurred.

2.11 Management fee

As a result of serving as Trustee and Manager of the Fund, Sagicor Life Inc receives a management fee based on the Net Asset Value of the Fund, calculated at a rate of 0.75% per annum.

2.12 Units

The Fund issues redeemable units which are redeemable at the holder's option. Units are carried at the redemption amount that is payable at the statement of financial position date should the holder exercise the right to redeem the shares. Units redeemed may be put back to the Fund for cash or transfer of assets representing the value of the units redeemed.

Units are classified as equity as they meet the following criteria:

- They entitle the holder to a pro-rata share of the net assets of the Fund.
- The total expected cash flows attributable to the units over their life are based substantially on the profits or loss of the Fund.
- The Fund is contractually obliged to deliver cash to unit holders on the repurchase of units or transfer assets representing the value of units redeemed.
- The rights and features attached to each unit are identical.

2.13 Net asset value per unit

The consideration received or paid for units issued or repurchased respectively is based on the Fund's net asset value per unit for the preceding month.

The net asset value per unit is calculated by dividing the net assets by the number of units.

2.14 Property, plant and equipment

Property, plant and equipment comprise mainly furnishings and office equipment and represent the Fund's proportionate interest in joint operations. These assets are initially recorded at cost and subsequent expenditure is capitalised if future economic benefits are expected.

Depreciation is calculated on property, plant and equipment on the straight line basis at rates calculated to allocate the cost of the assets concerned over their estimated useful lives. The estimated useful lives for this purpose are as follows:

Plant and equipment, furniture and fittings	10 years
Computer software and equipment	3 - 10 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Any gain or loss on disposal included in the statement of comprehensive income is determined by comparing proceeds to the asset's carrying value at the time of disposal.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The development of estimates and the exercise of judgment in applying accounting policies may have a material impact on the Fund's reported assets, liabilities, income and other comprehensive income. The items which may have the most effect on the Fund's financial statements are set out below.

3.1 Valuation of investment property

The Fund utilises professional valuers to determine the fair value of its investment properties. Valuations are determined through the application of a variety of different valuation methods which are all sensitive to the underlying assumptions chosen. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values.

For some tracts of land which are currently un-developed, the fair value may reflect the potential for development within a reasonable period of time. Information about fair value technique is disclosed in Note 11.

3.2 Valuation of unquoted debt securities

The Fund uses internally developed models to estimate market values for unquoted debt securities. The estimated market value is based on best estimate assumptions and may vary substantially as these assumptions are varied. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors. Information about the fair value techniques and sensitivity is disclosed in Note 12.6.

3.3 Impairment of financial assets

A loan or a receivable is considered impaired when management determines that it is probable that all amounts due according to the original contract terms will not be collected. This determination is made after considering the payment history of the borrower, the discounted value of collateral, and the financial condition and the financial viability of the borrower.

The determination of impairment may either be considered by individual asset or by a grouping of assets with similar relevant characteristics. Refer to Note 12.1 for further discussion.

Management uses estimates based on evidence of impairment when scheduling future cash flows. Were the net present value of the estimated cash flows to differ by +/-1%, the impairment loss estimated would remain the same.

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

4. INVESTMENT PROPERTY

Investment property is carried at fair value as determined by independent valuers using internationally recognised valuation techniques.

The movement in investment property for the year is as follows:

	2016 \$	2015 \$
Balance, beginning of year	56,600,000	58,372,489
Additions	-	5,700,000
Fair value changes recorded in income	500,000	(1,900,000)
Disposals	-	(5,572,489)
Balance, end of year	57,100,000	56,600,000

Wholly owned properties:

Letchworth Complex, Garrison, St. Michael
 Letchworth Cottage, Garrison, St. Michael
 CIBC First Caribbean International Bank, Rendezvous, Christ Church
 City Centre, Bridgetown
 Land at Plum Tree, St. Thomas

Investment property includes \$23,100,000 (2015- \$23,100,000) which represents the Fund's proportionate interest in joint operations in Barbados summarized in the following table.

Description of property	Percentage ownership
Land at Fort George Heights, Upton, St. Michael	50.0%
United Nations House, Marine Gardens, Christ Church	50.0%
Trident House Properties, Lower Broad Street, Bridgetown	33.3%

A related party owns a 50% interest in Fort George Heights and United Nations House, respectively and a 33% interest in Trident House Properties.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

4. INVESTMENT PROPERTY (continued)

Other balances included in the financial statements in respect of the above joint operations are as follows:

	2016 \$	2015 \$
Real estate developed for resale	327,547	327,547
Accounts receivable	1,650,515	2,112,138
Property, plant and equipment	820,623	536,740
Cash resources	527,706	633,283
Deposits received on real estate developed for resale	5,600	5,600
Accounts payable	1,122,591	1,273,936
Net rental income	1,192,022	1,218,138
Appreciation/(depreciation) in fair value of investment property	500,000	(1,113,209)

5. INVESTMENT IN ASSOCIATED COMPANIES

The movements in the investment in associated companies during the year are summarised in the following table.

	Primo Holdings Limited	Haggatt Hall Holdings Limited	Total
	2016 \$	2016 \$	2016 \$
Investment at the beginning of the year	686,356	3,049,751	3,736,107
Share of (loss)/ income	(13,525)	132,455	118,930
Investment at the end of the year	672,831	3,182,206	3,855,037

	Primo Holdings Limited	Haggatt Hall Holdings Limited	Total
	2015 \$	2015 \$	2015 \$
Investment at the beginning of the year	697,883	2,927,718	3,625,601
Share of (loss)/income	(11,527)	122,033	110,506
Investment at the end of the year	686,356	3,049,751	3,736,107

The Fund holds interests in two property investment companies. Proportionate interests are as follows:

- 37.5% (2015 – 37.5%) in Primo Holdings Limited, incorporated in Barbados
- 33.3% (2015 – 33.3%) in Haggatt Hall Holdings Limited, incorporated in Barbados

The amount of \$22,663 (2015 – \$22,663) due from associated company Primo Holdings Limited, is interest free, unsecured and has no fixed terms of repayment.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

5. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The aggregate balances and results in respect of the associated companies for the year are set out below:

	Primo Holdings Limited	Haggatt Hall Holdings Limited	Total	Total
	2016 \$	2016 \$	2016 \$	2015 \$
Assets		2,100,000	31,263,882	33,363,882
Liabilities		(406,810)	(22,004,475)	(22,411,285)
Net (loss)/income for the year		(36,068)	265,404	229,336

Reconciliation to carrying amounts

	Primo Holdings Limited	Haggatt Hall Holdings Limited
	31 Dec 2016	31 Dec 2015
Opening net assets 1 January	1,729,258	1,759,998
Profit /(loss) for the period	(36,068)	(30,740)
Closing net assets	1,693,190	1,729,258
Group's share in %	37.5%	37.5%
Group Share in \$	634,946	648,472
Capitalisation of Acquisition costs	37,885	37,884
Carrying Amount	672,831	686,356
	3,182,206	3,049,751

6. RELATED PARTY BALANCES

These balances are interest free, unsecured and have no fixed terms of repayment except for a balance of \$895,919 (2015 – \$1,588,083) due to Sagicor (Bonds) Fund which bears interest at a rate of 7.75% (2015–7.75%) per annum and is repayable over 2 years in monthly instalments of \$61,498.

A summary of related party transactions is disclosed in note 17.

7. INCOME TAX ASSETS

Income tax assets arise from deductions of withholding tax at source on interest income from local financial investments. The Fund's tax-exempt status entitles it to a refund of these taxes from the Barbados Revenue Authority.

Withholding tax incurred on extra-regional financial investments is not collectable by the Fund, and is therefore written off as an expense in the year in which it is incurred.

8. REAL ESTATE DEVELOPED FOR RESALE, DEPOSITS RECEIVED ON REAL ESTATE DEVELOPED FOR RESALE

Real estate developed for resale and deposits received on real estate developed for resale represent the Fund's proportionate interests in joint operations as set out below:

Percentage owned by the Fund

Description of property

Land at Fort George Heights, Upton, St. Michael	50%
---	-----

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

9. ACCOUNTS RECEIVABLE

	2016 \$	2015 \$
Rent receivable	2,421,560	2,593,028
Dividend receivable	2,581,749	3,674,412
Unsettled transactions	2,837,058	469,585
Other receivables	2,390,062	1,374,636
Total accounts receivable	10,230,429	8,111,661
Less: Provision for impairment of receivables	(689,681)	(689,681)
	9,540,748	7,421,980

The movement in the provision for impairment is as follows:

	2016 \$	2015 \$
Balance beginning of the year	(689,681)	(693,521)
Decrease in provision	-	(3,840)
Balance at end of year	(689,681)	(689,681)

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

10. FINANCIAL INVESTMENTS

10.1 Analysis of financial investments

	2016 Fair Value \$	2015 Fair Value \$
Financial assets at fair value through profit or loss:		
Bonds		
International – Listed	32,730,991	21,456,803
Local – Unlisted	7,426,493	9,983,739
Regional – Unlisted	2,731,462	2,134,854
Total Debt Securities	42,888,946	33,575,396
Common Shares – Local Listed		
Common Shares – Regional Listed	107,998,094	91,926,282
Common Shares – International Listed	30,638,920	59,339,952
Common Shares – Unlisted	159,716,556	151,118,447
Preference Shares – Listed	145,966	87,266
Preference Shares – Unlisted	–	3,534,652
Alternative Investments – Listed	14,570,690	18,348,608
Alternative Investments – Unlisted	32,773,846	29,559,503
Mutual Funds – Listed	8,137,239	1,842,606
Mutual Funds – Unlisted	3,211,207	2,436,062
Total Equity Securities	357,192,518	358,193,378
2016 Amortised Cost \$		
Loans and receivables:		
Deposits	5,317,398	5,567,227
Mortgage loans	7,965,322	6,142,560
Total loans and receivables	13,282,720	11,709,787
Total financial investments	413,364,184	403,478,561

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

10. FINANCIAL INVESTMENTS (continued)

10.1 Analysis of financial investments (continued)

The fair value of the fixed rate mortgage loans is \$5,825,520 (2015 - \$5,650,844) and the carrying value is \$6,073,382 (2015 - \$5,636,828). All other loans and receivables approximate their fair value.

See note 12.4 for the fair value of loans and receivables.

Debt securities comprise:

	2016	2015
	\$	\$
Government debt securities		
International – listed	26,970,921	15,834,234
Local – unlisted	7,426,493	9,983,739
Regional – unlisted	2,731,462	2,134,854
Corporate debt securities – listed	5,760,070	5,622,569
	42,888,946	33,575,396

Debt securities include bond issued by Sagicor Finance Ltd, a related party, of \$5,760,070. Equity securities include shares in Sagicor Financial Corporation, a related party, of \$3,266,980 (2015 - \$6,308,437).

Debt securities designated at fair value through profit or loss and valued using internally developed models amounted to \$10,157,955 (2015 - \$12,118,593).

Significant concentrations of equity securities, exceeding 2.5% of total exposures, are as follows:

	% of Total	2016		2015	
		\$	%	\$	%
Goddard Enterprises Limited	11.57%	46,927,499	9.64%	34,534,491	
Massy Holdings Ltd	7.42%	30,105,515	10.23%	36,653,835	
CIBC First Caribbean International Bank (Barbados) Ltd	5.79%	23,495,815	5.64%	20,217,329	
RBC Royal Bank of Canada	5.61%	22,766,202	5.09%	18,053,143	
Cable & Wireless (Barbados) Limited	3.20%	12,983,876	3.89%	13,949,619	
Banks Holdings Ltd	-	-	5.54%	19,850,406	

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

11. FAIR VALUE OF INVESTMENT PROPERTY

Investment property is carried at fair value as determined by independent valuations using internationally recognised valuation techniques. Direct sales comparisons, when such data is available, and income capitalisation methods, when appropriate, are included in the assessment of fair values. The highest and best use of a property is also considered in determining its fair value.

Some tracts of land are currently un-developed or are leased to third parties. In determining the fair value of all lands, their potential for development within a reasonable period is assessed, and if such potential exists, the fair value reflects that potential. These lands are located in Barbados and the Fund has adopted a policy of orderly development and transformation to realise their full potential over time.

The fair value hierarchy has been applied to the valuations of the Fund's property. The different levels of the hierarchy are as follows:

- Level 1 – fair value is determined by quoted un-adjusted prices in active markets for identical assets;
- Level 2 – fair value is determined by inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly;
- Level 3 – fair value is determined from inputs that are not based on observable market data.

The results of applying the fair value hierarchy to the Fund's property are as follows:

As of December 31, 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Investment property	-	-	57,100,000	57,100,000
As of December 31, 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Investment property	-	-	56,600,000	56,600,000

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

11. FAIR VALUE OF INVESTMENT PROPERTY (continued)

A summary of the valuation techniques used is presented as follows:

	Fair Value \$ 2016	Fair Value \$ 2015	Valuation Technique	Unobservable Inputs	Range of Inputs 2016	Range of Inputs 2015	Relationship of Unobservable Inputs to Fair value
Land	12,500,000	12,500,000	Sales Comparison	Price per square foot	\$1.75 to \$10.00	\$1.75 to \$10.00	The higher the price per square foot, the higher the value.
Commercial property	2,933,333	2,933,333	Sales Comparison	Price per square foot	\$28.28 to \$68.24	\$28.28 to \$68.24	The higher the price per square foot, the higher the value.
Commercial property	41,666,667	41,166,667	Discounted cash flows	Discount rate, capitalisation rate	8.0% to 10.0%	8.0% to 10.0%	The lower the capitalisation rate or discount rate, the higher the fair value.
Total	57,100,000	56,600,000					

Commercial properties valued at \$2,933,333 (2015 - \$2,933,333) are mature and under-tenanted. These properties are therefore not in their highest and best use. Under these circumstances, the discounted cash flows technique was not considered to offer a good indicator of value. Fair values for these properties were derived from the use of the sales comparison method.

Valuation Process

The Fund engages external independent and qualified valuers to determine the fair value of the Fund's investment properties at the end of the year. The main level 3 inputs used by the Fund are determined and evaluated as follows - discount rate, terminal yield, expected vacancy rates and rental growth rates are estimated by the valuer based on comparable transactions.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK**Financial risk factors**

The Fund's activities of accepting funds from unit holders and investing these funds in a variety of financial and other assets expose the Fund to various financial risks.

Financial risks include credit, liquidity and market risks. Market risks arise from changes in interest rates, equity prices, currency exchange rates or other market factors. The effects of these risks are disclosed in the sections below.

The fund is also exposed to operations such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodians.

The overriding objective of the Fund's risk management framework is to enhance its capital base through long term capital growth and to protect capital against inherent business risks. This means that the Fund accepts certain levels of risk in order to generate returns, and the Fund manages the levels of risk assumed through risk management policies and procedures. Identified risks are assessed as to their potential financial impact and as to their likelihood of occurrence.

The effects of financial risks are disclosed in the sections below.

12.1 Credit risk

Credit risk is the exposure that the counterparty to a financial instrument is unable to meet an obligation, thereby causing a financial loss to the Fund. Credit risks are primarily associated with financial investments held.

Credit risk from financial investments is minimised through holding a diversified portfolio of investments, purchasing securities and advancing loans only after careful assessment of the borrower, obtaining collateral before advancing loans, and placing deposits with financial institutions with a strong capital base. Limits may be placed on the amount of risk accepted in relation to one borrower.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as the local and regional stock exchanges act as the clearing facilitator, ensuring that monies are placed in the clearing accounts.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor the Fund's credit position on a quarterly basis.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.1 Credit risk (continued)

The maximum exposures of the Fund to credit risk are set out in the following table.

	2016		2015	
	\$	%	\$	%
Bonds	42,888,946	47	33,575,396	45
Deposits	5,317,398	6	5,567,227	8
Investment portfolio	48,206,344	53	39,142,623	53
Mortgage Loans	7,965,322	9	6,142,560	8
Lending portfolio	7,965,322	9	6,142,560	8
Due from associated company	22,663	0	22,663	0
Accounts receivable	9,540,748	10	7,421,980	10
Cash resources	25,982,524	28	21,078,314	29
Other financial assets	35,545,935	38	28,522,957	39
Total balance sheet exposures	91,717,601	100	73,808,140	100

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.1 Credit risk (continued)

The Fund's largest exposures to individual counterparty credit risks exceeding 2.5% of total exposures, as at December 31, 2016 as rated by Standard and Poor's or equivalent, with their comparative amounts are set out below.

	Risk rating	2016 \$	Risk rating	2015 \$
Debt securities:				
Government of Barbados - denominated in Barbados dollars	B-	7,057,002	B	9,485,404
Government of Bermuda - denominated in United States dollars	A+	7,664,037	A+	5,732,121
Government of Aruba - denominated in United States dollars	-	-	BBB+	2,528,116
Government of Bahamas - denominated in United States dollars	BB+	6,117,859	BBB-	6,400,817
Government of Panama - denominated in United States dollars	BBB	11,272,021	-	-
Republic of Trinidad & Tobago - denominated in United States dollars	A-	1,917,005	A	1,173,181
Government of St. Lucia - denominated in United States dollars	B	2,130,841	B	2,134,854
Sagicor Finance Ltd - denominated in United States dollars	BB-	5,760,069	B	5,622,569
Deposits and cash resources:				
Capita Financial Services Inc.	-	2,107,670	-	1,541,411
First Citizens Investment Services (Barbados) Limited	-	1,607,861	-	3,062,820

On March 3, 2017 Standards & Poor's downgraded the Government of Barbados' long-term foreign and local currency sovereign rating by one notch from 'B-' to 'CCC+' and assigned a negative outlook. On March 9, 2017 Moody's Investors Service also downgraded the Government of Barbados' credit rating one notch from 'Caa1' to 'Caa3' and maintained a stable outlook.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)**12.1 Credit risk (continued)****(a) Past due and impaired financial investments**

A financial asset is past due when a counterparty has failed to make payment when contractually due.

The Fund is most exposed to the risk of past due assets with respect to its financial investments namely debt securities and mortgage loans.

Debt securities are assessed for impairment when amounts are past due, when the borrower is experiencing cash flow difficulties, or when the borrower's credit rating has been downgraded.

Mortgage loans less than 90 days past due are not assessed for impairment unless other information is available to indicate the contrary. The assessment for impairment includes a review of the collateral. If the past due period is less than the trigger for impairment review, the collateral is not normally reviewed and re-assessed. Accumulated allowances for impairment reflect the Fund's assessment of total individually impaired assets at the date of the financial statements. The following tables set out the carrying values of debt securities and mortgage loans analysed by past due or impairment status.

As of December 31, 2016

	Debt securities \$	Mortgage loans \$
Neither past due nor impaired	42,888,946	7,218,381
Past due up to 3 months, but not impaired	-	586,402
Past due up to 12 months, but not impaired	-	160,539
Total	42,888,946	7,965,322

As of December 31, 2015

	Debt securities \$	Mortgage loans \$
Neither past due nor impaired	33,575,396	5,935,415
Past due up to 3 months, but not impaired	-	-
Past due up to 12 months, but not impaired	-	207,145
Total	33,575,396	6,142,560

There were no debt securities or deposits which were past due and impaired at the year end.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)**12.1 Credit risk (continued)****(a) Past due and impaired financial investments (continued)**

Exposure to credit risk in respect of mortgage loans is managed in part by obtaining collateral. For mortgage loans, the collateral is real estate property, and the approved loan limit is 75% to 95% of collateral value.

Exposure to mortgage loans by sector is as follows: -

	2016 \$	2015 \$
Commercial sector	5,198,975	5,467,213
Residential sector	2,766,347	675,347
Total	7,965,322	6,142,560

(b) Repossessed assets

The Fund may foreclose on overdue mortgage loans by repossessing the pledged asset. In some instances the Fund may provide re-financing to a new purchaser on customary terms.

No assets were repossessed during the year.

(c) Renegotiated assets

The Fund may renegotiate the terms of any financial investment to facilitate borrowers in financial difficulty. Arrangements to waive adjust or postpone scheduled amounts due may be entered into. The Fund classifies these amounts as past due, unless the original agreement is formally revised, modified or substituted, in which case, the financial investment is classified as renegotiated.

There were no financial investments which were renegotiated during the year.

12.2 Liquidity risk

The Fund is exposed to daily calls on its available cash resources for redemptions and operating expenses. Liquidity risk is the exposure that the Fund may have insufficient cash resources to meet these obligations as they become due. Liquidity risk also arises when excess funds accumulate resulting in the loss of opportunity to increase investment returns.

In order to manage liquidity risks, management seeks to maintain levels of cash and deposits which are sufficient to meet reasonable expectations of its short term obligations. If necessary the Fund's secondary source of liquidity is its highly liquid instruments in its investment portfolio.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor the Fund's liquidity position on a quarterly basis.

Contractual cash flow obligations of the Fund in respect of its financial liabilities are summarised in the following table. Amounts are analysed by their earliest contractual maturity dates and consist of the contractual un-discounted cash flows. Where the interest rate of an instrument for a future period has not been determined as of the date of the financial statements, it is assumed that the interest rate then prevailing continues until final maturity.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.2 Liquidity risk (continued)

(a) Financial liabilities

As of December 31, 2016

	On demand \$	Within 1 year \$	1 to 5 years \$	After 5 years \$	Total \$
Deposits received on real estate developed for sale	5,600	-	-	-	5,600
Due to Sagicor Life Inc.	1,985,265	-	-	-	1,985,265
Due to Sagicor (Bonds) Fund	7,292,186	895,919	-	-	8,188,105
Due to Sagicor					
International Balanced Fund	14,040	-	-	-	14,040
Due to Sagicor					
Global Balanced Fund	24,283	-	-	-	24,283
Accounts payable	3,001,555	-	-	-	3,001,555
	12,322,929	895,919	-	-	13,218,848

As of December 31, 2015

	On demand \$	Within 1 year \$	1 to 5 years \$	After 5 years \$	Total \$
Deposits received on real estate developed for sale	5,600	-	-	-	5,600
Due to Sagicor Life Inc.	1,432,356	-	-	-	1,432,356
Due to Sagicor (Bonds) Fund	18,175,369	1,089,717	498,366	-	19,763,452
Due to Sagicor					
International Balanced Fund	8,609	-	-	-	8,609
Due to Sagicor					
Global Balanced Fund	15,526	-	-	-	15,526
Accounts payable	2,741,972	-	-	-	2,741,972
	22,379,432	1,089,717	498,366	-	23,967,515

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.2 Liquidity risk (continued)

(b) Financial assets

Amounts are stated at their carrying values recognised in the financial statements and are analysed by their contractual maturity dates.

As of December 31, 2016

	Maturing within 1 year \$	Maturing within 1 to 5 years \$	Maturing after 5 years \$	Total \$
Due from associated company	22,663	-	-	22,663
Accounts receivable	9,540,748	-	-	9,540,748
Debt securities	4,161,087	3,483,008	35,244,851	42,888,946
Deposits	3,977,213	1,340,185	-	5,317,398
Mortgage loans	-	32,931	7,932,391	7,965,322
Cash resources	25,982,524	-	-	25,982,524
Total	43,684,235	4,856,124	43,177,242	91,717,601

As of December 31, 2015

	Maturing within 1 year \$	Maturing within 1 to 5 years \$	Maturing after 5 years \$	Total \$
Due from associated company	22,663	-	-	22,663
Accounts receivable	7,421,980	-	-	7,421,980
Debt securities	2,057,101	7,898,223	23,620,072	33,575,396
Deposits	5,292,133	275,094	-	5,567,227
Mortgage loans	-	-	6,142,560	6,142,560
Cash resources	21,078,314	-	-	21,078,314
Total	35,872,191	8,173,317	29,762,632	73,808,140

Redeemable units are redeemed at the option of the holder. However, the Board of Directors of the Trustee does not envisage that unit holders will redeem their units as they typically hold them for the long-term. At December 2016, no individual unit holder held more than 10% of the fund's units. The fund manages its liquidity risk by investing in security that it expects to be able to liquidate within a short period.

The following table illustrates securities which have liquidation restrictions and their redemption periods.

As at December 31, 2016	Less than 7 Days	Monthly	Quarterly	1 - 5 Years	More than 5 years
Funds and Alternative Investments	27,073,726	9,626,728	12,030,244	5,714,772	4,247,512
As at December 31, 2015	Less than 7 Days	Monthly	Quarterly	1 - 5 Years	More than 5 years
Funds and Alternative Investments	27,402,883	9,109,527	6,611,954	6,372,142	2,690,273

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.3 Market risk

Interest rate risk

The Fund is exposed to interest rate risks. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates.

The return on financial investments may be variable, fixed for a term or fixed to maturity. On reinvestment of a matured investment, the returns available on the new investment may be significantly different from the returns formerly achieved. This is known as reinvestment risk.

The Fund is therefore exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase or decrease as a result of such changes.

In accordance with the Fund's policy, the Fund Manager and the Board of Directors of the Trustee monitor and review the Fund's overall interest sensitivity on a quarterly basis.

The table below summarises the exposures to interest rate of the Fund's financial liabilities.

As of December 31, 2016	Exposure to interest rate				Total
	Exposure within 1 year	Exposure of 1 to 5 years	Exposure after 5 years	Not exposed to interest	
	\$	\$	\$	\$	\$
Deposits received on real estate developed for resale	5,600	-	-	-	5,600
Due to Sagicor (Bonds) Fund	895,919	-	-	7,244,154	8,140,073
Due to Sagicor Life Inc	-	-	-	1,985,265	1,985,265
Due to Sagicor	-	-	-	-	-
International Balanced Fund	-	-	-	14,040	14,040
Due to Sagicor	-	-	-	-	-
Global Balanced Fund	-	-	-	24,283	24,283
Accounts payable	-	-	-	3,001,555	3,001,555
Total	901,519	-	-	12,269,297	13,170,816

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.3 Market risk (continued)

As of December 31, 2015	Exposure to interest rate				Total
	Exposure within 1 year	Exposure of 1 to 5 years	Exposure after 5 years	Not exposed to interest	
	\$	\$	\$	\$	\$
Deposits received on real estate developed for resale	5,600	-	-	-	5,600
Due to Sagicor (Bonds) Fund	1,089,717	498,366	-	18,020,032	19,608,115
Due to Sagicor Life Inc	-	-	-	1,432,356	1,432,356
Due to Sagicor	-	-	-	-	-
International Balanced Fund	-	-	-	8,609	8,609
Due to Sagicor	-	-	-	-	-
Global Balanced Fund	-	-	-	15,526	15,526
Accounts payable	-	-	-	2,741,972	2,741,972
Total	1,095,317	498,366	-	22,218,495	23,812,178

The table below summarises the exposures to interest rate risks of the Fund's financial assets. It includes assets at carrying amounts categorised by maturity dates.

As of December 31, 2016	Exposure to interest rate				Total
	Exposure within 1 year	Exposure of 1 to 5 years	Exposure after 5 years	Not exposed to interest	
	\$	\$	\$	\$	\$
Due from associated company	-	-	-	-	22,663
Accounts receivable	-	-	-	-	9,540,748
Debt securities	4,097,185	3,457,950	34,647,167	686,644	42,888,946
Equity securities	-	-	-	357,192,518	357,192,518
Deposits	3,891,319	1,340,105	-	85,974	5,317,398
Mortgage loans	-	-	7,903,242	62,080	7,965,322
Cash resources	20,689,405	-	-	5,293,119	25,982,524
Total	28,677,909	4,798,055	42,550,409	372,883,746	448,910,119

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.3 Market risk (continued)

As of December 31, 2015	Exposure within 1 year	Exposure of 1 to 5 years	Exposure after 5 years	Not exposed to interest	Total
	\$	\$	\$	\$	\$
Due from					
associated company	-	-	-	22,663	22,663
Accounts receivable	-	-	-	7,421,980	7,421,980
Debt securities	2,037,046	7,797,384	23,201,006	539,960	33,575,396
Equity securities	-	-	-	358,193,379	358,193,378
Deposits	5,243,229	275,094	-	48,904	5,567,227
Mortgage loans	-	-	6,063,055	79,505	6,142,560
Cash resources	16,444,971	-	-	4,633,343	21,078,314
Total	23,725,246	8,072,478	29,264,061	370,939,733	432,001,518

The table below summarises the average interest yields on financial assets held during the year.

	2016	2015
Debt securities	6.13%	6.14%
Deposits	3.71%	1.99%
Mortgage loans	6.61%	7.65%

Sensitivity

The effect of a 1% increase or decrease in interest rates, with all other variables remaining constant, to the fair value of the interest bearing financial assets at the date of the financial statements is as follows.

As of December 31, 2016		\$
Total interest bearing financial assets carried at fair value		42,202,302
The fair value impact of a decrease in interest rates of:	1%	1,004,202
The fair value impact of an increase in interest rates of:	1%	(1,781,950)

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

Foreign exchange risk

The Fund is exposed to foreign exchange risk as a result of fluctuations in exchange rates since its financial instruments are denominated in a number of different currencies. In order to manage foreign exchange risk, the Fund monitors the fluctuation in foreign exchange rates on a periodic basis.

Financial assets and liabilities by currency are summarised in the following table.

As of December 31, 2016	Balances denominated in				
	Barbados \$	Jamaica \$	Trinidad \$	US \$	EC \$
ASSETS					
Due from associate	22,663	-	-	-	22,663
Accounts receivable	6,095,600	2,238,336	574,558	599,238	33,016
Debt securities	7,426,273	-	-	34,862,051	600,622
Equity securities	108,144,062	319,046	27,328,532	218,409,537	2,991,341
Deposits	5,015,593	-	-	301,805	-
Mortgage loans	7,965,322	-	-	-	7,965,322
Cash resources	4,276,917	-	-	21,705,607	-
Total	138,946,430	2,557,382	27,903,090	275,878,238	3,624,979
Balances denominated in					
As of December 31, 2016	Barbados \$	Jamaica \$	Trinidad \$	US \$	EC \$
LIABILITIES					
Deposits received on real estate developed for resale	5,600	-	-	-	5,600
Due to Sagicor (Bonds) Fund	8,140,073	-	-	-	8,140,073
Due to Sagicor Life Inc.	1,985,265	-	-	-	1,985,265
Due to Sagicor International Balanced Fund	-	-	-	14,040	-
Due to Sagicor Global Balanced Fund	-	-	-	24,283	-
Accounts payable	2,996,134	-	-	5,421	-
Total liabilities	13,127,192	-	-	43,744	-
Net position	125,819,358	2,557,382	27,903,090	275,834,494	3,624,979
					435,739,303

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

Foreign exchange risk (continued)

Balances denominated in

As of December 31, 2015	Barbados \$	Jamaica \$	Trinidad \$	US \$	EC \$	Total \$
ASSETS						
Due from associate	22,663	-	-	-	-	22,663
Accounts receivable	6,992,863	-	394,372	5,115	29,630	7,421,980
Debt securities	9,983,738	-	-	23,591,658	-	33,575,396
Equity securities	120,549,904	1,627,251	30,440,368	202,857,924	2,717,931	358,193,378
Deposits	5,266,024	-	-	301,203	-	5,567,227
Mortgage loans	6,142,560	-	-	-	-	6,142,560
Cash resources	1,556,587	158,649	-	19,363,078	-	21,078,314
Total	150,514,339	1,785,900	30,834,740	246,118,978	2,747,561	432,001,518

Balances denominated in

As of December 31, 2015	Barbados \$	Jamaica \$	Trinidad \$	US \$	EC \$	Total \$
LIABILITIES						
Deposits received on real estate developed for resale	5,600	-	-	-	-	5,600
Due to Sagicor (Bonds) Fund	19,608,115	-	-	-	-	19,608,115
Due to Sagicor Life Inc.	1,432,356	-	-	-	-	1,432,356
Due to Sagicor International Balanced Fund	-	-	-	8,609	-	8,609
Due to Sagicor Global Balanced Fund	-	-	-	15,526	-	15,526
Accounts payable	2,738,505	-	-	3,467	-	2,741,972
Total liabilities	23,784,576	-	-	27,602	-	23,812,178
Net position	126,729,763	1,785,900	30,834,740	246,091,376	2,747,561	408,189,340

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

Foreign exchange risk (continued)

Sensitivity

The Fund is exposed to currency risk in respect of financial investments denominated in currencies whose values have noticeably fluctuated against the Barbados dollar.

The exposure to currency risk may arise in relation to the future cash flows of a financial instrument.

The most common example of this occurring in the Fund is a financial investment which is denominated in a currency other than the functional currency. In this instance, a change in currency exchange rates results in the financial investment being retranslated and the exchange gain or loss is taken to income and is included in note 16.

The currencies whose values have noticeably fluctuated against the Barbados dollar (BDS) are the Trinidad dollar (TTD) and the Jamaica dollar (JMD). The theoretical impacts of the TTD and the JMD on reported results are considered below.

The effects of a 10% depreciation in both the TTD and the JMD relative to the BDS arising from TTD and JMD financial investments as of December 31, 2016 and for the year then ended are considered below.

Assets	Balances denominated in TTD	Effect of a 10% depreciation on income as of Dec 31, 2016	Balances denominated in JMD	Effect of a 10% depreciation on income as of Dec 31, 2016
	\$	\$	\$	\$
27,328,532	(2,484,412)	319,046	(29,004)	
A 10% appreciation in both the TTD and the JMD relative to the BDS would have the following effects.				
Assets	Balances denominated in TTD	Effect of a 10% depreciation on income as of Dec 31, 2016	Balances denominated in JMD	Effect of a 10% depreciation on income as of Dec 31, 2016
\$	\$	\$	\$	\$
27,328,532	3,036,504	319,046	35,450	

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund*Amounts expressed in Barbados Dollars***12. FINANCIAL RISK (continued)****Price Risk**

The fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. The Fund mitigates this risk by holding a diversified portfolio and by selection of securities and other financial instruments within specified limits set by the Board of Directors of the Trustee.

The majority of the Fund's equity investments are publicly traded. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund Manager and reviewed on a quarterly basis by the Board of Directors of the Trustee.

Sensitivity

The effects of an across the board 20% decline in equity prices of the Fund's fair value through profit or loss equity securities on income is as follows.

	Fair value	Effect of a 20% decline at Dec 31, 2016
	\$	\$
Fair value through profit or loss equity securities:		
Common and preference shares - Listed	298,353,570	(59,670,714)
Common and preference shares - Unlisted	145,966	(29,193)
Alternative Investments - Listed	14,570,690	(2,914,138)
Alternative Investments - Unlisted	32,773,846	(6,554,769)
Mutual Funds - Listed	8,137,239	(1,627,448)
Mutual Funds - Unlisted	3,211,207	(642,242)
	357,192,518	(71,438,504)

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund*Amounts expressed in Barbados Dollars***12. FINANCIAL RISK (continued)****12.4 Fair value of financial instruments**

Financial instruments carried at fair value in the financial statements are measured in accordance with a fair value hierarchy. This hierarchy is as follows:

(a) Level 1 - unadjusted quoted prices in active markets for identical instruments.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other independent source, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Fund considers that market transactions should occur with sufficient frequency that is appropriate for the particular market, when measured over a continuous period preceding the date of the financial statements. If there is no data available to substantiate the frequency of market transactions of a financial instrument, then the instrument is not classified as Level 1.

(b) Level 2 - inputs that are observable for the instrument, either directly or indirectly.

A financial instrument is classified as Level 2 if:

- The fair value is derived from quoted prices of similar instruments which would be classified as Level 1; or
- The fair value is determined from quoted prices that are observable but there is no data available to substantiate frequent market trading of the instrument.

In assessing the fair value of non-traded financial liabilities, the Fund uses a variety of methods including obtaining dealer quotes for specific or similar instruments and the use of internally developed pricing models, such as the use of discounted cash flows.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.4 Fair value of financial instruments (continued)

(c) Level 3 – inputs for the instrument that are not based on observable market data.

A financial instrument is classified as Level 3 if:

- The fair value is derived from quoted prices of similar instruments that are observable which would be classified as Level 2; or
- The fair value is derived from inputs that are not based on observable market data.

The techniques and method described in 2.5(c) for non traded financial assets and liabilities are used in the determination of the fair values of Level 3 instruments.

The following table shows the financial assets carried at fair value at December 31 on a recurring basis by level of the fair value hierarchy.

2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets designated at fair value through profit or loss:				
Debt securities	-	32,730,991	10,157,955	42,888,946
Common Shares	295,917,752	2,496,292	85,492	298,499,536
Preferred Shares	-	-	-	-
Alternative Investments	14,570,690	22,564,915	10,208,931	47,344,536
Mutual Funds	-	11,348,446	-	11,348,446
Total assets	310,488,442	69,140,644	20,452,378	400,081,464
Total assets by percentage				
	78%	17%	5%	100%
2015	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:	\$	\$	\$	\$
Debt securities	7,519,624	13,937,179	12,118,593	33,575,396
Common Shares	299,899,960	2,484,721	87,266	302,471,947
Preferred Shares	-	3,534,652	-	3,534,652
Alternative Investments	17,562,301	21,283,395	9,062,415	47,908,111
Mutual Funds	-	4,278,668	-	4,278,668
Total assets	324,981,885	45,518,615	21,268,274	391,768,774
Total assets by percentage				
	83%	12%	5%	100%

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.4 Fair value of financial instruments (continued)

The table below provides information about the fair value measurements using significant unobservable inputs (Level 3).

Description	Fair Value at December 31		Valuation Technique	Unobservable Inputs	Range of Inputs		Relationship of Unobservable Inputs to fair value
	2016 \$	2015 \$			2016	2015	
Debt Securities	10,157,955	12,118,593	Discounted Cash Flows	Risk Adjusted Market Yields	3.5% - 7.9% Ave (5.1%)	3.7% - 8% Ave (5.4%)	The effect of a 1% increase in interest rates would decrease the fair value by \$301,336 and a 1% decrease in interest rates would increase the fair values by \$324,261.
Common Shares	145,966	87,266	Book Value per share.	Net Assets divided by number of shares issued.	\$0.01 -\$16.55 (\$8.28)	\$0.01 -\$1.48 (\$0.74)	The higher the Net Assets, the higher the book value.
Alternative Investments	21,238,351	9,062,415	Third Party Valuation	N/A	N/A	N/A	Reliance is placed on third party information, which is not readily available for disclosure.

The fair values of the equities securities in Level 3 are based upon prices determined by the investee fund managers and administrators.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.4 Fair value of financial instruments (continued)

The following table presents the movement in Level 3 instruments for the year.

	2016 \$	2015 \$
Balance, beginning of year	21,268,274	17,801,088
Fair value changes recorded in income	(147,362)	212,126
Transfers out	(368,542)	-
Additions	2,542,171	7,676,851
Disposals	(2,823,525)	(4,447,477)
Effect of accrued income changes	(18,638)	25,686
Balance, end of year	20,452,378	21,268,274

Unrealised gains/(losses) on level 3 assets held at the end of the period are included in net gains on financial investments and amount to \$855,753 (2015 - \$130,296).

The fair value hierarchy of other financial instruments not carried at fair value but for which fair value disclosure is required is set out in the following table. Due to their nature, the carrying value of variable rate mortgages approximate fair value.

2016	Level 1	Level 2	Level 3	Total
Loans and receivables:	\$	\$	\$	\$
Mortgage loans	-	-	5,825,520	5,825,520

2015	Level 1	Level 2	Level 3	Total
Loans and receivables:	\$	\$	\$	\$
Mortgage loans	-	-	5,650,844	5,650,844

12.5 Capital risk management

The capital of the Fund is represented by unit holders' equity. Unit holders' equity changes on a daily basis as the Fund is subject to the redemption and issue of units at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and to maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain or adjust the capital structure, the Fund's policy is to redeem and issue units in accordance with the terms of the trust deed which includes the ability to restrict redemptions.

The Board of Directors of the Trustee and Fund Manager monitor unit holders' equity.

Notes to the Financial Statements

Year ended December 31, 2016

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

13. ACCOUNTS PAYABLE

	2016 \$	2015 \$
Funds on deposit	1,504,312	1,010,715
Investment property expenses payable	1,315,562	1,549,499
Other	181,681	181,758
Total accounts payable	3,001,555	2,741,972

Funds on deposit include pension receipts for which units were subsequently issued in the subsequent year.

14. INTEREST INCOME

The Fund manages its financial investments by the type of financial instrument (i.e. debt securities, deposits, mortgage loans, etc) and the income there from is presented accordingly.

	2016 \$	2015 \$
Debt securities	2,273,270	1,809,012
Deposits	198,334	118,818
Mortgage loans	451,516	473,123
Total interest income	2,923,120	2,400,953

15. NET RENTAL INCOME

	2016 \$	2015 \$
Rental income from investment property	3,800,466	4,300,419
Direct operating expenses of investment property	(2,301,775)	(2,101,779)
	1,498,691	2,198,640

16. NET INVESTMENT GAINS/(LOSSES)

	2016 \$	2015 \$
Net gains/ (losses) on financial investments	22,211,539	(3,052,745)
Appreciation /(Depreciation) in fair value of investment property	500,000	(1,900,000)
Allowances for impairment losses	-	3,840
Net investment gains/(losses)	22,711,539	(4,948,905)

17. RELATED PARTY TRANSACTIONS

(a) Material related party transactions

	2016 \$	2015 \$
Management fee - Sagicor Life Inc	3,611,270	3,534,713
Interest expense - United Nations House	67,341	116,876

(b) Units held by related parties

Parties related to the Fund held units in the Fund during the year as follows:

Sagicor Life Inc	2016 \$	2015 \$
-------------------------	-------------------	-------------------

Value of units held at January 1	41,072,395	37,545,946
Net value of transactions for the year	7,093,316	3,526,449
Value of units at December 31	<u>48,165,711</u>	<u>41,072,395</u>

Sagicor General Inc.	2016 \$	2015 \$
-----------------------------	-------------------	-------------------

Value of units held at January 1	37,910	25,001
Net value of transactions for the year	19,476	12,909
Value of units at December 31	<u>57,386</u>	<u>37,910</u>

18. COMMITMENTS

At December 31, 2016, the Fund's total committed capital to private equity strategies was \$13,300,000. At that date, \$5,501,041 of this commitment remained undrawn.



Design and Artwork: GENESIS Graphics
PrePress and Printing: COT Caribbean Graphics