Sagicor

BARBADOS SEGREGATED PENSION FUNDS

ANNUAL REPORT

2017

OUR VISION

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

For 177 years, Sagicor's business has been based on long-term relationships with its customers, employees, and communities, who entrust us with their financial well-being. Our name and reputation draw on the strength, stability and financial prudence that are our heritage, and this identity defines the flexibility that wise financial thinking can bring to our customers throughout their lives. Through local expertise, and in partnerships with world-class asset managers, reinsurers, together with sound risk management practices, Sagicor is able to provide wise financial advice, and continue to meet the needs of our customers now and in the future.

CONTENTS

BARBADOS SEGREGATED PENSIONS FUNDS POLICY

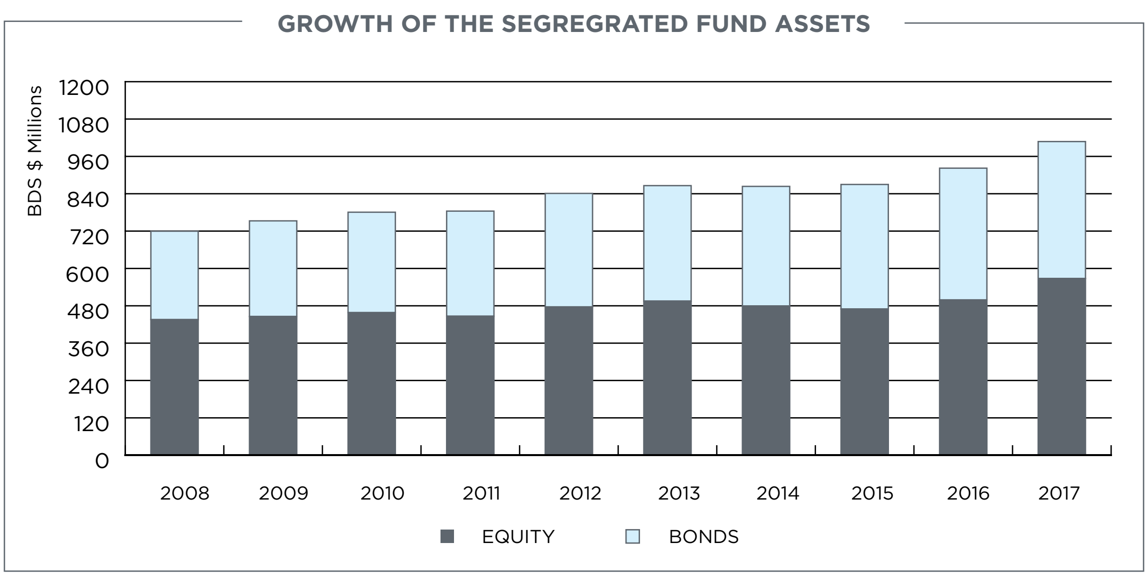
Under this policy, Sagicor manages and administers Pension Funds registered in Barbados and facilitates investments in diversified portfolios of securities. Sagicor allows investment in either or both of the two Unit Trusts, in proportions chosen by the client.

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 247 companies in Barbados amounting to approximately $1,007.7 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 6,868 which includes 608 Pensioners.

BONDS & EQUITY FUNDS - NET ASSETS, UNIT VALUE, YIELD						
	Equity Fund			Bonds Fund		
	Assets (000)	Unit Value	Change	Assets(000)	Unit Value	Change
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%
2017	$567,830	$58.08	13.37%	$439,872	$26.72	5.36%



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

Dr Stephen D R McNamara, CBE, LLD (Hon)
Chairman

The Sagicor (Equity) Fund benefited from the buoyancy within international equity markets for 2017 and recorded its best performance since the 2008 financial crisis, advancing 13.4% for the year as compared to 6.4% in 2016. Meanwhile the Sagicor (Bonds) Fund recorded a favourable return of 5.4% against the backdrop of low yielding environment, which represented a significant improvement its prior year's return of 1.9%.

International equity markets recorded stellar double-digit performances for 2017, amid continued recovery in global growth, generally protracted accommodative monetary policies across developed economies and subdued inflation. The Nasdaq composite gained 28.2% for the year, while the Dow Jones Industrial Average Index and the S&P 500 Index grew 25.1% and 19.4% respectively. The MSCI Emerging Market Index led major indices with a gain of 34.3%.

Growth within Emerging Markets and Developing Economies averaged growth of 4.3% which was the main catalyst for the improved global growth of 3.0% for the year as estimated by the World Bank while developed economies contributed positively and experienced moderate economic expansion for year.

In the US, key economic indicators showed favourable improvement as evidenced by increased consumer spending during the fourth quarter of 2017 while the unemployment rate trended down to 4.1% in December. The US dollar strengthened against the currencies of all major trading partners during the year as the price of crude oil maintained its upward trend. The US Federal Reserve Bank continued to tighten monetary policy as short-term interest rates were increased three times during the year from a range of 0.50% to 0.75% as at December 2016 to a range of 1.25% to 1.50% as at December 2017. Interest rate hikes saw the yield on 10-year treasury increased from 2.1% to 2.4% which induced a flatter curve. The US economy experienced estimated GDP growth of 2.3% for 2017. Europe and Japan experienced comparable growth of 2.3% and 2.4%, respectively. The Bank of England incrementally raised its interest rates during the period from 0.25% to 0.5% while Japan's short-term rates remained unchanged.

Key regional economies within the southern Caribbean generally experienced moderate levels of growth except for the economy of Trinidad and Tobago, which contracted. During 2017, regional growth was constrained by a litany of events including an active hurricane season which adversely impacted economies within the Eastern Caribbean, while Barbados' protracted economic malaise and the attendant macro challenges of dwindling foreign reserves, burdensome debt levels and high fiscal deficit dampened growth. Jamaica's economy benefited from the accommodative monetary policy stance with estimated growth in the range of 1% to 2% for 2017.

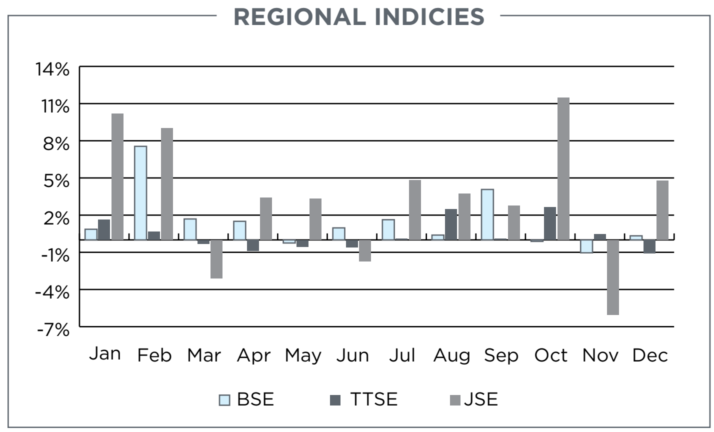
The Barbados economy slowed during the period in the face of multiple downgrades during the year; due to high government debt, deficits; limited appetite for private-sector financing and depleted international reserves. Barbados' economy grew by 1% during the year while unemployment increased to 10% and inflation to 4%. This moderate improvement during 2017 was buoyed by expansion in the tourism and construction sectors. International reserves remained worrisomely low and decreased to $0.4 billion which represented 6.6 weeks of import cover. The fiscal deficit for the fiscal year 2017/2018 was projected to have decreased to 5.7% of GDP.

The country's debt burden remained high with the gross central government debt decreasing slightly to 145.9%. During 2016, Barbados' sovereign rating was downgraded to B- and Caa1 by Standard and Poor's and Moody's rating agencies. During the first quarter of 2017, Barbados' sovereign rating remained under pressure and was further downgraded to Caa3 and CCC+ by Moody's rating agency and Standard and Poor's respectively. S&P further downgraded the island's long-term local currency to CCC during the third quarter of 2017.

Trinidad and Tobago's economy is estimated to have contracted by 1.9% for 2017 by the Central Statistical Office. The unemployment rate increased to 4.5% during 2017 which contributed to the contraction in an environment of sluggish economic activity. Headline inflation remained low during the year at 1.3%. The Central Bank's net foreign reserves fell to US$8,369.8 million or 9.7 months of prospective imports of goods and non-factor services as foreign debt service requirements increased during 2017. The declining economic conditions during the previous two fiscal years led to a downgrade of the country's credit by Standard's and Poor rating agency. Trinidad and Tobago's long-term debt was downgraded to BBB+ during the second quarter of 2017.

The Jamaica economy grew to a range of 1% to 2% facilitated by the Bank of Jamaica expansionary policies during the 2017 fiscal. The bank reduced its lending rate by 50 basis points or 0.5% to 3.25% as at December 2017. This monetary policy action reflected the Bank's assessment that inflation for the next four to eight quarters will remain within the target of 4.0% to 6.0% per cent. The economic expansion translated to gains on the Jamaica Stock Exchange which returned 50% in local currency terms for the year.

Regional markets improved for the year with each market registering gains. The regional governments' limited success in the mitigation of fiscal vulnerabilities and depleting foreign reserves, continue to be of great concern for regional and international investors as market risks continue to increase. Less than favourable credit worthiness on Government Bonds proceed to be an ongoing hindrance of maximum returns. The Barbados Stock Exchange advanced 18.7% for the year despite contracting 0.8% during the fourth quarter of 2017. The Trinidad and Tobago Stock Exchange and Jamaica Stock Exchanges advanced 2.0% and 9.8% during the fourth quarter of 2017 and 4.7% and 50.0%, respectively for the year.

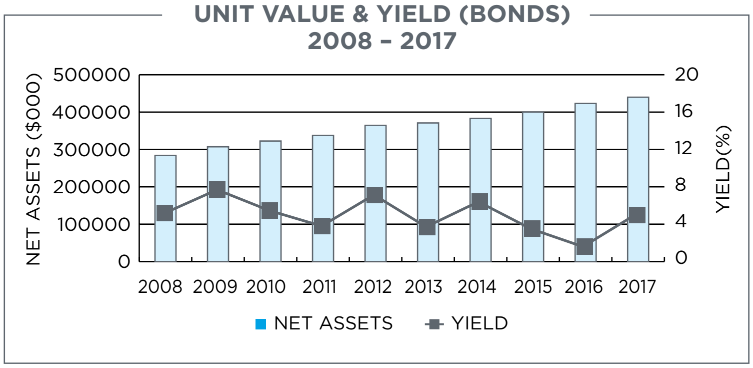


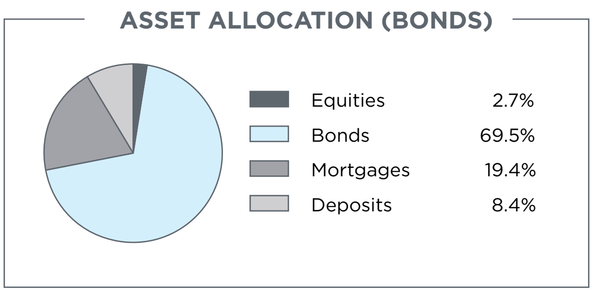
SAGICOR (BONDS) FUND

The Sagicor (Bonds) Fund yielded 5.4%, a creditable performance in view of the limited investible universe as the restrictive foreign exchange environment domestically coupled with further slippage of the Barbados' credit quality, severely constrained reinvestment efforts. Furthermore, reinvestment yields on fixed income securities across all maturity profiles remained on a downward trajectory especially within the investment grade space where new primary issuances have been limited. Mortgage interest rate spreads remained tight as a direct consequence of fierce completion among mortgage providers for both new and existing business; dominated by the commercial banks. The Fund's NAV increased to $26.72 as at December 31, 2017 from $25.36 at the end of 2016. Net assets attributable to shareholders increased by 5.4% relative to the end of the prior year and totaled $439.9 million as at Dec 31 2017.

The Fund's performance was principally buoyed by the improvement in valuations of selective US dollar regional investment grade holdings which benefited from increased demand and associated tighter credit spreads. Sustained efforts to enhance the credit profile of the Fund meant that we maintained our focus on the acquisition of investment grade sovereign issuances and purchases during the year included sovereign debt issued by the Government of Trinidad and Tobago, Government of Bermuda, and National Gas Co Trinidad. Implementation of a relatively short duration was maintained within the context of the protracted low interest rate environment. Therefore, bonds acquired were of short to medium term to maturity.

Bonds remained the leading asset class, which accounted for 69.5% of financial investments and totaled $286.4 million at December 31, 2017. Investment





in sovereign debt accounted for 90.1% of the bond portfolio while the residual allocation was to corporate issuances. During 2017, the Fund's concentration to the Government of Barbados debt was systematically reduced to $123.3 million as compared to the previous reporting period; a reduction of 17.2%. During the year, the downgrade of the Government of Barbados' sovereign rating negatively impacted valuations. Other significant debt holdings included government bonds issued by Bermuda, Aruba, Trinidad, Panama, Bahamas and St. Lucia. Significant corporate bond exposures included debt issued by Trinidad Generation Unlimited and Sagicor Financial Limited. The yield on the bond portfolio remained constant at 6.7% for 2017 as compared to 2016.

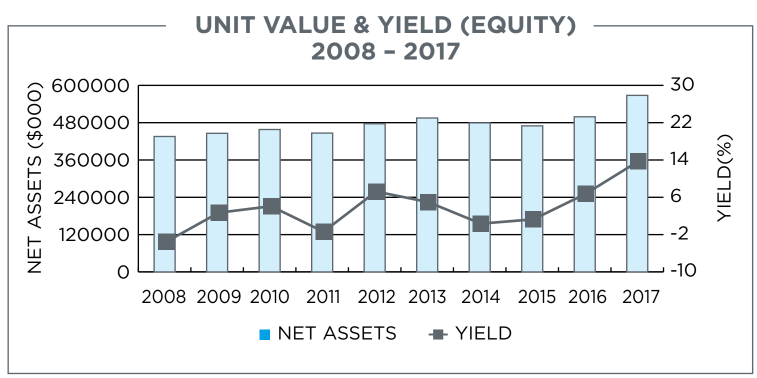
The portfolio of mortgage loans totaled $80.0 million as at December 31, 2017 as compared to $83.3 million for the previous reporting period and represented 19.4% of financial investments. The portfolio remained biased towards the residential segment which accounted for 62.5% of the mortgage portfolio and totaled $50.0 million, while commercial mortgages accounted for the residual 37.5% of the mortgage portfolio and totaled $30.0 million. The average interest yield on the mortgage portfolio declined to 5.4% in 2017 relative to 6.0% in 2016 and associated interest income totaled $4.3 million for 2017. Mortgage loan commitments totaled $4.6 million at year-end relative to $5.2 million at the end of 2016. We remain mindful that the highly competitive mortgage industry coupled with the low mortgage interest rate environment favours increase requests for refinancing and prepayments.

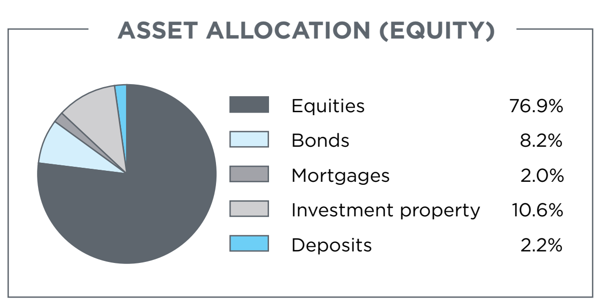
Total revenue was recorded at $24.7 million for 2017 as compared to $10.0 million for 2016. Interest income remained the primary contributor to revenue and stood at $23.2 million for 2017. Net profit and total comprehensive income attributable to unit holders amounted to $22.5 million for the year and represented a relative increase of $14.8 million, as compared to $7.7 million recorded at December 31, 2016. The increase in net comprehensive income was primarily the result of net investment gains realised on financial investments, which totaled to $1.5 million relative to a loss of $12.5 million recorded in 2016.

SAGICOR (EQUITY) FUND

The Sagicor (Equity) Fund performed exceptionally in 2017. Unit holders' equity increased by 13.8% for the year and totaled $567.8 million at December 31, 2017. The Fund's net asset value per unit at the end of the year, advanced to $58.08 from $51.23 at the end of 2016, which represented a yield of 13.4% for the year. The performance of the Fund benefited from the rally in international equity markets along with the positive trend in returns in the regional equity markets.

The Fund remained principally allocated to the equity asset class, which accounted for 86.0% of financial investments and totaled $410.6 million at yearend. Investment in equities remained biased towards





international equities which accounted for 66.1% of total equities while regional and local exposure accounted for 33.9%, respectively. The Fund's international portfolio remained well diversified and consisted of global equities, 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. Across major regional holdings there was price improvement. Goddard Enterprises Limited and CIBC First Caribbean International Bank experienced significant appreciation in their respective share prices while Massy Holdings Limited experienced a moderate decline. During the year, the Fund disposed of its holdings in Cable & Wireless (Barbados) Limited at BBD $2.86 per share, which resulted in moderated realized gains for the Fund.

The investment property portfolio included commercial properties which are wholly owned or jointly operated and land. The portfolio experienced a moderate decline of $0.4 million which resulted from the depreciation in the fair value of the Plumtree property and totaled $56.7 million at yearend. Investment property represented 9.8% of the Fund's total assets while financial investments accounted for 82.7% of total assets.

The Fund's total revenue grew exponentially by 103.5% principally through net investment gains on financial investments and totaled $73.5 million. Net comprehensive income for the year attributable to unit holders increased significantly to $67.0 million for 2017 compared to a gain of $30.0 million for the previous year.

OUTLOOK

Global economic activity continued its rebound for 2017 as growth increased slightly to 3% based on World Bank's estimates. This growth was broad based; however, most noticeable increases came within Emerging Markets and Developing Economies which averaged growth of 4.3%. The International Monetary Fund (IMF) projects that the momentum in global growth is expected to continue throughout 2018 with expected growth of 3.9% based on expected lower unemployment, higher trade levels and higher commodity prices. The Economic Commission for Latin America and the Caribbean has projected economic growth within the Caribbean to increase slightly to 2.2% in 2018 following average growth of 1.3% in 2017.

Central banks within developed economies are expected to maintain the generally accommodative monetary policy environment for the foreseeable future with moderate tightening supported by improved fundamentals, particularly within the US. This policy stance favours risk seeking asset classes and therefore supports the favourable performance outlook for international equity markets led by emerging market equities for 2017.

Emerging markets economies led by the BRICs (Brazil, Russia, India, China) are expected to maintain the lead in spurring economic growth. Despite expected moderate monetary policy tightening to restrain inflationary pressures, many emerging market economies are anticipated to maintain strong fundamentals, sound policy frameworks and prudent macro-economic policies, which should position them to outperform their developed market counterparts.

We remain cautiously optimistic about Caribbean's economic recovery, which hinges on the economic stability of developed economies. In light of expected economic strengthening within the developed world, the region is expected to experience modest expansion in tourism and related industries which remain the primary drivers of growth for regional economies. However, the region remains vulnerable to adverse climate conditions, which could have a dampening impact on the predicted level of expansion. Furthermore, the protracted economic challenges of burdensome fiscal deficits, increasing debt levels and dwindling foreign reserves resultant from a decline in foreign direct investment are expected to remain hindrances to the economic stability of the region in the short to medium term.

On behalf of the Board of Directors, I wish to thank our management, staff and advisors for their steadfast commitment and contribution throughout the year. I also extend my gratitude to our unit holders for their confidence and trust and pledge our unwavering commitment to the execution of our fiduciary duty in the pursuit of your interests.

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"

TRUSTEES OF THE SEGREGATED PENSIONS FUND

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 (Hons)	Senior Investment Analyst
Rebie Cumberbatch, BSc, MBA, MSC	Investment Analyst

AUDITOR

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 Unit holders 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 of December 31, 2017, 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 of December 31, 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unit holders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of 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).

Our opinion on the financial statements does not cover the other information and we do 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. We have nothing to report in this regard.

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 unit holders as a body. Our audit work has been undertaken so that we might state to the Fund's unit holders 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 unit holders as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
Bridgetown, Barbados
May 23, 2018

Statement of Financial Position

As of December 31, 2017

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	Notes	2017	2016
ASSETS			
Due from Sagicor (Equity) Fund	4	$ 5,792,920	$ 8,132,588
Due from Sagicor International Balanced Fund	4	267,586	3,337
Income tax assets	5	7,747,058	7,243,326
Interest and other receivables	6	997,220	10,010,134
Financial investments	7	412,273,117	393,163,383
Cash resources		18,743,206	14,774,439
Total assets		445,821,107	433,327,207
LIABILITIES			
Due to Sagicor Life Inc	4	5,634,392	10,006,804
Accounts payable	9	314,737	164,395
Total liabilities		5,949,129	10,171,199
Net assets attributable to unit holders		$ 439,871,978	$ 423,156,008
Represented by:			
UNIT HOLDERS' EQUITY		$ 439,871,978	$ 423,156,008
No. of units outstanding at end of year		16,459,441	16,687,899
Net asset value per unit at end of year		$ 26.72	$ 25.36
Increase in net asset value per unit for year		5.4%	1.9%

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

Approved by the Board of Directors on May 23, 2018

Chairman

Director

For the year ended December 31, 2017 Amounts expressed in Barbados Dollars

	2017		2016	
	Number of Units	Total $	Number of Units	Total $
Balance, beginning of year	16,687,899	423,156,008	16,009,576	398,465,863
Proceeds from issue of units	952,814	24,824,046	1,479,146	37,520,382
Redemption of units	(1,181,272)	(30,611,276)	(800,823)	(20,502,203)
Net (decrease)/ increase from unit transactions	(228,458)	(5,787,230)	678,323	17,018,179
Net profit and total comprehensive income for the year available to unit holders	-	22,503,200	-	7,671,966
Balance, end of year	16,459,441	439,871,978	16,687,899	423,156,008

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

Statement of Comprehensive Income

For the year ended December 31, 2017

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	Notes	2017	2016
REVENUE			
Interest income	10	$ 23,184,774	$ 22,464,753
Dividend income		53,961	63,679
Net investment gains/(losses)	11	1,450,815	(12,537,242)
		24,689,550	9,991,190
EXPENSES			
Management fee	12	2,163,452	2,120,287
Investment expenses		11,832	(3,360)
Bank and interest charges		7,241	8,879
Exchange loss		3,825	193,229
Total operating expenses		2,186,350	2,319,035
PROFIT BEFORE TAXES		22,503,200	7,672,155
Withholding taxes		-	(189)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR AVAILABLE TO UNIT HOLDERS		$ 22,503,200	$ 7,671,966

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

Statement of Cash Flows

For the year ended December 31, 2017

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	2017	2016
Cash flows from operating activities:		
Profit before taxes	$ 22,503,200	$ 7,672,155
Adjustments for:		
Interest income	(23,184,774)	(22,464,753)
Dividend income	(53,961)	(63,679)
Net (gains)/ losses on financial investments	(2,426,369)	8,215,336
Allowances for impairment losses	294,674	4,321,906
Loss on bond restructure	680,880	-
	(2,186,350)	(2,319,035)
Changes in operating assets and liabilities		
Due from Sagicor International Balanced Fund	(264,249)	(3,337)
Due from Sagicor (Equity) Fund	2,339,668	11,515,833
Issue of mortgage loans	(8,365,696)	(7,540,810)
Repayment of mortgage loans	10,255,397	6,981,724
Purchase of debt securities	(50,898,447)	(65,748,295)
Redemption of debt securities	32,385,311	24,150,133
Purchase of equity securities	(1,110,583)	(1,550,869)
Sale of equity securities	-	3,767
Repayment of loans	5,500,000	-
Amounts deposited	(34,313,086)	(55,433,596)
Deposits redeemed	28,688,905	58,396,817
Other receivables	8,311,750	(6,791,846)
Due to Sagicor Life Inc	(4,372,412)	3,482,103
Accounts payable	150,342	157,404
Cash used in operations	(13,879,450)	(34,700,007)
Interest received	24,085,218	21,696,425
Dividends received	53,961	63,679
Taxes paid	(503,732)	(987,131)
Net cash generated from/ (used in) operating activities carried forward	9,755,997	(13,927,034)

For the year ended December 31, 2017 Amounts expressed in Barbados Dollars

	2017	2016
Net cash generated from/ (used in) operating activities brought forward	$ 9,755,997	$ (13,927,034)
Cash flows from financing activities		
Proceeds from issue of units	24,824,046	37,520,382
Redemption of units	(30,611,276)	(20,502,203)
Net cash (used in)/ generated from financing activities	(5,787,230)	17,018,179
Net increase in cash and cash equivalents	3,968,767	3,091,145
Cash and cash equivalents - beginning of year	14,774,439	11,683,294
Cash and cash equivalents - end of year	$ 18,743,206	$ 14,774,439
Cash and cash equivalents comprise:		
Cash resources	18,743,206	14,774,439
	$ 18,743,206	$ 14,774,439

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

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.

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 2017 financial year that have a significant impact on the Fund's financial statements.

IFRS (Effective Date)	Subject / Comments
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.

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)	IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. The standard is effective for accounting periods beginning on or after January 1, 2018. IFRS 9 replaces the guidance in IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL. Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

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 9 – Financial Instruments (January 1, 2018)	Management is in the process of assessing how the Fund's business model will impact the classification and measurement of financial assets in scope of IFRS 9. An Implementation Committee was created to oversee the implementation project. The project involves three phases: • Phase 1: Key decisions; this includes identification of key decisions, deciding on the measurement and classification for all products, determining stage migration and cure rate thresholds; • Phase 2: Assessing availability of data, defining and determining detailed credit modelling methodology based on available data, resources and infrastructure, defining and developing methodology to estimate unadjusted credit losses and defining methodology to incorporate forward looking information; • Phase 3: Implementation; this includes finalizing forward-looking information, applying multiple scenarios and determining the weight for each scenario to calculate the expected credit losses ("ECL"). Currently management has completed Phase 1 and Phase 2 and management is in the process of completing Phase 3. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

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 9 – Financial Instruments (January 1, 2018)	The new standard is not expected to impact the Fund's consolidated financial liabilities as there are no financial liabilities which are currently designated at fair value through profit or loss without off-setting assets carried at fair value. 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 new standard relating to hedge accounting is not expected to impact the Fund's consolidated financial statements, as the Fund does not use hedge accounting. The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'.

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 9 – Financial Instruments (January 1, 2018)	The assessment of whether credit risk has increased significantly since initial recognition is performed on an ongoing basis by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL. The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Fund compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Fund's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant. When measuring ECL, the Fund must consider the maximum contractual period over which the Fund is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Fund is exposed to credit risk and where the credit losses would not be mitigated by management actions. The objective of the impairment requirements is to recognize lifetime expected credit losses for all financial instruments for which there have been a significant increases in credit risk since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information, including that which is forward looking.

IFRS (Effective Date)	Subject / Comments
IFRS 9 – Financial Instruments (January 1, 2018)	In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39. Any adjustment on initial adoption of this standard will impact retained earnings. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Fund's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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, 2018)	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised: • identify contracts with customers • identify the separate performance obligation • determine the transaction price of the contract • allocate the transaction price to each of the separate performance obligations, and • recognise the revenue as each performance obligations is satisfied. Key changes to current practice are: • Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. • Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.) –minimum amounts must be recognised if they are not at significant risk of reversal. • The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. • There are new specific rules on licenses, warranties, nonrefundable upfront fees and, consignment arrangements, to name a few. • As with any new standard, there are also increased disclosures.

IFRS (Effective Date)	Subject / Comments
IFRS 15 - Revenue from contracts with customers (January 1, 2018)	Entities will have a choice of full retrospective application, or prospective application with additional disclosures. The Fund's primary activities are insurance and banking. Insurance product revenue recognition is defined in IFRS 4. Banking revenue primarily arises from the recognition of income on financial assets and liabilities in accordance with the provisions of IFRS 9.

IFRS (Effective Date)	Subject / Comments
Annual Improvements to IFRS 2014-2016 cycle (January 1, 2018)	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.

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:

	2017 closing rate	2017 average rate	2016 closing rate	2016 average rate
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Trinidad & Tobago dollar	3.3814	3.3721	3.3729	3.3231
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.

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 inititially 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.

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.

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 estimated to be $151,111 lower or $151,111 higher.

Year ended December 31, 2017 | 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 $322,280 (2016 - $895,919) due from Sagicor (Equity) Fund which bears interest at a rate of 7.75% (2016 – 7.75%) per annum and is repayable within 1 year 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 $9,747,058, net of an estimated impairment of $2,000,000 (2016 - gross value of $9,243,326; impairment of $2,000,000)

Sensitivity Analysis

At December 31, 2017, the carrying value of the balance due from the Barbados Revenue Authority amounted to $ 7,747,058. In the absence of specific information about the timing of receipt of the amount receivable management has made a judgement based on their overall experience that this amount will be collected within two years and applied an appropriate discount rate to determine the carrying value. The calculation of the carrying value is sensitive to the time to collect and the discount rate used. The sensitivity of the carrying value to a longer time to collect and the discount rate implied by the time is disclosed below:

Time to Collect	Discount Rate	Carrying Value Adjustment
Three Years	4.78%	623,794
Five Years	5.82%	1,571,511

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

	2017 $	**2016** $
Bond interest due	86,989	367,065
Unsettled transactions	-	731,962
Due from broker	-	6,998,503
Other	910,231	1,912,604
	997,220	10,010,134

Amounts expressed in Barbados Dollars

7. FINANCIAL INVESTMENTS

Analysis of financial investments

	2017 Fair value $	2016 Fair value $
Financial assets at fair value through profit or loss:		
Bonds – Unlisted Local	121,280,540	127,342,910
Bonds – Unlisted Regional	21,974,542	12,625,779
Bonds – Listed International	143,185,514	125,582,625
Bonds – Unlisted International	-	58,210
Total debt securities	**286,440,596**	**265,609,524**
Common shares – Listed	800,108	652,098
Preferred shares – Unlisted	1,500,000	1,500,000
Mutual funds – Unlisted	8,897,566	7,575,078
Total equity securities	**11,197,674**	**9,727,176**

	2017 Amortised Cost $	2016 Amortised Cost $
Loans and receivables:		
Deposits	34,598,877	29,005,956
Mortgage loans, net	80,035,970	83,288,584
Other loans	-	5,532,143
Total loans and receivables	114,634,847	117,826,683
Total financial investments	412,273,117	393,163,383

Mortgage loans are reported at the gross principal of $102,145,266, net of impairment of $22,109,296 (2016 - gross principal of $105,103,206, net of impairment of $21,814,622). The fair value of the fixed rate mortgage loans is $31,352,584 (2016 - $26,706,615) and the carrying value is $30,996,917 (2016 - $27,244,735). The fair value of other loans is nil (2016 - $5,532,231). All other loans and receivables approximate their fair value.

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

Amounts expressed in Barbados Dollars

7. FINANCIAL INVESTMENTS (continued)

Analysis of financial investments (continued)

The movement in the provision for impairment is as follows:

	2017 $	2016 $
Balance beginning of the year	(21,814,622)	(17,492,716)
Increase in provision	(294,674)	(4,321,906)
Balance at end of year	(22,109,296)	(21,814,622)

Debt securities comprise:

	2017 $	2016 $
Government debt securities – Listed International	118,400,112	109,081,478
Government debt securities – Unlisted International	-	58,210
Government debt securities – Unlisted Local	117,744,236	123,635,922
Government debt securities – Unlisted Regional	21,974,542	12,625,779
Corporate debt securities – Listed International	24,785,402	16,501,147
Corporate debt securities – Unlisted Local	3,536,304	3,706,988
	286,440,596	265,609,524

Debt securities designated at fair value through profit or loss and valued using internally developed valuation models amounted to $143,255,082 (2016 - $140,026,899).

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.

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.

	2017		2016	
	$	%	$	%
Bonds	286,440,596		265,609,524	
Deposits	34,598,877		29,005,956	
Investment portfolio	**321,039,473**	**74**	**294,615,480**	**70**
Mortgage loans, net	80,035,970		83,288,584	
Other loans	-		5,532,143	
Lending portfolio	**80,035,970**	**19**	**88,820,727**	**21**
Due from Sagicor (Equity) Fund	5,792,920		8,132,588	
Due from Sagicor International Balanced Fund	267,586		3,337	
Interest and other receivable	997,220		10,010,134	
Cash resources	18,743,206		14,774,439	
Other financial assets	**25,800,932**	**6**	**32,920,498**	**8**
Total balance sheet exposures	426,876,375	99	416,356,705	99
Mortgage loan commitments	4,603,286	1	5,166,643	1
Total	**431,479,661**	**100**	**421,523,348**	**100**

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 international equivalent, with their comparative amounts are set out below.

	Risk rating	2017 $	Risk rating	2016 $
Debt securities:				
Government of Barbados – denominated in Barbados dollars	CCC	110,389,502	B-	115,350,174
Government of Barbados – denominated in United States dollars	CCC+	12,885,088	B-	33,461,046
Republic of Trinidad and Tobago – denominated in United States dollars	BBB+	19,875,914	A-	19,459,701
Trinidad Generation Unlimited – denominated in United States dollars	BBB-	17,907,373	BBB	9,819,467
Government of Aruba – denominated in United States dollars	BBB+	18,379,054	BBB+	18,183,448
Government of Bermuda – denominated in United States dollars	A+	35,270,577	A+	14,814,988
Commonwealth of Bahamas – denominated in United States dollars	BB+	7,940,407	BB+	7,799,836
Government of St. Lucia – denominated in Eastern Caribbean dollars	-	9,287,268	-	9,122,015
Government of St. Lucia – denominated in United States dollars	-	11,389,997	-	-
Republic of Panama – denominated in United States dollars	BBB	14,913,140	BBB	13,868,969
National Gas Co Trinidad – denominated in United States dollars	BBB	11,302,574	-	-
Deposits:				
Globe Finance Inc – denominated in Barbados dollars	-	8,310,903	-	8,128,905
First Citizens Bank – denominated in Barbados dollars	BBB	8,009,071	-	-

On September 27, 2017 Standards & Poor's downgraded the Government of Barbados' long-term local currency sovereign rating by one notch from 'CCC+' to 'CCC' and maintained a negative outlook. On January 10, 2018 CariCRIS lowered its local currency rating one notch from 'CariBBB' to "CariBBB-' and its foreign currency rating one notch from 'CariBBB+' to 'CariBBB'.

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.

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.1 Credit risk (continued)

Exposure to mortgage loans by sector is as follows: -

	2017 $	2016 $
Commercial sector	29,990,660	38,108,087
Residential sector	50,045,310	45,180,497
Total	80,035,970	83,288,584

Exposure to other loans by sector is as follows: -

	2017 $	2016 $
Commercial sector	-	5,532,143
Total	-	5,532,143

Exposure to cash resources are as follows: -

	2017 $	2016 $
First Citizens Bank (Barbados) Limited	8,277,606	3,676,225
Oppenheimer	5,585,190	10,670,836
Other	4,880,410	427,,378
Total	18,743,206	14,774,439

Exposure to other assets are as follows:-

	2017 $	2016 $
Due from Sagicor (Equity) Fund	5,792,920	8,132,588
Due from Sagicor International Balanced Fund	267,586	3,337
Total	6,060,506	8,135,925

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.1 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.

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

2017	**Debt securities $**	**Mortgage loans $**
Neither past due nor impaired	286,440,596	53,898,053
Past due up to 3 months, but not impaired	-	7,102,713
Past due up to 12 months, but not impaired	-	2,522,071
Past due up to 5 years, but not impaired	-	1,401,086
Past due over 5 years, but not impaired	-	54,634
Total past due but not impaired	-	11,080,504
Impaired assets	-	15,057,413
Total carrying value	286,440,596	80,035,970
Accumulated allowances on impaired assets	-	22,109,296
Accrued interest on impaired assets	-	9,196,209

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.1 Credit risk (continued)

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

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	-	1,391,102
Past due up to 5 years, but not impaired	-	2,363,960
Past due over 5 years, but not impaired	-	918,390
Total past due but not impaired	-	12,797,610
Impaired assets	-	20,570,997
Total carrying value	265,609,524	83,288,584
Accumulated allowances on impaired assets	-	21,814,622
Accrued interest on impaired assets	-	11,032,410

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.

Mortgage Loans	**Gross carrying value $**	**Accumulated allowance for impairment $**	**Net carrying value $**	**Estimated fair value of collateral $**
As of December 31, 2017				
Commercial sector	29,784,281	20,207,756	9,576,525	16,138,507
Residential sector	7,382,428	1,901,540	5,480,888	8,425,631
Total	37,166,709	22,109,296	15,057,413	24,564,138
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

(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 (2016 – Nil).

8. FINANCIAL RISK (continued)

8.1 Credit risk (continued)

(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.

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.

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.2 Liquidity risk (continued)

(a) Financial liabilities

As of December 31, 2017	On demand $	Within 1 year $	1 to 5 years $	After 5 years $	Total $
Accounts payable	314,737	-	-	-	314,737
Due to Sagicor Life Inc	5,634,392	-	-	-	5,634,392
Off balance sheet commitments:					
Mortgage loan commitments	-	4,603,286	-	-	4,603,286
Total	5,949,129	4,603,286	-	-	10,552,415

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

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, 2017	**Maturing within 1 year $**	**Maturing within 1 to 5 years $**	**Maturing after 5 years $**	**Total $**
Due from Sagicor (Equity) Fund	5,792,920	-	-	5,792,920
Due from Sagicor International				
Balanced Fund	267,586	-	-	267,586
Interest and other receivables	997,220	-	-	997,220
Debt securities	16,101,087	58,777,932	211,561,577	286,440,596
Deposits	33,207,618	1,391,259	-	34,598,877
Mortgage loans, net	6,992,108	6,749,419	66,294,443	80,035,970
Cash resources	18,743,206	-	-	18,743,206
Total	82,101,745	66,918,610	277,856,020	426,876,375

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, net	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

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.2 Liquidity risk (continued)

(b) Financial assets (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 2017, an individual unit holder, Sagicor Life Inc, held 12.3% 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 of December 31, 2017	**Less than 7 Days**	**Monthly**	**Quarterly**	**1 Year**	**More than 1 year**
Funds and Alternative Investments	-	5,676,034	3,221,532	-	-

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

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, 2017 and 2016 all of the Fund's financial liabilities were non-interest bearing and therefore not exposed to interest rate risk.

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 repricing or maturity dates.

As of December 31, 2017	Exposure within 1 year $	Exposure of 1 to 5 years $	Exposure after 5 years $	Not exposed to interest $	Total $
Due from Sagicor (Equity) Fund	322,280	-	-	5,470,640	5,792,920
Due from Sagicor International Balanced Fund	-	-	-	267,586	267,586
Interest and other receivables	-	-	-	997,220	997,220
Debt securities	15,868,741	58,223,280	208,865,878	3,482,697	286,440,596
Equity securities	-	-	-	11,197,674	11,197,674
Deposits and other loans	32,737,238	1,357,346	-	504,293	34,598,877
Mortgage loans	485,906	4,771,645	65,211,218	9,567,201	80,035,970
Cash resources	-	-	-	18,743,206	18,743,206
Total	49,414,165	64,352,271	274,077,096	50,230,517	438,074,049

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

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.

	2017	2016
Debt securities	6.7%	6.7%
Deposits	2.6%	3.4%
Mortgage loans	5.4%	6.0%
Other loans	7.3%	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, 2017		**$**
Total interest bearing financial assets carried at fair value		282,957,899
The fair value impact of an increase in interest rates of:	1%	(11,152,515)
The fair value impact of a decrease in interest rates of:	1%	11,210,594

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 as the US and EC rates are fixed to the functional currency.

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.3 Market risk (continued)

Foreign exchange risk (continued)

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

	Balances denominated in				
As of December 31, 2017	**Barbados $**	**Trinidad $**	**US $**	**EC $**	**Total $**
ASSETS					
Due from Sagicor (Equity) Fund	5,792,920	-	-	-	5,792,920
Due from Sagicor International Balanced Fund	-	-	-	267,586	267,586
Interest and other receivables	976,724	20,496	-	-	997,220
Financial investments	232,704,718	1,297,278	168,983,853	9,287,268	412,273,117
Cash resources	9,442,896	-	9,300,310	-	18,743,206
Total assets	248,917,258	1,317,774	178,284,163	9,554,854	438,074,049
LIABILITIES					
Due to Sagicor Life Inc	5,634,392	-	-	-	5,634,392
Accounts payable	314,737	-	-	-	314,737
Total liabilities	5,949,129	-	-	-	5,949,129
Net position	242,968,129	1,317,774	178,284,163	9,554,854	432,124,920

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, 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	1,390,730	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

Other 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 full 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.

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.3 Market risk (continued)

Other Price Risk (continued)

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, 2017 $
Fair value through profit or loss equity securities:		
Listed on Caribbean and US stock exchanges and markets	2,300,108	(460,022)
Mutual funds - Unlisted	8,897,566	(1,779,513)
	11,197,674	(2,239,535)

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.

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.4 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 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.

2017	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:	**$**	**$**	**$**	**$**
Debt securities	-	143,185,514	143,255,082	286,440,596
Common shares	789,988	10,120	-	800,108
Mutual funds	-	5,676,034	3,221,532	8,897,566
Preferred shares	-	-	1,500,000	1,500,000
Total assets	789,988	148,871,668	147,976,614	297,638,270
Total assets by percentage	0%	50%	50%	100%

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	-	5,521,316	2,053,762	7,575,078
Preferred shares	-	-	1,500,000	1,500,000
Total assets	643,509	131,112,530	143,580,661	275,336,700
Total assets by percentage	0%	48%	52%	100%

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
	2017 $	2016 $			2017	2016	
Debt securities	143,255,082	140,026,899	Discounted Cash Flows	Risk Adjusted Market Yields	3.0% - 11.00% Avg (6.7%)	3.5% - 11.7% Avg (5.7%)	The effect of a 1% increase in interest rates would decrease the fair value by ($5,787,231) and a 1% decrease in interest rates would increase the fair values by $6,235,543
Mutual funds	3,221,532	2,053,762	Par Value	N/A	N/A	N/A	N/A
Preferred shares	1,500,000	1,500,000	Par Value	N/A	N/A	N/A	N/A

There have been no material transfers between Level 1 and Level 2 during 2017 and 2016.

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

	2017 $	2016 $
Balance, beginning of year	143,580,661	144,020,144
Fair value changes recorded in income	(1,199,823)	(4,609,611)
Additions	18,758,761	16,766,254
Transfers in	-	1,974,802
Disposals	(13,217,363)	(14,592,197)
Effect of accrued income changes	54,378	21,269
Balance, end of year	147,976,614	143,580,661

Unrealised (losses) of $(1,192,982) (2016 – ($4,648,801)) on level 3 assets held at the end of the period are included in Net gains/(losses) 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.

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.4 Fair value of financial instruments (continued)

As at December 31, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Loans and receivables:	**$**	**$**	**$**	**$**
Mortgage loans	-	-	31,352,584	31,352,584
Other loans	-	-	-	-
	-	-	31,352,584	31,352,584

As at December 31, 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Loans and receivables:	**$**	**$**	**$**	**$**
Mortgage loans	-	-	26,706,615	26,706,615
Other loans	-	-	5,532,143	5,532,143
	-	-	32,238,758	32,238,758

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

	2017	**2016**
	$	**$**
Pension benefits and other payables	314,737	164,395

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.

	2017	**2016**
	$	**$**
Debt securities	17,885,820	16,036,180
Deposits	814,258	1,029,104
Mortgage loans	4,284,748	5,018,222
Other loans	199,948	381,247
Total interest income	23,184,774	22,464,753

Amounts expressed in Barbados Dollars

11. NET INVESTMENT GAINS/(LOSSES)

	2017 $	2016 $
Net gains/ (losses) on financial investments	2,426,369	(8,215,336)
Loss on bond restructure	(680,880)	-
Allowances for impairment losses	(294,674)	(4,321,906)
	1,450,815	(12,537,242)

12. RELATED PARTY TRANSACTIONS

(a) Material related party transactions

	2017 $	2016 $
Management fee – Sagicor Life Inc	2,163,452	2,120,287
Interest income – United Nations House Joint Venture	14,816	67,341

(b) Units held by related parties

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

Sagicor Life Inc	2017 $	2016 $
Value of units held at January 1	44,335,758	31,034,658
Net value of transactions for the year	5,067,423	13,301,100
Value of units at December 31	49,403,181	44,335,758

Sagicor General Inc	2017 $	2016 $
Value of units held at January 1	58,874	39,606
Net value of transactions for the year	330,149	19,268
Value of units at December 31	389,023	58,874

Independent auditor's report

To the Unit holders 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 of December 31, 2017, 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 of December 31, 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unit holders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of 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 the Barbados Segregated Pension Funds' Annual Report (Annual Report) (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do 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. We have nothing to report in this regard.

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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 unit holders as a body. Our audit work has been undertaken so that we might state to the Fund's unit holders 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 unit holders as a body, for our audit work, for this report, or for the opinion we have formed.

PricewaterhouseCoopers SRL

PricewaterhouseCoopers SRL
Bridgetown, Barbados
May 23, 2018

Statement of Financial Position

As of December 31, 2017

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	Notes	2017	2016
ASSETS			
Investment property	4, 11	$ 56,650,003	$ 57,100,000
Property, plant and equipment		1,061,448	820,623
Investment in associated companies	5	3,821,006	3,855,037
Due from associated company	5	22,663	22,663
Income tax assets	7	1,235,224	1,179,255
Real estate developed for resale	8	327,547	327,547
Accounts receivable	9	6,326,332	9,540,748
Financial investments	10	477,203,121	413,364,184
Cash resources		30,651,424	25,982,524
Total assets		$ 577,298,768	$ 512,192,581
LIABILITIES			
Deposits received on real estate developed for resale	8	5,600	5,600
Due to Sagicor Life Inc	6	1,352,806	1,985,265
Due to Sagicor (Bonds) Fund	6	5,785,267	8,140,073
Due to Sagicor International Balanced Fund	6	17,653	14,040
Due to Sagicor Global Balanced Fund	6	18,413	24,283
Accounts payable	13	2,288,855	3,001,555
Total liabilities		9,468,594	13,170,816
Net assets attributable to unit holders		$ 567,830,174	$ 499,021,765
Represented by:			
UNIT HOLDERS' EQUITY		**$ 567,830,174**	**$ 499,021,765**
No. of units outstanding at end of year		9,777,301	9,741,640
Net asset value per unit at end of year		$ 58.08	$ 51.23
Increase in net asset value per unit for year		13.4%	6.4%

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

Approved by the Board of Directors on May 23, 2018.

Chairman

Director

For the year ended December 31, 2017 Amounts expressed in Barbados Dollars

	2017		2016	
	Number of Units	Total $	Number of Units	Total $
Balance, beginning of year	9,741,640	499,021,765	9,770,949	470,492,793
Proceeds from issue of units	482,111	26,078,853	444,068	21,992,347
Redemption of units	(446,450)	(24,318,663)	(473,377)	(23,420,161)
Net increase / (decrease) from unit transactions	35,661	1,760,190	(29,309)	(1,427,814)
Net profit and total comprehensive income for the year available to unit holders	-	67,048,219	-	29,956,786
Balance, end of year	9,777,301	567,830,174	9,741,640	499,021,765

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

Statement of Comprehensive Income

For the year ended December 31, 2017

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	Notes	2017	2016
REVENUE			
Interest income	14	$ 3,315,155	$ 2,923,120
Dividend income		9,154,742	8,875,081
Net rental income	15	1,922,939	1,498,691
Share of operating (loss) income of associated companies	5	(34,031)	118,930
Net investment gains	16	59,176,076	22,711,539
		73,534,881	36,127,361
EXPENSES			
Management fee	17	4,017,620	3,611,270
Investment expenses		(32,617)	172,829
Commissions and brokers' fees		1,841,930	1,815,558
Total operating expenses		5,826,933	5,599,657
PROFIT BEFORE TAXES		67,707,948	30,527,704
Withholding taxes		(659,729)	(570,918)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR AVAILABLE TO UNIT HOLDERS		$ 67,048,219	$ 29,956,786

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

Statement of Cash Flows

For the year ended December 31, 2017

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	2017	2016
Cash flows from operating activities:		
Profit before taxes	$ 67,707,948	$ 30,527,704
Adjustments for:		
Interest income	(3,315,155)	(2,923,120)
Dividend income	(9,154,742)	(8,875,081)
Net losses on financial investments	(60,089,355)	(22,606,530)
Depreciation/ (Appreciation) in fair value of investment property	449,997	(500,000)
Write offs - investments	160,269	-
Share of operating loss/(gain) of associated company	34,031	(118,930)
	(4,207,007)	(4,495,957)
Changes in operating assets and liabilities		
Accounts receivable	2,678,300	(3,211,430)
Due to Sagicor Life Inc	(632,459)	552,909
Due to Sagicor Global Balanced Fund	(5,870)	8,757
Due to Sagicor (Bonds) Fund	(2,354,806)	(11,468,042)
Due to Sagicor International Balanced Fund	3,613	5,431
Accounts payable	(712,700)	259,583
Issue of mortgage loans	(3,657,353)	(2,142,361)
Repayment of mortgage loans	773,540	302,174
Purchase of debt securities	(24,508,429)	(24,779,457)
Redemption of debt securities	24,593,209	14,661,682
Proceeds from sale of equity securities	153,381,533	117,716,615
Purchase of equity securities	(148,036,189)	(93,158,317)
Additions to equipment	(240,825)	(283,883)
Amounts deposited	(11,164,020)	(12,719,962)
Deposits redeemed	4,693,220	13,006,861
Cash used in operations	(9,396,243)	(5,745,397)
Interest received	3,329,793	2,756,791
Dividends received	9,690,858	9,967,744

For the year ended December 31, 2017 Amounts expressed in Barbados Dollars

	2017	2016
Taxes paid	(715,698)	(647,114)
Net cash generated from operating activities	2,908,710	6,332,024
Cash flows from financing activities		
Proceeds from issue of units	26,078,853	21,992,347
Redemptions of units	(24,318,663)	(23,420,161)
Net cash generated from/ (used in) in financing activities	1,760,190	(1,427,814)
Net increase in cash and cash equivalents	4,668,900	4,904,210
Cash and cash equivalents - beginning of year	25,982,524	21,078,314
Cash and cash equivalents - end of year	30,651,424	25,982,524
Cash resources comprise:		
Cash	30,107,422	25,211,964
Cash held under managed properties	544,002	770,560
	$ 30,651,424	$ 25,982,524

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

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.

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 2017 financial year that have a significant impact on the Fund's financial statements.

IFRS (Effective Date)	Subject / Comments
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.

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)	IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. The standard is effective for accounting periods beginning on or after January 1, 2018. IFRS 9 replaces the guidance in IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL. Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

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 9 – Financial Instruments (January 1, 2018)	Management is in the process of assessing how the Fund's business model will impact the classification and measurement of financial assets in scope of IFRS 9. An Implementation Committee was created to oversee the implementation project. The project involves three phases: • Phase 1: Key decisions; this includes identification of key decisions, deciding on the measurement and classification for all products, determining stage migration and cure rate thresholds; • Phase 2: Assessing availability of data, defining and determining detailed credit modelling methodology based on available data, resources and infrastructure, defining and developing methodology to estimate unadjusted credit losses and defining methodology to incorporate forward looking information; • Phase 3: Implementation; this includes finalizing forward-looking information, applying multiple scenarios and determining the weight for each scenario to calculate the expected credit losses ("ECL"). Currently management has completed Phase 1 and Phase 2 and management is in the process of completing Phase 3. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

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 9 – Financial Instruments (January 1, 2018)	The new standard is not expected to impact the Fund's consolidated financial liabilities as there are no financial liabilities which are currently designated at fair value through profit or loss without off-setting assets carried at fair value. 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 new standard relating to hedge accounting is not expected to impact the Fund's consolidated financial statements, as the Fund does not use hedge accounting. The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment are considered to be in default or otherwise credit impaired are in 'stage 3'.

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 9 – Financial Instruments (January 1, 2018)	The assessment of whether credit risk has increased significantly since initial recognition is performed on an ongoing basis by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL. The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Fund compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Fund's existing risk management processes. At each reporting date, the assessment of a change in credit risk will be individually assessed for those considered individually significant. This assessment is symmetrical in nature, allowing credit risk of financial assets to move back to Stage 1 if the increase in credit risk since origination has reduced and is no longer deemed to be significant. When measuring ECL, the Fund must consider the maximum contractual period over which the Fund is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Fund is exposed to credit risk and where the credit losses would not be mitigated by management actions. The objective of the impairment requirements is to recognize lifetime expected credit losses for all financial instruments for which there have been a significant increases in credit risk since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information, including that which is forward looking.

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 9 – Financial Instruments (January 1, 2018)	In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39. Any adjustment on initial adoption of this standard will impact retained earnings. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Fund's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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, 2018)	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised: • identify contracts with customers • identify the separate performance obligation • determine the transaction price of the contract • allocate the transaction price to each of the separate performance obligations, and • recognise the revenue as each performance obligations is satisfied. Key changes to current practice are: • Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. • Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.) –minimum amounts must be recognised if they are not at significant risk of reversal. • The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. • There are new specific rules on licenses, warranties, nonrefundable upfront fees and, consignment arrangements, to name a few. • As with any new standard, there are also increased disclosures.

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, 2018)	Entities will have a choice of full retrospective application, or prospective application with additional disclosures. The Fund's primary activities are insurance and banking. Insurance product revenue recognition is defined in IFRS 4. Banking revenue primarily arises from the recognition of income on financial assets and liabilities in accordance with the provisions of IFRS 9.
Transfers of Investment Property – Amendments to IAS 40 (January 1, 2018)	The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The list of evidence for a change of use in the standard was recharacterized as a non-exhaustive list of examples to help illustrate the principle. • The Board provided two options for transition: prospectively, with any impact from the reclassification recognized as adjustment to opening retained earnings as at the date of initial recognition, or • retrospectively - only permitted without the use of hindsight Additional disclosures are required if an entity adopts the requirements prospectively. The Fund does not expect the adoption of this amendment to have any material impact.

IFRS (Effective Date)	**Subject / Comments**
Annual Improvements to IFRS 2014-2016 cycle (January 1, 2018)	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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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:

	2017 closing rate	2017 average rate	2016 closing rate	2016 average rate
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Jamaica dollar	62.2877	63.9049	63.9912	62.7146
Trinidad & Tobago dollar	3.3814	3.3721	3.3729	3.3231
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.

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Financial assets (continued)

(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.

(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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 12.4.

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.

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:

	2017 $	2016 $
Balance, beginning of year	57,100,000	56,600,000
Fair value (loss)/gain recorded in income	(449,997)	500,000
Balance, end of year	56,650,003	57,100,000

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 $23,050,003 (2016- $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.

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

	2017 $	2016 $
Real estate developed for resale	327,547	327,547
Accounts receivable	2,089,314	1,650,515
Property, plant and equipment	1,061,448	820,623
Cash resources	373,366	527,706
Deposits received on real estate developed for resale	5,600	5,600
Accounts payable	1,185,483	1,122,591
Net rental income	1,302,257	1,192,022
(Depreciation)/appreciation in fair value of investment property	(449,997)	500,000

Amounts expressed in Barbados Dollars

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 2017 $	Haggatt Hall Holdings Limited 2017 $	Total 2017 $
Investment at the beginning of the year	672,831	3,182,206	3,855,037
Share of (loss)/ income	(49,370)	15,339	(34,031)
Investment at the end of the year	623,461	3,197,545	3,821,006

	Primo Holdings Limited 2016 $	Haggatt Hall Holdings Limited 2016 $	Total 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

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

- 37.5% (2016 - 37.5%) in Primo Holdings Limited, incorporated in Barbados
- 33.3% (2016 - 33.3%) in Haggatt Hall Holdings Limited, incorporated in Barbados

The amount of $22,663 (2016 - $22,663) due from associated company Primo Holdings Limited, is interest free, unsecured and has no fixed terms of repayment.

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:

	Haggat Hall Holdings Limited		Primo Holding Limited	
ASSETS	**2017**	**2016**	**2017**	**2016**
Property, Plant and Equipment	28,774,261	29,541,180	-	-
Financial investments				
Cash resources	249,215	630,569	-	-
Other investments and assets	875,004	1,092,133	2,000,000	2,100,000
Total Assets	29,898,480	31,263,882	2,000,000	2,100,000
LIABILITIES				
Non Current liabilities				
Current liabilities	20,461,095	22,004,475	438,460	406,810
Total liabilities	20,461,095	22,004,475	438,460	406,810
Net Assets	**9,437,385**	**9,259,407**	**1,561,540**	**1,693,190**
Summarised Statement of Comprehensive Income				
REVENUE				
Net Rental Income	2,478,749	2,742,067	-	-
Other Income	1,250,364	1,452,004	-	-
Total Revenue	3,729,113	4,194,071	-	-
EXPENSES				
Finance Charges	1,350,340	1,596,830	-	-
Depreciation	677,202	853,481	-	-
Repairs & Maintenance	524,002	453,912	-	-
Income Tax Expenses	185,044	184,916	-	-
Deferred Tax Expenses	27,084	(824)	-	-
Other	787,463	840,352	131,650	36,068
Total Expenses	3,551,135	3,928,667	131,650	36,068
Total Comprehensive income	177,978	265,404	(131,650)	(36,068)

Reconciliation to carrying amounts

	Haggatt Hall Holdings Limited		Primo Holdings Limited	
	31 Dec 2017	**31 Dec 2016**	**31 Dec 2017**	**31 Dec 2016**
Opening net assets 1 January	9,259,407	8,994,003	1,693,190	1,729,258
Profit /(loss) for the period	177,978	265,404	(131,650)	(36,068)
Closing net assets	**9,437,385**	**9,259,407**	**(1,561,540)**	**1,693,190**
Group's share in %	33.3%	33.3%	37.5%	37.5%
Group Share in $	3,145,795	3,086,469	585,576	634,946
Capitalisation of Acquisition costs	51,750	95,737	37,885	37,885
Carrying Amount	**3,197,545**	**3,182,206**	**623,461**	**672,831**

Year ended December 31, 2017 | Amounts expressed in Barbados Dollars

6. RELATED PARTY BALANCES

These balances are interest free, unsecured and have no fixed terms of repayment except for a balance of $322,280 (2016 - $895,919) due to Sagicor (Bonds) Fund which bears interest at a rate of 7.75% (2016 – 7.75%) per annum and is repayable within 1 year 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.

Sensitivity Analysis

At December 31, 2017, the carrying value of the balance due from the Barbados Revenue Authority amounted to $ 1,235,225. In the absence of specific information about the timing of receipt of the amount receivable management has made a judgement based on their overall experience that this amount will be collected within two years and applied an appropriate discount rate to determine the carrying value. The calculation of the carrying value is sensitive to the time to collect and the discount rate used. The sensitivity of the carrying value to a longer time to collect and the discount rate implied by the time is disclosed below:

Time to Collect	Discount Rate	Carrying Value Adjustment
Three Years	4.78%	161,456
Five Years	5.82%	304,316

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%

Amounts expressed in Barbados Dollars

9. ACCOUNTS RECEIVABLE

	2017 $	2016 $
Rent receivable	2,838,891	2,421,560
Dividend receivable	2,045,633	2,581,749
Unsettled transactions	598,722	2,837,058
Other receivables	1,532,767	2,390,062
Total accounts receivable	7,016,013	10,230,429
Less: Provision for impairment of receivables	(689,681)	(689,681)
	6,326,332	9,540,748

10. FINANCIAL INVESTMENTS

10.1 Analysis of financial investments

	2017 Fair Value $	2016 Fair Value $
Financial assets at fair value through profit or loss:		
International – Listed	34,001,309	32,730,991
Local – Unlisted	7,140,018	7,426,493
Regional – Unlisted	2,844,874	2,731,462
Total debt securities	**43,986,201**	**42,888,946**
Common Shares – Local Listed	110,373,216	107,998,094
Common Shares – Regional Listed	28,653,507	30,638,920
Common Shares – International Listed	202,802,993	159,716,556
Common Shares – Unlisted	84,821	145,966
Preference Shares – Listed	334,823	-
Alternative Investments – Listed	23,956,492	14,570,690
Alternative Investments – Unlisted	36,748,288	32,773,846
Mutual Funds – Listed	4,951,566	8,137,239
Mutual Funds - Unlisted	2,704,700	3,211,207
Total equity securities	**410,610,406**	**357,192,518**

Year ended December 31, 2017 | Amounts expressed in Barbados Dollars

10. FINANCIAL INVESTMENTS (continued)

10.1 Analysis of financial investments (continued)

	2017 Amortised Cost $	2016 Amortised Cost $
Loans and receivables:		
Deposits	11,800,158	5,317,398
Mortgage loans	10,806,356	7,965,322
Total loans and receivables	**22,606,514**	**13,282,720**
Total financial investments	**477,203,121**	**413,364,184**

The fair value of the fixed rate mortgage loans is $8,495,398 (2016 - $5,825,520) and the carrying value is $8,448,921 (2016 - $6,073,382). All other loans and receivables approximate their fair value.

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

Debt securities comprise:	2017 $	2016 $
Government debt securities		
International – Listed	28,236,939	26,970,921
Local – Unlisted	7,140,018	7,426,493
Regional – Unlisted	2,844,874	2,731,462
Corporate debt securities – Listed	5,764,370	5,760,070
	43,986,201	42,888,946

Debt securities include bond issued by Sagicor Finance Ltd, a related party, of $5,764,370. Equity securities include shares in Sagicor Financial Corporation, a related party, of $3,210,923 (2016 - $3,266,980).

Debt securities designated at fair value through profit or loss and valued using internally developed models amounted to $9,984,892 (2016 - $10,157,955).

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

	2017 % of Total	2017 $	2016 % of Total	2016 $
Goddard Enterprises Limited	12.35%	57,609,338	11.57%	46,927,499
Massy Holdings Ltd	6.18%	28,840,655	7.42%	30,105,515
CIBC First Caribbean International Bank (Barbados) Ltd	6.23%	29,069,241	5.79%	23,495,815
RBC Royal Bank of Canada	5.91%	27,577,355	5.61%	22,766,202
Cable & Wireless (Barbados) Limited	-	-	3.20%	12,983,876

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, 2017	Level 1 $	Level 2 $	Level 3 $	Total $
Investment property	-	-	56,650,003	56,650,003

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

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 $ 2017	Fair Value $ 2016	Valuation Technique	Unobservable Inputs	Range of Inputs 2017	Range of Inputs 2016	Relationship of Unobservable Inputs to Fair value
Land	12,050,003	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	**56,650,003**	**57,100,000**					

Commercial properties valued at $ 2,933,333 (2016 - $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.

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.

Year ended December 31, 2017 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.

	2017		2016	
	$	%	$	%
Bonds	43,986,201	42	42,888,946	47
Deposits	11,800,158	11	5,317,398	6
Investment portfolio	**55,786,359**	**53**	**48,206,344**	**53**
Mortgage Loans	10,806,356	10	7,965,322	9
Lending portfolio	**10,806,356**	**10**	**7,965,322**	**9**
Due from associated company	22,663	0	22,663	0
Accounts receivable	6,326,332	6	9,540,748	10
Cash resources	30,651,424	30	25,982,524	28
Other financial assets	**37,000,419**	**36**	**35,545,935**	**38**
Total balance sheet exposures	**103,593,134**	**99**	**91,717,601**	**100**
Mortgage loan commitments	1,501,994	1	-	0
Total	**105,095,128**	**100**	**91,717,601**	**100**

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 of December 31, 2017 as rated by Standard and Poor's or international equivalent, with their comparative amounts are set out below.

	Risk rating	2017 $	Risk rating	2016 $
Debt securities:				
Government of Barbados - denominated in Barbados dollars	CCC	7,140,018	B-	7,057,002
Government of Bermuda – denominated in United States dollars	A+	7,981,910	A+	7,664,037
Government of Bahamas - denominated in United States dollars	BB+	6,247,966	BB+	6,117,859
Government of Panama – denominated in United States dollars	BBB	12,060,381	BBB	11,272,021
Republic of Trinidad & Tobago – denominated in United States dollars	BBB+	1,946,682	A-	1,917,005
Government of St. Lucia – denominated in United States dollars	-	2,844,874	-	2,130,841
Sagicor Finance Ltd – denominated in United States dollars	BB-	5,764,369	BB-	5,760,069
Deposits and cash resources:				
Capita Financial Services Inc.	-	1,600,316	-	2,107,670
First Citizens Investment Services (Barbados) Limited	BBB	5,664,947	BBB+	1,607,861
Globe Finance Inc.	-	3,007,233	-	-

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, 2017	Debt securities $	Mortgage loans $
Neither past due nor impaired	43,986,201	10,237,708
Past due up to 3 months, but not impaired	-	438,470
Past due up to 12 months, but not impaired	-	130,178
Total	43,986,201	10,806,356

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

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

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: -

	2017 $	2016 $
Commercial sector	4,803,152	5,198,975
Residential sector	6,003,204	2,766,347
Total	10,806,356	7,965,322

(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 (2016 – nil).

(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.

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.

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.2 Liquidity risk (continued)

(a) Financial liabilities

As of December 31, 2017	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	1,352,806	-	-	-	1,352,806
Due to Sagicor (Bonds) Fund	5,478,089	322,280	-	-	5,800,369
Due to Sagicor International Balanced Fund	17,653	-	-	-	17,653
Due to Sagicor Global Balanced Fund	18,413	-	-	-	18,413
Accounts payable	2,288,855	-	-	-	2,288,855
	9,616,416	322,280	-	-	9,483,696

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

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, 2017	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	6,326,332	-	-	6,326,332
Debt securities	-	11,269,985	32,716,216	43,986,201
Deposits	11,599,391	200,767	-	11,800,158
Mortgage loans	6,694	-	10,799,662	10,806,356
Cash resources	30,651,424	-	-	30,651,424
Total	48,606,504	11,470,752	43,515,878	103,593,134

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

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.2 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 unit holders will redeem their units as they typically hold them for the long-term. At December 2017, no individual unit holder held more than 18.7% of the fund's units. The fund manages its liquidity risk by investing in security that is expects to be able to liquidate within a short period.

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

As of December 31, 2017	Less than 7 Days	Monthly	Quarterly	1 – 5 Years	More than 5 years
Funds and Alternative Investments	32,955,547	11,414,666	16,168,842	5,035	7,816,956
As of 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

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.

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.3 Market risk (continued)

Interest rate risk (continued)

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

As of December 31, 2017	Exposure within 1 year $	Exposure of 1 to 5 years $	Exposure after 5 years $	Not exposed to interest $	Total $
Deposits received on real estate developed for resale	5,600	-	-	-	5,600
Due to Sagicor (Bonds) Fund	322,280	-	-	5,462,987	5,785,267
Due to Sagicor Life Inc	-	-	-	1,352,806	1,352,806
Due to Sagicor International Balanced Fund	-	-	-	17,653	17,653
Due to Sagicor Global Balanced Fund	-	-	-	18,413	18,413
Accounts payable	-	-	-	2,288,855	2,288,855
Total	327,880	-	-	9,140,714	9,468,594

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

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.3 Market risk (continued)

Interest rate risk (continued)

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 repricing or maturity dates.

As of December 31, 2017	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	-	-	-	6,326,332	6,326,332
Debt securities	-	11,040,955	32,242,420	702,826	43,986,201
Equity securities	-	-	-	410,610,406	410,610,406
Deposits	11,501,458	200,767	-	97,933	11,800,158
Mortgage loans	-	-	10,787,054	19,302	10,806,356
Cash resources	17,859,763	-	-	12,791,661	30,651,424
Total	29,361,221	11,241,722	43,029,474	430,571,123	514,203,540

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 associated company	-	-	-	22,663	22,663
Accounts receivable	-	-	-	9,540,748	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

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.3 Market risk (continued)

Interest rate risk (continued)

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

	2017	2016
Debt securities	6.18%	6.13%
Deposits	1.73%	3.71%
Mortgage loans	6.22%	6.61%

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, 2017		$
Total interest bearing financial assets carried at fair value		43,283,375
The fair value impact of a decrease in interest rates of:	1%	1,542,185
The fair value impact of an increase in interest rates of:	1%	(1,368,514)

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.3 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 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.

	Balances denominated in						
As of December 31, 2017	**Barbados $**	**Jamaica $**	**Trinidad $**	**US $**	**CAD $**	**EC $**	**Total $**
ASSETS							
Due from associated companies	22,663	-	-	-	-	-	22,663
Accounts receivable	5,298,730	-	370,310	619,197	-	38,095	6,326,332
Debt securities	7,140,018	-	-	36,209,182	-	637,001	43,986,201
Equity securities	110,458,037	507,520	25,065,624	271,498,860	-	3,080,365	410,610,406
Deposits	11,497,749	-	-	302,409	-	-	11,800,158
Mortgage loans	10,806,356	-	-	-	-	-	10,806,356
Cash resources	11,645,392	-	-	18,579,465	426,567	-	30,651,424
Total	**156,868,945**	**507,520**	**25,435,934**	**327,209,113**	**426,567**	**3,755,461**	**514,203,540**

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.3 Market risk (continued)

Foreign exchange risk (continued)

	Balances denominated in						
As of December 31, 2017	**Barbados $**	**Jamaica $**	**Trinidad $**	**US $**	**CAD $**	**EC $**	**Total $**
LIABILITIES							
Deposits received on real estate developed for resale	5,600	-	-	-	-	-	5,600
Due to Sagicor (Bonds) Fund	5,785,267	-	-	-	-	-	5,785,267
Due to Sagicor Life Inc	1,352,806	-	-	-	-	-	1,352,806
Due to Sagicor International Balanced Fund	-	-	-	17,653	-	-	17,653
Due to Sagicor Global Balanced Fund	-	-	-	18,413	-	-	18,413
Accounts payable	2,288,855	-	-	-	-	-	2,288,855
Total liabilities	9,432,528	-	-	36,066	-	-	9,468,594
Net position	147,436,417	507,520	25,435,934	327,173,047	426,567	3,755,461	504,734,946

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.3 Market risk (continued)

Foreign exchange risk (continued)

	Balances denominated in						
As of December 31, 2016	**Barbados $**	**Jamaica $**	**Trinidad $**	**US $**	**CAD $**	**EC $**	**Total $**
ASSETS							
Due from associate	22,663	-	-	-	-	-	22,663
Accounts receivable	6,095,600	2,238,336	574,558	599,238	-	33,016	9,540,748
Debt securities	7,426,273	-	-	34,862,051	-	600,622	42,888,946
Equity securities	108,144,062	319,046	27,328,532	218,409,537	-	2,991,341	357,192,518
Deposits	5,015,593	-	-	301,805	-	-	5,317,398
Mortgage loans	7,965,322	-	-	-	-	-	7,965,322
Cash resources	4,276,917	-	-	21,162,078	543,529	-	25,982,524
Total	**138,946,430**	**2,557,382**	**27,903,090**	**275,334,709**	**543,529**	**3,624,979**	**448,910,119**

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.3 Market risk (continued)

Foreign exchange risk (continued)

	Balances denominated in						
As of December 31, 2016	**Barbados $**	**Jamaica $**	**Trinidad $**	**US $**	**CAD $**	**EC $**	**Total $**
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	-	-	14,040
Due to Sagicor Global Balanced Fund	-	-	-	24,283	-	-	24,283
Accounts payable	2,996,134	-	-	5,421	-	-	3,001,555
Total liabilities	13,127,192	-	-	43,744	-	-	13,170,816
Net position	125,819,358	2,557,382	27,903,090	275,290,965	543,529	3,624,979	435,739,303

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.3 Market 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, 2017 and for the year then ended are considered below.

	Balances denominated in TTD $	Effect of a 10% depreciation on income as of Dec 31, 2017 $	Balances denominated in JMD $	Effect of a 10% depreciation on income as of Dec 31, 2017 $
Assets	**25,065,624**	**(2,506,562)**	**507,520**	**(50,752)**

A 10% appreciation in both the TTD and the JMD relative to the BDS would have equal and opposite effects to those disclosed above.

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.3 Market 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, 2017 $
Fair value through profit or loss equity securities:		
Common and preference shares - Listed	342,164,539	(68,432,908)
Common and preference shares - Unlisted	84,821	(16,964)
Alternative Investments - Listed	23,956,492	(4,791,298)
Alternative Investments - Unlisted	36,748,288	(7,349,658)
Mutual Funds - Listed	4,951,566	(990,313)
Mutual Funds - Unlisted	2,704,700	(540,940)
	410,610,406	(82,122,081)

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.

(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.

Amounts expressed in Barbados Dollars

12. FINANCIAL RISK (continued)

12.4 Fair value of financial instruments (continued)

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.

2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets designated at fair value through profit or loss:	**$**	**$**	**$**	**$**
Debt securities	-	34,001,309	9,984,892	43,986,201
Common Shares	338,344,599	3,485,117	84,821	341,914,537
Preferred Shares	334,823	-	-	334,823
Alternative Investments	23,956,492	22,617,332	14,130,956	60,704,780
Mutual Funds	-	7,656,266	-	7,656,266
Total assets	362,635,914	67,760,024	24,200,669	454,596,607
Total assets by percentage	80%	15%	5%	100%

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%

Year ended December 31, 2017 | 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
	2017 $	2016 $			2017	2016	
Debt Securities	9,984,892	10,157,955	Discounted Cash Flows	Risk Adjusted Market Yields	3.7% - 8.7% Avg. 6.6%	3.5% -7.9% Avg 5.1%	The effect of a 1% increase in interest rates would decrease the fair value by $358,947 and a 1% decrease in interest rates would increase the fair values by $383,053.
Common Shares	84,821	145,966	Book Value per share.	Net Assets divided by number of shares issued.	$0.01	$0.01 - $16.55 Avg $8.28	The higher the Net Assets, the higher the book value.
			Third party Valuation	N/A	N/A	N/A	Reliance is placed on third party information, which is not readily available for disclosure.
Alternative Investments	14,130,956	21,238,351	Third Party Valuation	Share of Partners' Equity	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.

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.

	2017 $	2016 $
Balance, beginning of year	20,452,378	21,268,274
Fair value changes recorded in income	1,006,100	(147,362)
Transfers in	2,751,102	(368,542)
Additions	8,193,320	2,542,171
Disposals	(8,200,897)	(2,823,525)
Effect of accrued income changes	(1,334)	(18,638)
Balance, end of year	24,200,669	20,452,378

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 $741,768 (2016 – ($26,762)).

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.

2017	Level 1	Level 2	Level 3	Total
Loans and receivables:	$	$	$	$
Mortgage loans	-	-	8,495,398	8,495,398

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

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.

Amounts expressed in Barbados Dollars

13. ACCOUNTS PAYABLE

	2017 $	2016 $
Funds on deposit	762,130	1,504,312
Investment property expenses payable	1,375,161	1,315,562
Other	151,564	181,681
Total accounts payable	2,288,855	3,001,555

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.

	2017 $	2016 $
Debt securities	2,602,186	2,273,270
Deposits	146,442	198,334
Mortgage loans	566,527	451,516
Total interest income	3,315,155	2,923,120

15. NET RENTAL INCOME

	2017 $	2016 $
Rental income from investment property	4,528,239	3,800,466
Direct operating expenses of investment property	(2,601,300)	(2,301,775)
	1,922,939	1,498,691

16. NET INVESTMENT GAINS

	2017 $	2016 $
Net gains on financial investments	60,089,355	22,211,539
(Depreciation)/ appreciation in fair value of investment property	(449,997)	500,000
Write offs - cash	(303,013)	-
Write offs - investments	(160,269)	-
Net investment gains/(losses)	59,176,076	22,711,539

Amounts expressed in Barbados Dollars

17. RELATED PARTY TRANSACTIONS

(a) Material related party transactions

	2017 $	2016 $
Management fee – Sagicor Life Inc	4,017,620	3,611,270
Interest expense – United Nations House	14,816	67,341

(b) Units held by related parties

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

Sagicor Life Inc	2017 $	2016 $
Value of units held at January 1	48,165,711	41,072,395
Net value of transactions for the year	10,530,354	7,093,316
Value of units at December 31	58,696,065	48,165,711

Sagicor General Inc	2017 $	2016 $
Value of units held at January 1	57,386	37,910
Net value of transactions for the year	345,773	19,476
Value of units at December 31	403,159	57,386

18. COMMITMENTS

At December 31, 2017, the Fund's total committed capital to private equity strategies was $15,035,566 (2016 - $13,300,000). At that date, $4,831,560 (2016 - $5,501,041) of this commitment remained undrawn.

Sagicor

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