



Sagicor 
Since 1840

BARBADOS
SEGREGATED
PENSION FUNDS

ANNUAL
REPORT
2015



MEET THE REAL PEOPLE BEHIND OUR SUCCESS. OUR CLIENTS.

Throughout this Annual Report, you will see how our clients' lives are filled with moments that range from life-changing events to everyday occasions, and everything else in between. They remind us of how precious and diverse life can be for each of us.

Moments like these add up, and for 175 years, Sagicor has been committed to turning them into years of stability and growth for our clients.



For 175 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.

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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.

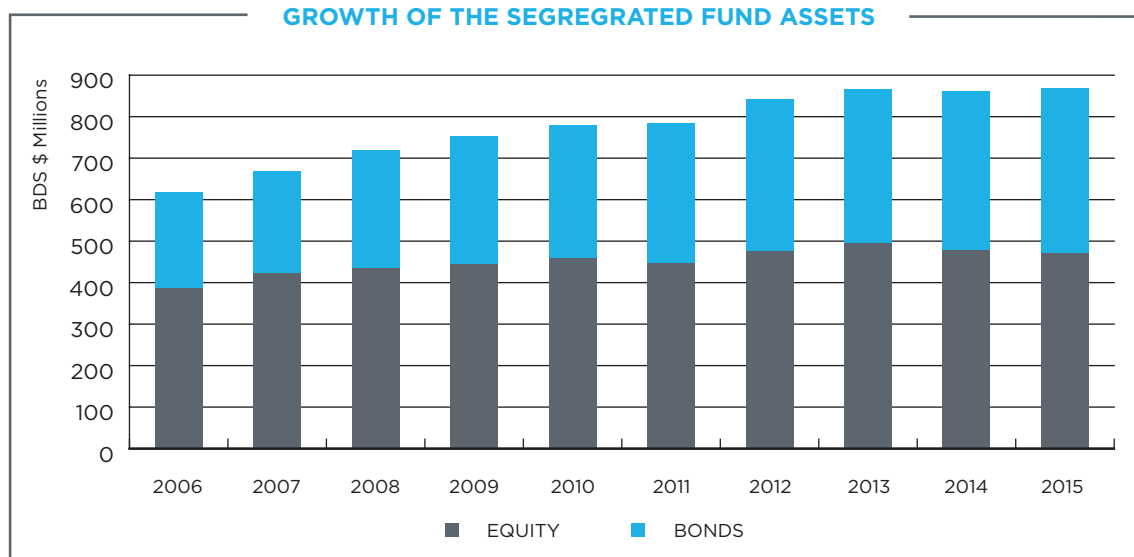
Administration services include design of plans, computerized record keeping, regular monthly billing, payment of pension and other benefits and optional provision of actuarial advice.

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 223 companies in Barbados amounting to approximately \$869.9 million are invested in these segregated funds; all but seventy-five of these Pension Plans are also administered by Sagicor. The total membership stood at 6,090 which includes 583 Pensioners.

BONDS & EQUITY FUNDS - NET ASSETS, UNIT VALUE, YIELD						
	Equity Fund			Bonds Fund		
	Assets	Unit Value	Change	Assets	Unit Value	Change
2006	\$387,506	\$37.38	-1.40%	\$230,386	\$14.73	4.60%
2007	\$422,197	\$42.71	14.26%	\$246,239	\$16.00	8.62%
2008	\$435,613	\$41.01	-3.98%	\$284,074	\$16.89	5.56%
2009	\$445,717	\$41.95	2.30%	\$307,154	\$18.26	8.10%
2010	\$458,067	\$43.52	3.70%	\$322,608	\$19.32	5.83%
2011	\$446,569	\$42.74	-1.79%	\$337,633	\$20.12	4.14%
2012	\$476,581	\$45.67	6.86%	\$364,525	\$21.63	7.54%
2013	\$495,060	\$47.76	4.58%	\$371,004	\$22.51	4.05%
2014	\$479,484	\$47.73	-0.05%	\$383,091	\$23.97	6.79%
2015	\$470,493	\$48.15	0.90%	\$398,466	\$24.89	3.80%

GROWTH OF THE SEGREGATED FUND ASSETS





THE ELLIS'

Castries, St. Lucia

It's easy to see how passions can be transferred through generations, and at times as we watched Shane and his son Noah play, the obvious glee in their eyes gave us an honest moment with the Ellis family.

Shane and his wife Derniea know how to make the most of every moment. They love taking three-year-old Noah on beautiful drives along St Lucia's coast, and then there's playtime with the toys. Little Noah is especially fond of sports cars. Like father, like son.

For the Ellis', planning for retirement is another way of making life's collective moments count. Derniea's parents had policies with Sagicor, so she followed suit, and secured her own family's future. "Being comfortable at retirement is important to us," says Derniea. "Having access to policies that cover 'unpredictables', and provide for us when we retire makes this easier to achieve."



CHAIRMAN'S STATEMENT



Stephen McNamara
Chairman

Global equity markets experienced intense volatility and recorded lackluster performances for 2015. Global growth concerns were fueled by the economic slowdown in emerging market economies, principally China, coupled with the US Federal Reserve's decision to delay the well anticipated fiscal tightening until the final month of the year. Further constraints including the softening of commodity prices led by the protracted decline in the price of oil, weighed heavily on market sentiment and contributed to the relative meltdown of global equity markets during the year. Global growth was dampened by the aforementioned economic headwinds and was revised downward by the International Monetary Fund (IMF) from 3.3% to 3.1% for 2015.

US equities led the performance of global equity markets and ended the year relatively flat. International equities across developed markets as well as emerging markets experienced single and double digit declines, respectively, for the year. The performance of regional equity exchanges trended positively for 2015 as the Barbados Stock Exchange benefited from the bidding war regarding the takeover of Banks Holdings Limited as well as the bid for the acquisition of all outstanding Emera (Caribbean) Incorporated shares. The Jamaica Stock Exchange rallied significantly and the Trinidad and Tobago Stock Exchange ended the year flat.

Regional economies experienced moderate expansion led by improvement in the tourism sector with those economies that remained net importers of oil, further benefiting from the depressed global oil prices. Developed economies such as the US and UK, remained the key source markets for the region and showed moderate levels of economic improvement, which contributed to the increased numbers in tourist arrivals. Against this backdrop, the IMF increased the projected growth rate for the Caribbean to 3.8% for 2015.

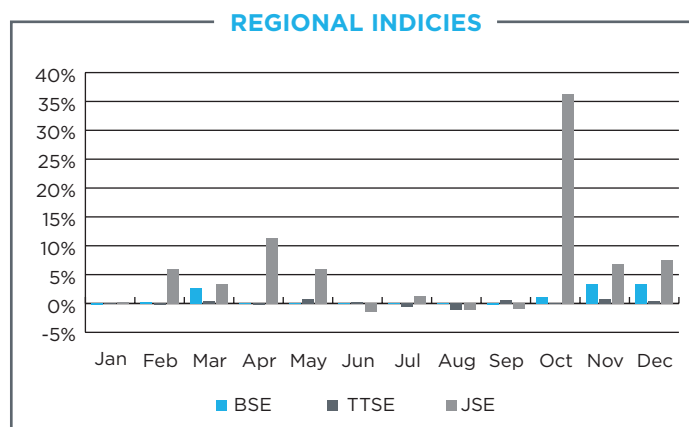
In the US, economic recovery continued albeit at a moderate pace with an estimated economic growth of 2.5% for the year. The Gross Domestic Product (GDP) within the US grew by 1.4% for the fourth quarter of 2015 following growth of 2.0% for the third quarter of 2015; the relative slowdown for the fourth quarter was due to a downturn in private inventory investment, deceleration in exports

and relatively lower corporate earnings. Economic data released within the US supported the recovery as evidenced through improved indicators including consumer spending and personal income which was the result of an increase in wages and salaries. The unemployment rate fell to 5.0% from 5.6% the previous year. US equities experienced increased volatility as investors were concerned about the economic downturn in China, the Greek debt crisis and the uncertainty of the Federal Reserve's decision on interest rates. The Standard and Poors 500 Index and the Dow Jones Industrial Average Index advanced modestly by 1.4% and 0.2%, respectively, for the year. The NASDAQ Composite advanced by 7.0% for 2015.

The Euro Area and Japan experienced anemic levels of GDP growth of 1.5% and 0.6%, respectively, for 2015. These economies were adversely impacted by the slowdown in China and the significant decrease of commodity prices. In Europe, deflationary pressures persisted with annual inflation reported at 0.1% in November, following the exceptionally low rate of negative 0.1% in September and remained well below the European Central Bank's (ECB) target of 2.0% which spurred the ECB to reaffirm its commitment in December to further increase its monetary stimulus program for the foreseeable future. Early concerns about the Greek debt crisis were abated as a bailout deal was passed by government. The level of unemployment slightly decreased and was recorded at 10.5%, the lowest level since October 2011. Japan's economy was adversely impacted by weak business investment and private consumption. The MSCI World Index decreased 0.3% while the MSCI EAFE declined by 3.3% for the year.

Emerging market economies experienced a slowdown in growth, primarily as a result of the meltdown in commodity prices. Russia's economy continued to be constrained by the protracted low oil prices while Brazil was stripped of its investment grade credit rating and was downgraded by one notch by Standard and Poors in September 2015 to BB+. Furthermore, recessionary conditions continue to constrain economic growth within Russia and Brazil. In China, growth slowed to 6.9% the lowest level in over two decades as production for export and government investment in infrastructure declined. The IMF forecasted

further weakness in China's economy with projected growth rates falling to 6.3% and 6.0% for 2016 and 2017, respectively. The MSCI Emerging Markets Index, a barometer for emerging markets, declined 14.6% for the 2015.

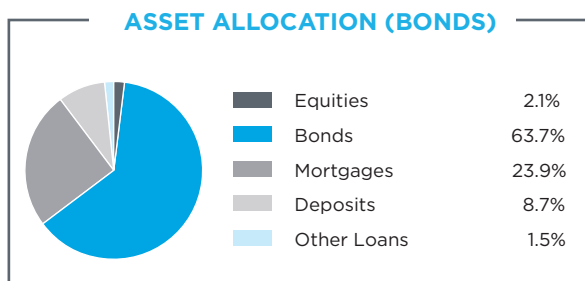
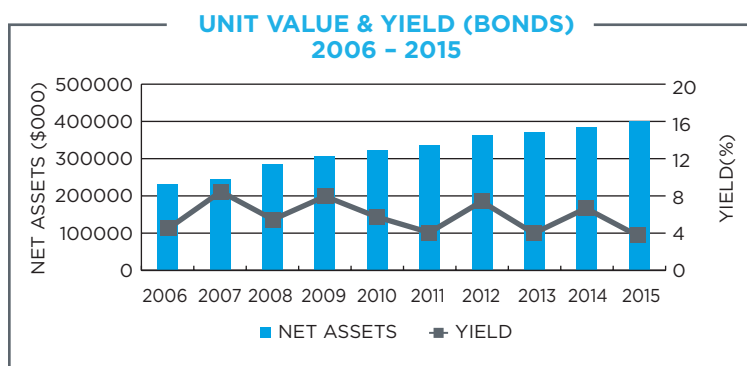


The Federal Reserve incrementally raised interest rates in December from 0.00% - 0.25% to 0.25% - 0.5% which improved market sentiment and was well received by market participants as evidence of global economic improvement. However, the forecasted pace of future interest rate increases was expected to be constrained by subdued inflation which continued to trend below the targeted level of 2.0% consistent with the level to achieve the Federal Reserve's dual mandate of price stability and full employment. Furthermore, though US economic data remained encouraging as unemployment figures trended lower and household spending increased, concerns with global markets remained prominent with particular emphasis on the performance of China's economy.

Economic growth in Barbados slightly improved to 0.8% for 2015. In the tourism sector, the numbers were encouraging with arrivals increasing by approximately 14.0% as at December 31, 2015. The construction industry's activity was lower than expected while retail and domestic services were subdued and impinged on the overall economic growth. Foreign exchange reserves reverted to approximately \$0.9 billion at the end of December 2015 which represented 14 weeks of import cover. Continued fiscal adjustment measures led to the decrease of the deficit by approximately 6.9% of GDP for the fiscal period 2014/2015 in comparison to 11.0% reported at the end of the prior fiscal year. The

unemployment rate decreased to an estimated 11.8% as at the end of December, from 12.3% reported for the previous year while inflation was recorded at negative 0.7% at the end of July 2015.

regional indices registering an increased level of trading activity in 2015. The Jamaica Stock Exchange rallied phenomenally by 97.4% while the Barbados Stock Exchange (BSE) advanced by 10.5% for the year. The BSE reported year over year growth in overall trading volume and value of 482% and 1,093%, respectively. This noteworthy increase was principally attributable to the trading activity surrounding the competitive take-over actions for Banks Holdings Limited and Emera (Caribbean) Incorporated shares. The Trinidad and Tobago Stock exchange was relatively flat for the year and advanced by 1.0%. The Barbados savings rate was deregulated by the Central Bank in April 2015 which led to rates moving as low as 0.5% from the previously set rate of 2.5%.



Trinidad & Tobago and Jamaica experienced real GDP growth for 2015 of 0.2% and 1.5% (September 2015), respectively. The level of unemployment remained high across the region while the level of inflation trended lower and remained positively correlated with the decline in global oil prices. In Jamaica, there was expansion in the areas of manufacturing, tourism, and other services, while the slowdown of growth in the Trinidad & Tobago economy was due to the fall in production of crude oil and natural gas and also tepid activity in distribution and construction. Trinidad & Tobago's budgetary price assumptions for oil have remained at US\$45 per barrel. There was an increase in short term rates in the US, Trinidad & Tobago's Repo rate increased to 4.75% up from 3.5% recorded in January 2015. Throughout 2015, the US dollar rallied against major international currencies. In the region, the Jamaican dollar depreciated relative to the US dollar by an annualised rate of 5.0%.

Sagicor (Bonds) Fund

Regional fixed income markets continued to stabilise as demonstrated by a lower number of credit events inclusive of rating downgrades and bond defaults during 2015. The persistently accommodative monetary policy environment continued to suppress interest rates which benefited the valuation of selected existing bond holdings and negatively impacted reinvestment yields which remained protractedly low throughout the year. The high level of liquidity in the banking system with limited credit opportunities for redeployment continued to fuel increased competition within the mortgage portfolio as interest spreads tightened. Despite the competitive mortgage environment, the performance of the Fund benefited from the relatively attractive yield on mortgages loans within the portfolio.

The Sagicor (Bonds) Fund recorded a credible performance of 3.8% in 2015 amid a low interest rate environment with an upward movement of its NAV to \$24.89 at yearend from \$23.97 at the start of the year. Net assets grew by 4.0% for the year and totaled \$398.5 million at December 31, 2015.

The Fund remained principally allocated to the bonds asset class which totaled \$232.1 million and accounted for 63.7% of financial investments. Sovereign debt exposure represented 95.5% of the total bond allocation while the residual bond exposure was to corporate issuances. Throughout the year, the Fund's allocation to the Government of Barbados debt was reduced to \$157.6 million relative to \$168.9 million at the end of 2014; a

The performance of regional equity markets trended positively for the year with most

relative reduction of 6.7%. The Fund continued to diversify its fixed income holdings with the purchase of the US denominated sovereign debt issued by Bermuda, Bahamas and Aruba as well as St. Lucia. There was sustained effort to improve the credit profile with the focus on the acquisition of investment grade sovereign debt while the low interest rate environment continued to favour a short duration strategy which was achieved through investment in short to medium term bonds. The average yield of the Fund's bond portfolio was unchanged at 6.8% for 2015 relative to 2014.

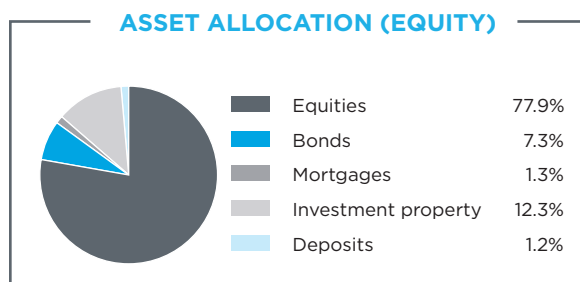
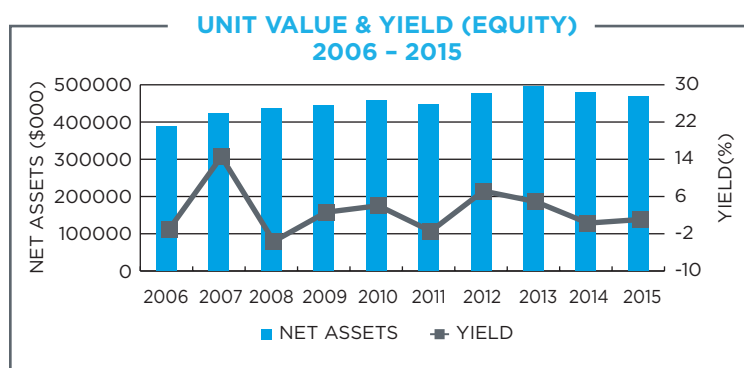
The investment in mortgage loans totaled \$86.9 million at December 31, 2015 relative to \$90.8 million reported at the end of the prior year. Mortgage loans accounted for 23.9% of financial investments. Commercial mortgages comprised 52.9% of the mortgages portfolio and totaled \$46.0 million while residential mortgages represented 47.1% of the mortgage portfolio and totaled \$41.0 million. The average interest yield on the mortgage portfolio declined to 8.2% in 2015 relative to 8.8% in 2014 and associated interest income totaled \$7.0 million for 2015; down from \$7.7 million for 2014. Mortgage loan commitments totaled \$4.5 million at yearend.

Net profit and total comprehensive income attributable to unit holders amounted to \$15.1 million for the year and represented a relative decline of \$8.6 million, as compared to \$23.7 million recorded at December 31, 2014. The decline in net comprehensive income was primarily the result of net investment losses realised on financial investments, which totaled to \$5.7 million relative to a gain of \$1.7 million recorded in 2014. Total revenue was recorded at \$18.1 million 2015 as compared to \$26.2 million for 2014. Interest income was the primary contributor to revenue and stood at \$23.8 million for 2015.

Sagicor (Equity) Fund

The performance of the Sagicor (Equity) Fund was adversely impacted by the relatively depressed performance of international equity markets which outweighed the positive trend in returns across regional stock markets. US equities outperformed their ex-US developed market counterparts for 2015 with relatively flat returns while emerging market equities recorded double-digit losses for the year. Generally, the buoyancy across regional

markets was largely associated with selective holdings and not reflective of broad market sentiment. The Fund remained predominantly invested in a globally diversified portfolio of equities with a bias towards the international segment and domestic real estate with nominal exposure to fixed income securities and mortgage loans to achieve risk moderation and optimal diversification. Against this backdrop, the Sagicor (Equity) Fund ended the year with a positive return of 0.9% for 2015.



The Fund's net assets totaled \$470.5 million at the end of December 2015, representing a decline of 2.0% for the calendar year. Equities remained the leading asset class and totaled \$358.2 million which accounted for 88.8% of financial investments. The equity asset class remained well diversified with 43.4% of the portfolio allocated to domestic and regional equities and 56.6% allocated to international equities. The Fund's international portfolio included exposure to global equity markets, international fixed income strategies as well as alternative investment strategies to provide enhanced diversification, mitigate downside risk and improve the Fund's overall expected long-term risk adjusted returns. The Fund's performance benefited from an increase in the value of its major regional holdings including Banks Holdings Limited (BHL) which increased by 106.9% and totaled \$19.9 million at yearend.

There was also relative improvement in the value of Goddard Enterprises Limited and Cable & Wireless (Barbados) Limited shares while the value of First Caribbean International Bank (Barbados) Limited shares remained unchanged and Massy Holdings Limited shares registered a relative decline in value. The investment property portfolio decreased to \$56.6 million, principally the result of disposals of \$5.6 million and a moderation in fair value of \$1.9 million which collectively outweighed acquisitions of \$5.7 million. Investment property represented 11.5% of the Fund's total assets while financial investments accounted for 81.6% of assets.

Net comprehensive income for the year attributable to unit holders totaled \$4.2 million at December 31, 2015 as compared to a loss of \$0.2 million for the prior year. Net investment losses totaled \$4.9 million for the year; down from \$7.4 in 2014 and detracted most significantly from total revenue, which stood at \$10.4 million for the year. Investment income experienced a marginal increase as dividend and interest income showed relative improvement, which collectively outweighed the slight decline in income received through the rent and associated company categories for 2015.

Outlook

Global growth remained constrained due to depressed commodity prices and weaker growth in emerging markets including the slowdown in China. In the US, economic data continued to show moderate improvement with an increase in consumer spending coupled with improved employment figures. However, the Federal Reserve's commitment to systematic fiscal tightening is expected to be derailed and if necessary abandoned as global headwinds inclusive of deflationary pressures remain major concerns and imperils economic stability.

The Euro area registered slight expansion but remained fragile as recessionary and deflationary pressures threaten to derail economic stability. Therefore, the European Central Bank commenced significant monetary policy stimulus through its bond repurchase program and reaffirmed its commitment to protracted stimulus as necessary to stimulate the economy.

Emerging markets continued to experience weaker growth driven by lower commodity prices which are expected to persist for the medium term. Furthermore, Russia and Brazil remain in economic recessions with growth in China, the world's second largest economy, slowing to worrisome levels. This has placed greater emphasis on domestic consumption as a critical future driver of growth within China.

Though the global economic growth outlook remains tepid, regional economic recovery is expected to gain traction, largely driven by improvement in tourism during 2016. However, we continue to be mindful of the heavy reliance of these economies upon the growth of developed countries and remain cautiously optimistic in this regard.

We remain committed to the implementation of our strategic investment mandates. While international interest rates in the US have increased incrementally, the generally low interest rate environment regionally and locally is expected to continue and will favour a short duration strategy. As we navigate the environment prudently, we will actively seek out opportunities to enhance the portfolios composition, credit profile and diversification. The international segment remains a significant source of value as we seek to optimize our strategies and maximize fund value.

We thank you for your support, trust and confidence during the year and assure you that our management and staff will continue to dedicate themselves to the creation of unitholder value.



Stephen McNamara
Chairman



THE AUSTINS

St James, Barbados

For eleven-year-old Johnathan Austin, skateboarding is the best thing in the world. However, there was a moment in time when he was very sick and his beloved board gathered dust. Johnathan has Gastroparesis: a life-altering condition that causes stomach paralysis. To manage it, doctors inserted a gastric pacemaker through surgery at a US hospital, where Johnathan spent a month in recovery.

For the Austins, Sagicor medical coverage has been a lifeline. “If we didn’t have our plan, there’s a possibility my son would not be alive today,” says Johnathan’s father, Stephen.

Today, Johnathan is helping others who need overseas medical care, and has raised over \$7,000 for the Johnathan Austin Helping Hands Sick Children’s Fund. Best of all, he’s now back on his board, back in school, and back to being the active boy he was.

TRUSTEE OF THE SEGREGATED PENSION FUNDS

DIRECTORS OF SAGICOR LIFE INC

Stephen McNamara - Chairman

Andrew Aleong, MBA

Professor Sir Hilary Beckles, PhD

Peter Clarke, BA, LLB

Dr. L Jeannine Comma, Ed.D.

Dr. Marjorie Patricia Downes-Grant, CBE, MA, MBA, DBA, LLD (Hons)

William Lucie-Smith, MA (Oxon), FCA

Dodridge Miller, FCCA, MBA, LL.M, LLD (Hon)

David Wright, FFA, FAIA

TRUSTEE OF THE SEGREGATED PENSION FUNDS

Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

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
Tamesha Toussaint-Smart	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	Portfolio Manager

AUDITORS

PricewaterhouseCoopers SRL





THE WILLIAMSON- MUNROES

Kingston, Jamaica

Mother of two and lecturer at Jamaica's University of Technology, Primla Williamson-Munroe makes time to show gratitude, regardless of how hectic life gets. "I appreciate the everyday moments with my family, revel in the successes, and learn from the failures," says Primla.

Education has been a priority throughout Primla's life. She holds a bachelor's and master's degree in science, and is working towards a third degree. Her children, Rachel and Justin, are also driven academically. Primla centres her life around protecting them and ensuring they get the opportunity to achieve whatever they dream.

Sagicor Advisor, Arlene Lawrence helped Primla find a policy that was right for her family. "With Sagicor on board, I feel more secure," says Primla. "And I can say that the investment portion of my policy has been beneficial more than once."



Auditor's Report

To the Unitholders of
Sagicor (Bonds) Fund

We have audited the accompanying financial statements of Sagicor (Bonds) Fund, which comprise the statement of financial position as at December 31, 2015 and the statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagcor (Bonds) Fund as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

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

PricewaterhouseCoopers, SPC.

July 8, 2016
Bridgetown, Barbados

Statement of Financial Position

As of December 31, 2015

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	Notes	2015	2014
ASSETS			
Due from Sagicor (Equity) Fund	4	\$ 19,648,421	\$ 10,864,121
Income tax assets	5	6,256,384	6,252,080
Interest and other receivables	6	3,218,288	2,937,134
Financial investments	7	364,191,168	361,598,436
Cash resources		11,683,294	7,516,601
Total assets		404,997,555	389,168,372
LIABILITIES			
Due to Sagicor Life Inc	4	6,524,701	5,412,767
Due to Sagicor (Eastern Caribbean) Fund	4	-	6,291
Accounts payable	9	6,991	658,158
Total liabilities		6,531,692	6,077,216
Net assets attributable to unit holders		\$ 398,465,863	\$ 383,091,156
Represented by:			
UNIT HOLDERS' EQUITY		\$ 398,465,863	\$ 383,091,156
No. of units outstanding at end of year		16,009,576	15,984,336
Net asset value per unit at end of year		\$ 24.89	\$ 23.97
Increase in net asset value per unit for year		3.8%	6.5%

The accompanying notes are an integral part of these financial statements

Approved by the Board of Directors on July 8, 2016



Chairman



Director

Statement of Changes in Net Assets available to Unit Holders**Sagicor (Bonds) Fund**

For the year ended December 31, 2015

*Amounts expressed in Barbados Dollars*Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados

	2015		2014	
	Number of Units	Total \$	Number of Units	Total \$
Balance, beginning of year	15,984,336	383,091,156	16,485,244	371,004,162
Proceeds from issue of units	962,661	23,334,665	732,050	16,986,890
Redemption of units	(937,421)	(23,056,607)	(1,232,958)	(28,630,489)
Net increase / (decrease) from unit transactions	25,240	278,058	(500,908)	(11,643,599)
Net profit and total comprehensive income for the year available to unit holders	-	15,096,649	-	23,730,593
Balance, end of year	16,009,576	398,465,863	15,984,336	383,091,156

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

Statement of Comprehensive Income

For the year ended December 31, 2015

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

	Notes	2015	2014
REVENUE			
Interest income	10	\$ 23,760,066	\$ 24,466,729
Dividend income		57,131	92,505
Net investment (losses)/ gains	11	(5,705,521)	1,667,893
		<u>18,111,676</u>	<u>26,227,127</u>
EXPENSES			
Management fee	12	1,970,011	1,888,414
Allowance for impairment losses on income tax assets	5	1,000,000	500,000
Investment expenses		36,322	65,609
Bank and interest charges		8,495	8,499
Exchange loss		184	34,006
		<u>3,015,012</u>	<u>2,496,528</u>
PROFIT BEFORE TAXES		15,096,664	23,730,599
Withholding taxes		(15)	(6)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR AVAILABLE TO UNIT HOLDERS		<u>\$ 15,096,649</u>	<u>\$ 23,730,593</u>

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

Statement of Cash Flows

For the year ended December 31, 2015

Sagicor (Bonds) Fund*Amounts expressed in Barbados Dollars*Sagicor
Life
Inc
Segregated
Pension
Funds
- Barbados**Cash flows from operating activities:**

	2015	2014
Net profit before taxes	\$ 15,096,664	\$ 23,730,599
Adjustments for:		
Interest income	(23,760,066)	(24,466,729)
Dividend income	(57,131)	(92,505)
Allowance for impairment losses on income tax assets	1,000,000	500,000
Net (gains) on financial investments	(228,660)	(4,883,421)
Allowances for impairment losses	5,934,181	3,215,528
	(2,015,012)	(1,996,528)
Changes in operating assets and liabilities		
Due from Sagicor (Eastern Caribbean) Fund	-	32,572
Due from Sagicor (Equity) Fund	(8,784,300)	(4,328,302)
Due from Sagicor Asset Management Inc	-	72,461
Issue of mortgage loans	(5,973,118)	(7,688,893)
Repayment of mortgage loans	5,786,479	6,151,257
Purchase of debt securities	(27,801,416)	(25,552,985)
Redemption of debt securities	41,251,409	29,327,895
Purchase of equity securities	(42,149)	(2,135,438)
Sale of equity securities	-	2,076,693
Amounts deposited	(47,823,988)	(26,817,578)
Deposits redeemed	28,683,966	27,809,402
Other receivables	(281,154)	(517,905)
Due to Sagicor (Eastern Caribbean) Fund	(6,291)	6,291
Due to Sagicor Life Inc	1,111,934	(532,642)
Accounts payable	(651,167)	(880,730)
Cash used in operations	(16,544,807)	(4,974,430)
Interest received	21,380,630	22,412,254
Dividends received	57,131	92,505
Taxes paid/(net)	(1,004,319)	(1,063,089)
Net cash generated from operating activities carried forward	3,888,635	16,467,240

Statement of Cash Flows (continued)

For the year ended December 31, 2015

Sagicor (Bonds) Fund

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	2015	2014
Net cash generated from operating activities brought forward	3,888,635	16,467,240
Cash flows from financing activities		
Proceeds from issue of units	23,334,665	16,986,890
Redemption of units	(23,056,607)	(28,630,489)
Net cash from/ (used in) financing activities	278,058	(11,643,599)
Net increase in cash and cash equivalents	4,166,693	4,823,641
Cash and cash equivalents - beginning of year	7,516,601	2,692,960
Cash and cash equivalents - end of year	\$ 11,683,294	\$ 7,516,601
Cash and cash equivalents comprise:		
Cash resources	11,683,294	7,516,601
	\$ 11,683,294	\$ 7,516,601

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

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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.

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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 2015 financial year that have a significant impact on the Fund's financial statements.

Annual Improvements 2012 (July 1, 2014)	IFRS 13, 'Fair value' which amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amounts where the effect of discounting is immaterial. IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.
Annual Improvements 2013 (July 1, 2014)	IFRS 13, 'Fair value measurement' is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

<p>IFRS 15 – Revenue from contracts with customers (January 1, 2017)</p>	<p>This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations.</p> <p>Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.</p> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> • Step 1: Identify the contract(s) with a customer • Step 2: Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step 4: Allocate the transaction price to the performance obligations in the contract • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.</p>
<p>Annual Improvements to IFRS 2012-2014 cycle (January 1, 2016)</p>	<p>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.</p>

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:

	2015 closing rate	2015 average rate	2014 closing rate	2014 average rate
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Trinidad & Tobago dollar	3.2098	3.1731	3.1793	3.1960
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 initially recorded at fair value and are subsequently carried at amortised cost less provision for impairment.

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

(c) Fair value

Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

Fair amounts represent estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

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 and Investment Advisory fees

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 8.6.

3.2 Impairment of financial assets

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

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

Management uses estimates based on evidence of impairment when scheduling future cash flows. Were the net present value of estimated future cash flows to differ by + / - 1%, the impairment loss is to be estimated \$148,167 higher or \$145,693 lower.

Notes to the Financial Statements

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4. RELATED PARTY BALANCES

These balances are interest free, unsecured and have no fixed terms of repayment except for a balance of \$1,588,083 (2014 - \$2,082,706) due from Sagicor (Equity) Fund which bears interest at a rate of 7.75% (2014 - 7.75%) per annum and is repayable over 3 years in monthly instalments of \$61,498. This balance is in relation to the interest held by Sagicor (Equity) Fund in United Nations House Joint Venture. Related party transactions are disclosed in Note 12.

5. INCOME TAX ASSETS

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

Income tax assets are reported at the gross value of \$8,256,384, net of an estimated impairment of \$2,000,000 (2014 - gross value of \$7,252,080; impairment of \$1,000,000)

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

6. INTEREST AND OTHER RECEIVABLES

	2015 \$	2014 \$
Bond interest due	377,263	465,269
Unsettled transactions	1,111,925	323,095
Other	1,729,100	2,148,770
	3,218,288	2,937,134

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7. FINANCIAL INVESTMENTS

Analysis of financial investments

	2015 Fair value \$	2014 Fair value \$
Financial assets at fair value through profit or loss:		
Bonds - Unlisted Local	134,201,768	154,321,673
Bonds - Unlisted Regional	9,676,031	8,358,181
Bonds - Listed International	88,068,558	82,030,277
Bonds - Unlisted International	142,345	84,948
Total debt securities	232,088,702	244,795,079
Common shares - Listed	473,566	452,234
Preferred shares - Listed	4,926	4,926
Mutual funds - Listed	7,308,278	7,600,384
Total equity securities	7,786,770	8,057,544
	2015 Amortised Cost \$	2014 Amortised Cost \$
Loans and receivables:		
Deposits	31,840,865	12,415,267
Mortgage loans, net	86,942,600	90,798,315
Other loans	5,532,231	5,532,231
Total loans and receivables	124,315,696	108,745,813
Total financial investments	364,191,168	361,598,436

Mortgage loans are reported at the gross principal of \$104,435,317, net of impairment of \$17,492,716 (2014 - gross principal of \$102,356,850, net of impairment of \$11,558,535). The fair value of the fixed rate mortgage loans is \$24,404,857 (2014 - \$17,127,178) and the carrying value is \$24,251,872 (2014 - \$19,349,628). The fair value of other loans is \$5,532,231 (2014 - \$5,532,231). All other loans and receivables approximate their fair value.

See note 8.6 for the fair value of loans and receivables.

Notes to the Financial Statements

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Sagicor (Bonds) Fund

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7. FINANCIAL INVESTMENTS (continued)

Analysis of financial investments (continued)

The movement in the provision for impairment is as follows:

	2015 \$	2014 \$
Balance beginning of the year	(11,558,535)	(8,343,007)
Increase in provision	(5,934,181)	(3,215,528)
Write offs	-	-
Balance at end of year	<u>(17,492,716)</u>	<u>(11,558,535)</u>

Debt securities comprise:

	2015 \$	2014 \$
Government debt securities - Listed International	81,546,378	77,308,822
Government debt securities - Unlisted Local	130,466,629	143,578,766
Government debt securities - Unlisted Regional	9,676,031	7,442,357
Corporate debt securities - Listed	6,522,180	4,721,456
Corporate debt securities - Unlisted	3,877,484	11,743,678
	<u>232,088,702</u>	<u>244,795,079</u>

Debt securities designated at fair value through profit or loss and valued using internally developed valuation models amounted to \$143,877,799 (2014 - \$162,679,854).

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.

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.

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8. FINANCIAL RISK (continued)

8.1 Credit risk

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

	2015		2014	
	\$	%	\$	%
Bonds	232,088,702		244,795,079	
Deposits	31,840,865		12,415,267	
Investment portfolio	263,929,567	67	257,210,346	68
Mortgage loans	86,942,600		90,798,315	
Other loans	5,532,231		5,532,231	
Lending portfolio	92,474,831	23	96,330,546	25
Due from Sagicor (Equity) Fund	19,648,421		10,864,121	
Interest and other receivable	3,218,288		2,937,134	
Cash Resources	11,683,294		7,516,601	
Other financial assets	34,550,003	9	21,317,856	6
Total balance sheet exposures	390,954,401	99	374,858,748	99
Mortgage loan commitments	4,543,213	1	4,820,037	1
Total	395,497,614	100	379,678,785	100

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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, 2015 as rated by Standard & Poors or equivalent, with their comparative amounts are set out below.

	Risk rating	2015 \$	Risk rating	2014 \$
Debt securities:				
Government of Barbados - denominated in Barbados dollars	B	121,231,176	B	134,250,714
Government of Barbados - denominated in United States dollars	B	36,385,811	B	34,688,349
Republic of Trinidad and Tobago - denominated in United States dollars	A	7,508,356	A	7,469,956
Government of Aruba - denominated in United States dollars	BBB+	13,770,368	BBB+	12,293,239
Government of Bermuda - denominated in United States dollars	A+	9,016,626	AA-	8,476,407
Commonwealth of Bahamas - denominated in United States dollars	BBB-	8,261,722	BBB	7,276,622
Government of St. Lucia - denominated in Eastern Caribbean dollars	B	7,589,724	B	7,442,357
Sagicor Finance Ltd - denominated in United States dollars	B	6,522,181	-	-
Arawak Cement Co. Ltd. - denominated in Barbados dollars	-	-	Unrated	6,744,142

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: -

	2015 \$	2014 \$
Commercial sector	45,968,918	52,160,999
Residential sector	40,973,682	38,637,316
Total	86,942,600	90,798,315

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Sagicor (Bonds) Fund

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8. FINANCIAL RISK (continued)

8.1 Credit risk (continued)

Exposure to other loans by sector is as follows: -

	2015 \$	2014 \$
Commercial sector	5,532,231	5,532,231
Total	5,532,231	5,532,231

Exposure to cash resources are as follows: -

	2015 \$	2014 \$
First Citizens Bank (Barbados) Limited	9,973,515	3,169,923
Total	9,973,515	3,169,923

Exposure to other assets are as follows:-

	2015 \$	2014 \$
Due from Sagicor Equity Fund	19,648,421	10,864,121
Total	19,648,421	10,864,121

(a) Past due and impaired financial investments

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

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

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

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

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8. FINANCIAL RISK (continued)

8.1 Credit risk (continued)

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

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

2015	Debt securities \$	Mortgage loans \$
Neither past due nor impaired	231,946,357	51,759,734
Past due up to 3 months, but not impaired	-	12,801,665
Past due up to 12 months, but not impaired	-	2,135,979
Past due up to 5 years, but not impaired	142,345	2,071,879
Past due over 5 years, but not impaired	-	926,784
Total past due but not impaired	142,345	17,936,307
Impaired assets	-	17,246,559
Total carrying value	232,088,702	86,942,600
Accumulated allowances on impaired assets	-	17,492,716
Accrued interest on impaired assets	-	9,839,323
2014	Debt securities \$	Mortgage loans \$
Neither past due nor impaired	234,742,121	55,084,719
Past due up to 3 months, but not impaired	9,937,897	10,148,508
Past due up to 12 months, but not impaired	-	3,784,132
Past due up to 5 years, but not impaired	115,061	5,603,987
Past due over 5 years, but not impaired	-	687,436
Total past due but not impaired	10,052,958	20,224,063
Impaired assets	-	15,489,533
Total carrying value	244,795,079	90,798,315
Accumulated allowances on impaired assets	-	11,558,535
Accrued interest on impaired assets	-	7,351,899

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.

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8. FINANCIAL RISK (continued)

8.1 Credit risk (continued)

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

	Gross carrying value \$	Accumulated allowance for impairment \$	Net carrying value \$	Estimated fair value of collateral \$
Mortgage Loans				
As of December 31, 2015				
Commercial sector	31,428,040	16,535,458	14,892,582	22,783,581
Residential sector	3,311,235	957,258	2,353,977	3,535,000
Total	34,739,275	17,492,716	17,246,559	26,318,581
As of December 31, 2014				
Commercial sector	25,528,251	10,974,838	14,553,413	21,150,681
Residential sector	1,519,818	583,697	936,121	1,345,000
Total	27,048,069	11,558,535	15,489,534	22,495,681

Interest of \$9,839,323 (2014 - \$7,351,899) has been accrued on impaired mortgages.

(b) Repossessed assets

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

No assets (2014 - Nil) were repossessed during the year.

(c) Renegotiated assets

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

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Sagicor (Bonds) Fund

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8. FINANCIAL RISK (continued)

8.2 Liquidity risk

The Fund is exposed to daily calls on its available cash resources for redemptions and operating expenses. Liquidity risk is the exposure that the Fund may have insufficient cash resources to meet these obligations as they become due.

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.

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Year ended December 31, 2015

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.2 Liquidity risk (continued)

(a) Financial liabilities

As of December 31, 2015	On demand \$	Within 1 year \$	1 to 5 years \$	After 5 years \$	Total \$
Accounts payable	6,991	-	-	-	6,991
Due to Sagicor Life Inc	6,524,701	-	-	-	6,524,701
Due to Sagicor (Eastern Caribbean) Fund	-	-	-	-	-
Off balance sheet commitments:					
Mortgage loan commitments	-	4,543,213	-	-	4,543,213
Total	6,531,692	4,543,213	-	-	11,074,905

As of December 31, 2014	On demand \$	Within 1 year \$	1 to 5 years \$	After 5 years \$	Total \$
Accounts payable	658,158	-	-	-	658,158
Due to Sagicor Life Inc	5,412,767	-	-	-	5,412,767
Due to Sagicor (Eastern Caribbean) Fund	6,291	-	-	-	6,291
Off balance sheet commitments:					
Mortgage loan commitments	-	4,820,037	-	-	4,820,037
Total	6,077,216	4,820,037	-	-	10,897,253

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Sagicor (Bonds) Fund

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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, 2015 within 1 year	Maturing within 1 to 5 years \$	Maturing after 5 years \$	Maturing \$	Total \$
Due from Sagicor (Equity) Fund	19,150,055	498,366	-	19,648,421
Interest and other receivables	3,218,288	-	-	3,218,288
Debt securities	11,666,471	55,985,094	164,437,137	232,088,702
Deposits	31,840,865	-	-	31,840,865
Mortgage loans	6,887,819	9,259,601	70,795,180	86,942,600
Other loans	5,532,231	-	-	5,532,231
Cash resources	11,683,294	-	-	11,683,294
Total	89,979,023	65,743,061	235,232,317	390,954,401

As of December 31, 2014 within 1 year	Maturing within 1 to 5 years \$	Maturing after 5 years \$	Maturing \$	Total \$
Due from Sagicor (Equity) Fund	9,694,838	1,169,283	-	10,864,121
Interest and other receivables	2,937,134	-	-	2,937,134
Debt securities	17,252,788	68,854,942	158,687,349	244,795,079
Deposits	11,622,634	792,633	-	12,415,267
Mortgage loans	9,342,365	9,446,638	72,009,312	90,798,315
Other loans	5,532,231	-	-	5,532,231
Cash resources	7,516,601	-	-	7,516,601
Total	63,898,591	80,263,496	230,696,661	374,858,748

Notes to the Financial Statements

Year ended December 31, 2015

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.2 Liquidity risk (continued)

Redeemable units are redeemed at the option of the holder. However, the Board of Directors of the trustee does not envisage that unit holders will redeem their units as they typically hold them for the long-term. At December 2015, no individual unit holder held more than 10% of the fund's units. The fund manages its liquidity risk by investing in securities that it expects to be able to liquidate within a short period.

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

As at December 31, 2015 7 Days	Less than	Quarterly	1 Year 1 year	More than
Funds and Alternative Investments	-	7,308,278	-	-
As at December 31, 2014 7 Days	Less than	Quarterly	1 Year 1 year	More than
Funds and Alternative Investments	-	7,600,384	-	-

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, 2015 and 2014 all of the Fund's financial liabilities were non-interest bearing and therefore not exposed to interest rate risk.

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Sagicor (Bonds) Fund

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8. FINANCIAL RISK (continued)

8.3 Market risk (continued)

Interest Rate Risk (continued)

(b) Financial assets

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

As of December 31, 2015 within 1 year	Exposure 1 to 5 years \$	Exposure of after 5 years \$	Exposure to interest \$	Not exposed \$	Total \$
Due from Sagicor					
(Equity) Fund	1,089,717	498,366	-	18,060,338	19,648,421
Interest and other					
receivables	-	-	-	3,218,288	3,218,288
Debt securities	11,457,127	55,647,876	162,283,785	2,699,914	232,088,702
Equity securities	-	-	-	7,786,770	7,786,770
Deposits and other loans	36,933,625	-	-	439,471	37,373,096
Mortgage loans	410,343	7,071,208	68,934,412	10,526,637	86,942,600
Cash resources	-	-	-	11,683,294	11,683,294
Total	49,890,812	63,217,450	231,218,197	54,414,712	398,741,171
As of December 31, 2014 within 1 year	Exposure 1 to 5 years \$	Exposure of after 5 years \$	Exposure to interest \$	Not exposed \$	Total \$
Due from Sagicor					
(Equity) Fund	913,423	1,169,283	-	8,781,415	10,864,121
Interest and other					
receivables	-	-	-	2,937,134	2,937,134
Debt securities	17,129,809	68,477,161	156,690,231	2,497,878	244,795,079
Equity securities	-	-	-	8,057,544	8,057,544
Deposits and other loans	17,005,946	787,654	-	153,898	17,947,498
Mortgage loans	4,015,979	7,541,878	70,605,648	8,634,810	90,798,315
Cash resources	-	-	-	7,516,601	7,516,601
Total	39,065,157	77,975,976	227,295,879	38,579,280	382,916,292

Notes to the Financial Statements

Year ended December 31, 2015

Sagicor (Bonds) Fund

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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.

	2015	2014
Debt securities	6.8%	6.8%
Deposits	3.3%	2.6%
Mortgage loans	8.2%	8.8%
Other loans	7.1%	7.1%

Sensitivity

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

As of December 31, 2015		\$
Total interest bearing financial assets carried at fair value		229,388,788
The fair value impact of an increase in interest rates of:	1%	(11,753,019)
The fair value impact of a decrease in interest rates of:	1%	12,622,063

8.4 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.

Notes to the Financial Statements

Year ended December 31, 2015

Sagicor (Bonds) Fund*Amounts expressed in Barbados Dollars*Sagicor
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Assets and liabilities by currency are summarised in the following table.

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

Notes to the Financial Statements

Year ended December 31, 2015

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.4 Foreign exchange risk (continued)

As of December 31, 2014	Balances denominated in				Total \$
	Barbados \$	Trinidad \$	US \$	EC \$	
ASSETS					
Due from Sagicor (Equity) Fund	10,864,121	-	-	-	10,864,121
Interest and other receivables	2,690,103	-	206,290	40,741	2,937,134
Financial investments	259,482,939	111,340	94,561,800	7,442,357	361,598,436
Cash resources	6,066,961	-	1,449,640	-	7,516,601
Total assets	279,104,124	111,340	96,217,730	7,483,098	382,916,292
LIABILITIES					
Due to Sagicor Life Inc	5,412,767	-	-	-	5,412,767
Due to Sagicor (Eastern Caribbean) Fund	-	-	-	6,291	6,291
Accounts payable	658,158	-	-	-	658,158
Total liabilities	6,070,925	-	-	6,291	6,077,216
Net position	273,033,199	111,340	96,217,730	7,476,807	376,839,076

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Sagicor (Bonds) Fund

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8. FINANCIAL RISK (continued)

8.5 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 selection of securities and other financial instruments within specified limits set by the Board of Directors of the Trustee.

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

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

Sensitivity

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

	Fair value	Effect of a 20% decline at Dec 31, 2015
	\$	\$
Fair value through profit or loss equity securities:		
Listed on Caribbean and US stock exchanges and markets	478,492	(95,698)
Mutual funds	7,308,278	(1,461,656)
	<u>7,786,770</u>	<u>(1,557,354)</u>

8. FINANCIAL RISK (continued)

8.6 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 inputs that are not based on observable market data.

Level 3 financial assets designated at fair value through income comprise primarily of corporate and government agency debt instruments issued in the Caribbean. The fair values of these instruments have been derived from December 31 market yields of government instruments of similar durations in the country of issue of the instruments.

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Sagicor (Bonds) Fund

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8. FINANCIAL RISK (continued)

8.6 Fair value of financial instruments (continued)

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

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

2015	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value				
through profit or loss:	\$	\$	\$	\$
Debt securities	-	88,068,558	144,020,144	232,088,702
Common shares	473,566	-	-	473,566
Mutual funds	-	7,308,278	-	7,308,278
Preferred shares	-	4,926	-	4,926
Total assets	473,566	95,381,762	144,020,144	239,875,472
Total assets by percentage	0%	40%	60%	100%

2014	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value				
through profit or loss:	\$	\$	\$	\$
Debt securities	4,721,455	77,308,822	162,764,802	244,795,079
Common shares	452,234	-	-	452,234
Mutual funds	-	7,600,384	-	7,600,384
Preferred shares	-	4,926	-	4,926
Total assets	5,173,689	84,914,132	162,764,802	252,852,623
Total assets by percentage	2%	34%	64%	100%

Notes to the Financial Statements

Year ended December 31, 2015

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.6 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
	2015 \$	2014 \$			2015	2014	
Debt Securities	144,020,144	162,764,802	Discounted Cash Flows	Risk Adjusted Market Yields	2.8% - 8.0% (6%)	1.1% - 10.4% (6.2%)	The effect of a 1% increase interest rates would decrease the fair value by (\$6,390,835) and a 1% decrease in interest rates would increase the fair values by \$6,945,925

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

There have been no material transfers between Level 1 and Level 2 during 2015 and 2014.

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8. FINANCIAL RISK (continued)

8.6 Fair value of financial instruments (continued)

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

	2015 \$	2014 \$
Balance, beginning of year	162,764,802	169,583,486
Fair value changes recorded in income	(1,140,659)	2,132,937
Additions	17,600,884	13,245,371
Disposals	(35,241,188)	(22,080,296)
Effect of accrued income changes	36,305	(116,696)
Balance, end of year	144,020,144	162,764,802

Unrealised gains or losses of \$295,212 (2014 - \$1,837,909) on level 3 assets held at the end of the period are included in Net gains on financial investments.

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

2015	Level 1	Level 2	Level 3	Total
Loans and receivables:	\$	\$	\$	\$
Mortgage loans	-	-	24,918,432	24,918,432
Other loans	-	-	5,532,231	5,532,231
	-	-	30,450,663	30,450,663
2014	Level 1	Level 2	Level 3	Total
Loans and receivables:	\$	\$	\$	\$
Mortgage loans	-	-	18,631,196	18,631,196
Other loans	-	-	5,532,231	5,532,231
	-	-	24,163,427	24,163,427

Notes to the Financial Statements

Year ended December 31, 2015

Sagicor (Bonds) Fund

Amounts expressed in Barbados Dollars

8. FINANCIAL RISK (continued)

8.6 Fair value of financial instruments (continued)

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

	2015 \$	2014 \$
Pension benefits and other payables	6,991	658,158

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.

	2015 \$	2014 \$
Debt securities	15,625,777	16,108,864
Deposits	728,754	327,567
Mortgage loans	7,025,933	7,650,650
Other loans	379,602	379,648
Total interest income	23,760,066	24,466,729

11. NET INVESTMENT GAINS/(LOSSES)

	2015 \$	2014 \$
Net gains on financial investments	228,660	4,883,421
(Allowances for) impairment losses	(5,934,181)	(3,215,528)
	(5,705,521)	1,667,893

Notes to the Financial Statements

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Sagicor (Bonds) Fund*Amounts expressed in Barbados Dollars*Sagicor
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	2015	2014
	\$	\$
Management fee – Sagicor Life Inc	1,970,011	1,888,414
Interest income – United Nations House Joint Venture	116,876	163,049

On October 30, 2015, two bonds were purchased from related party, Sagicor Life Inc, for total fair value consideration of \$5,126,178. These bonds have matured on December 31, 2015 and are therefore excluded from the investment portfolio at year end.

(b) Units held by related parties

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

Sagicor Life Inc.	2015	2014
	\$	\$
Value of units held at January 1	26,962,850	28,918,251
Net value of transactions for the year	4,071,808	(1,955,401)
Value of units at December 31	31,034,658	26,962,850

Sagicor General Inc.	2015	2014
	\$	\$
Value of units held at January 1	26,046	1,935
Net value of transactions for the year	13,560	24,111
Value of units at December 31	39,606	26,046



Auditor's Report

To the Unitholders of
Sagicor (Equity) Fund

We have audited the accompanying financial statements of Sagicor (Equity) Fund, which comprise the statement of financial position as at December 31, 2015 and the statements of comprehensive income, changes in net assets attributable to unitholders and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sagicor (Equity) Fund as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

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

PricewaterhouseCoopers, LLC

July 8, 2016
Bridgetown, Barbados

Statement of Financial Position

As of December 31, 2015

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	Notes	2015	2014
ASSETS			
Investment property	4, 11	\$ 56,600,000	\$ 58,372,489
Property, plant and equipment		536,740	402,971
Investment in associated companies	5	3,736,107	3,625,601
Due from associated company	5	22,663	22,663
Income tax assets	7	1,103,059	1,022,357
Real estate developed for resale	8	327,547	327,547
Accounts receivable	9	7,421,980	4,997,528
Financial investments	10	403,478,561	401,011,659
Cash resources		21,078,314	24,403,843
Total assets		\$ 494,304,971	\$ 494,186,658
LIABILITIES			
Deposits received on real estate developed for resale	8	5,600	5,600
Due to Sagicor Life Inc	6	1,432,356	1,215,681
Due to Sagicor (Bonds) Fund	6	19,608,115	10,864,082
Due to Sagicor (Eastern Caribbean) Fund	6	8,609	14,217
Due to Sagicor Global Balanced Fund	6	15,526	39,240
Accounts payable	13	2,741,972	2,563,690
Total liabilities		23,812,178	14,702,510
Net assets attributable to unit holders		\$ 470,492,793	\$ 479,484,148
Represented by:			
UNIT HOLDERS' EQUITY		\$ 470,492,793	\$ 479,484,148
No. of units outstanding at end of year		9,770,949	10,045,654
Net asset value per unit at end of year		\$ 48.15	\$ 47.73
Increase / (decrease) in net asset value per unit for year		0.9%	(0.1)%

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

Approved by the Board of Directors on July 8, 2016


Chairman


Director

Statement of Changes in Net Assets available to Unit Holders**Sagicor (Equity) Fund**

For the year ended December 31, 2015

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	2015		2014	
	Number of Units	Total \$	Number of Units	Total \$
Balance, beginning of year	10,045,654	479,484,148	10,366,419	495,060,204
Proceeds from issue of units	318,874	15,137,825	329,383	15,726,362
Redemption of units	(593,579)	(28,322,969)	(650,148)	(31,150,283)
Net decrease from unit transactions	(274,705)	(13,185,144)	(320,765)	(15,423,921)
Net profit /(loss) and total comprehensive income/(loss) for the year available to unit holders	-	4,193,789	-	(152,135)
Balance, end of year	9,770,949	470,492,793	10,045,654	479,484,148

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

Statement of Comprehensive Income

For the year ended December 31, 2015

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	Notes	2015	2014
REVENUE			
Interest income	14	\$ 2,400,953	\$ 2,090,818
Dividend income		10,625,106	8,830,952
Net rental income	15	2,198,640	2,323,434
Share of operating income / (loss) of associated companies	5	110,506	32,724
Net investment (losses)/gains	16	(4,948,905)	(7,403,891)
		<u>10,386,300</u>	<u>5,874,037</u>
EXPENSES			
Management fee	17	3,534,713	3,649,562
Investment expenses		120,472	54,058
Commissions and brokers' fees		2,018,658	1,884,122
		<u>5,673,843</u>	<u>5,587,742</u>
PROFIT BEFORE TAXES		4,712,457	286,295
Withholding taxes		(518,668)	(438,430)
		<u>NET PROFIT/(LOSS) AND TOTAL</u>	<u>COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR</u>
		<u>AVAILABLE TO UNIT HOLDERS</u>	<u>\$ 4,193,789</u>
			<u>\$ (152,135)</u>

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

Statement of Cash Flows

For the year ended December 31, 2015

Sagicor (Equity) Fund*Amounts expressed in Barbados Dollars*Sagicor
Life
Inc
Segregated
Pension
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- Barbados**Cash flows from operating activities:**

	2015	2014
Profit before taxes	\$ 4,712,457	\$ 286,295
Adjustments for:		
Interest income	(2,400,953)	(2,090,818)
Dividend income	(10,625,106)	(8,830,952)
Net losses on financial investments	4,930,212	5,553,891
Depreciation in fair value of investment property	1,900,000	1,850,000
Gain on disposal of investment property	(57,746)	-
Allowances for impairment losses	(3,840)	-
Share of operating gain of associated company	(110,506)	(32,724)
	(1,655,482)	(3,264,308)
Changes in operating assets and liabilities		
Accounts receivable	(827,295)	(1,630,178)
Restricted cash	(117,875)	57,261
Due to Sagicor Life Inc	216,675	(384,154)
Due to Sagicor Global Balanced Fund	(23,714)	23,035
Due to Sagicor (Bonds) Fund	8,744,033	4,328,263
Due to Sagicor (Eastern Caribbean) Fund	(5,608)	5,232
Accounts payable	178,283	402,074
Issue of mortgage loans	-	-
Repayment of mortgage loans	563,755	533,606
Purchase of debt securities	(19,197,263)	(19,312,787)
Redemption of debt securities	13,266,821	8,036,074
Proceeds from sale of equity securities	68,239,494	145,130,830
Purchase of equity securities	(70,956,827)	(152,004,776)
Purchase of investment property	(5,700,000)	-
Proceeds from sale of investment property	5,630,235	2,830,842
Investment in associate	-	(600,000)
Additions to equipment	(133,770)	66,080
Amounts deposited	(11,018,323)	(17,318,385)
Deposits redeemed	11,974,019	29,950,146
Cash used in operations	(822,842)	(3,151,145)
Interest received	2,132,163	1,898,313
Dividends received	9,031,789	8,830,952

Statement of Cash Flows (continued)

For the year ended December 31, 2015

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

	2015	2014
Taxes paid	(599,370)	(513,415)
Net cash generated from operating activities	9,741,740	7,064,705
Cash flows from financing activities		
Proceeds from issue of units	15,137,825	15,726,362
Redemptions of units	(28,322,969)	(31,150,283)
Net cash used in financing activities	(13,185,144)	(15,423,921)
Net (decrease) in cash and cash equivalents	(3,443,404)	(8,359,216)
Cash and cash equivalents - beginning of year	23,426,382	31,785,598
Cash and cash equivalents - end of year	\$ 19,982,978	\$23,426,382
Cash resources comprise:		
Cash resources	19,982,978	23,426,382
Restricted cash - managed properties	1,095,336	977,461
	\$ 21,078,314	\$ 24,403,843

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.

Notes to the Financial Statements

Year ended December 31, 2015

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) Amendments to IFRS

There are no new standards which are effective for the 2015 financial year that have a significant impact on the Fund's financial statements.

<p>Annual Improvements 2012 (July 1, 2014)</p>	<p>IFRS 13, 'Fair value' which amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amounts where the effect of discounting is immaterial.</p> <p>IAS 16,'Property, plant and equipment' is amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.</p> <p>IAS 24,'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.</p>
<p>Annual Improvements 2013 (July 1, 2014)</p>	<p>IFRS 13,'Fair value measurement' is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.</p>

Notes to the Financial Statements

Year ended December 31, 2015

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

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

IFRS (Effective Date)	Subject / Comments
IFRS 9 - Financial Instruments (January 1, 2018)	<p>The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.</p> <p>For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.</p> <p>IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.</p> <p>The Fund is yet to assess the impact of the standard.</p>
IFRS 11 - Joint Arrangements (January 1, 2016)	<p>This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.</p>

Notes to the Financial Statements

Year ended December 31, 2015

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

<p>IFRS 15 – Revenue from contracts with customers (January 1, 2017)</p>	<p>This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations.</p> <p>Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.</p> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ul style="list-style-type: none"> • Step 1: Identify the contract(s) with a customer • Step 2: Identify the performance obligations in the contract • Step 3: Determine the transaction price • Step.4: Allocate the transaction price to the performance obligations in the contract • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.</p>
<p>Annual Improvements to IFRSs 2012-2014 cycle (January 1, 2016)</p>	<p>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.</p>

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.

Notes to the Financial Statements

Year ended December 31, 2015

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

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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.

Exchange differences on the re-translation of the fair value of financial assets and liabilities 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:

	2015 closing rate	2015 average rate	2014 closing rate	2014 average rate
Eastern Caribbean dollar	1.35	1.35	1.35	1.35
Jamaica dollar	59.9879	58.5617	57.1616	55.2693
Trinidad & Tobago dollar	3.2098	3.1731	3.1793	3.1960
United States dollar	0.50	0.50	0.50	0.50

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and its fair value on the date of reclassification. Transfers to real estate developed for resale are recorded at the lower of carrying value or fair value less costs to sell.

Rental income is recognised on an accruals basis.

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 asset (continued)****(c) Fair value**

Fair value amounts represent estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists.

The estimated fair values of financial assets are based on quoted bid prices of securities as at December 31 where available. 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 and Investment Advisory fees

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.

Notes to the Financial Statements

Year ended December 31, 2015

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

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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 12.6.

3.3 Impairment of financial assets

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

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

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

Notes to the Financial Statements

Year ended December 31, 2015

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

4. INVESTMENT PROPERTY

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

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

	2015 \$	2014 \$
Balance, beginning of year	58,372,489	63,222,489
Additions	5,700,000	-
Fair value changes recorded in income	(1,900,000)	(1,850,000)
Disposals	(5,572,489)	(3,000,000)
Balance, end of year	56,600,000	58,372,489

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 (2014 - 50%)

Investment property includes \$23,100,000 (2014 - \$28,800,000) 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.

During the year a related party sold its 50% interest in Land at Plum tree, St. Thomas to Sagicor Equity Fund for \$5,700,000 which represented fair value as determined by a qualified, independent valuer.

Notes to the Financial Statements

Year ended December 31, 2015

Sagicor (Equity) Fund

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4. INVESTMENT PROPERTY (continued)

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

	2015	2014
	\$	\$
Real estate developed for resale	327,547	327,547
Accounts receivable	2,112,138	2,017,334
Property, plant and equipment	536,740	402,971
Cash resources	633,283	546,363
Deposits received on real estate developed for resale	5,600	5,600
Accounts payable	1,273,936	1,242,356
Net rental income	1,218,138	1,225,463
Depreciation in fair value of investment property	(1,113,209)	(500,000)

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

	Primo Holdings Limited 2014 \$	Haggatt Hall Holdings Limited 2014 \$	Total 2014 \$
Investment at the beginning of the year	708,842	2,284,035	2,992,877
Additions during the year	-	600,000	600,000
Share of income	(10,959)	43,683	32,724
Investment at the end of the year	697,883	2,927,718	3,625,601

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

- 37.5% (2014 - 37.5%) in Primo Holdings Limited, incorporated in Barbados
- 33.3% (2014 - 33.3%) in Haggatt Hall Holdings Limited, incorporated in Barbados

The amount of \$22,663 (2014 - \$22,663) due from associated company Primo Holdings Limited, is interest free, unsecured and has no fixed terms of repayment.

Notes to the Financial Statements

Year ended December 31, 2015

Sagicor (Equity) Fund

Amounts expressed in Barbados Dollars

5. INVESTMENT IN ASSOCIATED COMPANIES (continued)

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

	Primo Holdings Limited 2015 \$	Haggatt Hall Holdings Limited 2015 \$	Total 2015 \$	Total 2014 \$
Assets	2,100,000	31,910,707	34,010,707	33,079,507
Liabilities	(370,742)	(22,916,703)	(23,287,445)	(24,451,604)
Net (loss)/income for the year	(30,740)	366,100	335,360	101,825

Reconciliation to carrying amounts

	Primo Holdings Limited		Haggatt Hall Holdings Limited	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Opening net assets 1 January	1,759,998	1,789,222	8,627,903	6,696,854
Issue of Share Capital	-	-	-	1,800,000
Profit /(loss) for the period	(30,740)	(29,224)	366,100	131,049
Closing net assets	1,729,258	1,759,998	8,994,003	8,627,903
Group's share in %	37.5%	37.5%	33.3%	33.3%
Group Share in \$	648,472	659,999	2,998,001	2,875,968
Capitalisation of Acquisition costs	37,884	37,884	51,750	51,750
Carrying Amount	686,356	697,883	3,049,751	2,927,718

6. RELATED PARTY BALANCES

These balances are interest free, unsecured and have no fixed terms of repayment except for a balance of \$1,588,083 (2014 - \$2,082,706) due to Sagicor (Bonds) Fund which bears interest at a rate of 7.750% (2014 - 7.750%) per annum and is repayable over 3 years in monthly instalments of \$61,498.

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

7. INCOME TAX ASSETS

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

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

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

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

Percentage owned by the Fund

Description of property

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

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Sagicor (Equity) Fund*Amounts expressed in Barbados Dollars*Sagicor
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	2015	2014
	\$	\$
Rent receivable	2,593,028	2,444,575
Dividend receivable	3,674,412	2,081,096
Other receivables	1,844,221	1,165,378
Total accounts receivable	8,111,661	5,691,049
Less: Provision for impairment of receivables	(689,681)	(693,521)
	<u>7,421,980</u>	<u>4,997,528</u>

The movement in the provision for impairment is as follows:

	2015	2014
	\$	\$
Balance beginning of the year	(693,521)	(693,521)
Decrease in provision	3,840	-
Balance at end of year	<u>(689,681)</u>	<u>(693,521)</u>

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10. FINANCIAL INVESTMENTS

10.1 Analysis of financial investments

	2015 Fair Value \$	2014 Fair Value \$
Financial assets at fair value through profit or loss:		
Bonds		
International - Listed	21,456,803	14,044,555
Local - Unlisted	9,983,739	11,138,469
Regional - Unlisted	2,134,854	-
Treasury Bills - Local	-	2,023,435
Total Debt Securities	33,575,396	27,206,459
Common Shares - Local Listed	91,926,282	79,381,003
Common Shares - Regional Listed	59,339,952	65,085,750
Common Shares - International Listed	151,118,447	157,114,310
Common Shares - Unlisted	87,266	522,036
Preference Shares - Listed	3,534,652	4,194,132
Preference Shares - Unlisted	-	-
Alternative Investments - Listed	18,348,608	20,910,500
Alternative Investments - Unlisted	29,559,503	29,177,141
Mutual Funds - listed	4,278,668	4,231,032
Total Equity Securities	358,193,378	360,615,904
	Amortised Cost \$	Amortised Cost \$
Loans and receivables:		
Deposits	5,567,227	6,486,573
Mortgage loans	6,142,560	6,702,723
Total loans and receivables	11,709,787	13,189,296
Total financial investments	403,478,561	401,011,659

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10. FINANCIAL INVESTMENTS (continued)

10.1 Analysis of financial investments (continued)

The fair value of the fixed rate mortgage loans is \$5,650,844 (2014 - \$5,893,476) and the carrying value is \$5,636,828 (2014 - \$5,649,697). All other loans and receivables approximate their fair value.

See note 12.6 for the fair value of loans and receivables.

	2015	2014
	\$	\$
Debt securities comprise:		
Government debt securities		
International - listed	15,834,234	11,532,244
Local - unlisted	9,983,739	13,161,904
Regional - unlisted	2,134,854	-
Corporate debt securities - listed	5,622,569	2,512,311
	<u>33,575,396</u>	<u>27,206,459</u>

Debt securities include bond issued by Sagicor Finance Ltd, related party, of \$5,622,569. Equity securities include shares in Sagicor Financial Corporation, related party, of \$6,308,437 (2014 - \$6,660,245).

Debt securities designated at fair value through profit or loss and valued using internally developed models amounted to \$12,118,593 (2014 - \$13,161,604).

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

		2015		2014
	% of	\$	% of	\$
	Total		Total	
Massy Holdings Ltd	10.23%	36,653,835	11.63%	41,940,405
Goddard Enterprises Limited	9.64%	34,534,491	9.15%	32,978,883
First Caribbean International Bank (Barbados) Ltd	5.64%	20,217,329	5.61%	20,217,329
Banks Holdings Ltd	5.54%	19,850,406	2.66%	9,594,363
RBC Royal Bank of Canada	5.09%	18,053,143	6.49%	23,390,245
Cable & Wireless (Barbados) Limited	3.89%	13,949,619	3.72%	13,413,095

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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 be considered in determining its fair value.

Some tracts of land are currently used for farming operations or are 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:

2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Investment property	-	-	56,600,000	56,600,000

2014	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Investment property	-	-	58,372,489	58,372,489

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11. FAIR VALUE OF INVESTMENT PROPERTY (continued)

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

	Fair Value \$ 2015	Fair Value \$ 2014	Valuation Technique	Unobservable Inputs	Range of Inputs 2015	Range of Inputs 2014	Relationship of Unobservable Inputs to Fair value
Land	12,500,000	12,372,489	Sales Comparison	Price per square foot	\$1.75 to \$10.00	\$1.75 to \$45.00	The higher the price per square foot, the higher the value.
Commercial property	2,933,333	1,433,333	Sales Comparison	Price per square foot	\$28.28 to \$68.24	\$44.58 to \$68.24	The higher the price per square foot, the higher the value.
Commercial property	41,166,667	42,166,667	Discounted cash flows	Discount rate, capitalisation rate and margin	8.0% to 10.0%	8.0% to 10.0%	The lower the capitalisation rate or discount rate, the higher the fair value. The higher the margin, the higher the fair value.
Commercial property	-	2,400,000	Replacement Cost	Estimated costs of reconstruction	N/A	\$2,400,000	The higher the cost of reconstruction, the higher the fair value.
Total	56,600,000	58,372,489					

Commercial properties valued at \$2,933,333 (2014 - \$1,433,333) 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.

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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.

	2015		2014	
	\$	%	\$	%
Bonds	33,575,396	46	27,206,459	39
Deposits	5,567,227	8	6,486,573	9
Investment portfolio	39,142,623	54	33,693,032	48
Mortgage Loans	6,142,560	8	6,702,723	
Lending portfolio	6,142,560	8	6,702,723	10
Due from Associated Company	22,663	0	22,663	0
Accounts Receivable	8,421,980	12	4,997,528	7
Cash Resources	19,350,299	26	24,403,843	35
Other financial assets	27,794,942	38	29,424,034	42
Total balance sheet exposures	73,080,125	100	69,819,789	100

The Fund's largest exposures to individual counterparty credit risks exceeding 2.5% of total exposures, as at December 31, 2015 as rated by Standard and Poors or equivalent, with their comparative amounts are set out below.

	Risk rating	2015 \$	Risk rating	2014 \$
Debt securities:				
Government of Barbados - denominated in Barbados dollars	B	9,485,404	B	10,537,498
Government of Bermuda - denominated in United States dollars	A+	5,732,121	AA-	5,368,261
Government of Aruba - denominated in United States dollars	BBB+	2,528,116	BBB+	2,534,366
Government of Bahamas - denominated in United States dollars	BBB-	6,400,817	BBB	2,182,708
Republic of Trinidad & Tobago	A	1,173,181	A	1,167,181
Government of St. Lucia	B	2,134,854	B	-
Sagicor Finance Ltd Regs	B	5,622,569	-	-
Deposits and cash resources:				
First Citizens Investment Services (Barbados) Limited		3,062,820	-	-
Capita Financial Services Inc.		1,541,411	-	-

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

2015	Debt Securities \$	Mortgage loans \$
Neither past due nor impaired	33,575,396	5,935,415
Past due up to 3 months, but not impaired	-	-
Past due up to 12 months, but not impaired	-	207,145
Total	33,575,396	6,142,560

2014	Debt Securities \$	Mortgage loans \$
Neither past due nor impaired	27,206,459	6,318,404
Past due up to 3 months, but not impaired	-	137,972
Past due up to 12 months, but not impaired	-	76,659
Past due up to 5 years, but not impaired	-	169,688
Total past due but not impaired	-	384,319
Total	27,206,459	6,702,723

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

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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: -

	2015 \$	2014 \$
Commercial sector	5,467,213	5,727,516
Residential sector	675,347	975,207
Total	6,142,560	6,702,723

(b) Reposessed assets

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

No assets were reposessed during the year.

(c) Renegotiated assets

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

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

12.2 Liquidity risk

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

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

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

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

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Sagicor (Equity) Fund

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12. FINANCIAL RISK (continued)

12.2 Liquidity risk (continued)

(a) Financial liabilities

As of December 31, 2015	On demand \$	Within 1 year \$	1 to 5 years \$	After 5 years \$	Total \$
Deposits received on					
real estate developed for sale	5,600	-	-	-	5,600
Due to Sagicor Life Inc.	1,432,356	-	-	-	1,432,356
Due to Sagicor (Bonds) Fund	18,175,369	1,089,717	498,366	-	19,763,452
Due to Sagicor					
(Eastern Caribbean) Fund	8,609	-	-	-	8,609
Due to Sagicor					
Global Balanced Fund	15,526	-	-	-	15,526
Accounts payable	2,741,972	-	-	-	2,741,972
	22,379,432	1,089,717	498,366	-	23,967,515
As of December 31, 2014	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.	1,215,681	-	-	-	1,215,681
Due to Sagicor (Bonds) Fund	9,103,241	913,423	1,169,283	-	11,185,947
Due to Sagicor					
(Eastern Caribbean) Fund	14,217	-	-	-	14,217
Due to Sagicor					
Global Balanced Fund	39,240	-	-	-	39,240
Accounts payable	2,563,690	-	-	-	2,563,690
	12,941,669	913,423	1,169,283	-	15,024,375

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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, 2015 within 1 year	Maturing within 1 to 5 years \$	Maturing after 5 years \$	Maturing \$	Total \$
Due from associated company	22,663	-	-	22,663
Accounts receivable	7,421,980	-	-	7,421,980
Debt securities	2,057,101	7,898,223	23,620,072	33,575,396
Deposits	5,292,133	275,094	-	5,567,227
Mortgage loans	-	-	6,142,560	6,142,560
Cash resources	21,078,314	-	-	21,078,314
Total	35,872,191	8,173,317	29,762,632	73,808,140

As of December 31, 2014 within 1 year	Maturing within 1 to 5 years \$	Maturing after 5 years \$	Maturing \$	Total \$
Due from associated company	22,663	-	-	22,663
Accounts receivable	4,997,528	-	-	4,997,528
Debt securities	3,075,070	7,613,656	16,517,733	27,206,459
Deposits	6,085,818	400,755	-	6,486,573
Mortgage loans	26,365	142,091	6,534,267	6,702,723
Cash resources	24,403,843	-	-	24,403,843
Total	38,611,287	8,156,502	23,052,000	69,819,789

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 2015, no individual unit holder held more than 10% of the fund's units. The fund manages its liquidity risk by investing in security that it expects to be able to liquidate within a short period.

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

As at December 31, 2015	Less than 7 Days	Monthly	Quarterly	1 - 5 Years	More than 5 years
Funds and Alternative Investments	27,402,883	9,109,527	6,611,954	6,372,142	2,690,273
As at December 31, 2014	Less than 7 Days	Monthly	Quarterly	1 - 5 Years	More than 5 years
Funds and Alternative Investments	31,844,085	8,593,729	9,763,711	2,827,884	1,289,264

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12. FINANCIAL RISK (continued)

12.3 Market risk

Interest rate risk

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

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

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

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

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

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

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12. FINANCIAL RISK (continued)

12.3 Market risk (continued)

As of December 31, 2014 within 1 year	Exposure 1 to 5 years \$	Exposure of after 5 years \$	Exposure to interest \$	Not exposed \$	Total \$
Deposits received on real estate developed for resale	5,600	-	-	-	5,600
Due to Sagicor (Bonds) Fund	913,423	1,169,283	-	8,781,376	10,864,082
Due to Sagicor Life Inc	-	-	-	1,215,681	1,215,681
Due to Sagicor (Eastern Caribbean) Fund	-	-	-	14,217	14,217
Due to Sagicor Global Balanced Fund	-	-	-	39,240	39,240
Accounts payable	-	-	-	2,563,690	2,563,690
Total	919,023	1,169,283	-	12,614,204	14,702,510

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

As of December 31, 2014 within 1 year	Exposure 1 to 5 years \$	Exposure of after 5 years \$	Exposure to interest \$	Not exposed \$	Total \$
Due from associated company	-	-	-	22,663	22,663
Accounts receivable	-	-	-	7,421,980	7,421,980
Debt securities	2,037,046	7,797,384	23,201,006	539,960	33,575,396
Equity securities	-	-	-	358,193,378	358,193,378
Deposits	5,243,229	275,094	-	48,904	5,567,227
Mortgage loans	-	-	6,063,055	79,505	6,142,560
Cash resources	16,444,971	-	-	4,633,343	21,078,314
Total	23,725,246	8,072,478	29,264,061	370,939,733	432,001,518

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12. FINANCIAL RISK (continued)

12.3 Market risk (continued)

As of December 31, 2014 within 1 year	Exposure 1 to 5 years \$	Exposure of after 5 years \$	Exposure to interest \$	Not exposed \$	Total \$
Due from associated company	-	-	-	22,663	22,663
Accounts receivable	-	-	-	4,997,528	4,997,528
Debt securities	3,055,221	7,557,336	16,282,793	311,109	27,206,459
Equity securities	-	-	-	360,615,904	360,615,904
Deposits	6,073,263	400,755	-	12,555	6,486,573
Mortgage loans	25,921	65,310	6,535,578	75,914	6,702,723
Cash resources	21,464,769	-	-	2,939,074	24,403,843
Total	30,619,174	8,023,401	22,818,371	368,974,747	430,435,693

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

	2015	2014
Debt securities	6.14%	5.15%
Deposits	1.99%	3.97%
Mortgage loans	7.65%	7.56%

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, 2015		\$
Total interest bearing financial assets carried at fair value		33,035,436
The fair value impact of a decrease in interest rates of:	1%	1,133,902
The fair value impact of an increase in interest rates of:	1%	(1,371,897)

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12. FINANCIAL RISK (continued)

12.4 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.

Assets and liabilities by currency are summarised in the following table.

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

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

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Sagicor (Equity) Fund

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12. FINANCIAL RISK (continued)

12.4 Foreign exchange risk (continued)

As of December 31, 2014	Balances denominated in					Total \$
	Barbados \$	Jamaica \$	Trinidad \$	US \$	EC \$	
ASSETS						
Due from associate	22,663	-	-	-	-	22,663
Accounts receivable	4,568,411	-	394,372	5,115	29,630	4,997,528
Debt securities	11,138,469	-	-	16,067,990	-	27,206,459
Equity securities	111,991,911	1,417,782	32,641,618	211,602,820	2,961,773	360,615,904
Deposits	775,141	-	-	5,711,432	-	6,486,573
Mortgage loans	6,702,723	-	-	-	-	6,702,723
Cash resources	1,700,685	165,888	-	22,537,270	-	24,403,843
Total	136,900,003	1,583,670	33,035,990	255,924,627	2,991,403	430,435,693

As of December 31, 2014	Balances denominated in					Total \$
	Barbados \$	Jamaica \$	Trinidad \$	US \$	EC \$	
LIABILITIES						
Deposits received on real estate developed for resale	5,600	-	-	-	-	5,600
Due to Sagicor (Bonds) Fund	10,864,082	-	-	-	-	10,864,082
Due to Sagicor Life Inc.	1,215,681	-	-	-	-	1,215,681
Due to Sagicor (Eastern Caribbean) Fund	-	-	-	14,217	-	14,217
Due to Sagicor Global Balanced Fund	-	-	-	39,240	-	39,240
Accounts payable	2,242,080	-	-	321,610	-	2,563,690
Total liabilities	14,327,443	-	-	375,067	-	14,702,510
Net position	122,572,560	1,583,670	33,035,990	255,549,560	2,991,403	415,733,183

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12. FINANCIAL RISK (continued)

12.4 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 currency whose value has noticeably fluctuated against the Barbados dollar (BDS) is the Jamaica dollar (JMD). The theoretical impact of the JMD on reported results is considered below.

The effect of a 10% depreciation in the JMD relative to the BDS arising from JMD financial investments as of December 31, 2015 and for the year then ended is considered below.

	Balances denominated in JMD	Effect of a 10% depreciation on income as of Dec 31, 2015
	\$	\$
Assets	\$1,627,251	\$(162,725)

A 10% appreciation in the JMD relative to the BDS would have an equal effect to that disclosed above.

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12. FINANCIAL RISK (continued)

12.5 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, 2015
	\$	\$
Fair value through profit or loss equity securities:		
Common and preference shares - Listed	305,919,333	(61,183,867)
Common and preference shares - Unlisted	87,266	(17,453)
Alternative Investments - Listed	18,348,608	(3,669,722)
Alternative Investments - Unlisted	29,559,503	(5,911,900)
Mutual Funds - Listed	4,278,668	(855,734)
	<u>358,193,378</u>	<u>(71,638,676)</u>

12. FINANCIAL RISK (continued)**12.6 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.

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Sagicor (Equity) Fund

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12. FINANCIAL RISK (continued)

12.6 Fair value of financial instruments (continued)

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

A financial instrument is classified as Level 3 if:

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

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

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

2015	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:	\$	\$	\$	\$
Debt securities	7,519,624	13,937,179	12,118,593	33,575,396
Common Shares	299,899,960	2,484,721	87,266	302,471,947
Preferred Shares	-	3,534,652	-	3,534,652
Alternative Investments	17,562,301	21,283,395	9,062,415	47,908,111
Mutual Funds	-	4,278,668	-	4,278,668
Total assets	324,981,885	45,518,615	21,268,274	391,768,774
Total assets by percentage	83%	12%	5%	100%
2014	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss:	\$	\$	\$	\$
Debt securities	6,094,805	7,949,750	13,161,904	27,206,459
Common Shares	299,434,316	2,146,747	522,036	302,103,099
Preferred Shares	204,481	3,989,651	-	4,194,132
Alternative Investments	18,485,720	27,484,773	4,117,148	50,087,641
Mutual Funds	-	4,231,032	-	4,231,032
Total assets	324,219,322	45,801,953	17,801,088	387,822,363
Total assets by percentage	84%	12%	4%	100%

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12. FINANCIAL RISK (continued)

12.6 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
	2015 \$	2014 \$			2015	2014	
Debt Securities	12,118,593	13,161,904	Discounted Cash Flows	Risk Adjusted Market Yields	3.7% - 8% (5.4%)	3.5% -8.1% (5.6%)	The effect of a 1% increase in interest rates would decrease the fair value by \$379,807 and a 1% decrease in interest rates would increase the fair values by \$408,327.
Common Shares	87,266	522,036	Book Value per share. Third party Valuation	Net Assets divided by number of shares issued.	\$0.01 -\$1.48 (\$0.74)	\$0.01 -\$106.68 (\$53.34)	The higher the Net Assets, the higher the book value. Reliance is placed on third party information, which is not readily available for disclosure.
Alternative Investments	9,062,415	4,117,148	Third Party Valuation	Share of Partners' Equity	-	-	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.

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12. FINANCIAL RISK (continued)

12.6 Fair value of financial instruments (continued)

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

	2015 \$	2014 \$
Balance, beginning of year	17,801,088	22,120,985
Fair value changes recorded in income	212,126	(1,606,759)
Additions	7,676,851	5,635,899
Disposals	(4,447,477)	(8,349,037)
Effect of accrued income changes	25,686	-
Balance, end of year	21,268,274	17,801,088

Unrealised gains or (losses) on level 3 assets held at the end of the period are included in net gains on financial investments and amount to \$130,296 (2014 - \$(2,037,112)).

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.

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

2014	Level 1	Level 2	Level 3	Total
Loans and receivables:	\$	\$	\$	\$
Mortgage loans	-	-	5,346,489	5,346,489

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.

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13. ACCOUNTS PAYABLE

	2015 \$	2014 \$
Funds on deposit	1,010,715	637,729
Investment property expenses payable	1,549,499	1,413,980
Other	181,758	511,981
Total accounts payable	2,741,972	2,563,690

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.

	2015 \$	2014 \$
Debt securities	1,809,012	1,084,515
Deposits	118,818	498,944
Mortgage loans	473,123	507,359
Other loans	-	-
Total interest income	2,400,953	2,090,818

15. NET RENTAL INCOME

	2015 \$	2014 \$
Rental income from investment property	4,300,419	4,433,370
Direct operating expenses of investment property	(2,101,779)	(2,109,936)
	2,198,640	2,323,434

16. NET INVESTMENT (LOSSES)/GAINS

	2015 \$	2014 \$
Net (losses) gains on financial investments	(3,052,745)	(5,553,891)
(Depreciation) in fair value of investment property	(1,900,000)	(1,850,000)
Allowances for impairment losses	3,840	-
Net investment (losses)	(4,948,905)	(7,403,891)

Notes to the Financial Statements

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Sagicor (Equity) Fund

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17. RELATED PARTY TRANSACTIONS

(a) Material related party transactions

	2015 \$	2014 \$
Management fee - Sagicor Life Inc	3,532,200	3,649,562
Interest expense - United Nations House	116,876	163,049

(b) Units held by related parties

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

Sagicor Life Inc.	2015 \$	2014 \$
Value of units held at January 1	37,545,946	41,256,321
Net value of transactions for the year	3,526,449	(3,710,375)
Value of units at December 31	41,072,395	37,545,946
Sagicor General Inc.	2015 \$	2014 \$
Value of units held at January 1	25,001	1,965
Net value of transactions for the year	12,909	23,036
Value of units at December 31	37,910	25,001

18. COMMITMENTS

At December 31, 2015, the Fund's total committed capital to private equity strategies was \$8,000,000. At that date, \$2,254,662 of this commitment remained undrawn.

