

## Economic Overview

Financial markets waited anxiously for the US Federal Reserve's rate decision in September. There were good reasons to anticipate an increase in interest rates for the first time in over eight years. These included a stronger labour market as evidenced by the lowest unemployment in six years and higher than forecasted payrolls. In addition, second quarter U.S. GDP growth was revised upwards to 3.7% and consumer and business spending were also up. However, the Fed did not increase its benchmark interest rate, citing a weak global economy, namely the modest weakening of China's economy. In an attempt to improve their economy and increase exports, the Chinese Central Bank allowed an unexpected and relatively sizable devaluation in their currency (the Chinese Yuan) in August. This caused negative ripple effects in global financial markets and generally led to a widespread decline in the prices of global bonds and global equities.

The Euro area economy showed very modest signs of improvement as they benefited from lower oil prices and a weaker euro. The European Central Bank remains committed to its program of quantitative easing, aimed at stimulating the economy.

Commodity prices remain soft and this has negatively affected companies and countries which are large producers of oil, copper and coal. Large emerging market economies such as Brazil and Venezuela have been particularly negatively affected in addition to the shale oil producers in the U.S.

These factors have fuelled a significant increase in volatility in both equity and fixed income markets. This means that prices have gone up and down on many occasions. Equity markets (S&P 500) were down 6.74% in Q3 (and down 6.12% YTD) and bond markets (Barclays high yield bond index) was down 7.21% in Q3 (and down 7.64% YTD). The prices of financial assets are likely to remain volatile as uncertainty around the direction of the global economy grows. However, SIL's portfolio of fixed income securities provides a stable source of income to shareholders.

<b>Growth in revenue</b>	25.0%
<b>Growth in net interest income</b>	32.5%
<b>Growth in equity</b>	25.0%
<b>Efficiency ratio as at September 2015</b>	34.9%
<b>Weighted average number of shares</b>	48,010,876
<b>Earnings per share</b>	J\$1.04

## Financial Overview

Net interest income, SIL's principal source of income, totalled J\$44.7 million as at September 2015; approximately 32.5% higher than net interest income for the corresponding period in 2014 of J\$33.7 million. The net interest margin has held firm at 92.7%. This reflects the company's prudent management of its United States Dollar investments.

Similar to the last quarter, gains on sale of investments increased by almost four times from J\$2.8 million in September 2014 to J\$10.3 million in September 2015 as the company realized some of the trading gains in its portfolio. The company has managed its portfolio strategically and taken gains when it was most advantageous.

There was a small reduction in unrealised foreign exchange gains stemming from a lower rate of devaluation in the first nine months of 2015 compared to the same period in 2014. This figure decreased by 7.9% from J\$27.9 million as at September 2014 to J\$25.7 million as at September 2015.

Gross revenue was J\$84.2 million for the first nine months of 2015. This is an increase of 25.4% over the corresponding nine month period in 2014. This highlights the consistency and stability of the company's main revenue stream even in times of volatility. It is important to note that this was achieved amidst one of the most challenging years on record for bond trading. Net profit for the first nine months of 2015 was J\$49.9 million compared to J\$48.3 million for the first nine months of 2014. The company still maintains one of the highest net profit margins on the JSE. As at September 2015 SIL's net profit margin was 56.9%.

Operating expenses for the nine months ending September 2015 were J\$29.4 million or roughly 99% higher than the J\$14.8million operating expenses for the corresponding period in 2014. This was as a result of listing fees that accompanied the rights issue conducted in the second quarter of 2015 and the significant fall in value of one of the bonds in the portfolio. These are both one-off costs. The sum of net interest income and gain on sale of investments - increased by 50.6% between September 2014 and September 2015.

Total equity increased by 25.3% from J\$543.5 million in September 2014 to J\$681.1 million in September 2015, notwithstanding the negative impact of the widespread decline in the prices of bonds and equities. This was fuelled by a 44.6% increase in share capital which resulted from a rights issue conducted by the company in April 2015. Retained earnings increased by 52.7% highlighting the company's commitment to growth and value creation for stockholders.

Total assets increased by 26.2% from J\$726.4 million as at September 2014 to J\$916.5 million as at September 2015. This was the result of a proportionate increase in the size of the portfolio of investment securities which also experienced a 25.4% increase over the same period. This was funded primarily by the additional share capital raised in a previous quarter as well as an increase in margin loans. As at September 2015, margin loans totalled J\$218.2 million, or 24.6% of the total portfolio of investment securities.



# Sterling Investment Ltd.

**Unaudited Balance Sheet**  
As at September 30, 2015

	Unaudited 9 months ended <b>Sep-15</b>	Unaudited 9 months ended <b>Sep-14</b>	Audited 12 months ended <b>Dec-14</b>
<b>ASSETS</b>			
Cash Resources			
Cash & Cash Equivalents	385,953	384,552	1,343,020
Accounts Receivable	28,845,465	18,560,247	18,963,875
Investment Securities	887,275,628	707,547,831	766,737,135
<b>TOTAL CURRENT ASSETS</b>	<b>916,507,047</b>	<b>726,492,630</b>	<b>787,044,030</b>
 <b>TOTAL ASSETS</b>	 <b>916,507,047</b>	 <b>726,492,630</b>	 <b>787,044,030</b>
<b>LIABILITIES</b>			
Margin Loan Payables	218,233,634	168,017,949	223,886,387
Other Payables	17,095,184	14,520,522	12,508,133
Due to Related Company	0	220,159	10,650,889
Preference Shares	10,000	10,000	10,000
Income Tax Payable	73,267	180,421	495,510
 <b>TOTAL LIABILITIES</b>	 <b>235,412,085</b>	 <b>182,949,050</b>	 <b>247,550,919</b>
<b>SHAREHOLDERS' NET EQUITY</b>			
Share Capital	632,358,961	437,296,904	437,296,904
Fair Value Reserve	(74,897,426)	25,301,679	10,976,493
Retained Earnings	123,633,426	80,944,996	91,219,714
<b>TOTAL EQUITY</b>	<b>681,094,961</b>	<b>543,543,579</b>	<b>539,493,111</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>916,507,047</b>	<b>726,492,630</b>	<b>787,044,030</b>

# Sterling Investments Limited

## Unaudited Income Statement For Period ended September 30, 2015

	Unaudited 9 months ended Sep-15	Unaudited 9 months ended Sep-14	Unaudited 3 months ended Sep-15	Unaudited 3 months ended Sep-14	Audited 12 months ended Dec-14
<b>Revenue:</b>					
Interest Income	48,221,909	36,467,989	17,686,209	12,919,601	55,016,387
Foreign Exchange Gains	25,723,820	27,930,610	13,461,042	2,939,914	36,708,090
Gain on disposal of available- for-sale securities	10,288,166	2,787,025	0	0	4,979,908
	84,233,895	67,185,624	31,147,252	15,859,515	96,704,385
<b>Expenses:</b>					
Interest	(3,508,940)	(2,722,750)	(1,203,336)	(954,413)	(3,953,304)
Other operating	(29,426,816)	(14,816,794)	(13,954,301)	(4,621,234)	(24,541,621)
	(32,935,755)	(17,539,544)	(15,157,637)	(5,575,647)	(28,494,925)
Operating Profit	<b>51,298,139</b>	<b>49,646,080</b>	<b>15,989,615</b>	<b>10,283,867</b>	<b>68,209,460</b>
Other Income	3,482,545	3,373,105	1,188,527	1,135,210	7,493
Preference Dividend Expense	(4,541,783)	(4,663,203)	93,799	(1,554,401)	(9,271,165)
Profit before Income Tax	50,238,902	48,355,982	17,271,941	9,864,676	58,945,788
Income Tax Expense	(304,040)	0	(34,476)	0	(315,089)
Profit for Period	49,934,861	48,355,982	17,237,465	9,864,676	58,630,699
<b>Other Comprehensive Income:</b>					
Items that may be reclassified to profit & loss:					
Change in fair value of available-for sale securities	(85,873,919)	14,482,730	(38,399,980)	(14,586,643)	157,544
	<b>(35,939,057)</b>	<b>62,838,712</b>	<b>(21,162,515)</b>	<b>(4,721,967)</b>	<b>58,788,243</b>
Weighted Average Number of Shares	<b>48,010,876</b>	<b>40,145,470</b>	<b>48,010,876</b>	<b>40,145,470</b>	<b>40,145,470</b>
Earnings Per Share	1.04	1.20	0.36	0.25	1.46



**Unaudited Statement of Cash Flows**  
**For period ended September 30, 2015**

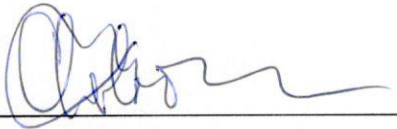
	Period ended September 2015	Period ended September 2014	Audited Dec 2014
<b>Cash flows from operating activities</b>			
Profit for the period	49,934,861	48,355,982	58,630,699
Adjustments for :			
Interest Income	(48,221,909)	(39,834,518)	(55,016,387)
Interest Expense	3,508,940	2,722,750	3,953,304
Income Tax Expense	304,040	0	315,089
Managers Preference Share Interest	4,541,783	4,145,069	9,271,165
	10,067,715	15,389,284	17,153,870
<b>Changes in operating assets:</b>			
Accounts Receivable	(238,679)	(33,923)	(2,008)
Margins Payable	(5,652,753)	136,465,999	192,334,437
Other Payables	45,268	(1,412,221)	(8,550,705)
Due to Related Company	(10,650,889.00)	(7,579,811.17)	2,850,919
	(6,429,338)	142,829,327	203,786,513
Interest Received	38,578,999	31,019,358	45,765,685
Income Taxes Paid	(726,283)	0	0
Interest Paid	(3,508,940)	-2,722,750	(3,953,304)
Net cash provided by operating activities	27,914,438	171,125,935	245,598,894
<b>Cash flows from investing activity</b>			
Investment securities, being net cash used by investing activity	(206,412,412)	(214,533,401)	(288,047,892)
<b>Cash flows from financing activities</b>			
Issue of ordinary shares	195,062,057	49,827,213	49,827,213
Dividend payment	(17,521,150)	(9,500,843)	(9,500,843)
Net cash provided by financing activities	177,540,907	40,326,370	40,326,370
<b>Increase/(decrease) in cash and cash equivalents during the period</b>	(957,067)	(3,081,096)	(2,122,628)
<b>Cash and cash equivalent at the beginning of period</b>	1,343,020	3,465,648	3,465,648.00
<b>Cash and cash equivalent at the end of period</b>	385,954	384,552	1,343,020

Sterling Investments Limited Statement of Changes in Equity For Period Ended September 30, 2015				
	Share capital	Fair value	Retained earnings	Total
Balance at December 31, 2014	437,296,904	10,976,493	91,219,714	539,493,111
Comprehensive income:				
Profit for period	-	-	49,934,861	49,934,861
Other comprehensive income:				
Unrealised gains in fair value of available-for-sale securities	-	(85,873,919)	-	(85,873,919)
Total comprehensive income	437,296,904	(74,897,426)	141,154,575	503,554,054
Transactions with owners:				
Share issued during the period	195,062,056	-	-	195,062,056
Dividends	-	-	(17,521,150)	(17,521,150)
	195,062,056	-	(17,521,150)	177,540,907
Balance at September 30, 2015	632,358,960	(74,897,426)	123,633,425	681,094,960
Sterling Investments Limited Statement of Changes in Equity For Period Ended September 30, 2014				
	Share capital	Fair value	Retained earnings	Total
Balance at December 31, 2013	387,469,691	10,818,949	42,089,858	440,378,498
Comprehensive income:				
Profit for period	-	-	48,355,982	48,355,982
Other comprehensive income:				
Unrealised gains in fair value of available-for-sale securities	-	14,482,730	-	14,482,730
Total comprehensive income	387,469,691	25,301,679	90,445,840	503,217,210
Transactions with owners:				
Share issued during the period	49,827,213	-	-	49,827,213
Dividends	-	-	(9,500,843)	(9,500,843)
	49,827,213	-	(9,500,843)	40,326,370
Balance at September 30, 2014	437,296,904	25,301,679	80,944,997	543,543,580

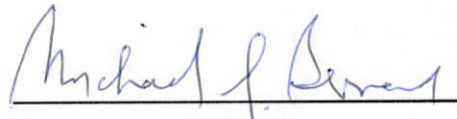


## Notes

1. Identification: Sterling Investments Limited ("the Company") was incorporated on August 21, 2012 in St. Lucia under the International Business Companies Act, and commenced operations on December 1, 2012. The Company's registered office is located at 20 Micoud Street, Castries, St. Lucia. The principal activities of the Company are holding and trading of tradable and other securities and other investments.
2. In April 2015 the Company issued 15,730,811 new ordinary shares in a rights issue.
3. Statement of compliance and basis of preparation
  - a. **Statement of compliance:** The unaudited financial statements as at September 30, 2015 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The accounting policies and method of computation are consistent with the audited financial statements for year ended December 31, 2014.
  - b. **Basis of measurement:** The financial statements are prepared on the historical cost basis, except for the inclusion at fair value of available-for-sale securities and financial assets at fair value through profit or loss.
  - c. **Functional and presentation currency:** The financial statements are presented in Jamaican dollars (J\$), which is the functional currency of the Company.



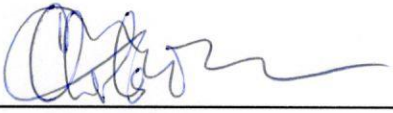
Director



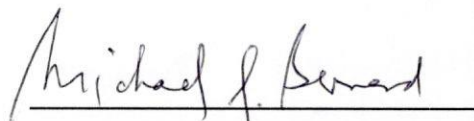
Director

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  - c. **Functional and presentation currency:** The financial statements are presented in Jamaican dollars (J\$), which is the functional currency of the Company.



Director



Director



**Top Ten Shareholders as at September 30, 2015**

<b>Name</b>	<b>Number of shares</b>	<b>Percentage</b>
ATL Group Pension Trustees Nominee limited	10,000,000	17.9
GraceKennedy Limited Pension Scheme	5,227,270	9.36
Stephen Gager	3,455,170	6.19
PAM – Cable and Wireless Pension Real Estate Fund	3,000,000	5.37
V.M.B.S A/C Contributory Pension Scheme	2,668,905	4.78
National Insurance Fund	2,016,129	3.61
Satyanarayana Parvataneni	1,937,630	3.46
Charles A. Ross	1,892,790	3.39
Winnifred Mullings	1,842,760	3.30
Everton McDonald	1,349,790	2.86

**Shareholdings of Directors as at September 30, 2015**

	<b>Number of shares</b>	<b>% of total</b>
Derek Jones	0	0%
Maxim Rochester	0	0%
Michael Bernard	0	0%
Charles Ross	1,892,790	3.39