Economic Overview

During the last quarter of 2015, markets focused heavily on the Federal Reserve's (FED) decision to raise its benchmark interest rate. In December, there was a 72% probability of the FED increasing rates, and they did exactly as predicted. The FED increased rates by a quarter of a percentage point to a range of 0.25% - 0.50%. This was against the backdrop of excellent US job numbers and 3rd quarter GDP growth of 2.1%, revised upwards from 1.5%. China's economy appeared to stabilize in December after spooking markets in August, thus giving the FED the all-clear. This was the first increase since 2006 and stood in contrast to the majority of Central Banks around the world, which were still lowering rates. However, buoyed by the relative stability in global markets and the positive data coming from the U.S economy, the FED has stated their data dependent intention to raise rates four times in 2016. However, we believe that this may not materialize given the current challenges in the global economy.

The Eurozone's economy benefited from strong private consumption, which contributed approximately two-thirds of GDP growth. This was mainly due to low oil prices, a weak euro and very accommodative monetary policy. The New Year will bring continued challenges with regard to persistently low inflation, high unemployment and the effect of lower global economic growth. For the upcoming year, the European Central Bank has committed to stay the course of expansionary monetary policy for as long as necessary.

Oil continued on its downward trajectory. It began the year at $60.98 (WTI) and ended the year at $38.17, a 37.4% decline. This had far reaching implications for stock and bond prices. The impact was particularly severe for many of the oil producing countries; including Russia, the Middle East, Venezuela, Brazil and Trinidad in addition to the US Shale producers. The decrease in oil prices has had a broadly negative impact on both bonds and equities.

The uncertainty regarding the extent of the increases in U.S. interest rates, coupled with the slowdown in China's growth and the downturn in oil prices fuelled volatility in 2015 and into early 2016. The US Equity (S&P) market was essentially flat, losing just 0.73% in 2015 while bond indices (Barclays high yield bond ETF US index e.g.,) were down 12 % in 2015. So far in 2016 (mid-February) – the S&P 500 has declined by 8.8% and the Barclays high yield bond index has declined by 4.6% YTD. Bond and equity markets are expected to continue to be volatile in 2016 as international markets continue to be plagued by a relative lack of liquidity. Notwithstanding, SIL's portfolio is well balanced and continues to provide a stable source of revenue to shareholders.

Growth in revenue	23%
Growth in net income	32%
Growth in equity	28%
Efficiency ratio as at December 2015	18%
Weighted average number of shares	46,640,630
Earnings per share	J$1.53

Financial Overview

Net interest income, SIL's principal source of income, totalled J$72.8 million as at December 2015; 32.3% higher than net interest income for the corresponding period in 2014 of J$55.0 million. The net interest margin is relatively unchanged at 92.5%. This is due to the company's judicious management which has profited from its United States Dollar exposure.

Gains on sale of investments more than doubled from J$4.9 million in December 2014 to J$12.4 million in December 2015 as the company realized some of the trading gains in its portfolio. The company has managed its portfolio with continuous monitoring with a view to profit taking when conditions are favourable.

There was a minor decrease in foreign exchange gains stemming from a lower rate of devaluation in 2015 compared to the same period in 2014. The devaluation in 2015 was 5.0% compared to 7.8% in 2014. This figure decreased by 7.2% from J$36.7 million as at December 2014 to J$34.1 million as at December 2015.

Gross revenue was J$119.3 million for the fiscal year 2015 compared to J$96.7m in the prior fiscal year. This is an increase of 23.3% over the corresponding period in 2014. This is a very strong showing amidst a year remembered for its severe volatility. Bond trading was particularly challenging in 2015 and careful navigation was used to increase the revenue of the portfolio. Net profit for the fiscal year 2015 was J$71.2 million compared to J$58.6 million for the prior fiscal year.

Operating expenses for the fiscal year ending December 2015 were J$21.7 million or approximately 11.5% lower than the J$24.5million of operating expenses for the corresponding period in 2014. This was as a result of tight fiscal management. However the results were impacted by an impairment charge of J$9.6 million as a result of a restructuring of the debt of a Brazilian corporate bond. This is a one-off charge and will not recur in subsequent years.

Total equity increased by 28.6% from J$539.5 million in December 2014 to J$693.9 million in December 2015, notwithstanding the negative impact of the widespread decline in the prices of bonds and equities. This increase was due to the issuance of new shares in the fiscal year. Retained earnings increased by 58.8% highlighting the company's continued pledge for growth and value creation for stockholders.

Total assets increased by 18.9% from J$787.0 million as at December 2014 to J$935.8 million as at December 2015. This was largely attributed to the increase in investment securities which experienced an 18.4% increase over the same period. This was funded primarily by the additional share capital raised earlier in the year. As at December 2015, margin loans totalled J$214 million, or 23.6% of the total portfolio of investment securities compared to 29.2% the previous year. The company's use of margin has boosted the income of the portfolio.

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 audited financial statements as at December 31, 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**

Top Ten Shareholders as at December 31, 2015

Name	Number of shares	Percentage
ATL Group Pension Trustees Nominee limited	10,000,000	17.9
Grace Kennedy 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	3.3
Everton McDonald	1,599,790	2.86

Shareholdings of Directors as at December 31, 2015

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