

A copy of this letter and of the Letter of Provisional Allotment referred to herein have been delivered to the Companies Office of Jamaica for registration and were registered on March 9, 2015. A copy of this letter and of the Letter of Provisional Allotment referred to herein have been delivered to the Financial Services Commission for registration and were registered on March 9, 2015. **The Financial Services Commission (“FSC”) has neither approved the offered securities nor has the FSC expressed any opinion on the accuracy or adequacy of this Rights Issue Circular. Any representation to the contrary is a criminal offence.**

**CIRCULAR LETTER RELATING TO A RENOUNCEABLE RIGHTS ISSUE
OF
ORDINARY SHARES
BY**

STERLING INVESTMENTS LIMITED

Arranger: NCB Capital Markets Limited
“The Atrium” 32 Trafalgar Road, Kingston 10

**Registrar: Jamaica Central Securities
Depository**
40 Harbour Street, Kingston

STERLING INVESTMENTS LIMITED

Summary of Terms:

Issuer:	Sterling Investments Limited (“SIL” or the “Company”)
Securities:	At least 40,145,470 Ordinary Shares (to be converted after issue to stock units) (herein in this Circular Letter described as the “New Ordinary Shares”)
Price:	J\$12.40
Share Allotment:	1:1 (i.e. One New Ordinary Share for each Existing Ordinary Stock Unit currently held). The Company has reserved the right to upsize the offer by offering additional New Ordinary Shares to each Existing Ordinary Stockholder
Principal Amount:	At least Four Hundred and Fifty Million Dollars (J\$450,000,000)
Dividend Payments:	Semi-annually
Record Date:	March 6, 2015
Offer Opens:	March 18, 2015
Last Date for Renunciation:	April 8, 2015
Offer Closes:	For acceptance by Existing Ordinary Stockholders and/or their renounees, April 1, 2015. For applications for “Excess Shares”, April 8, 2015
Provisional Allotment Expires:	April 8, 2015
Governing Law:	Saint Lucia
Intention to List on Jamaica Stock Exchange:	SIL intends, immediately following the closing of the offer, to make application to the Jamaica Stock Exchange for the listing of the stock units arising from the New Ordinary Shares issued pursuant to the Letter of Provisional Allotment

STERLING INVESTMENTS LIMITED

Circular Letter relating to a Renounceable Rights Issue of at least 40,145,470 Ordinary Shares

Date: February 27, 2015

To the Existing Ordinary Stockholders (as herein described)

Dear Sir or Madam,

Re: Renounceable Rights Issue of at least 40,145,470 Ordinary Shares

As you know, Sterling Investments Limited ("SIL" or the "Company") is an international business company incorporated in St. Lucia pursuant to the International Business Companies Act. It carries on business as an investment holding company that exists to maximize risk adjusted returns for its shareholders through the profitable management of its capital.

Interpretation

1. In this Circular Letter:-
 - (1) **"the Company or SIL"** means Sterling Investments Limited;
 - (2) **"the Existing Ordinary Stockholders"** means the holders of the Existing Ordinary Stock Units;
 - (3) **"the Existing Ordinary Stock Units"** means the 4,014,547 Ordinary Stock Units in the capital of the Company issued in December 2012, May 2013 and December 2013 and listed on the Jamaica Stock Exchange in October 2014 and held by the Existing Ordinary Stockholders;
 - (4) **"New Ordinary Shares"** means at least 40,145,470 Ordinary Shares in the capital of the Company to be offered (by way of provisional allotment under a Rights Issue) to Existing Ordinary Stockholders, the subject of this Circular Letter;
 - (5) **"Record Date"** means March 6, 2015

Introduction

2. Pursuant to authority given at an Extraordinary General Meeting of the Company, held February 21, 2015, the Directors of the Company have resolved that the Company issue additional ordinary shares, part of the authorised capital of the Company, currently unissued, the same to be offered (by way of provisional allotment under a Rights Issue) to the Existing Ordinary Stockholders on such terms (including the number of new ordinary shares, the price per new ordinary share, the proportion of new ordinary shares to be offered (by way of provisional allotment) in relation to

the Existing Ordinary Stock Units held by Existing Ordinary Stockholders and the record date for determining the eligibility of Existing Ordinary Stockholders to subscribe for the new ordinary shares as determined by the Directors AND further that all such new ordinary shares not taken up by the Existing Ordinary Stockholders to whom the offer (by way of provisional allotment) is made, may be allotted and/or issued on terms and conditions as the Directors may consider expedient.

3. An offer is now being made (by way of provisional allotment) with respect to at least 40,145,470 ordinary shares in the capital of the Company by way of a Rights Issue (such shares are referred to in this Circular Letter as “New Ordinary Shares”). The same being offered (by way of provisional allotment) to the Existing Ordinary Stockholders whose names appear on the Register of Members at the close of business on the Record Date at the price of \$12.40 per share, in the proportion of one (1) New Ordinary Share for every Existing Ordinary Stock Unit then held by an Existing Ordinary Stockholder. The Company retains the right to upsize the offer by offering additional ordinary shares to each Existing Ordinary Stockholder. In the event that the offer is upsized, notification shall be made by way of advertisement in a daily newspaper.
4. The offer is contained in a Letter of Provisional Allotment being sent to Existing Ordinary Stockholders whose names are on the Register of Members at the close of business on the Record Date. This Circular Letter provides information regarding the Company which may be relevant to Existing Ordinary Stockholders in deciding whether to accept the rights to New Ordinary Shares offered (by way of provisional allotment) in the enclosed Letter of Provisional Allotment.
5. As at the date of this Circular Letter, the following represents the issued and authorized capital of SIL:-

Authorized:

150,000,000 of no par value

Issued and Fully Paid Up:

40, 145, 470

At an extraordinary meeting of the shareholders held on February 21, 2015, it was resolved that the issued ordinary shares/stock units in the capital of the Company be split so that every one (1) issued ordinary share/stock unit of the Company’s ordinary shares/stock units is split and converted into ten (10) shares/stock units of the Company ranking in all respects pari passu with the existing ordinary stock units of the Company. The record date for the stock split is March 6, 2015. This notice was published on the website of the Jamaica Stock Exchange.

6. Rationale for the Rights Offer:

Sterling Investments Limited returned approximately 21% between December 2012 – December 2013; 26% between June 2013 and June 2014 and approximately 15% annualized between January 2014 and September 2014. The excellent performance of the Company to date, coupled with sustained devaluation has re-ignited interest in the

investment vehicle. The mandate of the Company remains to maximize risk-adjusted returns for its shareholders. The purpose of the issue is to expand the capital base of the Company and take advantage of investment opportunities.

7. The Directors intend that the additional capital required will be raised by equity financing provided on the issue of the New Ordinary Shares in the capital of the Company taken up in this Rights Issue.

The Directors have therefore decided that it is appropriate at this time to increase the issued ordinary share capital of the Company by this issue of the New Ordinary Shares.

8. The New Ordinary Shares are being offered to the Existing Ordinary Stockholders in the proportion of one (1) New Ordinary Share for every Existing Ordinary Stock Unit held as of the Record Date by such Existing Ordinary Stockholder. The Company retains the right to upsize the offer by offering additional ordinary shares to each Existing Ordinary Stockholder. In the event that the offer is upsized, notification shall be made by way of advertisement in a daily newspaper.
9. The New Ordinary Shares, when issued, will be converted to stock units and save that the price and tenor of the New Ordinary shares differ from the Offer Price and tenor of the Existing Ordinary Stock Units, the New Ordinary Shares shall otherwise rank pari passu with the Existing Ordinary Stock Units. An application will be made to the Council of the Jamaica Stock Exchange for the listing of the stock units arising from the New Ordinary Shares issued pursuant to the Letter of Provisional Allotment.
10. The Letter of Provisional Allotment accompanying this Circular Letter states the number of New Ordinary Shares provisionally allotted to you, being also the maximum number of New Ordinary Shares for which you may subscribe pursuant to your rights (the “Rights”) under the Letter of Provisional Allotment. The Letter of Provisional Allotment also contains full instructions for the acceptance of the New Ordinary Shares provisionally allotted to you and sets out the procedure to be adopted in the event of renunciation of all or some of the Rights. You are permitted to renounce your Rights in the manner prescribed in the Letter of Provisional Allotment. If you are not accepting all of the New Ordinary Shares allotted to you and/or you are in doubt as to what action you should take in relation to the Letter of Provisional Allotment, you should consult a licensed investment advisor or licensed securities dealer without delay as **the offer (by way of provisional allotment) expires at 4:00 p.m. on April 8, 2015.**
11. New Ordinary Shares the subject of the Letter of Provisional Allotment not accepted by the allottee or any renounee shall be placed in a pool of shares (the “Excess Shares Pool”) and New Ordinary Shares in the Excess Shares Pool may be disposed of within the discretion of SIL. Persons wishing to acquire New Ordinary Shares in the Excess Shares Pool should follow the instructions in the Letter of Provisional Allotment with respect to the applications for Excess Shares.
12. The Offer the subject of this Circular Letter is more particularly set out in the Letter of Provisional Allotment being sent to Existing Ordinary Stockholders whose names are on the Register of Members at the close of business on the Record Date. The offer

is renounceable and this means that persons other than Existing Ordinary Stockholders (in this paragraph 12 referred to as “Applicants”) may come to apply for New Ordinary Shares to be issued in their favour.

13. An investment in ordinary shares in any company (including SIL) involves risks commonly associated with any investment in shares and/or debt instruments. Potential investors should, therefore, consider all possible risks when purchasing New Ordinary Shares including but not limited to (i) The Directors of the Company may hereafter authorise the issue of additional Ordinary Shares and when issued the same may rank pari passu with the existing New Ordinary Shares and may affect the market price of the New Ordinary Shares (ii) neither the Company nor any of its advisors can predict the trading behaviour of the New Ordinary Shares (when converted to stock units and listed on the Jamaica

Stock Exchange) and (iii) the payment of dividends on the New Ordinary Shares will be dependent on the Company’s future profitability.

Financial Highlights

14. Total Revenue in 2014 rose 38.5% from J\$69.8 million in 2013 to J\$96.7 million in 2014. This was primarily due to an 88.95% increase in Interest Income from J\$29.1 million to J\$55.016 million in 2011. This increase was partly attributable to additional capital that the Company raised and the interest income earned on the new funds. The Company was able to purchase attractively priced USD fixed income securities to further enhance the return on the portfolio.

Operating profit for the full 2014 financial year was recorded at J\$68.209 million, up 21% from 2013. Operating expenses also increased from J\$11.365 million to J\$24.5 million as a result of the public listing of the Company on the Jamaica Stock Exchange and a modest increase in assets under management. Net profit margin for 2014 was 61% and the efficiency ratio was recorded at 25%.

Since inception, SIL’s net book value per share (BVPS) has grown by over 35% after fees and distributions. This rate of return has been influenced by: (a) the favourable movement in bond prices over the review period and (b) the movement in the JMD to USD exchange rate over the same period. Total equity grew by 22.51% from J\$440,378,498 in December 2013 to J\$539,493,111 in December 2014. This reflected higher retained earnings.

A copy of the Company’s most recent audited Balance sheet and Income Statement as at December 31, 2014 are found in Schedule 1 of this document.

Risks

SIL assumes market risks in the conduct of its business. Market Risk is a generic term for price risk and liquidity risk. Essential elements of the process of managing market risk include:

- Adherence to and enforcement of limits
- Maintenance of adequate portfolio diversification
- Sensitivity analysis and probabilistic approaches
- Regular reporting and monitoring

- Continuous validation of the adequacy and integrity of policies, assumptions, practices, and procedures in the context of a dynamic environment

Price Risk

Price Risk exposure is the sensitivity of earnings to changes in three types of market factors: interest rates, commodity prices (including foreign exchange rates), and volatilities in options. SIL will assume price risks commensurate with its objectives and earnings, its capacity to manage risk, and the sophistication of the markets it opts to invest in.

SIL monitors and controls price risks in its positions by establishing limits and observing the performance of those positions against the limits. A combination of the following limits are used to achieve such objectives:

- Position Limit
- Hold Period Limit
- Factor Sensitivity Limit
- Potential Loss Amount

Managing Credit Risk

SIL assumes credit risks through the various financial instruments that it holds in its portfolio. Credit risk is the possibility that a bond issuer or borrower will default, by failing to repay principal and interest in a timely manner. SIL will be guided by the credit rating assigned to an issuer or bond issue when making trading decisions. Nevertheless, SIL will conduct its own internal analysis of the financial and strategic position of an issuer, particularly for issuers in the accrual portfolio. SIL's investment portfolio will be heavily weighted in investment grade securities to mitigate overall credit risk. SIL will generally not acquire securities that are not rated by a reputable rating agency (such as Standard & Poor's or Moody's) and will aim to acquire bonds with a minimum credit rating of BB-. Additionally, notional limits and maximum piece sizes for any specific bond will be established to mitigate credit risk. Securities will be divided into categories according to credit rating and liquidity and assigned limits accordingly.

Managing Liquidity Risk

Liquidity risk measures the capacity of an institution to adequately and promptly satisfy all scheduled and unscheduled contractual funding obligations. Effective liquidity management is essential to maintaining market confidence, meeting regulatory requirements, maintaining the flexibility necessary to capitalize on attractive asset purchases and business expansion opportunities, and protecting the SIL's capital base. SIL will pursue effective liquidity management to achieve these objectives through:

- The placement of limits on maximum amounts of funding that will become due during different time periods under business-as-usual conditions
- Active liability management focused on the diversification of funding sources, instruments, and the synchronization of the maturities of its assets and liabilities.
- A contingency funding plan, which is a formal plan for maintaining liquidity under adverse conditions

- Active analysis and monitoring of the macroeconomic and interest rate environments in its operating jurisdictions

SIL also mitigates market risk by conducting regular sensitivity analysis and stress tests of SIL's capital base and through the continuous validation of the adequacy and integrity of policies, assumptions, practices, and procedures form part of the risk management strategy.

15. This Offer (by way of provisional allotment) will not be underwritten.
16. As at the date of this Circular Letter the holders on the register with the ten largest holdings of Existing Ordinary Stock Units are as follows:-

<u>Name</u>	<u>No. of Stock Units</u>	
As at September 2014	Number of shares	% of total
ATL Group Pension Fund Trustee Nominee Limited	1,000,000	24.9%
Mr. Stephen Gager	345,517	8.6%
PAM - Cable & Wireless Real Estate Pension Fund	300,000	7.5%
Grace Kennedy Pension Scheme	272,727	6.8%
Grace Kennedy Pension Fund	250,000	6.2%
Satya Parvataneni	193,763	4.8%
Mrs. Winnifred M. Mullings	184,276	4.6%
Mr. Charles Ross	173,782	4.3%
Mr. Everton McDonald	134,979	3.4%
Mr. Trevor Barrett	105,959	2.6%

17. Your Directors' interests in Existing Ordinary Stock Units of the Company as at the date of this Circular Letter are as follows:-

Director Name	Number of shares
Mr. Charles Ross	173,782

No service agreement exists between the Company and any of its Directors OTHER THAN a service agreement that exists between the Company and Sterling Asset Management Limited (mentioned in paragraph 22 as one of documents as may be inspected at the offices of the Company at 40 Knutsford Boulevard, Kingston 5 on

any weekday (Monday to Friday) during the hours of 9:00 a.m. to 4:00 p. m., until April 8, 2015).

18. Save as mentioned herein, since December 2014 no share or loan capital of the Company has been or is proposed to be issued and no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company (other than selling agents agreements to be entered into by the Company and stockbrokers as may be involved in the acquisition of the New Ordinary shares under this Rights Issue.). No capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
19. As at the date of this Circular Letter, the Company is not involved in any litigation. Save as mentioned in paragraph 17, the Company has not entered into any material contract.
20. An estimate of fees associated with the rights issue is provided below:

TOTAL FEES PAYABLES (EST)	\$15,534,230.64
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21. The Company's advisors in connection with this Rights Issue are as follows:-

Attorneys-at-Law

Patterson Mair Hamilton
Temple Court
85 Hope Road
Kingston 6

Auditors

KPMG
Victoria Mutual Building
6 Duke Street, Kingston

Registrar and Transfer Agents

Jamaica Central Securities Depository
40 Harbour Street
Kingston

Financial Advisors

NCB Capital Markets Limited
"The Atrium"
32 Trafalgar Road
Kingston 10

Stockbrokers

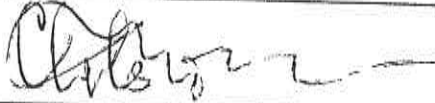



NCB Capital Markets Limited
"The Atrium"
32 Trafalgar Road
Kingston 10

22. Copies of the following documents may be inspected at the offices of the Company at 40 Knutsford Boulevard, Kingston 5 on any weekday (Monday to Friday) during the hours of 9:00 a.m. to 4:00 p. m., until April 8, 2015:-
 - (a) The constitutive documents of the Company;
 - (b) Audited Financial Statements of the Company for each of the years ended 2013 and 2014 respectively.

- (c) Management Agreement between Sterling Asset Management Limited and Sterling Investments Limited

This Circular Letter has been executed by the Directors whose signatures appear below under and by virtue of authority given by the Directors of the Company.

Yours faithfully,

Name of Director:	Signature:
Charles Ross	
Derek Jones	
Max Rochester	
Michael Bernard	

SCHEDULE 1:

STERLING INVESTMENTS LIMITED

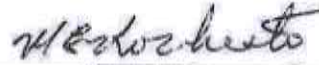
Statement of Financial Position
December 31, 2014

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
ASSETS			
Cash and cash equivalents	4	1,343,020	3,465,648
Accounts receivable	5	18,963,875	9,711,165
Investment securities	6	<u>766,737,135</u>	<u>478,531,699</u>
TOTAL ASSETS		<u>\$787,044,030</u>	<u>491,708,512</u>
LIABILITIES			
Margin loans payable	7	223,886,387	31,551,950
Other payables	8	12,508,133	11,787,673
Due to related company	9	10,650,889	7,799,970
Manager's preference shares	10	10,000	10,000
Income tax payable		<u>495,510</u>	<u>180,421</u>
		<u>247,550,919</u>	<u>51,330,014</u>
EQUITY			
Share capital	11	437,296,904	387,469,691
Fair value reserve	12	10,976,493	10,818,949
Retained earnings		<u>91,219,714</u>	<u>42,089,858</u>
		<u>539,493,111</u>	<u>440,378,498</u>
TOTAL LIABILITIES AND EQUITY		<u>\$787,044,030</u>	<u>491,708,512</u>

The financial statements on pages 3 to 33 were approved for issue by the Board of Directors on February 21, 2015 and signed on its behalf by:



Charles Ross Director



Maxim Rochester Director

STERLING INVESTMENTS LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2014

(With comparatives for the sixteen-month period ended December 31, 2013)

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
Revenue:			
Interest income	13	55,016,387	29,116,138
Foreign exchange gains		36,708,090	36,779,330
Gain on disposal of available-for-sale securities		<u>4,979,908</u>	<u>3,915,580</u>
		<u>96,704,385</u>	<u>69,811,048</u>
Expenses:			
Interest		(3,953,304)	(2,112,119)
Other operating	14	<u>(24,541,621)</u>	<u>(11,365,062)</u>
		<u>(28,494,925)</u>	<u>(13,477,181)</u>
Operating profit		68,209,460	56,333,867
Other income		7,493	104,299
Manager's preference share interest expense		<u>(9,271,165)</u>	<u>(10,362,673)</u>
Profit before taxation		58,945,788	46,075,493
Taxation	15	<u>(315,089)</u>	<u>(180,421)</u>
Profit for the year/period		<u>58,630,699</u>	<u>45,895,072</u>
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Realized gain on disposal of available-for-sale securities reclassified to profit for the year		(2,765,914)	-
Unrealised change in fair value of available-for-sale securities		<u>2,923,458</u>	<u>10,818,949</u>
		<u>157,544</u>	<u>10,818,949</u>
Total comprehensive income for the year/period		<u>\$58,788,243</u>	<u>56,714,021</u>
Basic earnings per stock unit	16	\$ <u>15.09</u>	<u>12.65</u>
Diluted earnings per share	16	\$ <u>17.43</u>	<u>15.46</u>