

# **Sterling Investments Limited (SIL)**

## **Economic Overview**

The first quarter of the 2015 calendar year was characterized by persistent volatility in asset prices and changes in monetary policy across the Globe. During the first three months of 2015, oil continued its dramatic decline that started in mid-2014. The European Central Bank commenced a large scale program of quantitative easing aimed at staving off deflation and stimulating the Eurozone economy. Greece's battle with its creditors continued to roil markets and fuelled volatility in European asset prices. The U.S labour market and economy continued to improve. The U.S. economy recorded positive growth of 2.6% in the fourth quarter of 2014. However inflation and productivity data remained below expectations. Nevertheless, the Federal Reserve announced its data dependent intention to gradually increase rates in 2015. In the emerging Markets, Brasil's economy contracted and inflation increased while China's pace of economic expansion slowed modestly. SIL's Investment Management Committee monitors and analyses market events and trends with a view to identifying opportunities for and mitigating attendant risks to the portfolio.

<b>Growth in realized income<sup>1</sup></b>	45%
<b>2014 Dividend Yield</b>	3%
<b>Growth in equity (March 2014- March 2015)</b>	10.09%
<b>Efficiency ratio as at March 2015</b>	48.8%

## **Financial Overview**

Net interest income, SIL's primary source of income, totalled J\$13.186 million as at March 2015; approximately 28% higher than net interest income for the corresponding period in 2014 of J\$10.252 million. The company maintains a robust net interest margin of 91.83%.

Gains on sale of investments more than tripled from J\$794,693 in March 2014 to J\$2.834 million in March 2015 as the company took advantage of profitable trading opportunities. The company's portfolio of securities has continued to increase in value and outperform its local benchmarks.

Devaluation in the first three months of 2015 was minimal and as a result, there were negligible unrealised foreign exchange gains. This figure fell from J\$14.3 million as at March 2014 to J\$2.3 million as at March 2015.

Excluding the effect of unrealised foreign exchange gains, net profit was up 61% in the first three months of 2015 from J\$4.97 million in March 2014 to J\$8.0 million in March 2015. This underscores the company's continued ability to continue to generate positive returns in real terms, even without the impact of devaluation. However, when these gains are taken into account, total profit for the first

<sup>1</sup> Realized income = net interest income + gain on sale of investment

quarter of 2015 would be J\$10.31 million compared to J\$19.254 million for the first quarter of 2015. The company still maintains one of the highest net profit margins on the JSE. As at March 2015 SIL's net profit margin was 50%.

Operating expenses for the three months ending March 2015 were approximately J\$6.8 million or roughly 22% higher than the operating expenses for the corresponding period in 2014. This was a result of fees associated with the company's listing on the Jamaica Stock Exchange and engagement of the Jamaica Central Securities Depository (JCSD). Nevertheless, it is worth noting that the sum of net interest income and gain on sale of investments - increased by over 40% between March 2014 and March 2015; significantly outweighing the increase in operating expenses.

Total equity increased by 10% from J\$485.9 million in March 2014 to J\$534.909 million in March 2015 reflecting a 54% increase in retained earnings. This growth in book value highlights the growth in shareholder value and also the previous commitment of the Directors to retain profits to fuel the growth of the company.

A total of J\$7,272,613 was paid to shareholders on record as at March 6, 2015 representing the final dividend payment for the 2014 financial year. A total of J\$12,672,857 was paid in dividends for the 2014 financial year representing a dividend yield of 3%.

Total assets increased by 13% from J\$688.4 million as at March 2014 to J\$779.76 million as at March 2015. This was the result of a proportionate increase in the size of the portfolio of investment securities which also experienced a 13% increase over the same period. This was funded primarily by margin loans. As at March 2015, margin loans totalled J\$235.75 million, or 31% of the total portfolio of investment securities. The company's modest use of margin has enhanced the returns on the portfolio.



**Sterling Investments Limited**  
**Unaudited Balance Sheet as at March 31, 2015**

	Unaudited 3 months ended Mar-15	Unaudited 3 months ended Mar-14	Audited 12 months ended Dec-14
<b>ASSETS</b>			
Cash & Cash Equivalents	284,298	5,147,772	1,343,020
Accounts Receivable	23,545,031	16,806,553	18,963,875
Investment Securities	755,929,417	666,437,048	766,737,135
<b>TOTAL CURRENT ASSETS</b>	<b>779,758,746</b>	<b>688,391,373</b>	<b>787,044,030</b>
<b>TOTAL ASSETS</b>	<b>779,758,746</b>	<b>688,391,373</b>	<b>787,044,030</b>
<b>LIABILITIES</b>			
Margin Loan Payables	235,751,347	178,416,231	223,886,387
Other Payables	8,435,365	21,653,739	12,508,133
Due to Related Company	157,219	2,240,107	10,650,889
Preference Shares	10,000	10,000	10,000
Income Tax Payable	495,510	180,421	495,510
<b>TOTAL LIABILITIES</b>	<b>244,849,441</b>	<b>202,500,497</b>	<b>247,550,919</b>
<b>SHAREHOLDERS' NET EQUITY</b>			
Share Capital	437,296,904	400,288,451	437,296,904
Fair Value Reserve	3,356,840	24,258,341	10,976,493
Retained Earnings	94,255,561	61,344,083	91,219,714
<b>Total equity</b>	<b>534,909,305</b>	<b>485,890,875</b>	<b>539,493,111</b>
<b>Total liabilities and equity</b>	<b>779,758,746</b>	<b>688,391,373</b>	<b>787,044,030</b>

**Sterling Investments Limited**  
**Unaudited Income Statement**  
**For the period ending March 31, 2015**

	Unaudited Three months ended Mar-15	Unaudited Three months ended Mar-14	Audited 12 months ended Dec-14
<b>Revenue:</b>			
Interest Income	14,359,569	11,046,763	55,016,387
Foreign Exchange Gains	2,304,762	14,276,362	36,708,090
Gain on disposal of AFS securities	2,834,872	794,693	4,979,908
	19,499,203	26,117,818	96,704,385
<b>Expenses:</b>			
Interest	(1,173,094)	(794,646)	(3,953,304)
Other operating	(6,836,601 )	(5,584,880)	(24,541,621)
Total expenses	(8,009,696)	(6,379,525)	(28,494,925 )
Operating Profit	<b>11,489,507</b>	<b>19,738,293</b>	<b>68,209,460</b>
Other Income	1,136,743	1,070,334	7,493
Preference Dividend Expense	(2,317,791)	(1,554,401)	(9,271,165)
Profit before Income Tax	10,308,460	19,254,226	58,945,788
Income Tax Expense			(315,089)
<b>Profit for Period</b>	<b>10,308,460</b>	<b>19,254,226</b>	<b>58,630,699</b>
<b>Other Comprehensive Income:</b>			
Items that may be reclassified to profit & loss:			
Change in fair value of available- for sale securities	(7,619,653)	(12,210,904)	157,544
<b>Total comprehensive income</b>	<b>2,688,807</b>	<b>7,043,322</b>	<b>58,788,243</b>
<b>EPS</b>	<b>0.07</b>	<b>0.18</b>	<b>1.46</b>

Statement of Changes in Equity - March 31, 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:		-	-	10,308,460	10,308,460
Profit for period		-	-	10,308,460	10,308,460
Other comprehensive income:		-	(7,619,653)	-	(7,619,653)
Unrealised gains in fair value of available-for-sale securities		-	(7,619,653)	-	(7,619,653)
Total comprehensive income		437,296,904	3,356,840	101,528,174	542,181,918
Transactions with owners:		-	-	(7,272,613)	(7,272,613)
Dividends		-	-	(7,272,613)	(7,272,613)
Balance at March 31, 2015		437,296,904	3,356,840	94,255,560	534,909,305
<b>Statement of Changes in Equity – March 31, 2014</b>		<b>Share capital</b>	<b>Fair value</b>	<b>Retained earnings</b>	<b>Total</b>
Balance at December 31, 2013		387,469,691	10,818,949	42,089,858	440,378,498
Comprehensive income:		-	-	19,254,226	19,254,226
Profit for period		-	-	19,254,226	19,254,226
Other comprehensive income:		-	13,439,392	-	13,439,392
Unrealised gains in fair value of available-for-sale securities		-	13,439,392	-	13,439,392
Total comprehensive income		387,469,691	24,258,341	42,089,858	453,817,890
Transactions with owners:		12,818,760	-	-	12,818,760
Share issued during the period		12,818,760	-	-	12,818,760
Dividends		-	-	-	-
Balance at March 31, 2014		400,288,451	24,258,341	61,344,084	485,890,876



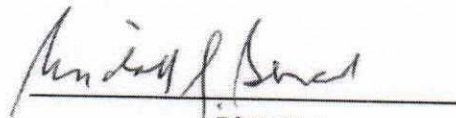
Sterling Investments Limited Statement of Cash Flows	Quarter ended March 2015	Quarter ended March 2014	Audited Dec 2014
<b>Cash flows from operating activities</b>			
Profit for the period	10,308,460	19,254,226	58,630,699
Adjustments for :			
Interest Income	(15,496,211)	(12,113,633)	(55,016,387)
Interest Expense	1,173,094	794,646	3,953,304
Income Tax Expense	0		315,089
Managers Preference Share Interest	2,317,791	1,554,401	9,271,165
	(1,696,866)	9,489,639	17,153,870
<b>Changes in operating assets:</b>			
Accounts Receivable	(648,260)	(115,737)	(2,008)
Margins Payable	11,864,960	146,864,281	192,334,437
Other Payables	(6,390,559)	8,311,665	(8,550,705)
Due to Related Company	(10,493,670.40)	(5,559,863)	2,850,919
	<b>(7,364,395)</b>	<b>158,989,984</b>	<b>203,786,513</b>
Interest Received	11,563,315	5,133,982	45,765,685
Interest Paid	(1,173,094)	(794,646)	(3,953,304)
Net cash provided by operating activities	3,025,825	163,329,321	245,598,894
<b>Cash flows from investing activity</b>			
Investment securities, being net cash used by investing activity	3,188,065	(174,465,957)	(288,047,892)
<b>Cash flows from financing activities</b>			
Issue of ordinary shares	0	12,818,760	49,827,213
Dividend payment	(7,272,613)		(9,500,843)
Net cash provided by financing activities	(7,272,613)	12,818,760	40,326,370
<b>Increase/(decrease) in cash and cash equivalents during the period</b>			
	(1,058,722)	1,682,124	(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>			
	284,298	5,147,772	1,343,020

## 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. **Statement of compliance and basis of preparation**
  - a. **Statement of compliance:** The unaudited financial statements as at March 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

	<b>Number of shares</b>	<b>% of total</b>
ATL Group Pension Fund Trustee Nominee Limited	10,000,000	24.9%
Mr. Stephen Gager	3,455,170	8.6%
PAM - Cable & Wireless Real Estate Pension Fund	3,000,000	7.5%
Grace Kennedy Pension Scheme	2,727,270	6.8%
Grace Kennedy Pension Fund	2,500,000	6.2%
Satya Parvataneni	1,937,630	4.8%
Mrs. Winnifred M. Mullings	1,842,760	4.6%
Mr. Charles Ross	1,737,820	4.3%
Mr. Everton McDonald	1,349,790	3.4%
Mr. Trevor Barrett	1,059,590	2.6%

**Shareholdings of Directors as at March 31, 2015**

	<b>Number of shares</b>	<b>% of total</b>
Derek Jones	0	0%
Maxim Rochester	0	0%
Michael Bernard	0	0%
Charles Ross	1,737,820	4.3%