

Economic Overview

The first half of the quarter ending March 2016 was marked by ongoing concerns about China and the general gloomy outlook on the global economy. These weighed on sentiment causing a sharp fall in global risk asset prices during the first few weeks of the new year. The only winners at that time were government bonds and gold. However, fortunately there was an abrupt change mid-quarter following the steady U.S. economy and easier global monetary policy, including the Federal Reserve (Fed) softening its rate-hiking stance citing volatility and global growth concerns. They had previously indicated to the market that there could be 4 rate hikes in 2016 but subsequently, in March, this was revised to 2.

The Bank of Japan and European Central Bank persevered with the quantitative easing started in the previous year. In addition to employing eased monetary conditions, Japan instituted negative interest rates in January and the ECB further lowered their negative rates in March. The move, however, did not weaken their currencies and may be an example of the limits of monetary policy.

Oil prices began the year with a dismal showing, however, things looked up considerably in March. By February, oil had fallen by 10.4% (WTI), but in March, oil prices increased by 50% (WTI) from the February lows of about \$26 to close at \$39.75 at the end of the March quarter. Despite the volatility, oil prices have been rebounding and have led investors to speculate that the prices may have bottomed out. The improvement in prices is partly due to signs of stability in China and reports of falling Shale production in the U.S. Supply may decrease further as the major oil players are expanding cost cuts by lowering capital expenditure, renegotiating drilling contracts, cutting many jobs and delaying big projects.

The bond market fell in the first quarter along with other assets, as investors fled higher yielding securities for higher quality bonds. The Barclay's High Yield ETF US Index dropped 7.7% from the start of the year to February 11th, 2016, in tandem with oil prices in the first half of the quarter and then recovered as investor sentiment improved along with oil markets. The US Equity (S&P) market was essentially flat, gaining just 0.77% for the quarter in spite of the large swings in prices (the index fell as low as 1,829.08 on February 11th, 2016 to a high of 2,063.95 on March 30, 2016) while bond indices (Barclays high yield bond ETF US index e.g.,) were up marginally (1%) in 2016. So far in 2016 the S&P 500 has increased by 2.51% (year to date) and the Barclays high yield bond index has risen by 4% as at April 27th 2016. Bond and equity markets are expected to continue to experience volatility in the subsequent quarters but the outlook is more positive than it was at the start of the year. SIL's portfolio is poised to take advantage of all the trading opportunities presented, and continues to be well balanced providing a stable source of revenue to shareholders.

Growth in revenue	46%
Growth in net profit	86%
Growth in equity	31%
Efficiency ratio as at March, 2016	18%
Weighted average number of shares	55,876,281
Earnings per share	J\$0.34

Financial Overview

Net interest income, SIL's chief source of income, totalled J\$17.2 million for the quarter ended March 2016; 30.9% higher than the net interest income of J\$13.1 million for the corresponding period in 2015. The net interest margin increased slightly to 93.1% from 91.8%. This is due to the company's astute management which has profited from its United States Dollar exposure.

Loss on sale of investments for the quarter ended March 2016 was \$1.1 million, a 140.0% reduction when compared to gains of \$2.8 million for the corresponding period in 2015. The loss was primarily due to the write-back of the amortised discount on a bond that was sold at a profit during the period.

There was a significant increase in foreign exchange gains stemming from an increase in the rate of devaluation in the March 2016 quarter compared to the corresponding period in 2015. The Jamaican dollar depreciated against the US dollar by \$1.66 or 1.4% for the quarter ending March 2016, relative to the same period in 2015 when it depreciated by \$0.48 or 0.4%. This resulted in unrealized foreign exchange gains of \$11.1 million for the three months ended March 2016, an \$8.7 million or 379.2% increase, relative to the same period last year.

Gross revenue was J\$28.4 million for the March 2016 quarter compared to J\$19.5m in the matching 2015 period. This is an increase of 45.9% over the corresponding period in 2015. Bond trading in the first quarter of the year was even more volatile than the prior year, however, strategic asset selection was used to increase the revenue of the portfolio. Net profit after taxes for the quarter ending March 2016 was J\$19.1 million compared to J\$10.3 million for the period ending March 2015.

Operating expenses for the quarter ended March 2016 were J\$5.1 million or 25.0% lower than the J\$6.8 million of operating expenses recorded for the corresponding period in 2015. This was as a result of tight fiscal management. However the results were impacted by an impairment charge of J\$1.7 million as a result of a restructuring of a Brazilian corporate bond.

Total equity increased by 31.1% from J\$534.9 million as at March 2015 to J\$701.5 million as at March 2016, notwithstanding the negative impact of the widespread decline in the prices of bonds and equities. Retained earnings increased by 65.2% highlighting the company's continued commitment to growth and value creation for stockholders.

Total assets increased by approximately 19.0% from J\$779.8 million as at March 2015 to J\$927.6 million as at March 2016. This was largely attributed to the increase in investment securities which experienced an 18.3% increase over the same period. This was funded primarily by the additional share capital raised earlier in the previous year. As at March 2016, margin loans totalled J\$194.3 million, or 21.7% of the total portfolio of investment securities compared to 31.2% for March 2015. The company's use of margin has boosted the income of the portfolio.

Sterling Investments Limited

Income Statement For Period Ended March 31, 2016

	Unaudited 3 months ended Mar-16	Unaudited 3 months ended Mar-15	Audited 12 months ended Dec-15
Revenue:			
Interest Income	18,534,625	14,359,569	72,778,939
Foreign Exchange Gains	11,044,925	2,304,762	34,073,892
Gain on disposal of available-for-sale securities	(1,134,478)	2,834,872	12,437,526
	28,445,071	19,499,203	119,290,357
Expenses:			
Interest	(1,270,848)	(1,173,094)	(5,442,115)
Impairment loss on available-for-sale-securities	(1,784,635)	-	(9,651,021)
Unrealised gain/(loss) on embedded derivative	25,544	-	(147,575)
Other operating	(5,093,498)	(6,836,601)	(21,719,906)
	-8,123,437	-8,009,695	-36,960,617
Operating Profit	20,321,634	11,489,508	82,329,740
Other Income	1,629,128	1,136,743	8,875
Preference Dividend Expense	(2,625,000)	(2,317,791)	(10,573,808)
Profit before Income Tax	19,325,762	10,308,460	71,764,807
Income Tax Expense	(196,278)	0	(596,800)
Profit for Period	19,129,484	10,308,460	71,168,007
Other Comprehensive Income:			
Items that may be reclassified to profit & loss:			
Realised gains on disposal of available-for-sale securities reclassified to profit for the year	3,695,057	2,835,994	(8,482,202)
Unrealised change in fair value of available-for-sale securities	(6,951,761)	(10,455,647)	(81,268,337)
	15,872,780	2,688,807	-18,582,532
Weighted Average Number of Shares	55,876,281	40,145,470	46,640,630
Earnings Per Share	0.34	0.26	1.53

Sterling Investment Ltd.

Balance Sheet
As at March 31, 2016

	Unaudited 3 months ended Mar-16	Unaudited 3 months ended Mar-15	Audited 12 months ended Dec-15
ASSETS			
Cash Resources			
Cash & Cash Equivalents	1,177,741	284,298	213,152
Accounts Receivable	32,390,151	23,545,031	27,731,676
Investment Securities	894,024,958	755,929,417	907,825,257
TOTAL CURRENT ASSETS	927,592,850	779,758,746	935,770,085
TOTAL ASSETS	927,592,850	779,758,746	935,770,085
LIABILITIES			
Margin Loan Payables	194,379,837	235,751,347	214,341,641
Other Payables	31,734,226	8,435,365	14,039,600
Due to Related Company	-	157,219	13,124,190
Preference Shares	10,000	10,000	10,000
Income Tax Payable	-	495,510	366,028
TOTAL LIABILITIES	226,124,063	244,849,441	241,881,459
SHAREHOLDERS' NET EQUITY			
Share Capital	627,796,101	437,296,904	627,796,101
Fair Value Reserve	(82,030,750)	3,356,840	(78,774,046)
Retained Earnings	155,703,437	94,255,561	144,866,571
TOTAL EQUITY	701,468,787	534,909,305	693,888,626
TOTAL LIABILITIES & EQUITY	927,592,850	779,758,746	935,770,085

Sterling Investments Limited
Statement of Cash Flows
For period ended March 31, 2016

	Period ended March 2016	Audited Dec 2015	Period ended March 2015
Cash flows from operating activities			
Profit for the period	19,129,484	71,168,007	10,308,460
Adjustments for :			
Interest Income	(18,534,625)	(72,778,939)	(14,359,569)
Interest Expense	1,270,848	5,442,115	1,173,094
Impairment loss on available-for-sale securities	1,784,635	9,651,021	-
Unrealised loss on embedded derivative	(25,544)	147,575	-
Income Tax Expense	196,278	596,800	-
Managers Preference Share Interest	2,625,000	10,573,808	2,317,791
	<u>6,446,076</u>	<u>24,800,387</u>	<u>(560,224)</u>
Changes in operating assets:			
Accounts Receivable	8,073,879	3,878	(648,260)
Margins Payable	(19,961,804)	(9,544,746)	11,864,960
Other Payables	11,554,862	228,824	(6,390,559)
Due to Related Company	(9,609,426)	2,473,301	(10,493,670)
	<u>(3,496,414)</u>	<u>17,961,644</u>	<u>(6,227,753)</u>
Interest Received	5,802,271	64,007,260	10,426,673
Income Taxes Paid	(562,306)	(5,442,115)	-
Interest Paid	(1,270,848)	(726,282)	(1,173,094)
Net cash provided by operating activities	<u>472,703</u>	<u>75,800,507</u>	<u>3,025,826</u>
Cash flows from investing activity			
Investment securities, being net cash used by investing activity	<u>8,784,504.48</u>	<u>(240,637,257)</u>	<u>3,188,065</u>
Cash flows from financing activities			
Issue of Preference shares			
Issue of ordinary shares	-0	190,499,197	-
Manager's preference shares interest paid	0	(9,271,165)	-
Dividend payment	(8,292,618)	(17,521,150)	(7,272,613)
Net cash provided by financing activities	<u>(8,292,618)</u>	<u>163,706,882</u>	<u>(7,272,613)</u>
Increase/(decrease) in cash and cash equivalents during the period	964,589	(1,129,868)	(1,058,722)
Cash and cash equivalent at the beginning of period	213,152	1,343,020.00	1,343,020
Cash and cash equivalent at the end of period	1,177,741	213,152	284,298

Sterling Investments Limited
Statement of Changes in Equity
For period ended March 31, 2016

	Share capital	Fair value	Retained earnings	Total
Balance at January 1, 2016	627,796,101	(78,774,046)	144,866,571	693,888,626
Comprehensive income:				
Profit for period	-	-	19,129,484	19,129,484
Other comprehensive income:				
Realised gain on disposal of available-for-sale securities reclassified to profit for the year	-	3,695,057	-	3,695,057
Unrealised gains in fair value of available-for-sale securities	-	(6,951,761)	-	(6,951,761)
Total comprehensive income	<u>627,796,101</u>	<u>(82,030,750)</u>	<u>163,996,055</u>	<u>709,761,406</u>
Transactions with owners:				
Share issued during the period	-	-	-	-
Dividends	-	-	(8,292,618)	(8,292,618)
	<u>-</u>	<u>-</u>	<u>(8,292,618)</u>	<u>(8,292,618)</u>
Balance at March 31, 2016	<u><u>627,796,101</u></u>	<u><u>(82,030,750)</u></u>	<u><u>155,703,437</u></u>	<u><u>701,468,788</u></u>
	Share capital	Fair value	Retained earnings	Total
Balance at January 1, 2015	437,296,904	10,976,493	91,219,714	539,493,111
Comprehensive income:				
Profit for period	-	-	10,308,460	10,308,460
Other comprehensive income:				
Realised gain on disposal of available-for-sale securities reclassified to profit for the year	-	-	-	-
Unrealised gains in fair value of available-for-sale securities	-	(7,619,653)	-	(7,619,653)
Total comprehensive income	<u>437,296,904</u>	<u>3,356,840</u>	<u>101,528,174</u>	<u>542,181,918</u>
Transactions with owners:				
Share issued during the period	-	-	-	-
Dividends	-	-	(7,272,613)	(7,272,613)
	<u>-</u>	<u>-</u>	<u>(7,272,613)</u>	<u>(7,272,613)</u>
Balance at March 31, 2015	<u>437,296,904</u>	<u>3,356,840</u>	<u>94,255,561</u>	<u>534,909,305</u>

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, 2016 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, 2015.
 - 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 March 31, 2016

Name	Number of shares	Percentage
ATL Group Pension Trustees Nominee limited	10,000,000	17.90
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	3.30
Everton McDonald	1,599,790	2.86

Shareholdings of Directors as at March 31, 2016

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