SYGNUS | CREDIT INVESTMENTS

Management Discussion & Analysis

For the Year Ended
JUNE 30, 2019

Sygnus Credit Investments Limited
Audited Annual Financial Results for the Financial Year Ended June 30, 2019

Castries, St Lucia | Friday, September 13, 2019

Sygnus Credit Investments Ltd ("SCI") is pleased to report on its audited annual financial results for the financial year ended June 30, 2019.

SUMMARY MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

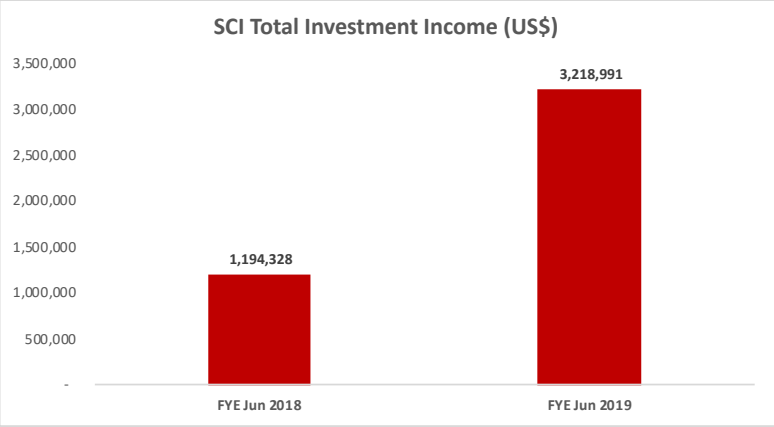
Sygnus Credit Investments Limited reported an annual record for net profits, core revenues and core earnings, for the financial year ended June 30, 2019. Subsequent to the audited financial statements, the Board of Directors approved an interim dividend at a meeting held on September 12, 2019.

SCI's record results were driven by an expanding portfolio of private credit investments across the Caribbean region, in keeping with SCI's mandate to provide Caribbean middle market firms with access to a non-traditional financing channel.

SCI's core revenues, or total investment income, grew by 169.5% or US$2.02 million to a record US$3.2 million, for the financial year ended June 30, 2019 ("FYE Jun 2019"). This compares with US$1.19 million for the financial year ending June 30, 2018 ("FYE Jun 2018"). Ninety eight percent of core revenues were comprised of interest income.

SCI's core earnings, or net investment income, grew by 166.3% or US$1.38 million to a record US$2.21 million for FYE Jun 2019, versus US$829.42 thousand for FYE Jun 2018.

Net profit attributable to shareholders increased by 44.0% or US$626.88 thousand to a record US$2.05 million for FYE Jun 2019, versus US$1.42 million for FYE Jun 2018.



Summary Results of Operations	FY Jun 2019 US$	FY Jun 2018 US$
Total Investment Income	3,218,991	1,194,330
Total Operating Expenses	1,009,996	364,914
Net Investment Income	**2,208,995**	**829,417**
Fair Value Gains	135,429	644,326
Net Foreign Exchange Gain (Loss)	(219,011)	(49,995)
Less Provision for Expected Credit Losses	74,784	0
Net Income / (Loss) before Tax	**2,050,631**	**1,423,747**
Taxation Charge	-	-
Profit Attributable to Shareholders	**2,050,631**	**1,423,747**
Other Comprehensive Income:	0	0
Unrealized Gains (Loss)	0	87,503
Total Comprehensive Income	**2,050,631**	**1,511,250**
Earnings Per Share	**0.59¢**	**0.85¢**
Net Investment Income Per Share	**0.63¢**	**0.50¢**

Earnings per share (EPS) was 0.59 US cents for FYE Jun 2019 vs 0.85 US cents for FYE Jun 2018. This was partly driven by a much higher number of shares outstanding for FYE Jun 2019 vs FYE Jun 2018, from an initial public offering (IPO).

Core earnings per share, or net investment income per share (NIIPS) was 0.63 US cents for FYE Jun 2019 vs 0.50 US cents for FYE Jun 2018. This was driven by a faster increase in core earnings than the increase in the number of shares outstanding after the IPO.

Total Operating Expenses

Total operating expenses increased to US$1.01 million for FYE Jun 2019 versus US$364.91 thousand for FYE Jun 2018. The FYE Jun 2018 reported number is substantially lower than FYE Jun 2019, primarily due to lower management fees. There were no management fees charged during the first half of FYE Jun 2018, as fees were waived by the investment manager.

For FYE Jun 2019, management fees were 70% of operating expenses, amounting to US$707.18 thousand vs US$182.39 thousand for FYE Jun 2018, accounting for 50.0% of operating expenses.

Excluding management fees, SCI's FYE Jun 2019 operating expenses increased by US$120.28 thousand, or 65.9% to US$302.82 thousand vs US$182.55 thousand for FYE Jun 2018. This increase was primarily driven by U$50.50 thousand in Jamaica Stock Exchange listing fees post SCI's initial public offering, US$37.45 thousand in one-off consultancy fees relating to the adoption of new accounting standards, US$16.56 thousand in one-off software setup costs for a credit management system.

Fair Value Gains

Fair value gains were US$135.42 thousand for FYE Jun 2019 vs US$644.33 thousand for FYE Jun 2018. These gains reflected investments in two Portfolio Companies with profit sharing participation, in addition to regular investment income that is earned.

Net Foreign Exchange Gain / Loss

Net foreign exchange loss of US$219.01 thousand for FYE Jun 2019 was greater than the loss of US$50.00 thousand reported for FYE Jun 2018. The movement in foreign exchange gains and losses reflect SCI's exposure to Jamaican dollar assets, which fluctuate based on movements in the JMD/USD exchange rate.

Provision for Expected Credit Losses (ECL)

The ECL for FYE Jun 2019 was US$74.78 thousand following the adoption of IFRS 9 at the beginning of the financial year. This represents 0.3% of the value of assets carried at amortized cost before the application of ECL. There was no comparable figure for FYE Jun 2018, as, under the ECL transition method chosen, comparative information for the similar period last year is not restated. SCI does not have any non-performing or impaired private credit investments.

Total Revenues and Total Expenses

SCI's total revenues are comprised of core revenues, or total investment income (interest income and participation fees), plus the non-core revenue items comprising fair value gains and net foreign exchange gains. Total revenues were US$3.35 million for FYE Jun 2019, versus US$1.84 million for FYE Jun 2018.

Similarly, SCI's total expenses are comprised of core operating expenses, plus the non-core items comprising net foreign exchange losses, fair value losses and provision for expected credit losses. Total expenses were US$1.30 million for FYE Jun 2019, versus US$414.91 thousand.

Efficiency Ratio

SCI's core activities generated an efficiency ratio of 31.4% for FYE Jun 2019, vs 30.6% for FYE Jun 2018. This ratio is computed by total operating expenses to total investment income.

Private Credit Investment (PCI) Activity

At the FYE Jun 2019, SCI's investment in Portfolio Companies grew by 116.3% to US$33.97 million versus US$15.70 million in FYE Jun 2018. The number of Portfolio Company investments increased to 19 in FYE Jun 2019 from 7 in FYE Jun 2018. Portfolio Company investments include finance lease receivables carried on SCI's balance sheet.

	FYE Jun 2019	FYE Jun 2018
Summary of Investment Activity	**US$**	**US$**
Fair Value of Investment in Portfolio Companies	33,966,572	15,702,924
Number of Portfolio Company Investments Exited During year	1*	1
Dry Powder to be Deployed	3,142,620	21,039,318
Number of Portfolio Company Investments (#)	19	7
Average Investment per Portfolio Company	1,787,714	2,243,275
Weighted Average Term of Portfolio Company Investments (years)	1.9	3.0
Weighted Average Fair Value Yield on Portfolio Companies (%)	12.3%	10.2%
Non-performing Portfolio Company Investments	Nil	Nil

** represents short term investment that was exited at maturity date, and later re-invested*

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Dry Powder

Dry Powder available to invest in new private credit opportunities across the Caribbean region was US$3.14 million at the end of FYE Jun 2019, down from US$21.04 million at the end of FYE Jun 2018.

Portfolio Company Investment Commitments

SCI made new investment commitments valued at US$18.23 million during FYE Jun 2019 vs US$15.07 million in FYE Jun 2018, net of repayments. The number of Portfolio Companies expanded to 19 for FYE Jun 2019 vs 7 for FYE Jun 2018.

Average Investment Size

For FYE Jun 2019, the average size of SCI's investment per Portfolio Company was US$1.79 million, down from US$2.24 million for FYE Jun 2018, driven by the sharp increase in the number of Portfolio Companies.

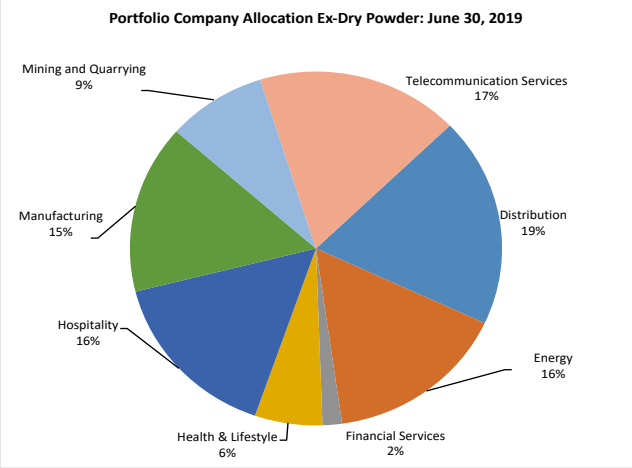
Investment Tenor and Investment Yield

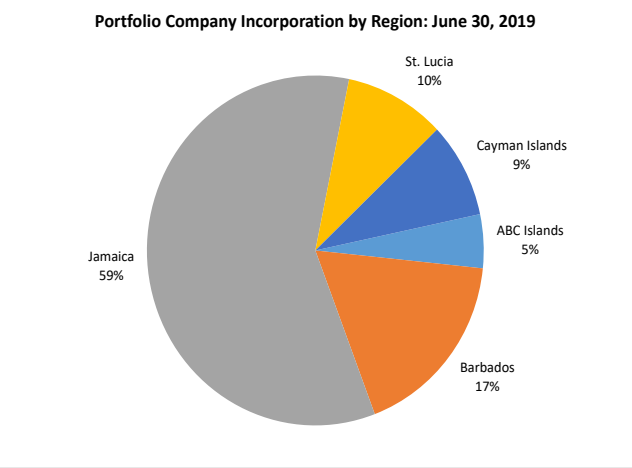
The weighted average tenor of Portfolio Company investments declined to 1.9 years for FYE Jun 2019 vs 3.0 years for FYE Jun 2018. The weighted average fair value yield on SCI's private credit investments increased to 12.3% in FYE Jun 2019 vs 10.2% in FYE Jun 2018.

Allocation by Industry and Country of Incorporation

For FYE Jun 2019, SCI's 19 Portfolio Companies were diversified across eight major industries, up from 5 in FYE Jun 2018. Three new industries were added during the year, namely Telecommunication Services, Health & Lifestyle and Financial Services. The top three industry allocations were Distribution (19%), Telecommunication Services (17%) and Energy (16%), which was tied with Hospitality (16%).

SCI made its first investments in companies incorporated in the Cayman Islands, St Lucia, ABC Islands (Aruba, Bonaire & Curacao) and Barbados during FYE Jun 2019. This brought the total number of territories to 5 from 1. Companies incorporated in Jamaica accounted for 59% of SCI's Portfolio, down from 100% in FYE Jun 2018.





Balance Sheet

At the end of FYE Jun 2019, SCI had US$38.15 million in total assets, up from US$37.00 million in FYE Jun 2018. Of the US$33.97 million invested in Portfolio Companies, US$24.88 million (73%) was measured at amortized cost, US$1.58 million (5%) in finance lease receivables, and US$7.51 million (22%) was carried at fair value through profit and loss.

SCI had liabilities of US$559.46 thousand for FYE Jun 2019, versus US$385.66 thousand for FYE Jun 2018. The FYE Jun 2019 liabilities were comprised of US$377.39 thousand in accounts payables and accrued liabilities, US$121.18 thousand in dividends not claimed by shareholders and US$60.90 thousand in fees due to a related company. SCI had zero debt.

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Shareholders' Equity

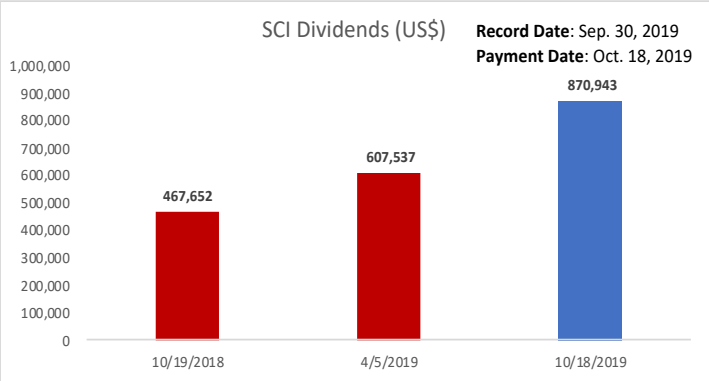
Total shareholders' equity increased to US$37.59 million at the end of FYE Jun 2019, up US$967.61 thousand versus US$36.62 million at the end of FYE Jun 2018. For FYE Jun 2019, SCI's book value per share increased to US$0.1074 up from US$0.1046 in FYE Jun 2018. The total number of shares outstanding remained unchanged at 350,087,563.

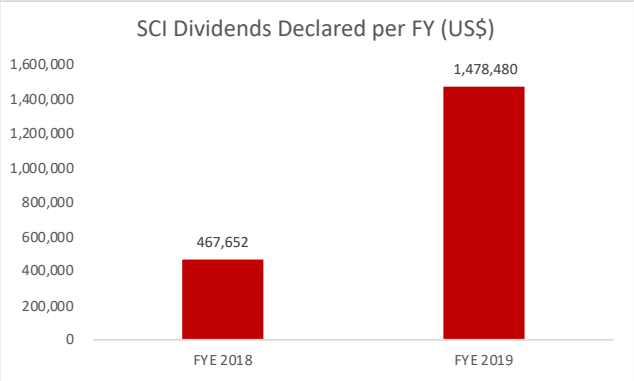
Dividends

During FYE Jun 2019, SCI paid its first two interim dividends since its IPO: US$0.0013358 on October 19, 2018 and US$0.001735 on April 05, 2019, which was a 30% increase on the dividend paid on October 19, 2018.

Subsequent to the FYE Jun 2019 audited financial statements, the Board of Directors considered and approved the payment of an interim dividend at its Board meeting held on September 12, 2019. The interim dividend is US$0.00249 per share, payable to shareholders of record on September 30, 2019, with an ex-dividend date of September 27, 2019 and payable on October 18, 2019.

SCI's interim dividend of US$0.00249 per share represents an increase of 43% over the April 05, 2019 dividend of US$0.00175, and 86% above the Oct 19, 2018 dividend of US$0.0013358. Total dividends declared based on FYE 2019 financial results was US$1.48 million vs US$467.7 thousand for FYE Jun 2018, an increase of 216%. In total, SCI has declared three dividends totaling US$1.95 million or US$0.00556 per share to shareholders in the twelve months since its first dividend payment on October 19, 2018.





Top Ten Shareholders			
No	Shareholders	Shareholdings	% Holdings
1	JCSD TRUSTEE SERVICES LTD - SIGMA	28,220,766	8.1%
2	ATL GROUP PENSION FUND TRUSTEES NOMINEE MITED	27,500,000	7.9%
3	MF&G TRUST & FINANCE LTD	20,139,000	5.8%
4	NATIONAL INSURANCE FUND	20,000,000	5.7%
5	EQUITY FUND (JMD), JMMB T1	19,460,000	5.6%
6	HEART TRUST / NTA PENSION SCHEME	8,189,300	2.3%
7	MANDALA INC.	7,765,000	2.2%
8	JAMAICA MONEY MARKET BROKERS LTD FM10	6,933,400	2.0%
9	GASSAN AZAN	7,285,700	2.1%
10	YIYAN ZHONG	7,000,000	2.0%
	Subtotal	**152,880,741**	**43.6%**
	Total	**350,087,563**	**100%**

Shareholdings of Directors, Senior Managers & Connected Parties				
No	Director	Shareholdings	Connected Parties	% Holdings
1	Clement “Wain” Iton	95,200	N/A	0.03%
2	Nakita Edwards	Nil	N/A	Nil
3	Ian Williams	1,000,000	Ladesa Williams	0.29%
4	Hope Fisher	Nil	N/A	Nil
5	Damian Chin	Nil	N/A	Nil
6	Peter Thompson	Nil	N/A	Nil
7	Dr. Ike J. Johnson	95,300	N/A	0.03%
8	Dr. Ike J. Johnson	5,400,000	Sygnus Capital Management	1.54%

Shareholdings of Directors, Senior Managers & Connected Parties				
No	Senior Management	Shareholdings	Connected Parties	% Holdings
1	Sygnus Capital Management	5,400,000	Dr. Ike J. Johnson	1.54%
2	McNamara Corporate Services	Nil	N/A	Nil