

# Sterling Investments Limited Financial Highlights- Unaudited results for Q1 March 2020

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Despite the worst quarter for risk assets since the Great Recession, Sterling Investments Limited recorded a net profit for the three-month period ended March 2020 of J\$4.6 million compared to a loss of J\$7.2 million recorded during the corresponding period in March 2019. Excluding the unrealized losses on structured notes, net profit would have totalled J\$21.9 million. Net Interest income totalled J\$24.9 million for the three months ended March 2020; 34.6% higher than the \$18.5 million recorded for the corresponding period in 2019. The net interest margin increased to 89.9%. Unrealized foreign exchange gains for the three months ended March 2020 totalled J\$12.3 million compared to an unrealized loss of J\$20.5 million for the corresponding period in 2019.

Total assets decreased by 1.0% from J\$1.42 billion as at March 2019 to J\$1.41 billion as at March 2020. As at March 2020, margin loans totalled J\$396.9 million and represented 29.2% of the total portfolio of investment securities compared to 23.7% for March 2019. The modest use of leverage increases shareholder returns above the net weighted average yield of the underlying portfolio.

## COVID 19 IMPACT

The value of SIL's investment strategy is particularly strong and relevant amidst times of crisis.

- **Steady interest income and higher net interest margin:** SIL's interest income has not been affected by the COVID19 pandemic. Investors will continue to benefit from the US dollar income SIL's portfolio generates.
- **Lower interest rates to benefit bonds:** Lower interest rates are likely to increase the value of assets in SIL's portfolio over time. It has also reduced the cost of SIL's liabilities and improved the net interest margin.
- **High quality bonds reduce credit risk:** SIL shareholders are benefiting from its exposure to investment grade rated issuers. Over 72% of the bond portfolio is invested in instruments issued by investment grade rated companies. These companies are at relatively lower risk of default than companies or Governments rated below BBB-.
- **SIL well-positioned to benefit from Global economic recovery:** It is likely that the developed countries will lead the global economic recovery. Jamaica's economic recovery is likely to lag the recovery in discretionary consumer spending in the US, UK and China. SIL's exposure to the developed countries suggests that it will be among the first companies on the local stock exchange to benefit from a global economic recovery.
- **Sterling Investments Limited** has sufficient liquidity to prudently and cautiously purchase undervalued assets as appropriate.

Sterling Investments Limited is an investment holding company that invests in fixed income and equity investments across the globe. The company was formed in 2012 when the JMD/USD exchange rate was J\$92 / US\$1 and prior to the National Debt Exchange. SIL continues to preserve and grow the capital of its shareholders which include pension funds and long- term investors.