



# SYGNUS

## **JSE 4<sup>th</sup> Quarter Market Research Competition – Sygnus Credit Investments Limited (SCI)**

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Capital flows through channels. In every economy that does well in the world there's a capital market and there's a bank market, then you have the alternative or non-traditional markets, such as private credit, private equity and venture capital...all markets are complementary channels to help businesses grow.

**Berisford Grey – President & CEO, Sygnus Capital**

# Company Overview

**Vision Statement:** To be the leader in the Caribbean private credit market.

**Mission Statement:** To provide innovative, non-traditional financing solutions to medium-sized firms.

Sygnus Credit Investments Limited (the “Company or SCI”) is one of the largest alternative financing (private credit investment or “PCI”) companies in the Caribbean. SCI is invested in several medium-sized firms (portfolio companies) across 7 Caribbean territories (**Jamaica, Cayman Islands, St. Lucia, ABC Islands, SSS Islands, Bahamas & Barbados**) and 9 industries, which include, but not limited to, mining and quarrying, hospitality, manufacturing, telecommunications, infrastructure, distribution and real estate.

SCI’s core focus is private credit investing, which is a lesser known form of financing done in the Caribbean in which the Company considers itself as a pioneer in the private credit arena. The type of PCI’s includes bilateral notes and bonds, preference shares, asset-backed debt, lease financing, mezzanine debt, bridge financing, inventory financing, convertible debt, payment-in-kind and other forms of structured PCI’s. A typical SCI

Current Price	\$16.27 / 0.14
Est. Fair Value	\$15.38 / 0.10
Implied Downside	<b>-5.47%</b>
52 Week High	\$30.00
52 Week Low	\$11.11
Dividend Yield	1.07%
Current P/E (x)	27.58
Current P/BV (x)	0.60
Recommendation	<b>HOLD</b>

SCI offers a unique value proposition as whereas traditional bank lending would be scarce or unavailable due to global economic uncertainty, the Company would be aggressive or ‘risk on’ as other lenders would heighten their risk aversion or ‘risk off’ towards medium-sized firms. SCI is also in a position to pick, choose and refuse the industries or companies it can allocate dry powder to.

**Investors with a long-term focus** should continue to hold the shares of the Company in its portfolio as it seeks to give risk-adjusted returns, high dividend payout and diversification. One can also consider whether to buy more SCI shares on the Main or USD Market at depressed prices.

investment in a company has a maximum tenor or maturity of 5 years, with 7 being exceptional cases. While there are no set investment criteria, key factors of consideration include good historical financial performance, capacity to repay/service investments, collateral, IPO opportunities, experience and calibre of management and growth prospects.<sup>1</sup>

The operations and assets of SCI are managed by Sygnus Capital Management (SCM), a Cayman Islands Investment Management Company and is advised regarding its PCI's by its Investment Advisor, Sygnus Capital Limited, a subsidiary of Sygnus Group Ltd which is registered as an International Business Company (IBC) in St. Lucia. SCM will be paid a management fee of 2% of assets under management (AUM) and a performance fee of 15% of return on average equity above the hurdle rate of 6%.

## What is private credit?

According to a study and research by the Alternative Investment Management Association (AIMA) with global private credit fund managers on the future outlook and financing of the private credit market,<sup>2</sup> they defined it as “**privately negotiated [credit] transactions**”, “**anything that is directly negotiated with the borrower and is probably unrated**”, “**non-traditional sources of lending or less regulated sources of lending**”, “**a financing solution that is not publicly traded in which lenders facilitate the capital needs of promising companies**” and “**it is just lending**”. Private credit is, if

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<sup>1</sup> Sygnus Group - <https://sygnusgroup.com/>

<sup>2</sup> Financing the Economy – The Future of Private Credit - <https://www.aima.org/uploads/assets/083f8b56-2636-4b88-a300a2c612f775ae/20112019-FINAL-FTE-Paper-Single-Page-High-Res.pdf>

you may, the antonym of private equity, the more commonly used and referred to form of alternative financing.

When private companies need access to capital to expand their daily operations, they cannot access the public debt and equity markets by issuing stocks and bonds. These companies borrow the funds needed in exchange for interest payments while repaying the loan's principal to maturity. Private loans are typically structured as senior debt, giving the lender payment priority in the case of a default.<sup>3</sup>

As an asset class within the alternative investments' arena, there are a large variety of different debt instruments, which were mentioned previously. Private credit is highly favoured by institutional investors due to its low correlation with other assets held in their portfolio, the risk & return premium in comparison to other asset classes and publicly traded debt as global interest rates are declining and its long-term duration.

A fact that is relatively overlooked is that the private credit market has been largely untapped, with the AIMA describing it as an industry far from its potential, though global assets under management (AUM) have grown from **\$235.5 to \$749.2 billion**<sup>4</sup> in a 10 year span, according to the CAIA Association. Institutions have made plans, pre- and post-COVID-19, to allocate more funds towards the private credit space, which will give additional dry powder for firms like Sygnus to facilitate lending and global investment managers have raised capital to take advantage of the 'mispricing' of assets in the distressed debt aspect of private credit.

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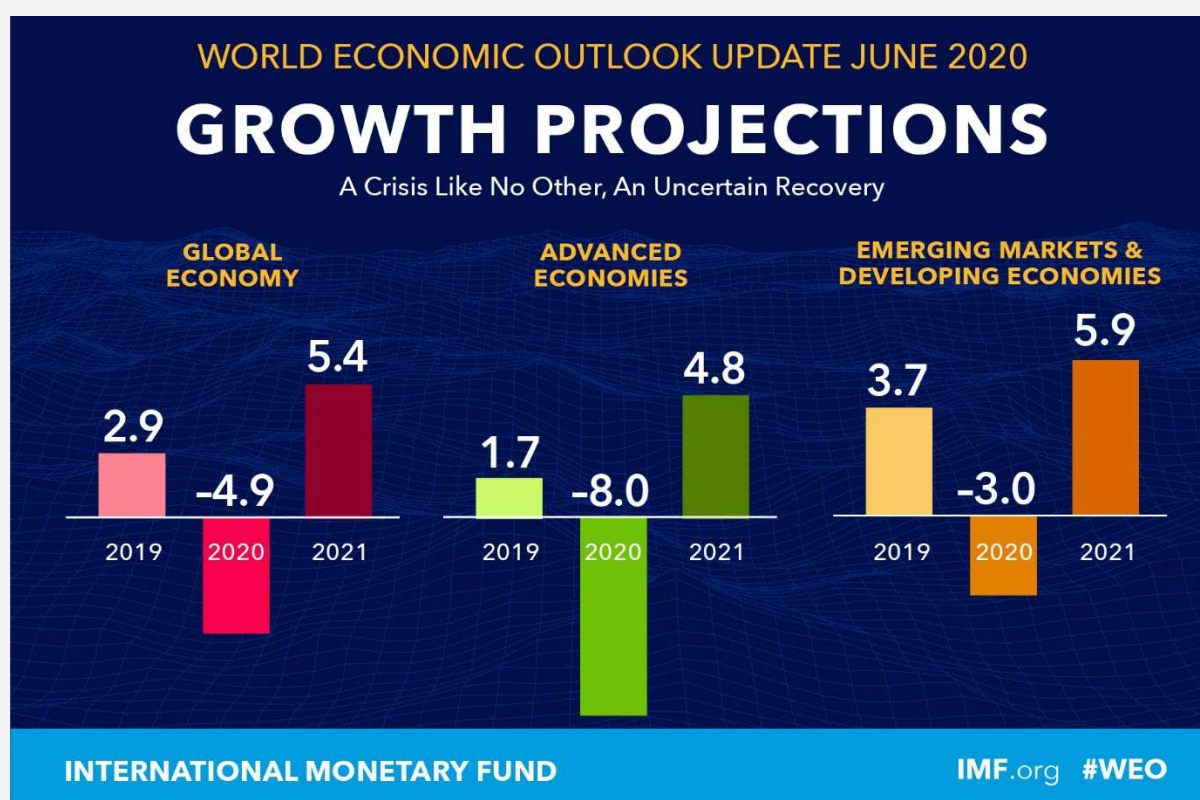
<sup>3</sup> <https://www.cioninvestments.com/insights/private-credit-in-portfolio/>

<sup>4</sup> CAIA Association – The Next Decade of Alternative Investments: From Adolescence to Responsible Citizenship

# Company Outlook & Impact of COVID-19

## Impact of COVID-19

The unprecedented impact of the Coronavirus (COVID-19) pandemic has created a global health crisis and a striking impact on global economies and financial markets. Jamaica and the Company under review has not been spared by this crisis with the island recording its first case recorded on March 10, 2020. In guidance with stipulations from the World Health Organization (WHO) and other CARICOM countries, the island's borders were closed and the labour force mandated to work from home amongst other restrictions. The International Monetary Fund (IMF) has <sup>5</sup>



described the shocks of the pandemic as **The Great Lockdown**, akin to the Great Depression decades before.

<sup>5</sup> <https://www.cioninvestments.com/insights/private-credit-in-portfolio/>



The IMF is projecting the global economy to contract by **-4.9%**, more severe than the 2008/09 global financial crisis. Conversely, global economies are projected to grow by **5.4%**, as economic activity normalizes, helped by [expansionary monetary & fiscal] policy support, as cited by the institution. A contraction of **3.0%** for emerging markets is anticipated with a **-9.4%** of same for the Latin America and Caribbean region, with a recovery of **3.7%** in 2021. In response to the shocks of the crisis, the Government of Jamaica (GOJ) allocated \$25 billion as a fiscal stimulus to alleviate pressures felt by those who were unemployed or businesses most affected.

According to the PIOJ, real GDP for the quarter January – March 2020 declined by **1.7%** and real GDP for the quarter April-June 2020 is projected to decline within the range of **12-14%**, compared to the same quarter in the prior year. The mining and quarrying industry declined by **-37%** and the real value added for hotels and restaurants, which is a subset of the hospitality industry

**How the IMF Can Help Countries Address Economic Effects of Coronavirus**

- Emergency Financing**  
The Rapid Credit Facility (RCF) and Rapid Financing Instrument (RFI) can provide quick on-off financing to respond to health disasters.
- Catastrophe Containment and Relief Trust**  
The IMF can provide debt relief grants for the poorest and most vulnerable countries to help address public health disasters.
- Augmentation under existing programs**  
The IMF can rapidly augment existing programs to accommodate urgent needs arising from the coronavirus.
- New financing arrangement**  
The IMF can provide support through a new loan under its existing standard facilities.
- Capacity development**  
The IMF is closely engaged with the authorities of affected member countries, working to reinitiate technical assistance and training activities.

INTERNATIONAL MONETARY FUND | IMF.org

declined by an estimated **-13.9%** in the quarter January – March 2020. There was a **-17.9%** decline in total passenger arrivals for the same quarter, due to travel restrictions. The Company has exposure to the industries. Also, of note, the World Bank in its Latin America and Caribbean outlook<sup>6</sup> projected the region to decline by **-7.2%** with Jamaica not far behind with a 100-basis points contraction of **-6.2%**.

	2017	2018	2019e	2020f	2021f	2020f	2021f
Argentina	2.7	-2.5	-2.2	-7.3	2.1	-6.0	0.7
Belize	1.9	2.1	0.3	-13.5	6.7	-15.6	4.9
Bolivia	4.2	4.2	2.7	-5.9	2.2	-8.9	-1.0
Brazil	1.3	1.3	1.1	-8.0	2.2	-10.0	-0.3
Chile	1.2	3.9	1.1	-4.3	3.1	-6.8	0.1
Colombia	1.4	2.5	3.3	-4.9	3.6	-8.5	-0.3
Costa Rica	3.9	2.7	2.1	-3.3	3.0	-5.8	0.0
Dominica <sup>2</sup>	-9.5	0.5	9.6	-4.0	4.0	-8.9	-0.1
Dominican Republic	4.7	7.0	5.1	-0.8	2.5	-5.8	-2.5
Ecuador	2.4	1.3	0.1	-7.4	4.1	-7.6	3.3
El Salvador	2.3	2.4	2.4	-5.4	3.8	-7.9	1.3
Grenada	4.4	4.2	3.1	-9.6	6.5	-12.5	3.6
Guatemala	3.0	3.1	3.6	-3.0	4.1	-6.0	0.9
Guyana	2.1	4.1	4.7	51.1	8.1	-35.6	-2.4
Haiti <sup>3</sup>	1.2	1.5	-0.9	-3.5	1.0	-2.1	1.5
Honduras	4.8	3.7	2.7	-5.8	3.7	-9.3	0.2
Jamaica	1.0	1.9	0.7	-6.2	2.7	-7.3	1.5
Mexico	2.1	2.2	-0.3	-7.5	3.0	-8.7	1.2
Nicaragua	4.6	-4.0	-3.9	-6.3	0.7	-5.8	0.1
Panama	5.6	3.7	3.0	-2.0	4.2	-6.2	-0.4
Paraguay	5.0	3.4	0.0	-2.8	4.2	-5.9	0.3
Peru	2.5	4.0	2.2	-12.0	7.0	-15.2	3.5
St. Lucia	2.2	1.4	1.4	-8.8	8.3	-12.0	5.3
St. Vincent and the Grenadines	1.0	2.0	0.4	-5.5	4.0	-7.8	1.7
Suriname	1.8	2.6	2.3	-5.0	3.0	-7.5	0.9
Uruguay	2.6	1.6	0.2	-3.7	4.6	-6.2	1.1

<sup>6</sup> <http://pubdocs.worldbank.org/en/876791588788341170/Global-Economic-Prospect-2020-Regional-Overview-LAC.pdf>



## Company Outlook

Sygnus Credit Investments Limited (SCI) in a release to the JSE last year, was granted Board approval to raise **\$35M USD (\$4,500,000,000 JMD)** as dry powder to deploy into additional PCI's. **43% of the capital (\$15M USD)** was raised via debt in the form of bonds, notes or preferences shares, according to the release. In an article by Caribbean Business Report dated January 24, 2020, the Company stated it would be raising the remaining **\$20 million USD via rights issue or an additional public offering (APO) to shareholders**. Sygnus Capital acted as the broker and Sagicor Investments as the underwriter for the debt issuance.<sup>7</sup>

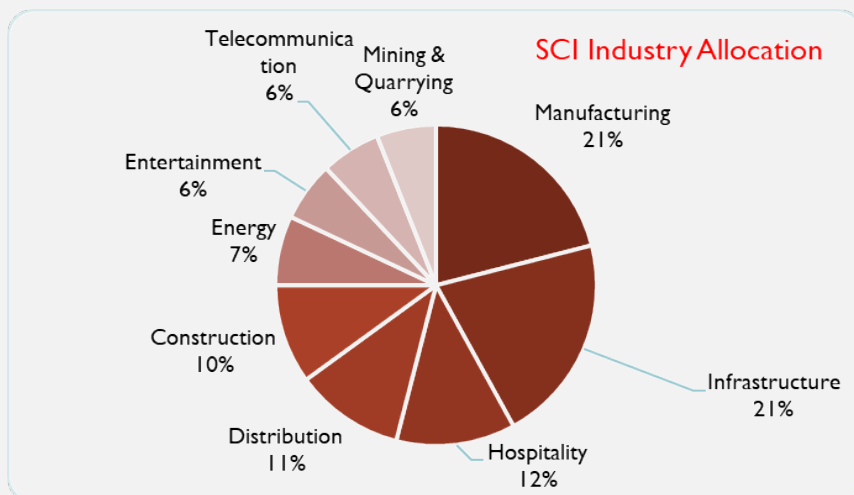
In a release to the JSE dated April 9, 2020, Sygnus had received Board approval to raise equity capital via an APO but would be subject for shareholder approval by way of an extraordinary general meeting (EGM). Due to the COVID-19 pandemic and JSE rules, the EGM has not yet convened nor has a future date been



set. Regarding the debt capital, President & CEO of SCI, Berisford Grey made mention of exploring opportunities in **The Bahamas, Guyana and to a lesser extent, Trinidad & Tobago**. In response to the shocks of the pandemic on a few of its portfolio companies, SCI has structured working capital and debt restructuring for those in the

distribution and hospitality industries.

<sup>7</sup> <https://caribbeanbusinessreport.com/markets/sygnus-credit-investments-raises-us15-m-debt-for-caribbean-expansion/>



In the 3<sup>rd</sup> quarter ended March 31, 2020, the Company highlighted the impact of COVID-19, notwithstanding other shocks, with an early investment exit of **\$10.3M**

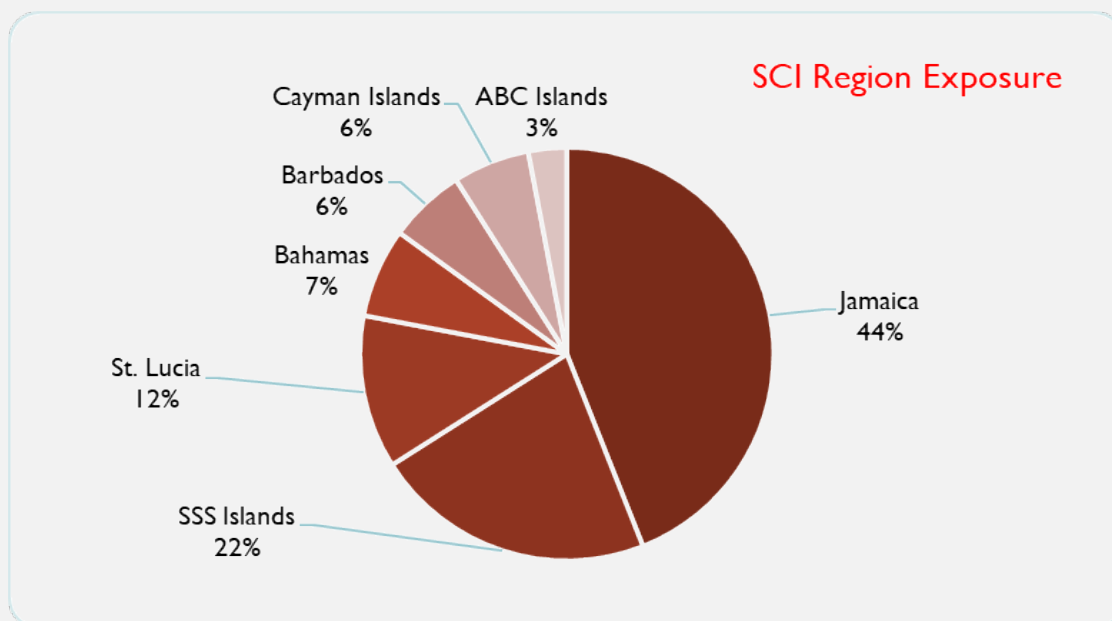
USD and a provision for expected credit loss (ECL) of **\$180K USD**. The higher ECL was partly driven by a much larger portfolio of PCI’s, which grew by **52%**. The Company further stated that the ECL reflected a charge of **\$131K USD** for 1 portfolio company to further realign its prospects amidst the current environment. <sup>6</sup> The table below provides additional clarity.

Item	March 2020	Comments
<b>Fair Value Loss</b>	<b>-\$172.9K USD</b>	COVID-19 spread widening and rise in interest rates lead to unrealized loss in fair values in the month of March 2020.
<b>Expected Credit Loss (ECL)</b>	<b>-\$133.2K USD</b>	ECL charge for the month of March 2020, largely reflecting the proactive amendment to the terms of a Portfolio Company investment that will occur in Q4 2020, precipitated by COVID-19. This charge may reverse in future periods.
<b>Early Investment Exit</b>	<b>-\$10.3M USD</b>	Early investment exit in March as COVID-19 temporarily delayed use of proceeds by Portfolio Company. Lower interest income due to the exit and lower total investment portfolio. However, early exit also mitigated against COVID-19 risks.

Table 1: SCI COVID Impact

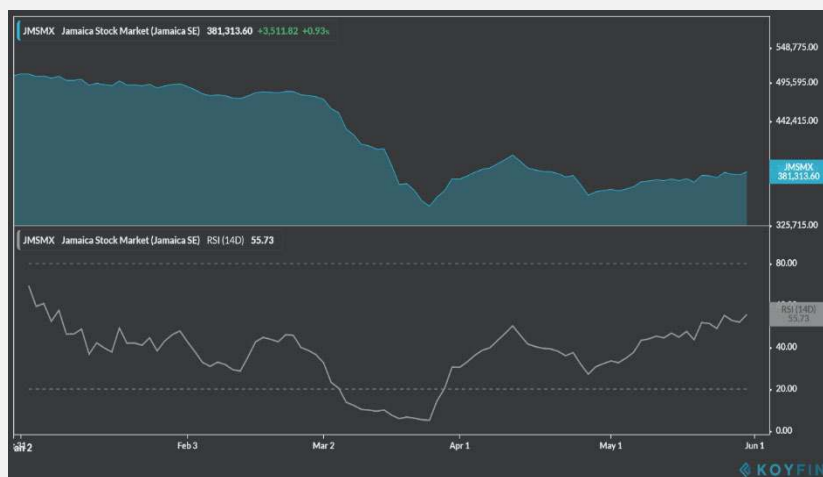
For the recently concluded 4<sup>th</sup> quarter ended June 30, 2020, The Company’s bottom line will be affected by the devaluation of the Jamaican dollar to the greenback; with an average rate of \$133.93 at the end of March with the rate near the end of July being \$146.74, a change of **-8.73%**.

Notwithstanding the challenges, the factors supporting the growth of private credit include increasing attraction of private markets to investors, retrenchment of the banking sector and the appeal of direct lender relationships to borrowers – will fuel further expansion of the asset class and SCI in the medium to long term, amidst any ongoing pandemic.



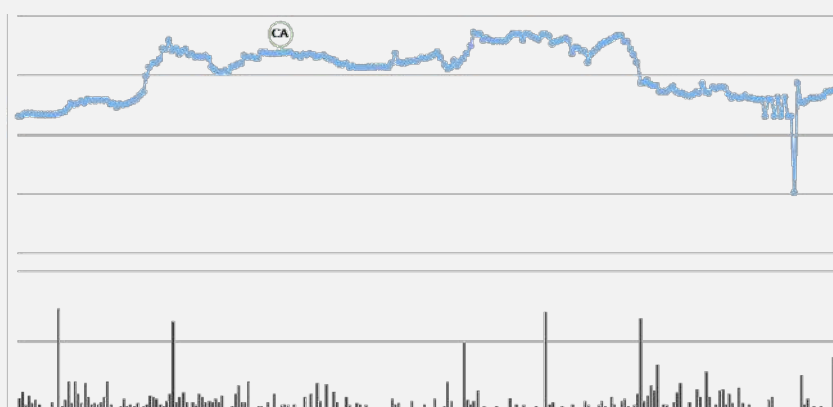
## Investor Sentiment During & After COVID-19

COVID-19’s impact on the financial markets were wide and varied, as investors locally and abroad readjusted their portfolios for liquidity reasons, as cash and precious metals are viewed as ‘safe havens’, as well as pricing in the impact of the pandemic on securities



for companies most impacted by the virus. The JSE Main Market Index started the year at 512,866 points with its lowest level or bottom on March 25, 2020 at 342,094. According to financial markets data website, Koyfin, the JSE on same date had a relative strength index (RSI) of **5.41**, with any value **below 20 depicting stocks being oversold**; meaning the value of shares had fallen too far below intrinsic value and could anticipate a price rebound in the near future or a correction. This is, however, subjective, as the market being oversold may not result in a price rally soon, or at all. Global financial markets were largely oversold in the aforementioned timeframe.

SCIJMD has seen highs of \$27.20 from December 2019 to present lows of \$16.27, a return of **- 40%**. Its USD equivalent has traded as high as \$0.16 with its lowest close at \$0.12 but settling at \$0.14, a return of **- 12.5%**. The JSE Main and Combined Market indices are down **-27%** YTD. The Financial and USD Market indices' performance is **-30%** & **-17%** YTD. The decline is attributable to investors



pricing in SCI's provision for expected credit losses (ECL) from the tourism & hospitality sector, which represents 12% of SCI's portfolio and its impact

on profit attributable to shareholders <sup>8</sup>. Some may have also expected the impact of the JMD devaluation to the USD. The Government had closed its borders on March 20, 2020. The outlook for the global financial markets is expected to remain subdued

<sup>8</sup> Sygnus Credit Investments (SCI) Unaudited Results for the 9 Months ended March 31, 2020

and volatile as clinical trials are underway with the premise of creating a reliable vaccine, with the intention of some sort of normalcy. The Nasdaq and the S&P 500 has recovered from the bottoming seen in March with bond and equity prices trading higher, though the same cannot be said about the local market, due to sentiment and liquidity not seen since 2008.

## Risk Assessment

Table 3: Risk Assessment – SCI

Currency Risk	The JMD/USD is based on a free-floating currency regime, which results in FX volatility. This can have an impact on SCI’s net profit dependent on the JMD’s devaluation or revaluation against the US dollar.
Credit Risk	Credit risk arises from the possibility a portfolio company cannot make interest payments in a stipulated time frame or the loan defaults. This would result in an increase of non-performing loans.
Liquidity Risk	This may result from the inability to sell a financial asset or exit a PCI in a timely manner at what is considered fair value. Private credit investments are illiquid by nature and long term in duration.
Concentration Risk	The majority of SCI’s portfolio companies (44%) are domiciled in Jamaica. A negative change in the economic environment of this country will have an adverse effect on provision for ECL and weighted average yield on PCI’s.

Table 4: Risk Assessment cont’d

Positives & Opportunities	Negatives & Threats
<b>Market Niche</b> – SCI is one of the few, the other being Eppley Limited, offering private credit to MSME’s. Other vehicles are focused on the equity counterpart.	<b>New Market Entrants</b> – New or existing investment companies adding private credit to their core focus would impede on SCI’s market share and penetration.
<b>Diversification</b> – The Company currently invests in 7 different Caribbean territories	<b>Weak Macroeconomic Environment</b> – The onset of COVID-19 is forecasted to persist over the short to medium term. Sygnus’s exposure to the Caribbean, an emerging

across varied industries. SCI could pursue opportunities in the Dominican Republic.	market, will face higher shocks than more developed economies.
<b>Dry Powder</b> – SCI can readily access capital from HNW and institutional investors at relatively low interest rates.	<b>APO</b> – The equity component of its recent capital raise has not materialized, limiting investment activity.
<b>Economic Growth</b> – Companies such as Sygnus are important to the economy in providing customised financing and can assist companies in these unprecedented times.	<b>Dividend Payout</b> – Institutions or individuals holding more than 1% of outstanding shares would not be eligible for dividend payments, due to restrictions from the Bank of Jamaica.
<b>Leverage</b> – Sygnus has low leverage, which means low debt on its balance sheet and sufficient liquidity.	
<b>Track Record</b> – The Company’s founders, namely Berisford Grey, Jason Morris and Ike Johnson have sufficient knowledge and expertise in alternative investments.	
<b>Access to Attractive Asset Class</b> – SCI’s listing on the JSE gives retail investors an opportunity to invest in a growing company and asset class, which in more developed economies, are only available to institutional investors.	
<b>Dividend Income and Policy</b> – Aims to pay 85% of investment income as dividends to shareholders on a quarterly basis.	

Country risk premium is defined as the additional return or premium demanded by investors to compensate for the higher risk of investing in a foreign country. Investment opportunities overseas are associated with higher risk due to economic risks, currency fluctuations and sovereign debt burden, to name a few. Below is the list of countries that the Company has exposure to and the associated

debt rating and risk premium. SCI is able to extract higher yields on PCI's because of the higher associated risks with the Caribbean defined as an emerging market, as well as widening credit spreads. The Caribbean region's risk premium is **10.33%**.

Country	S&P rating	Moody's rating	Country / Equity Risk Premium
Jamaica	B+	B2	13.32%
Barbados	B-	Caa1	16.25%
Cayman Islands	-	Aa3	6.12%
St. Maarten (SSS Islands)	-	Baa3	8.46%
ABC Islands	BBB+, BBB	Baa1, Baa2	7.81%
Bahamas	BB	Ba2	9.64%
St. Lucia	-	-	-

## Financial Performance

### FY 2019 SUMMARY

#### Profitability

The Company's revenue, being total investment income was **\$3.2M**, a **169.5% increase** over the prior financial year. Net investment income and net profit attributable to shareholders were **\$2.1M and \$2.05M**, which represented growth of **166%** and **44%**. EPS was **0.59** vs. **0.85**, a decline of **-44%** due to management and professional fees payable to its investment advisor, Sygnus Capital. **\$135K** in fair value gains was driven by investments in portfolio companies with profit sharing upside. This type of PCI is known commonly as convertible preference shares. SCI increased its number of portfolio companies to 19 from 7 in the comparative period, which was represented as **\$34M** invested in these same companies.

Average investment per company was **\$1.8M**. There were zero non-performing loans for FYE 2019. As is customary with customized financial solutions, SCI implemented downside risk protection through covenants and collateral-backed notes.

### Liquidity & Solvency

SCI had **\$38M** in total assets, a marginal increase of 3% over the prior year of **\$37M**. Liabilities of **\$559K** vs. **\$385K** were accounted for with shareholders' equity being **\$37M**, a 2.6% increase vs. 2018. Retained earnings were **\$2.5M** and cash and cash equivalents stood at **\$2.1M**, an **81%** increase in the Company's cash balance.



As for the same in FYE 2018, there was no long-term debt on SCI's balance sheet. Regarding its investments, they were represented by convertible preference shares with a 3-5 year maturity, a commodity resale agreement & short term notes with a 1 year maturity. Debt instruments with a maturity between 2-5 years were also contracted.

### NINE MONTHS ENDED MARCH 31, 2020

#### Profitability

SCI's total investment income grew to a record **\$3.4M** compared to the **\$2.4M** recorded in the nine months ended 31 March 2019. For the 3<sup>rd</sup> quarter ended 31 March 2020, total investment income or revenue was **\$1.08M**, an increase of 9%. Growth was stymied by the initial onset of COVID-19 as well as an early exit of an



investment, resulting in lower interest income and expenses associated with the exit. Net investment income increased by **38%** for the nine months ended to **\$2.4M** vs. **\$1.7M**, however, for the quarter ended the same income fell by **6.7%** to **\$685K** compared to **\$734K**, due to the aforementioned impact on revenue.

Net profit attributable to shareholders was **\$1.28M**, **33%** lower than the **\$1.9M** for the nine months ended whereas for the three months ended the net loss was **-\$356K** compared to **\$1M**. The outcome was driven by net foreign exchange loss of **-\$714K** relative to forex gains of **\$185K**. SCI does not engage in proprietary trading of forex, hence the loss was from volatility in the JMD/USD exchange rate with the Company purchasing the USD equivalent of **\$1.2B** from the debt capital raise prior in the year. Higher provision of expected credit losses (ECL) was also attributable to the profit outcome. EPS was **0.36** vs. **0.55** for the nine months and – **0.10** vs, **0.29** for the 3<sup>rd</sup> quarter.

Fair value gains of **\$159K** relative to **\$101K** was accounted for the nine months and an unrealized fair value loss of **\$146K** versus a gain of



**\$67K** for Q3. This was due in part to higher interest rates and widening of credit spreads from the pandemic. As at the end of Q3, SCI had **\$47M** invested in 21 portfolio companies with new investments being **\$10.4M** and average investment per company being **\$2.25M**. Weighted average yield on these investments is **11.3%**, a decline of 100 bps.

## Liquidity and Solvency

The Company had **\$60.6M** in total assets, a **59%** increase over the prior period. With the onset of notes payable and lines of credit, SCI's debt-to-equity ratio stood at **0.59x**, indicating low leverage. Liabilities were **\$23M** compared to **\$1.3M** and shareholders' equity also being **\$37M**. Notes payable will mature in 2 years which is testament to the Company's strong financial position. Retained earnings were **\$1.86M** and cash and cash equivalents stood at **\$1.2M**. Due to the ongoing pandemic, SCI's increased exposure to expected credit losses for the nine months widened to **\$303K** vs. **\$60K**. SCI in its report also made mention of awaiting final documentation regarding an additional **\$10M** in short-term financing for private credit investments.

## Fair Value & Recommendation

The valuation methods selected were the Price to Earnings per share (P/E) and Residual Income Model. The Company was compared to Eppley Limited (EPLY), as other alternative investment managers such as PROVEN Investments & PanJam Investment Limited **do not engage in private credit, but equity**

Company	P/E
Sygnus Credit Investments Ltd	27.58
Eppley Limited	16.50
<b>Average</b>	<b>22.04</b>

**investing**. As of July 26, 2020, the average P/E of the companies in the financial sector engaging in private debt was **22x**. When applied to SCI's forward EPS of **0.69**, a fair value price of **\$15.21** was determined. The residual income method also yielded a price of **\$15.55**. Averaging the two values produced a final valuation of **\$15.38** or **\$0.10**, which indicates the stock is overvalued and is trading at a premium of **-5.47%**.

SCI is currently expanding its asset base by raising more debt and equity capital to accelerate

P/E Valuation	15.21
Residual Income Approach	15.55
<b>Estimated Fair Value</b>	<b>\$15.38</b>

private credit investments across the Caribbean to medium-sized firms who do not have access to the bond and syndicated loan markets. As previously mentioned, the additional public offering (APO) has not yet convened due to the instability of the USD/JMD exchange rate as well as the Bank of Jamaica currently placing a dam on large foreign exchange transactions, with SCI’s functional currency being the United States dollar (USD). It is also subject to shareholder approval. It is during these unprecedented times or ‘black swan events’ where alternative investment managers ‘step up’ to plug dry powder where it is needed to drive economic growth when business confidence and outlook is low.

The Caribbean region short-to-medium term outlook is dampened due to the Coronavirus which provides a great opportunity for SCI, who has a **medium-to-long term outlook** to facilitate private lending using a variety of tools from its debt arsenal. Conversely, there will be higher provision for expected credit losses and non-performing loans going forward. Whereas private credit and other types of alternative investments are only available to institutional investors, SCI offers the former and retail investors the opportunity to generate returns from such. <sup>i</sup>



As Sygnus continues to venture for capital as well as asset managers seeking higher yields, the Company will have to convince shareholders of the value of the

asset class during this difficult stage of the market cycle. Based on the foregoing, investors with a long-term horizon and a **MODERATE** to **HIGH** risk appetite should continue to **HOLD** Sygnus Credit in their portfolio.

### Top 10 Shareholders

No.	Shareholders	Shareholdings	Percentage Ownership
1	ATL Group Pension Fund Trustees Nominees Ltd	27,500,000	7.9%
2	JCSD Trustee Nominees	27,249,466	7.8%
3	MF&G Trust Finance Ltd	20,144,000	5.8%
4	National Insurance Fund	20,000,000	5.7%
5	JMMB Fund Managers Ltd – T1 Equities Fund	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	Gassan Azan	7,285,700	2.1%
9	Jamaica Money Market Brokers Ltd. FM10	6,933,400	2.0%
10	Wildelle Limited	5,500,000	1.6%
	<b>Subtotal</b>	<b>150,026,866</b>	<b>42.9%</b>
	<b>Total</b>	<b>350,087,563</b>	<b>100.0%</b>

<sup>i</sup> Types of alternative investments available to retail investors on the JSE include private equity, real estate and most recently, infrastructure. Those being strictly offered to institutional clients include derivatives, precious metals & hedge funds, which have no bearing on the JSE and its participants.

**SCI Balance Sheet Extract & Forecast**

Expressed in US\$				
	2018	2019	9M 2020	2021
<b>ASSETS</b>	\$	\$	\$	\$
Cash and cash equivalents	400,259	2,098,386	1,204,468	1,234,371
Securities purchased under resale agreement	19,883,276	1,044,234		
Interest receivable	229,494	897,396	1461480	1,236,000
Other receivables	788,625	22,522	10,329,855	
Due from related companies		116,809	201,056	
Finance lease receivables	498,960	1,577,971	1,794,795	2,019,144
Investments	15,203,964	32,388,601	45,595,554	57,275,882
Investment in subsidiary		76		
<b>Total Assets</b>	<b>37,004,578</b>	<b>38,145,995</b>	<b>60,587,208</b>	<b>61,765,397</b>
<b>LIABILITIES</b>				
Accounts payable & accrued liabilities	201,779	377,384	493,825	562961
Loans & borrowings			6,698,191	6,698,191
Due to related companies	183,876	60,896	222,741	
Notes payable			15,093,745	15,093,745
Other liabilities		121,178	1,102,238	1,460,419
<b>Total Liabilities</b>	<b>385,655</b>	<b>559,458</b>	<b>23,610,740</b>	<b>23815316</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	35,107,673	35,107,673	35,107,673	35,107,673
Fair value reserve	87,503			
Retained earnings	1,423,747	2,478,864	1,868,795	2,842,408
<b>Total Shareholders' Equity</b>	<b>36,618,923</b>	<b>37,586,537</b>	<b>36,976,468</b>	<b>37,950,081</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>37,004,578</b>	<b>38,145,995</b>	<b>60,587,208</b>	<b>61,765,397</b>

**SCI Income Statement Extract & Forecast**

<b>Expressed in US\$</b>				
	<b>2018</b>	<b>2019</b>	<b>9M 2020</b>	<b>2021</b>
<b>Net interest income &amp; other revenue</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest income	1,170,917	3,168,047	3,880,066	4,306,873
Interest expense			-472,002	-528,642
<b>Net interest income</b>			<b>3,408,064</b>	<b>3,778,231</b>
Fair value gains from financial instruments through FVTPL	644,326	135,429	159,053	312,936
Net foreign exchange gains				
Other income			30,892	34,455
Participation fees	23,413	50,944		60,000
<b>Total investment income</b>	<b>1,838,656</b>	<b>3,354,420</b>	<b>3,598,009</b>	<b>4,185,622</b>
<b>Expenses</b>				
Accounting fees	20,833	37,323	36,308	31,488
Advertising & promotion	5,343	5,317	19,705	21,965
Audit fees & expenses	48,435	36,537	15,388	33,453
Bank charges	3,098	6,005	6,848	5,317
Commitment fees			47,349	51,862
Corporate service fees			19,192	21,534
Registration fees	15,581	9,310		
Directors' fees & related expenses	29,225	40,203	26,320	31,916
Irrecoverable withholding tax	25,317	39,239	2,958	
Other expenses	2,142	68,415	98,046	56,201
Management fees	182,368	707,175	716,837	911,911
Net foreign exchange (loss)	49,995	219,011	1,018,292	429,099
Impairment allowance on financial assets		74,645	302,873	188,759
Professional fees	32,572	60,609	11,765	
<b>Total expenses</b>	<b>414,909</b>	<b>1,303,789</b>	<b>2,321,881</b>	<b>1,783,506</b>
<b>Profit for the year</b>	<b>1,423,747</b>	<b>2,050,631</b>	<b>1,276,128</b>	<b>2,402,116</b>
Other comprehensive income	87,503			
<b>Total comprehensive income for the year</b>	<b>1,511,250</b>	<b>2,050,631</b>	<b>1,276,128</b>	<b>2,402,116</b>
Earnings per share (EPS)	<b>0.85</b>	<b>0.59</b>	<b>0.36</b>	<b>0.69</b>

**INNOVATION | INDEPENDENCE | INTEGRITY**