



SYGNUS

CREDIT INVESTMENTS

**MANAGEMENT
DISCUSSION
& ANALYSIS**

FOR THE YEAR ENDED **JUNE 30, 2021**

Sygnus Credit Investments Limited

Audited Annual Financial Results for the Financial Year Ended June 30, 2021

Castries, St Lucia | Sunday, August 29, 2021

Sygnus Credit Investments Ltd (“SCI” or “the Company”) is pleased to report on its audited financial results for the year ended June 30, 2021, as outlined in this summary Management Discussion and Analysis (MD&A). This MD&A should be read in conjunction with the audited financial statements for the Year Ended June 30, 2021. The MD&A may contain forward looking statements based on assumptions and predictions of the future, which may be materially different from those projected.

SUMMARY MANAGEMENT DISCUSSION AND ANALYSIS

Results of Operations

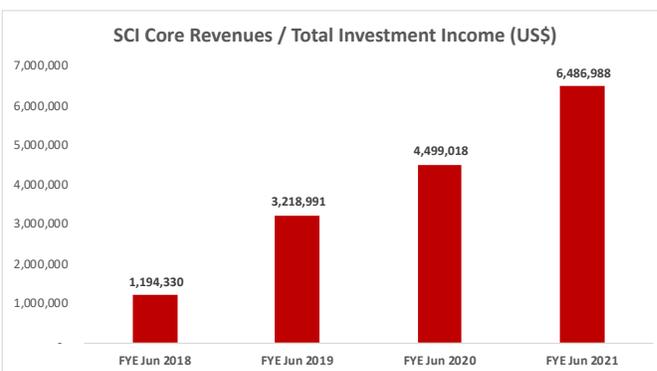
Sygnus Credit Investments Limited reported the highest net profits and earnings per share in its four-year history, along with record core revenues and core earnings, for the financial year ended June 30, 2021 (the “FYE Jun 2021”). In particular, the Company’s net profits more than doubled, surpassing a key milestone of US\$5.0 million for the very first time.

The results were driven by new investment origination activity across the Caribbean at attractive yields, continued proactive credit risk management and growth in its private credit investment portfolio to a record US\$82.80 million. The Company remained well ahead of schedule to deliver on its promise made to shareholders at the December 2020 annual general meeting, to scale its private credit business beyond US\$100.00 million and deliver at least US\$8.00 million in core revenues over the next 2 to 3 years. The results were facilitated by a record capital raise of US\$27.1 million in an additional public offering (APO) of 249,887,900 ordinary shares in January 2021. The Board of Directors will consider an interim dividend payment at a meeting to be held on September 10, 2021.

The impact of the global COVID-19 pandemic on Caribbean economies and on middle-market businesses is ongoing, and the trajectory of the regional economic recovery remains uneven and unclear. However, SCI remains well positioned to continue navigating the effects of the pandemic, given a robust balance sheet with very low leverage and nil realized credit losses or charge-offs since inception.

SCI’s core revenues, or total investment income, grew by 44.2% or US\$1.99 million to a record US\$6.49 million, for FYE Jun 2021. This compares with US\$4.50 million for the financial year ended June 30, 2020 (“FYE Jun 2020”). Ninety-nine percent of core revenues was comprised of net interest income. The growth of net interest income primarily reflected a record growth in net investment commitments to well managed middle-market Caribbean businesses, to meet their substantial demand for flexible debt capital. This outcome was in keeping with SCI’s view that the greatest demand for flexible capital typically occurs during periods of economic crisis, as was discussed in SCI’s 2020 annual report and again in its APO prospectus in December 2020. It is also consistent with the growth trends seen in the more developed private credit markets across the globe.

	FYE Jun 2021	FYE Jun 2020
Summary Results of Operations	US\$	US\$
Interest Income	8,221,661	5,382,777
Interest Expense	(1,797,459)	(890,759)
Net Interest Income	6,424,202	4,492,018
Participation and Commitment Fees	62,786	7,000
Total Investment Income	6,486,988	4,499,018
Total Operating Expenses	2,726,931	1,469,943
Net Investment Income	3,760,057	3,029,075
Gain (Loss) on Sale of Investments	24,175	(8,370)
Fair Value Gain (Loss)	1,416,793	74,640
Net Foreign Exchange Gain (Loss)	(72,988)	(1,039,375)
Impairment Allowance on Financial Assets	(69,710)	(101,593)
Profit Before Taxation	5,058,327	1,954,377
Taxation Credit (Charge)	(30,010)	18,416
Profit Attributable to Shareholders	5,028,317	1,972,793
Earnings Per Share	1.11¢	0.56¢
Net Investment Income Per Share	0.83¢	0.87¢



SCI’s core earnings, or net investment income, grew by 24.1% or US\$731.0 thousand to a record US\$3.76 million for FYE Jun 2021, versus US\$3.03 million for FYE Jun 2020.

Net profit attributable to shareholders grew by 154.9% or US\$3.06 million to a record US\$5.03 million for FYE Jun 2021, eclipsing a key milestone of US\$5.0 million in only 4 years. Net profit was US\$1.97 million in FYE Jun 2020.

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Earnings per share (EPS) was a record 1.11 US cents for FYE Jun 2021 vs 0.55 US cents for FYE Jun 2020. Core earnings per share, or net investment income per share (NII) was 0.83 US cents vs 0.87 US cents for the prior year.

Total Operating Expenses

Total operating expenses increased by US\$1.26 million or 45.5% to US\$2.73 million for FYE Jun 2021 versus US\$1.47 million for FYE Jun 2020. This increase was driven primarily by higher management and corporate services fees related to higher assets under management, first time performance fees and some one-off expenses. Management fees, corporate services fees and performance fees were a combined 76.0% of operating expenses.

Management fees were 53.4% of operating expenses, amounting to US\$1.46 million vs US\$1.00 million for FYE Jun 2020, growing in accordance with a 44.0% growth in assets under management. Management fees are charged at a rate of 1.9% of assets under management.

Corporate services fees were 9.7% of operating expenses, amounting to US\$265.7 thousand vs US\$75.9 thousand for FYE Jun 2020. These fees only began accruing midway through FYE Jun 2020 and were thus substantially lower last year than the amounts reported for FYE Jun 2021, which now represents the normalized run rate.

Performance fees were 12.8% of operating expenses, amounting to US\$349.5 thousand vs nil last year. These fees were driven by SCI's net income as a percentage of the average equity over the last three years exceeding the hurdle rate of 6.0%. The fees are charged as 15% of the difference between the computed net income as a percentage of average 3-year equity and the hurdle rate of 6.0%. No fees were charged in any of the previous financial years.

Excluding management, corporate services and performance fees, operating expenses increased by US\$266.8 thousand, or 68.7% to US\$654.8 thousand vs US\$388.0 thousand for FYE Jun 2020. This increase was primarily driven by higher professional fees, which amounted to US\$207.5 thousand vs US\$35.0 thousand in FYE Jun 2020. The increase in professional fees primarily reflected one-off consultant fees for several different projects. Higher registration fees reflected the listing of the APO shares on the Jamaica Stock Exchange, while higher irrecoverable tax reflected higher usage of taxable repo instruments from APO proceeds, relative to last year.

Fair Value Gain / Loss

Fair value gains on profit sharing private credit investments rose to a record US\$1.42 million for FYE Jun 2021 vs US\$74.6 thousand for FYE Jun 2020. The increase of US\$1.34 million substantially reflected the addition of two new fair valued private credit investments amounting to US\$8.70 million and accounted for ~85% of the increase in fair value gains. The larger of the two new investments has a guaranteed rate of return that was significantly discounted and accounted for >60.0% of the overall increase in fair value gains. SCI's fair valued private credit investments are structured to capture additional upside returns in addition to the regular interest income.

Net Foreign Exchange Gain / Loss

Net foreign exchange losses of US\$73.0 thousand for FYE Jun 2021 was lower than the losses of US\$1.04 million for FYE Jun 2020. The higher losses in FYE Jun 2020 primarily reflected one-off conversion of JMD to USD during a volatile foreign exchange market. Movement in foreign exchange gains or losses reflects a combination of SCI's net exposure to Jamaican dollar assets, which results in unrealized gains or losses, as well as realized gains or losses on foreign currency conversion. SCI's net balance sheet exposure to JMD at FYE Jun 2021 was negative 0.5% or negative US\$396,902, vs positive 5.2% or US\$3.17 million at FYE Jun 2020. SCI does not have a foreign currency trading business.

Change in Impairment Allowance on Financial Assets

SCI continued to experience a nil annual loss rate, with zero realized credit losses or charge-offs on its private credit investment portfolio for a 16th consecutive quarter since inception. The change in impairment allowance on financial assets for FYE Jun 2021 was an increase of US\$69.7 thousand vs an increase of US\$101.6 thousand for FYE Jun 2020. The impairment allowance is a non-cash unrealized charge, and reverses if an investment is exited without any realized losses or charge-offs. The smaller increase in impairment allowance for FYE Jun 2021 reflected a combination of successfully exiting some investments from FYE Jun 2020 without any realized losses during FYE 2021 and adding new investments with additional downside protection during FYE Jun 2021.

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SCI's non-performing investment rate (NPI) for FYE Jun 2021 was 2.8% vs 2.7% for FYE Jun 2020. This represented 2 Portfolio company investments vs 1 Portfolio Company investment last year, with 1 new investment added to NPI during Q3 2021. However, this new NPI is expected to be extinguished shortly, as SCI, in partnership with the Portfolio Company, is finalizing the process to successfully exit this investment without crystalizing any credit losses or charge-offs, as the investment will be fully repaid. Both NPI's are fully collateralized.

Total Revenues and Total Expenses

SCI's total revenues were comprised of core revenues, or total investment income (interest income plus participation and commitment fees), plus the non-core revenue items of fair value gains, net foreign exchange gains and gain on sale of investments. Total revenues were US\$7.93 million for FYE Jun 2021, versus US\$4.57 million for FYE Jun 2020.

Similarly, SCI's total expenses were comprised of core operating expenses, plus the non-core items of net foreign exchange losses, fair value losses, impairment allowance on financial assets and loss on sale of investments. Total expenses were US\$2.87 million for FYE Jun 2021, versus US\$2.62 million for FYE Jun 2020. Non-core revenues and non-core expenses may fluctuate significantly from period to period based on prevailing market conditions.

Efficiency and Management Expense Ratios

SCI's core activities generated an efficiency ratio of 42.0% for FYE Jun 2021, vs 32.7% for FYE Jun 2020. The efficiency ratio was primarily impacted by the first-time performance fee, which accounted for 5.4% of the 42.0%. The performance fee is computed based on the year-end financial statements but was also included as part of the expenses for the financial year. Thus, adjusting for the performance fee, the adjusted efficiency ratio was 36.6%, well within the 40% target threshold level. This ratio is computed as total operating expenses to total investment income.

Similarly, total operating expenses as a percentage of total assets under management, or the management expense ratio (MER) was 3.1% for FYE Jun 2021 vs 2.4% the prior year. Adjusting for the first-time performance fees, the adjusted MER was 2.7%, as performance fees accounted for 0.4% of the MER. The adjusted MER of 2.7% was well within the target threshold level of 2.85%.

Private Credit Investment (PCI) Activity

SCI had another record year of private credit investment activity across the Caribbean. At the FYE Jun 2021, SCI's investment in Portfolio Companies grew by 54.5% or US\$29.20 million to a record US\$82.8 million, versus US\$53.60 million in FYE Jun 2020. The number of Portfolio Company investments increased to 31 from 25 in the previous year. Portfolio Company investments included finance lease receivables on the balance sheet.

	FYE Jun 2021	FYE Jun 2020
Summary of Investment Activity	US\$	US\$
Fair Value of Investment in Portfolio Companies	82,797,478	53,595,750
New Investment Commitments During Period	41,095,316	54,725,233
Dry Powder to be Deployed*	1,029,391	5,505,973
Number of Portfolio Company Investments (#)	31	25
Average Investment per Portfolio Company	2,670,886	2,143,830
Weighted Average Term of Portfolio Company Investments (years)	2.1	2.1
Weighted Average Fair Value Yield on Portfolio Companies (%)	12.7%	12.3%
Non Performing Portfolio Company Investments (NPI)**	2	1
Non-performing Investments Ratio	2.8%	2.7%
Loss Rate (realized credit losses; charge-offs)	Nil	Nil
* Does not include undrawn credit facilities of ~US\$5M		
** Both NPI's are over collateralized		

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Portfolio Company Investment Commitments

SCI originated and financed new investment commitments valued at US\$41.10 million during FYE Jun 2021 vs US\$54.73 million in FYE Jun 2020, gross of investment exits and amortizations. The relatively lower level of gross investment commitments reflected a more measured approach to deploying capital, given the onset of the COVID-19 pandemic. However, this more measured approach resulted in a record US\$27.62 million growth in net investment commitments, taking into consideration new investment commitments less the value of investment exits. New investment commitments were primarily used by Portfolio Companies for business expansion, acquisition financing and to pursue growth opportunities. Less than a quarter of investment commitments were used for working capital purposes.

Nearly all new investment commitments represented sponsored portfolio company transactions reflecting either repeat business from existing relationships (such as financing for other companies within a group of companies) or new portfolio companies whose majority shareholders have or had a relationship with SCI. In fact, SCI has benefitted significantly from its partnership approach throughout the pandemic with multiple repeat clients, thus substantially reducing its risk exposure by dealing with “familiar” clients or business operations.

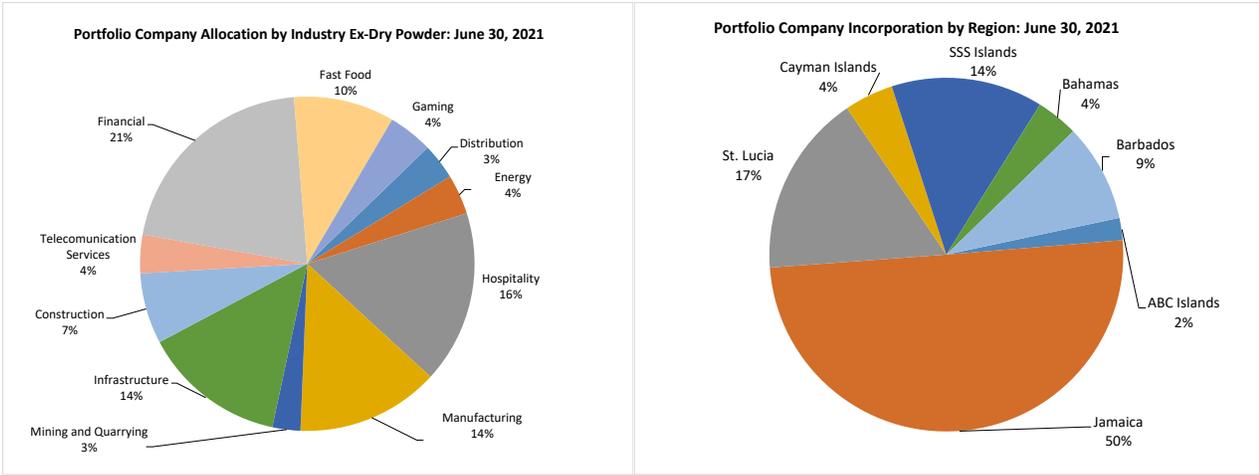
Weighted Average Investment Tenor and Investment Yield

At FYE Jun 2021, the weighted average tenor of Portfolio Company investments remained flat at 2.1 years, while the weighted average fair value yield increased to 12.7% vs 12.3% in FYE Jun 2020. The increase in yield was driven exclusively by investments deployed during the fourth quarter, which had an average yield above 12.0%.

Allocation by Industry and Country of Incorporation

SCI’s Portfolio Companies were diversified across a record 11 major industries at FYE Jun 2021, up from 10 last year. Excluding Dry powder, the top four industry allocations were Financial (21%), Hospitality (16%), Infrastructure (14%) and Manufacturing (14%). Industry allocation remained substantially below the 35% target concentration level but will likely increase as economic recovery within the Caribbean gathers pace.

SCI’s regional footprint remained diversified at 7 Caribbean territories at FYE Jun 2021, the same as last year. The Company had its first investment exposure to Montserrat during the financial year, which it successfully exited prior to year-end. Portfolio Companies from Jamaica accounted for the highest allocation of SCI’s Portfolio at 50%, followed by St Lucia at 17% and the SSS Islands (Saba, St Martin and St Eustatius) of the Dutch Caribbean at 14%.



Summary Liquidity and Capital Resources

During the third quarter, SCI received US\$25.78 million in net APO proceeds from its record capital raise of US\$27.10 million. Of this amount, US\$12.60 million was used to repay a bridge note and the US dollar portion of revolving credit lines. At the end of FYE Jun 2021, SCI had US\$1.03 million in Dry powder on its balance sheet, and US\$5.0 million representing the undrawn first tranche of a private placement, which was drawn after FYE Jun 2021. The private placement represents a US\$22.0 million equivalent debt capital raise by SCI, of which US\$17.0 million represents subsequent tranches to be raised depending on the

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Company's required deployment into new investments. Further to the US\$17.0 million tranche, the Company received approval to raise a further US\$22.0 million in debt capital over the next 12 months from its Board of Directors on August 27, 2021. This brings dry powder capacity in the form of additional debt capital to US\$39.0 million, excluding the US\$5.0 million already drawn. Finally, SCI is in discussion with its senior banking partners to access an additional US\$10.0 million in revolving credit lines to further optimize its capital structure and fund the growth of its private credit business.

Balance Sheet

At FYE Jun 2021, SCI had a record US\$87.87 million in total assets, up US\$26.83 million or 44.0% over last year, mainly comprising of a record US\$82.80 million in 31 Portfolio Companies, US\$1.00 million in dry powder, and US\$4.04 million in other assets.

SCI had total liabilities of US\$21.13 million at FYE Jun 2021, down from a high of US\$33.63 million during the second quarter, and US\$23.38 million at FYE Jun 2020. The major components of liabilities were US\$19.15 million in debt comprising US\$14.67 million in notes payable and US\$4.48 million in loans and borrowings; and US\$1.17 million in accounts payable and accrued liabilities. SCI's debt peaked at US\$31.91 million during the second quarter of the financial year.

Total shareholders' equity increased to a record US\$66.74 million at the end of FYE Jun 2021, driven by the record net APO capital raise of US\$25.78 million and record retained earnings of US\$5.85 million. Shareholders' equity was US\$37.67 million at the end of FYE Jun 2020.

COVID-19 Impact, Proactive Risk Management and Opportunities

The Caribbean region continues to feel the effects of the global COVID-19 pandemic, with varying degrees of impact on the economies in which SCI's Portfolio Companies operate. While significant progress has been made in vaccination and antibody treatments, with millions of persons from developed and developing countries being vaccinated, the virus has mutated which continues to complicate the path to "normalcy" for the Caribbean in particular. In fact, a so called "third wave" of Covid-19 infections has overtaken many Caribbean territories which may present additional challenges for them to navigate near term. Despite these near-term challenges, the bridge to normalcy appears to be a combination of strong vaccination programs, observation of COVID-19 protocols, and where applicable and available, approved vaccine regiment treatments. This bridge is likely to be built at varying speeds across different Caribbean territories.

While this bridge to normalcy is being constructed, SCI continues to rely on the deep knowledge, experienced team and proven investment philosophy that has been developed by its Investment Manager and has thus far served it well during a period of unprecedented crisis.

SCI remains unwavering in its commitment to achieve three key priorities, namely:

- ***proactively managing the risk of its private credit portfolio, that is, minimizing "realized" credit losses and charge-offs, versus "expected credit losses". The latter will fluctuate based on market conditions, but the former represents permanent loss of shareholder value.*** As outlined during the last annual general meeting, SCI's private credit portfolio is primarily invested in sponsored middle-market companies that are more likely to successfully navigate an extended recessionary environment. Deploying capital in this into the right types of businesses is a key part of SCI's proactive risk management. This trend of investing in sponsored portfolio companies continues to accelerate and has created some exciting opportunities for SCI, while providing significant downside protection. We believe that SCI, as the leader in the Caribbean private credit market is particularly well-positioned for this due to the scale of its private credit platform, which is approaching the US\$100 million threshold, its full suite of private credit financing solutions, its deeply experienced team and strong relationships with financial sponsors. SCI's annual loss rate has been nil for 16 consecutive quarters.
- ***maintaining a strong balance sheet with a high asset coverage ratio and low leverage.*** The asset coverage ratio is a financial metric that measures how well a company, particularly firms in the private credit industry, can repay its debt by selling or liquidating its financial assets. The higher the asset coverage ratio, the more times a company can cover its debt. Therefore, a company with a high asset coverage ratio, all other things being constant, has substantially more flexibility and is considered less risky, since in a severely stressed market it can significantly discount its financial assets and sell them to raise cash and pay off debts. SCI's target asset coverage threshold ratio is 1.5x and was 3.72x

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at FYE Jun 2021 vs 2.07x at FYE Jun 2020. The threshold of 1.5x is in keeping with global standards. Similarly, for leverage, measured by net debt/equity, a lower leverage ratio, all other things being constant, provides substantially more flexibility and is considered less risky than higher leveraged financial firms. SCI has a target leverage internal threshold ratio of 1.25x with a cap of 2.0x and was <0.30x at FYE Jun 2021 vs <0.60x FYE Jun 2020. The cap of 2.0x is in keeping with global standards and is substantially lower than traditional financial firms with leverage ranging between 5x to 10x globally. Given is primarily funded with permanent capital, the combination of a high asset coverage with low leverage provides the Company with substantial flexibility to navigate an extended recessionary environment and presents less risk for its creditors and shareholders.

- ***deepening current partnerships and building new relationships across the Caribbean to widen its regional footprint and grow the business well beyond the duration of the COVID-19 pandemic.*** SCI continues to see an unprecedented opportunity to deepen existing relationships and forge new partnerships with industry leading companies by being a differentiated solutions provider. This includes collaborating with a wide cross section of traditional financial firms, to support companies that will survive the current pandemic environment and lead the economic recovery beyond the pandemic. Since inception, more than 50% of SCI's transactions were generated through existing partnerships and relationships.

SCI continues to see significant demand for flexible debt capital from strong well managed middle-market companies across the Caribbean region. The Company has a robust pipeline which is at various stages of execution. Importantly, SCI's growth trajectory sees the firm achieving its stated objective of at least a US\$100 million private credit portfolio generating at least US\$8.0 million in total investment income, substantially faster than the 2-3 year timeline that was communicated to shareholders at the last annual general meeting in December 2020.

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Top Ten Shareholders as of FYE Jun 30, 2021

Top Ten Shareholders			
No	Shareholders	Shareholdings	% Holdings
1	ATL GROUP PENSION FUND TRUSTEES NOMINEE LTD	27,271,991	4.6%
2	SJIL S/C 3119	25,425,700	4.3%
3	JCSD TRUSTEE SERVICES LTD - SIGMA EQUITY	24,818,691	4.2%
4	NATIONAL INSURANCE FUND	20,000,000	3.4%
5	JMMB Fund Managers Ltd T1 - Equities Fund	19,460,000	3.3%
6	Wildelle Limited	18,199,900	3.1%
7	MF&G Trust & Finance Ltd	17,715,318	3.0%
8	Sagicor Pooled Equity Fund	12,729,600	2.2%
9	Sagicor JPS Employees Pension Plan	11,418,700	1.9%
10	Heart Trust/NTA Pension Scheme	10,801,500	1.8%
	Subtotal	187,841,400	31.8%
	Total	590,975,463	100.0%

Shareholdings of Directors, Senior Managers & Connected Parties as of FYE Jun 30, 2021

Shareholdings of Directors, Senior Managers & Connected Parties				
No	Director	Shareholdings	Connected Parties	% Holdings
1	Clement "Wain" Iton	95,200	N/A	0.02%
2	Ian Williams	998,835	Ladesa Williams	0.17%
			Zane Williams	
3	Hope Fisher	0	N/A	0.00%
4	Damian Chin	0	N/A	0.00%
5	Peter Thompson	0	N/A	0.00%
6	Dr Ike J. Johnson	95,300	N/A	0.02%
7	Linval Freeman	200,000	Donna Freeman	0.03%
			Kristifer Freeman	
			Kimberly Freeman	
	Subtotal	1,389,335	N/A	0.24%
Shareholdings of Connected Parties				
1	Sygnus Capital Group Limited	6,481,100	Dr Ike J Johnson	1.10%
	Total	590,975,463	N/A	100.0%