

# Sterling Investments Limited (SIL)

**Problem 1: Local investors over-exposed to the Jamaican economy.** Investors are ignoring the need for diversification. High concentration in repos, GOJ bonds and local stocks poses a large risk.

**Problem 2: No fully diversified USD income source.** Very few companies listed on the Jamaica Stock Exchange generate more than 50% of their earnings in United States dollars. Even fewer of these companies give local investors direct exposure to the US, European or global markets. Local investors were previously unable to access the safety and attractive returns available overseas.

**Solution:** Sterling Investments Limited (SIL) was formed in 2012 and has provided investors with:

- **Growth.**
- **USD dividend income**
- **Diversification:** A local stock that provided access to global markets
- **A hedge** against devaluation and inflation

**SIL is listed on the Jamaican and U.S. Dollar Main Indices of the Jamaica Stock Exchange. Investors can buy or sell their shares in USD or JMD.** The company generates income: (a) through interest income earned on the securities in the portfolio; (b) through capital and trading gains.

**Directors:** Derek Jones (Chairman), Michael Bernard, Maxim Rochester, Charles Ross. **Current top 10 Investors include:** ATL Pension Fund, National Insurance Fund, GraceKennedy Pension Fund, Prime Asset Management. SIL invests primarily in high quality, liquid USD fixed income securities in the global capital markets and invests a small percentage of its capital in select private equity projects as well as publicly listed equities.

## Investment Highlights-

<b>Return on equity:</b>	<b>13.48%</b>
<b>IRR since inception:</b>	<b>18.18%</b>
<b>Total Assets</b>	<b>J\$1.27 billion</b>

### USD value of JMD1 million over time

<b>Dec-74</b>	<b>1,098,901</b>
<b>Dec-90</b>	<b>122,399</b>
<b>Dec-00</b>	<b>21,964</b>
<b>Dec-12</b>	<b>10,755</b>
<b>Dec-15</b>	<b>8,304</b>
<b>Nov-18</b>	<b>7,825</b>

### Protect your money from:

- 17 year average annual inflation rate: 8.9%**
- 44 year average annual devaluation: 11.9%**

### Catalysts of future growth:

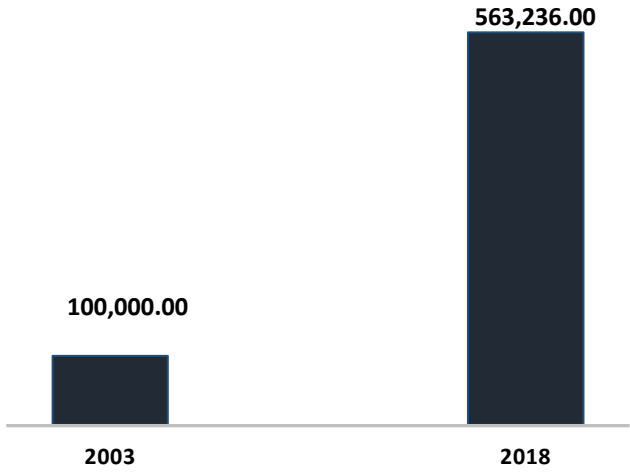
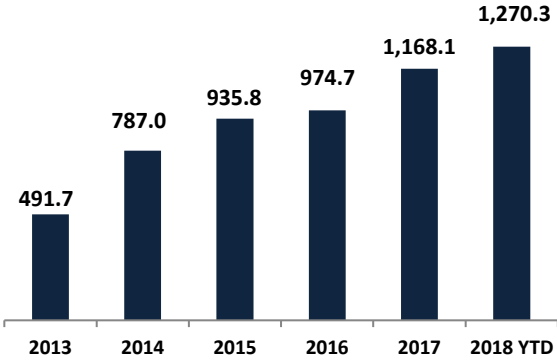
1. **Undervalued assets available for purchase in global markets:** SIL is raising new funds to take advantage of undervalued assets in the international markets. Brexit fears, CHINA/US trade war, Italian budget uncertainty, and rising interest rates in the US have led to exaggerated price declines across asset classes. SIL has identified attractively priced assets that it believes can appreciate over time.
2. **Global economic growth is higher than Jamaica's economic growth:** The growth of the global economy outpaces that of Jamaica. SIL's portfolio stands to gain from the robust growth of the U.S. economy and the economic recovery underway in Europe.

**Company Performance:** Net interest income totalled J\$54.8 million for the nine-month period ended September 2018. This was 3.6% higher than the amount of \$52.9 million recorded for the corresponding period in 2017. Net Profit after taxes for the nine months ended September 2018 was J\$90.4 million, an increase of 53.2% from J\$59.0 million for the period ended September 2017. The growth in net profit exceeded the rate of devaluation of 7.7% of the Jamaican dollar in the year. SIL remains one of the most profitable companies listed on the local stock exchange. Total assets increased by 3.6% from J\$1.2 billion as at September 2017 to J\$1.3 billion as at September 2018.

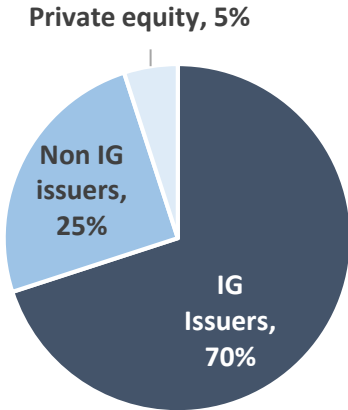
**Investment Manager maintains strong track record of consistent double-digit USD returns**

SAM has managed an offshore USD portfolio for over fifteen (15) years that has returned on average approximately 11.8% p. a. This portfolio has been successfully managed in environments of rising and falling interest rates. **Investments in SAM’s USD mutual fund have quintupled in value since inception. Below is a graph of the NAV per share. US\$100,000 invested in the fund in 2003 would be worth US\$563,236 in 2018**

**Total assets CAGR 17.9%**



**70% of SIL’s fixed income portfolio is invested in assets issued by investment grade rated entities**



**Key investment takeaways:**

- SIL stock is being offered at an attractive valuation:** The stock is being offered at its current net book value and represents a sizable discount to the market price. This price does not take future growth prospects into account.
- SIL’s growth trajectory is attractive**
- Only stock on the JSE with full exposure to global markets:** SIL provides investors with diversification and a hedge to the local economy.

## Summary of Terms:

<b>Issuer:</b>	<b>Sterling Investments Limited (“SIL” or the “Company”)</b>
<b>Securities:</b>	At least 200,000,000 Ordinary Shares (to be converted after issue to stock units) (herein in this Circular Letter described as the “New Ordinary Shares”)
<b>Price:</b>	J\$3.08
<b>Share Allotment:</b>	2:3 (i.e. Two New Ordinary Shares for every Three Existing Ordinary Stock Units currently held). The Company has reserved the right to upsize the offer by offering additional New Ordinary Shares to each Existing Ordinary Stockholder
<b>Principal Amount:</b>	At least Six Hundred Million Dollars (J\$600,000,000)
<b>Dividend Payments:</b>	Semi-annually
<b>Record Date:</b>	December 27, 2018
<b>Offer Opens:</b>	January 4, 2019
<b>Last Date for Renunciation:</b>	January 11, 2019
<b>Offer Closes:</b>	For acceptance by Existing Ordinary Stockholders and/or their renounees, January 11, 2019. For applications for “Excess Shares”, January 25, 2019
<b>Provisional Allotment Expires:</b>	January 11, 2019
<b>Governing Law:</b>	Saint Lucia
<b>Intention to List:</b>	SIL intends, immediately following the closing of the offer, to make application to the Jamaica Stock Exchange for the listing of the stock units arising from the New Ordinary Shares issued pursuant to the Letter of Provisional Allotment