

Economic Overview

All eyes were on Donald Trump in the first quarter of 2017, as he took the oath to become the 45th President of the United States. The U.S. stock market rally which began after his victory dubbed the "Trump rally" continued into 2017 and the Dow Jones achieved another record and passed 21,000 on the 1st of March. Buoyed by the positive market sentiment among other factors, the FED increased rates by 25 basis points in March, a move that had not previously been telegraphed but a few weeks before the meeting, the Fed's intentions were made clear to the market. However, sentiment quickly changed when the GOP failed to repeal the Affordable Care act leaving investors doubtful as to the administration's abilities to implement some of the policies. Across the pond, Theresa May triggered article 50 on March 29th signalling Britain's clear intent to leave the European Union.

European government bond prices slipped amid speculation that the improving Eurozone economy may prompt the European Central Bank to tighten monetary policy later this year. Euro-zone inflation reached the ECB's 2% target level in February, fuelling market fears of a rate rise as the central bank comes under pressure to end its controversial bond-buying program and negative interest rate policy.

In the aftermath of the OPEC agreement reached in November 2016, there was a 94% compliance rate among OPEC members, however doubts about the effectiveness of the agreement caused oil prices to trade within a narrow range. Downward pressure was exerted on oil prices due to increasing U.S. crude inventory levels. This was exacerbated by a mild winter with one of the warmest Februaries on record. At the start of the quarter, oil prices (WTI) were at \$53.72, and ended the quarter at \$50.60 (a reduction of 5.9%).

Yields on short-term Treasury securities increased significantly over the course of the quarter as investors began to anticipate that the Federal Reserve would raise interest rates at its March policy meeting. Longer-term Treasury yields decreased modestly, resulting in a flatter yield curve. The 10-year Treasury yield reached a high above 2.60% in March before decreasing at the end of the quarter. Emerging market debt denominated in U.S. dollars was one of the strongest-performing fixed income sectors as investors continued to search globally for higher-yielding securities. The Barclay's High Yield ETF US Index increased by 1.3% in the 1st quarter. The US Equity (S&P) index grew by 5.5% for the same period. Going forward there will be heightened focus on political and policy developments as we await the various election outcomes in Europe and watch the current U.S. administration's policy directives unfold. SIL's portfolio is poised to take advantage of all the trading opportunities presented, and continues to be well balanced providing a stable source of revenue to shareholders.

Growth in revenue	15%
Growth/(Decline) in net profit	(4)%
Growth in equity	18%
Efficiency ratio as at March, 2017	19%
Weighted average number of shares	56,882,661
Earnings per share	J\$0.32

Financial Overview

Net interest income, SIL's primary source of income, totalled J\$17.0 million for the quarter ended March 2017; 1.4% lower than the amount of \$17.3 million recorded for the corresponding period in 2016. The net interest margin increased to 93.7% from 93.1%.

Gain on sale of investments for the quarter ended March 2017 was \$13.4 million, a substantial increase when compared to the loss of \$1.1 million recorded for the corresponding period in 2016. The gain was primarily due to the overall improvement in the bond markets including the high yield and emerging markets.

The Jamaican dollar depreciated against the US dollar by J\$0.23 or 0.18% for the quarter ending March 2017, relative to the same period in 2016 when it depreciated by J\$1.66 or 1.4%. Stemming from this there were unrealized foreign exchange gains for the three months ended March 2017 of \$1.1 million compared to \$ 11.0 million in March 2016 or a 90.3% decrease relative to the same period last year. This arose from the relative stability of the Jamaican dollar denoted by a few months of appreciation in value on the Jamaican dollar. However shrewd management action led to increased trading gains for the period which helped to reduce the effect of the appreciation of the dollar in the first quarter of 2017.

Gross revenue was J\$32.6 million for the March 2017 quarter compared to J\$28.4m in the matching 2016 period. This is an increase of 14.6% over the corresponding period in 2016. Bond trading in the first quarter of the year was much improved and assets were strategically selected to increase the revenue of the portfolio. Net profit after taxes for the quarter ending March 2017 was J\$18.4 million compared to J\$19.1 million for the period ending March 2016.

Operating expenses for the quarter ended March 2017 were J\$6.3 million or 23.7% higher than the J\$5.1 million of operating expenses recorded for the corresponding period in 2016. This was mainly due to increased management fees.

Total equity increased by 17.5% from J\$701.5 million as at March 2016 to J\$824.5 million as at March 2017. Revaluation reserve recorded a loss of \$39.1 million as at March 2017. This was an improvement of \$42.9 million over the \$82.0 million recorded for the same period in 2016. Retained earnings increased by 35.3% highlighting the company's continued commitment to growth and value creation for stockholders.

Total assets increased by approximately 16.5% from J\$927.6 million as at March 2016 to J\$1.01 billion as at March 2017. This was largely attributed to the increase in investment securities which experienced a 15.6% increase over the same period. This was funded by retained earnings, the DRIP and CSPP programmes introduced in the second half of 2016. As at March 2017, margin loans totalled J\$218.5 million, or 21.1% of the total portfolio of investment securities compared to 21.7% for March 2016. The company's use of margin has boosted the income of the portfolio.

STERLING INVESTMENTS LIMITED

Balance Sheet

As at March 31, 2017

	Unaudited 3 months ended Mar-17	Unaudited 3 months ended Mar-16	Audited 12 months ended Dec-16
ASSETS			
Cash Resources			
Cash & Cash Equivalents	6,734,539	1,177,741	1,155,576
Accounts Receivable	40,603,611	32,390,151	34,924,407
Income Tax Recoverable	18,269	-	18,269
Investment Securities	1,033,702,714	894,024,958	938,603,156
TOTAL CURRENT ASSETS	1,081,059,133	927,592,850	974,701,408
TOTAL ASSETS	1,081,059,133	927,592,850	974,701,408
LIABILITIES			
Margin Loan Payables	218,477,293	194,379,837	131,808,102
Other Payables	18,734,012	15,095,272	17,191,962
Due to Related Company	19,303,594	16,638,954	15,264,740
Manager's Preference Shares	10,000	10,000	10,000
Income Tax Payable	-	-	-
TOTAL LIABILITIES	256,524,899	226,124,063	164,274,804
SHAREHOLDERS' NET EQUITY			
Share Capital	643,184,919	627,796,101	630,913,829
Prepaid Share Reserve	9,750,295	-	12,266,188
Fair Value Reserve	(39,098,862)	(82,030,750)	(36,893,285)
Retained Earnings	210,697,882	155,703,437	204,139,872
TOTAL EQUITY	824,534,234	701,468,787	810,426,604
TOTAL LIABILITIES & EQUITY	1,081,059,133	927,592,850	974,701,408

STERLING INVESTMENTS LIMITED

Income Statement

For Period Ended March 31, 2017

	Unaudited 3 months ended Mar-17	Unaudited 3 months ended Mar-16	Audited 12 months ended Dec-16
Revenue:			
Interest Income	18,160,280	18,534,625	78,099,467
Foreign Exchange Gains	1,070,577	11,044,925	53,159,616
Gain on disposal of available-for-sale securities	13,360,949	(1,134,478)	10,174,691
	<u>32,591,806</u>	<u>28,445,071</u>	<u>141,433,774</u>
Expenses:			
Interest	(1,145,305)	(1,270,848)	(4,759,702)
Impairment loss on available-for-sale securities	(2,693,941)	(1,784,635)	(18,772,015)
Unrealised gain/(loss) on embedded derivatives	(392,078)	25,544	(1,113,392)
Other operating	(6,299,419)	(5,093,498)	(24,743,062)
	<u>(10,530,742)</u>	<u>(8,123,437)</u>	<u>(49,388,171)</u>
Operating Profit	22,061,064	20,321,634	92,045,603
Other Income	463	1,629,128	422,338
Preference Dividend Expense	(3,500,000)	(2,625,000)	(13,278,611)
Profit before Income Tax	18,561,527	19,325,762	79,189,330
Income Tax Expense	(192,886)	(196,278)	(591,937)
Profit for Period	<u>18,368,641</u>	<u>19,129,484</u>	<u>78,597,393</u>
Other Comprehensive Income:			
Items that may be reclassified to profit & loss:			
Realised (gains)/losses on disposal of available-for-sale securities reclassified	(11,829,541)	3,695,057	(5,027,151)
Impairment loss on available-for-sale securities reclassified to profit for the period	0		16,814,973
Unrealised change in fair value of available-for-sale securities	9,623,964	(6,951,761)	30,092,939
	<u>16,163,064</u>	<u>15,872,780</u>	<u>120,478,154</u>
Shares outstanding	56,882,661	55,876,281	55,933,235
Earning Per Share	0.32	0.34	1.41

Sterling Investments Limited

Statement of Cash Flows

For period ended March 31, 2017

	Period ended March 2017	Audited Dec 2016	Period ended March 2016
Cash flows from operating activities			
Profit for the period	18,368,641	78,597,393	19,129,484
Adjustments for :			
Interest Income	(18,160,280)	(78,099,467)	(18,534,625)
Interest Expense	1,145,305	4,759,702	1,270,848
Impairment loss on available-for-sale securities	2,693,941	18,772,015	1,784,635
Unrealised loss on embedded derivative	392,078	1,113,392	(25,544)
Income Tax Expense	192,886	591,937	196,278
Managers Preference Share Interest	3,500,000	13,278,611	2,625,000
	8,132,572	39,013,583	6,446,076
Changes in operating assets:			
Accounts Receivable	(1,934,146)	(249,560)	8,073,879
Margins Payable	86,669,191	(82,533,539)	(19,961,804)
Other Payables	(2,294,637)	445,089	11,554,862
Due to Related Company	4,378,012	2,140,550	(9,609,426)
	94,950,992	(41,183,877)	(3,496,414)
Interest Received	14,415,222	71,156,295	5,802,271
Income Taxes Paid	(192,886)	(4,759,702)	(562,306)
Interest Paid	(1,145,305)	(976,234)	(1,270,848)
Net cash provided by operating activities	108,028,023	24,236,482	472,703
Cash flows from investing activity			
Investment securities, being net cash used by investing activity	(100,391,155)	(8,782,545)	8,784,504
Cash flows from financing activities			
Issue of Preference shares			
Issue of ordinary shares	9,752,726	2,147,802	-
Prepaid Share Reserve	-	12,268,659	-
Manager's preference shares interest paid	-	(10,573,808)	-
Dividend payment	(11,810,632)	(18,354,166)	(8,292,618)
Net cash provided by financing activities	(2,057,905)	(14,511,513)	(8,292,618)
Increase/(decrease) in cash and cash equivalents during the period	5,578,963	942,424	964,589
Cash and cash equivalent at the beginning of period	1,155,576	213,152.00	213,152
Cash and cash equivalent at the end of period	6,734,539	1,155,576	1,177,741

Sterling Investments Limited

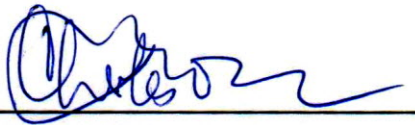
Statement of Changes in Equity

For period ended March 31, 2017

	Share capital	Prepaid Share Reserve	Fair value	Retained earnings	Total
Balance at January 1, 2017	630,913,829	12,266,188	(36,893,285)	204,139,872	810,426,604
Comprehensive income:					
Profit for period	-	-	-	18,368,641	18,368,641
Other comprehensive income:					
Realised gain on disposal of available-for-sale securities reclassified to profit for the year			(11,829,541)		(11,829,541)
Unrealised gains in fair value of available-for-sale securities	-		9,623,964	-	9,623,964
Total comprehensive income	630,913,829	12,266,188	(39,098,862)	222,508,513	826,589,668
Transactions with owners:					
Share issued during the period	12,271,090	-	-	-	12,271,090
Prepaid share reserve		(2,515,893)			(2,515,893)
Dividends	-	-	-	(11,810,632)	(11,810,632)
	12,271,090	(2,515,893)	-	(11,810,632)	(2,055,434)
Balance at March 31, 2017	643,184,919	9,750,295	(39,098,862)	210,697,882	824,534,234
	Share capital	Prepaid Share Reserve	Fair value	Retained earnings	Total
Balance at January 1, 2016	627,796,101	-	(78,774,046)	144,866,571	693,888,626
Comprehensive income:					
Profit for period	-	-	-	19,129,484	19,129,484
Other comprehensive income:					
Realised gain on disposal of available-for-sale securities reclassified to profit for the year		-	3,695,057		3,695,057
Unrealised gains in fair value of available-for-sale securities	-	-	(6,951,761)	-	(6,951,761)
Total comprehensive income	627,796,101	-	(82,030,750)	163,996,055	709,761,406
Transactions with owners:					
Share issued during the period		-	-	-	-
Prepaid share reserve	-	-	-	(8,292,618)	(8,292,618)
Dividends	-	-	-	(8,292,618)	(8,292,618)
Balance at March 31, 2016	627,796,101	-	(82,030,750)	155,703,437	701,468,788

Notes

1. Identification: Sterling Investments Limited ("the Company") was incorporated on August 21, 2012 in St. Lucia under the International Business Companies Act, and commenced operations on December 1, 2012. The Company's registered office is located at 20 Micoud Street, Castries, St. Lucia. The principal activities of the Company are holding and trading of tradable and other securities and other investments.
2. Statement of compliance and basis of preparation
 - a. Statement of compliance: The unaudited financial statements as at March 31, 2017 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The accounting policies and method of computation are consistent with the audited financial statements for year ended December 31, 2016.
 - b. **Basis of measurement:** The financial statements are prepared on the historical cost basis, except for the inclusion at fair value of available-for-sale securities and financial assets at fair value through profit or loss.
 - c. **Functional and presentation currency:** The financial statements are presented in Jamaican dollars (J\$), which is the functional currency of the Company.



Director



Director

Top Ten Shareholders as at March 31, 2017

Name	Number of shares	Percentage
ATL Group Pension Trustees Nominee limited	10,000,000	17.58
Grace Kennedy Limited Pension Scheme	5,227,270	9.19
Stephen Gager	3,455,170	6.07
PAM – Cable and Wireless Pension Real Estate Fund	3,000,000	5.27
Pam-Pooled Equity Fund	2,665,905	4.69
National Insurance Fund	2,016,129	3.54
Satyanarayana Parvataneni	1,964,950	3.45
Winnifred Mullings	1,842,760	3.24
Charles A. Ross	1,838,098	3.23
Everton McDonald	1,599,790	2.81

Shareholdings of Directors as at March 31, 2017

	Number of shares	% of total
Derek Jones	0	0%
Maxim Rochester	0	0%
Michael Bernard	0	0%
Charles Ross	1,838,098	3.23