

# MANAGEMENT DISCUSSION & ANALYSIS

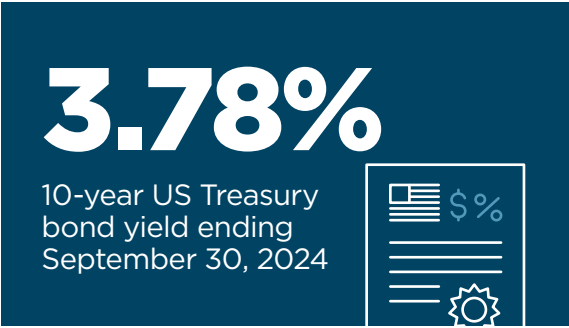


**STERLING INVESTMENTS LIMITED**  
FIRST 9 MONTHS OF 2024

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Economic Summary:

The U.S. stock market continued its ascent in the first 9 months of 2024 albeit punctuated by bouts of volatility and short-lived declines. The Federal Reserve reduced its benchmark interest rate by 50 basis points in September 2024.








**2024 Year to Date:** In the first 9 months of 2024, the S&P 500 rose by 20.81%, the Dow by 12.3% and the European Stoxx 600 by 9.1%. Yields on sovereign debt were modestly lower in the first 9 months of the year with the 2-year US Treasury ending September 30, 2024 at 3.78%, the 10 year at 3.78% and the 30 year at 4.12%. The U.S. recorded Year on Year increases in the CPI Index of 2.4% in August (relative to the Fed’s long run target of 2%).

**Local:** As at September 30, 2024, BOJ Treasury bill yields ranged from 7.41% for 90 days to 7.33% for the 180-day tenor. The Bank of Jamaica’s benchmark interest rate was lowered to 6.75%. The year-over-year (YOY) inflation rate decelerated to 2.8% year on Year in September 2024. The JMD/ USD exchange rate as of September 30, 2024 was J\$158.70, representing a year to date depreciation of 2.42%. The Jamaica Stock Exchange has declined by 2.3% year to date.

FINANCIAL OVERVIEW

Highlights:

-  Liquid, High quality portfolio of US\$ securities generates steady income.
-  22% increase in stockholder value (total equity).
-  Asset values continue to appreciate. 12% increase in total asset base.
-  Management’s predictions regarding market movements are continuing to prove correct.
-  Expected Interest rate declines could drive capital appreciation in existing portfolio

Consistent with management’s outlook, asset prices have recovered from 2023 lows and future interest rate cuts are already being priced in the market. While these events have had both positive and negative impacts on the company’s current performance, it provides opportunities for the company to increase future earnings and value.

First 9 months of 2024  
(January – September 30 2024)

**Income Statement:** Total revenue in the first 9 months of 2024 approximated that of the corresponding period in 2023 at J\$139.7 million. This was the combined result of lower total interest income but higher gains on the sale of debt investment securities at FVOCI. The lower interest income reflected the one-off impact of the non-payment of interest on a structured note security. Management anticipates that interest income will increase in subsequent financial years as liquid resources are fully optimized / deployed.

Total expenses increased from J\$60.5 million in the first 9 months of 2023 to J\$67.9 million for the first 9 months of 2024. Notable movements included a decline in interest expense (Reflecting the Federal Reserve’s 50 basis point reduction in the benchmark interest rate). However, other operating expenses increased from J\$32.8 million to J\$45.6 million on account of higher audit fees. This is an industry wide trend that is outside of the company’s immediate control. Management highly values transparent and reliable reporting from reputable, globally recognized firms. Unrealized fair value losses moved from negative J\$4.7 million in 2023 to J\$836,000 in 2024 reflected improved market prices.

For the first 9 months of the fiscal year, total profit moved from J\$79.1 million in 2023 to J\$71.8 million in 2024. This was primarily the result of the higher expenses and muted revenue explained above. However, total comprehensive income increased from J\$20.8 million for the first 9 months of 2023 to J\$175.8 million for the same period in 2024 as a result of a significant increase in the fair value of debt instrument securities. This figure moved from negative J\$51.9 million in the first 9 months of 2023, to J\$109.5 million for the same period in 2024

**Balance Sheet:** SIL recorded total assets as at September 30, 2024 of J\$1.9 billion, roughly 12% above the balance as at September 30, 2023. This was the result of an increase in prices of the assets within the portfolio. Total liabilities declined by 15% to J\$3402.7 million (vs. J\$472.5 million as at September 30, 2023). This was primarily the result of declines in the margin loan payable. Total equity increased 22% to J\$1.5 billion as at September 30, 2024 (vs. J\$1.2 billion as at September 30, 2023). This was primarily the result of an improvement in the revaluation reserve driven by higher bond



prices. This has provided credence to management's prediction in the first quarter of 2023 that the depressed asset prices at the time, were a natural part of the economic cycle and would remedy themselves in due course.

#### Outlook:

Management anticipates that future interest rate cuts by the Federal Reserve will continue to drive capital appreciation in the existing securities within the portfolio. However, this process is unlikely to be linear and punctuated with periods of volatility and price declines.

### Sterling Investments Limited ~~Unaudited~~ Balance Sheet as at September 30, 2024

	Unaudited 9 months ended 30-Sep-24	Unaudited 9 months ended 30-Sep-23	Audited 12 months ended 31-Dec-23
<b>ASSETS</b>			
<b>Cash Resources</b>			
Cash & Cash Equivalents	212,252	634,847	2,837,517
Accounts Receivable	43,516,508	48,706,640	45,251,950
Investment Securities	1,871,369,460	1,661,904,661	1,774,723,514
<b>TOTAL ASSETS</b>	<b>1,915,098,221</b>	<b>1,711,246,148</b>	<b>1,822,812,981</b>
<b>LIABILITIES</b>			
Margin Loan Payables	364,849,280	435,974,085	430,148,792
Other Payables	20,021,314	13,562,080	17,281,716
Due to Related Company	17,838,272	22,988,600	7,163,482
Manager's Preference Shares	10,000	10,000	10,000
<b>TOTAL LIABILITIES</b>	<b>402,718,866</b>	<b>472,534,765</b>	<b>454,603,990</b>
<b>SHAREHOLDERS' NET EQUITY</b>			
Share Capital	1,077,132,839	1,070,464,072	1,072,990,211
Prepaid Share Reserve	2,030,496	3,468,254	2,030,463
Fair Value Reserve	(71,625,831)	(280,257,096)	(175,612,742)
Retained Earnings	504,841,851	445,036,153	468,801,059
	1,512,379,355	1,238,711,383	1,368,208,991
	<b>1,915,098,221</b>	<b>1,711,246,148</b>	<b>1,822,812,981</b>

**Sterling Investments Limited**  
**Income Statement**  
for the period ending September 30, 2024

	Unaudited 9 months ended 30-Sep-24	Unaudited 9 months ended 30-Sep-23	Unaudited 3 months ended 30-Sep-24	Unaudited 3 months ended 30-Sep-23	Audited 12 months ended 31-Dec-23
<b>Revenue:</b>					
Interest income calculated using the effective interest method	96,880,827	109,440,955	35,128,364	37,036,530	146,468,374
Foreign exchange gain	35,007,811	34,424,370	22,778,418	5,420,059	30,030,360
Net gain/(loss) on sale of debt investment securities at FVOCI	7,816,085	(4,208,696)	9,647,860	(4,087,298)	(42,647,291)
	139,704,722	139,656,628	67,554,642	38,369,290	133,851,443
<b>Expenses:</b>					
Interest expense calculated using the effective interest method	(20,744,829)	(21,812,864)	(6,609,156)	(8,369,017)	(30,582,761)
Impairment (loss)/gain on financial instruments	(2,422,157)	(1,242,073)	(1,438,884)	(1,026,560)	33,995,452
Fair value gain/loss on debt investment securities at FVTPL	836,550	(4,662,011)	(134,778)	(23,387,814)	14,830,223
Other operating expenses	(45,600,038)	(32,811,345)	(13,311,179)	(9,603,906)	(44,867,070)
	(67,930,475)	(60,528,293)	(21,493,998)	(42,387,297)	(26,624,156)
<b>Operating Profit</b>	<b>71,774,248</b>	<b>79,128,336</b>	<b>46,060,644</b>	<b>(4,018,007)</b>	<b>107,227,287</b>
Other Income	35,209	18,172	36,434	4,253	183,613
Manager's preference share interest expense	-	-	-	-	(4,499,486)
<b>Profit</b>	<b>71,809,457</b>	<b>79,146,508</b>	<b>46,097,078</b>	<b>(4,013,753)</b>	<b>102,911,414</b>
Taxation	0	0	0	-	0
<b>Profit for Period</b>	<b>71,809,457</b>	<b>79,146,508</b>	<b>46,097,078</b>	<b>(4,013,753)</b>	<b>102,911,414</b>
Other comprehensive income:					
<i>Item that will not be reclassified to profit or loss:</i>					
Change in fair value of FVOCI equity investments, net	2,437,719	(2,457,325)	1,575,041	(372,520)	2,130,554
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Movement in fair value reserve					
Realised (loss)/gain on sale of FVOCI debt investment securities reclassified to profit or loss	(7,956,186)	(3,970,491)	(9,320,198)	(3,867,560)	46,464,461
Change in fair value of FVOCI debt instrument securities	109,505,378	(51,948,095)	58,515,190	(11,102,567)	(2,326,573)
Total other comprehensive gain / (loss) for the period	103,986,911	(58,375,912)	50,770,032	(15,342,647)	46,268,442
Total comprehensive income/(loss) for the period	<b>175,796,368</b>	<b>20,770,596</b>	<b>96,867,111</b>	<b>(19,356,350)</b>	<b>149,179,856</b>
Shares outstanding	<b>433,084,294</b>	<b>430,434,459</b>	<b>433,084,294</b>	<b>430,434,459</b>	<b>430,784,747</b>
<b>Earnings per stock unit:</b>					
Basic and diluted earnings per stock unit	0.17	0.18	0.11	(0.01)	0.24

**Sterling Investments Limited**  
**Statement of Cash Flows**  
For nine months ending September 30, 2024

	Period-ended September 30, 2024	<del>Period-ended</del> September 30, 2023	Audited Dec 2023
<b>Cash flows from operating activities</b>			
Profit for the period	71,809,457	79,146,508	102,911,414
Adjustments for :			
Interest income	(96,880,827)	(109,440,955)	(146,554,201)
Interest expense	20,744,829	21,812,864	30,582,761
Impairment gain/(loss) on investment securities	2,422,157	1,242,073	(33,995,452)
Net gain on sale of debt investment securities at FVOCI	7,816,085	4,208,696	42,647,291
Unrealised fair value loss/gain on quoted equities at FVTPL	(836,550)	4,662,011	(14,830,223)
Managers preference share interest			4,499,486
	<b>5,075,151</b>	<b>1,631,197</b>	<b>(14,738,924)</b>
<b>Changes in:</b>			
Accounts Receivable	(163,314)	(486,408)	(570,883)
Margins loans payable	(65,299,512)	(24,225,264)	(30,050,557)
Other payables	2,739,598	4,531,164	3,751,314
Due to related company	10,674,790	18,510,889	2,685,771
Acquisition of investment securities	(346,947,867)	(172,349,046)	(282,248,610)
Proceeds from sale of investment securities	344,887,140	149,986,833	268,003,243
	<b>(49,034,013)</b>	<b>(22,400,636)</b>	<b>(53,168,646)</b>
Interest received	98,779,582	99,257,531	139,909,760
Interest paid	(20,744,829)	(21,812,864)	(30,582,761)
<b>Net cash provided by operating activities</b>	<b>29,000,739</b>	<b>55,044,032</b>	<b>56,158,353</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares	4,142,628	3,549,062	6,075,201
Complementary share purchase programme	33	2,470,284	1,032,493
Manager's preference shares interest paid	-	-	-
Dividend paid	(35,768,665)	(61,063,816)	(61,063,816)
<b>Net cash used in financing activities</b>	<b>(31,626,004)</b>	<b>(55,044,470)</b>	<b>(53,956,122)</b>
<b>(Decrease) / increase in cash and cash equivalents</b>	<b>(2,625,264)</b>	<b>(439)</b>	<b>2,202,231</b>
<b>Cash and cash equivalent at the beginning of period</b>	<b>2,837,517</b>	<b>635,286</b>	<b>635,286</b>
<b>Cash and cash equivalent at the end of period</b>	<b>212,253</b>	<b>634,847</b>	<b>2,837,517</b>

**Sterling Investments Limited**  
**Statement of Changes in Equity**  
For nine months ended September 30, 2024

	Share capital	Prepaid share reserve	Fair value reserve	Retained earnings	Total
Balance at December 31, 2023	1,072,990,211	2,030,463	(175,612,742)	468,801,059	1,368,208,991
Comprehensive income:					
Profit for period	-	-	-	71,809,457	71,809,457
Fair value change in equity			2,437,719		2,437,719
Other comprehensive income:					-
Realised gain on disposal of FVOCI debt instrument securities reclassified to profit or loss			(7,956,186)		(7,956,186)
Change in fair value of FVOCI debt instrument securities net	-	-	109,505,378		109,505,378
Total Other Comprehensive Income			103,986,911	71,809,457	175,796,368
Total comprehensive income	1,072,990,211	2,030,463	(71,625,831)	540,610,516	1,544,005,359
Transactions with owners:					
Share issued during the period	4,142,628	-	-	-	4,142,628
Transfer of prepayment of shares		(2,030,463)			(2,030,463)
Prepayments for shares		-			-
Dividends	-	2,030,496	-	(35,768,665)	(33,738,169)
	4,142,628	33	-	(35,768,665)	(31,626,004)
<b>Balance at September 30, 2024</b>	<b>1,077,132,839</b>	<b>2,030,496</b>	<b>(71,625,831)</b>	<b>504,841,851</b>	<b>1,512,379,354</b>

**Sterling Investments Limited**  
**Statement of Changes in Equity**  
For nine months ended September 30, 2023

	Share capital	Prepaid share reserve	Fair value reserve	Retained earnings	Total
Balance at December 31, 2022	1,066,915,010	997,970	(221,881,184)	426,953,461	1,272,985,257
Comprehensive income:					
Profit for period	-	-	-	79,146,508	79,146,508
Fair value change in equity			(2,457,325)		(2,457,325)
Other comprehensive income:					-
Realised gain on disposal of FVOCI debt instrument securities reclassified to profit or loss			(3,970,491)		(3,970,491)
Change in fair value of FVOCI debt instrument securities net	-	-	(51,948,095)		(51,948,095)
Total Other Comprehensive Income			(58,375,911)	79,146,508	20,770,597
Total comprehensive income	1,066,915,010	997,970	(280,257,095)	506,099,969	1,293,755,854
Transactions with owners:					
Share issued during the period	3,549,062	-	-	-	3,549,062
Transfer of prepayment of shares		(997,970)			(997,970)
Prepayments for shares		3,468,254			3,468,254
Dividends	-	-	-	(61,063,816)	(61,063,816)
	3,549,062	2,470,284	-	(61,063,816)	(55,044,470)
<b>Balance at September 30, 2023</b>	<b>1,070,464,072</b>	<b>3,468,254</b>	<b>(280,257,095)</b>	<b>445,036,153</b>	<b>1,238,711,384</b>



## FINANCIAL STATEMENTS

### 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. Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Company’s last annual financial statements as at and for the year ended December 31, 2023 (‘last annual financial statements’). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the company’s financial position and performance since the last annual financial statements. These interim financial statements are presented in Jamaican dollars, which is the Company’s functional currency.



Director

### 3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

### 4. Significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Company’s financial statements as at and for the year ended December 31, 2023, which was prepared in accordance with International Financial Reporting Standards (IFRS).



Director

## Top Ten Shareholders

as at September 30, 2024

Shareholder	# Shares	% Ownership
ATL Group Pension Fund Trustees Nominee Limited	47,856,608	11.04%
GraceKennedy Pension Fund Custodian Ltd for GraceKennedy Pension Scheme	34,848,550	8.04%
VMWealth Equity Fund	31,687,362	7.31%
PAM - Pooled Equity Fund	30,653,869	7.07%
Claudine Murphy	25,838,526	5.96%
Charles A. Ross	15,355,637	3.54%
Cable and Wireless Jamaica Pension Fund	14,492,015	3.34%
Everton Lloyd McDonald	13,331,584	3.08%
Satyanarayana Parvataneni	13,198,713	3.04%
National Insurance Fund	10,080,645	2.33%

## Shareholdings of Directors

as at September 30, 2024

Name	# Shares	% Ownership
Derek Jones	0	0%
Michael Bernard	0	0%
Maxim Rochester	0	0%
Charles Ross	15,355,637	3.50%
Marian Ross	1,616,440	0.37%

## Shareholdings of Connected Parties

as at September 30, 2024

Name	# Shares	% Ownership
Charles Ross	15,355,637	3.50%
Marian Ross	1,616,440	0.37%
Charles Andrew Ross	781,708	0.18%
Natalie Farrell-Ross	108,320	0.02%