

A copy of this letter and of the Letter of Provisional Allotment referred to herein have been delivered to the Companies Office of Jamaica for registration and were registered on December 7, 2018. A copy of this letter and of the Letter of Provisional Allotment referred to herein have been delivered to the Financial Services Commission for registration and were registered on December 10, 2018. **The Financial Services Commission (“FSC”) has neither approved the offered securities nor has the FSC expressed any opinion on the accuracy or adequacy of this Rights Issue Circular. Any representation to the contrary is a criminal offence.**

**CIRCULAR LETTER RELATING TO A RENOUNCEABLE RIGHTS ISSUE
OF
ORDINARY SHARES
BY**

STERLING INVESTMENTS LIMITED

Arranger: NCB Capital Markets Limited

“The Atrium” 32 Trafalgar Road, Kingston 10

Registrar: Jamaica Central Securities Depository

40 Harbour Street, Kingston

STERLING INVESTMENTS LIMITED

Summary of Terms:

Issuer:	Sterling Investments Limited (“SIL” or the “Company”)
Securities:	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”)
Price:	J\$3.08
Share Allotment:	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
Principal Amount:	At least Six Hundred Million Dollars (J\$600,000,000)
Dividend Payments:	Semi-annually
Record Date:	December 27, 2018
Offer Opens:	January 4, 2019
Last Date for Renunciation:	January 11, 2019
Offer Closes:	For acceptance by Existing Ordinary Stockholders and/or their renounees, January 11, 2019. For applications by renounees and for “Excess Shares”, January 25, 2019
Provisional Allotment Expires:	January 25, 2019
Governing Law:	Saint Lucia
Intention to List on Jamaica Stock Exchange:	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

STERLING INVESTMENTS LIMITED

Circular Letter relating to a Renounceable Rights Issue of at least 200,000,000 Ordinary Shares

Date: December 6, 2018

To the Existing Ordinary Stockholders (as herein described)

Dear Sir or Madam,

Re: Renounceable Rights Issue of at least 200,000,000 Ordinary Shares

As you know, Sterling Investments Limited (“SIL” or the “Company”) is an international business company incorporated in St. Lucia pursuant to the International Business Companies Act. It carries on business as an investment holding company that exists to maximize risk adjusted returns for its shareholders through the profitable management of its capital.

Interpretation

1. In this Circular Letter:-
 - (1) **"the Company or SIL** means Sterling Investments Limited;
 - (2) **"the Existing Ordinary Stockholders"** means the holders of the Existing Ordinary Stock Units;
 - (3) **"the Existing Ordinary Stock Units"** means the 307,131,640 Ordinary Stock Units in the capital of the Company listed on the Jamaica Stock Exchange and held by the Existing Ordinary Stockholders;
 - (4) **"New Ordinary Shares"** means the at least 200,000,000 Ordinary Shares in the capital of the Company to be offered (by way of provisional allotment under a Rights Issue) to Existing Ordinary Stockholders, the subject of this Circular Letter;
 - (5) **"Record Date"** means December 27, 2018

Introduction

2. Pursuant to authority given at an Extraordinary General Meeting of the Company, held October 8, 2018, the Directors of the Company have resolved that the Company issue additional ordinary shares, part of the authorised capital of the Company, currently unissued, the same to be offered (by way of provisional allotment under a Rights Issue) to the Existing Ordinary Stockholders on such terms (including the number of new ordinary shares, the price per new ordinary share, the proportion of new ordinary shares to be offered (by way of provisional allotment) in relation to the Existing Ordinary Stock Units held by Existing Ordinary Stockholders and the record date for determining the eligibility of Existing Ordinary Stockholders to subscribe for the new ordinary shares as determined by the Directors AND further that all such new ordinary shares not taken up by the Existing Ordinary Stockholders to whom the offer (by way of provisional allotment) is made, may be allotted and/or issued on terms and conditions as the Directors may consider expedient.
3. An offer is now being made (by way of provisional allotment) with respect to at least 200,000,000 ordinary

shares in the capital of the Company by way of a Rights Issue (**such shares are referred to in this Circular Letter as “New Ordinary Shares”**). The New Ordinary Shares are being offered (by way of provisional allotment) to the Existing Ordinary Stockholders whose names appear on the Register of Members at the close of business on the Record Date at the price of **J\$3.08** per share, in the proportion of two (2) New Ordinary Shares for every three (3) Existing Ordinary Stock Units then held by an Existing Ordinary Stockholder. The Company retains the right to upsize the offer by offering additional ordinary shares to each Existing Ordinary Stockholder. In the event that the offer is upsize, notification shall be made by way of advertisement in a daily newspaper.

4. The offer is contained in a Letter of Provisional Allotment being sent to Existing Ordinary Stockholders whose names are on the Register of Members at the close of business on the Record Date. This Circular Letter provides information regarding the Company which may be relevant to Existing Ordinary Stockholders in deciding whether to accept the rights to New Ordinary Shares offered (by way of provisional allotment) in the enclosed Letter of Provisional Allotment.
5. As at the date of this Circular Letter, the following represents the issued and authorized capital of SIL:-

Authorized:

2,000,000,000 of no par value

Issued and Fully Paid Up:

307,131,640

At an extraordinary meeting of the shareholders held on October 8, 2018, it was resolved that the issued ordinary shares/stock units in the capital of the Company be split so that every one (1) issued ordinary share/stock unit of the Company's ordinary shares/stock units is split and converted into five (5) shares/stock units of the Company ranking in all respects pari passu with the existing ordinary stock units of the Company. The record date for the stock split is December 11, 2018. This notice was published on the website of the Jamaica Stock Exchange.

6. Rationale for the Rights Offer:

Sterling Investments Limited 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 excellent performance of the Company to date, coupled with sustained devaluation has re-ignited interest in the investment vehicle. The mandate of the Company remains to maximize risk-adjusted returns for its shareholders. The purpose of the issue is to expand the capital base of the Company and take advantage of investment opportunities.

7. The Directors intend that the additional capital required will be raised by equity financing provided on the issue of the New Ordinary Shares in the capital of the Company taken up in this Rights Issue.

The Directors have therefore decided that it is appropriate at this time to increase the issued ordinary share capital of the Company by this issue of the New Ordinary Shares.

8. The New Ordinary Shares are being offered to the Existing Ordinary Stockholders in the proportion of two (2) New Ordinary Shares for every three (3) Existing Ordinary Stock Unit held as of the Record Date by such Existing Ordinary Stockholder. The Company retains the right to upsize the offer by offering additional ordinary shares to each Existing Ordinary Stockholder. In the event that the offer is upsize, notification

shall be made by way of advertisement in a daily newspaper.

9. The New Ordinary Shares, when issued, will be converted to stock units and save that the price and tenor of the New Ordinary shares differ from the Offer Price and tenor of the Existing Ordinary Stock Units, the New Ordinary Shares shall otherwise rank pari passu with the Existing Ordinary Stock Units. An application will be made to the Council of 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.
10. The Letter of Provisional Allotment accompanying this Circular Letter states the number of New Ordinary Shares provisionally allotted to you, being also the maximum number of New Ordinary Shares for which you may subscribe pursuant to your rights (the “Rights”) under the Letter of Provisional Allotment. The Letter of Provisional Allotment also contains full instructions for the acceptance of the New Ordinary Shares provisionally allotted to you and sets out the procedure to be adopted in the event of renunciation of all or some of the Rights. You are permitted to renounce your Rights in the manner prescribed in the Letter of Provisional Allotment. If you are not accepting all of the New Ordinary Shares allotted to you and/or you are in doubt as to what action you should take in relation to the Letter of Provisional Allotment, you should consult a licensed investment advisor or licensed securities dealer without delay as **the offer (by way of provisional allotment) expires at 4:00 p.m. on January 11, 2019.**
11. New Ordinary Shares the subject of the Letter of Provisional Allotment not accepted by the allottee or any renouncee shall be placed in a pool of shares (the “Excess Shares Pool”) and New Ordinary Shares in the Excess Shares Pool may be disposed of to Existing Ordinary Stockholders or by exempt distribution pursuant to Guidelines SR-GUID-08/05-0016 published by the Financial Services Commission. Persons wishing to acquire New Ordinary Shares in the Excess Shares Pool should follow the instructions in the Letter of Provisional Allotment with respect to the applications for Excess Shares.
12. The Offer the subject of this Circular Letter is more particularly set out in the Letter of Provisional Allotment being sent to Existing Ordinary Stockholders whose names are on the Register of Members at the close of business on the Record Date. The offer is renounceable and this means that persons other than Existing Ordinary Stockholders (in this paragraph 12 referred to as “Applicants”) may come to apply for New Ordinary Shares to be issued in their favour.
13. An investment in ordinary shares in any company (including SIL) involves risks commonly associated with any investment in shares and/or debt instruments. Potential investors should, therefore, consider all possible risks when purchasing New Ordinary Shares including but not limited to (i) The Directors of the Company may hereafter authorise the issue of additional Ordinary Shares and when issued the same may rank pari passu with the existing New Ordinary Shares and may affect the market price of the New Ordinary Shares (ii) neither the Company nor any of its advisors can predict the trading behaviour of the New Ordinary Shares (when converted to stock units and listed on the Jamaica Stock Exchange) and (iii) the payment of dividends on the New Ordinary Shares will be dependent on the Company’s future profitability.

Financial Highlights

14. Net interest income, SIL’s primary source of 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. The net interest margin was 87.6%. The Jamaican dollar depreciated against the US dollar by J\$9.65 or 7.7% for the nine-month period ended September 2018, relative to the same period in 2017 when it depreciated by J\$1.47 or 1.1%. This led to increased unrealized foreign exchange gains for the nine months ended September 2018 of J\$73.5 million compared to J\$11.5 million in September 2017. Gross revenue was J\$133.9 million for the nine months ended September 2018 compared to J\$93.2

million in the prior 2017 period. This reflects an increase of 43.6% over the corresponding period in 2017. 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. Operating expenses for the nine months ended September 2018 were J\$21.0 million or 3.0% lower than the J\$21.7 million of operating expenses recorded for the corresponding period in 2017. Total equity increased by 3.1% from J\$894.6 million as at September 2017 to J\$922.1 million as at September 2018.

Total assets increased by 3.6% from J\$1.2 billion as at September 2017 to J\$1.3 billion as at September 2018. This was largely attributed to the increase in investment securities which experienced a 3.4% increase over the same period. This was partly funded by a combination of the Dividend Reinvestment Programme (DRIP) and Complementary Share Purchase Programme (CSPP). As at September 2018, margin loans totalled J\$313.0 million, or 25.5% of the total portfolio of investment securities compared to 25.8% for September 2017.

A copy of the Company's most recent unaudited Balance sheet and Income Statement as at September 30, 2018 are found in Schedule 1 of this document. The audited financials for the Company as at December 30, 2017 and the unaudited results as at September 30, 2018 are also published on the JSE website at www.jamstockex.com and the Company's website at [http://www.sterling.com.jm /services/Sterling+Investments+Limited+-27](http://www.sterling.com.jm/services/Sterling+Investments+Limited+-27).

Risks

SIL assumes market risks in the conduct of its business. Market Risk is a generic term for price risk and liquidity risk. Essential elements of the process of managing market risk include:

- Adherence to and enforcement of limits
- Maintenance of adequate portfolio diversification
- Sensitivity analysis and probabilistic approaches
- Regular reporting and monitoring
- Continuous validation of the adequacy and integrity of policies, assumptions, practices, and procedures in the context of a dynamic environment

Price Risk

Price Risk exposure is the sensitivity of earnings to changes in three types of market factors: interest rates, commodity prices (including foreign exchange rates), and volatilities in options. SIL assumes price risks commensurate with its objectives and earnings, its capacity to manage risk, and the sophistication of the markets it opts to invest in. SIL monitors and controls price risks in its positions by establishing limits and observing the performance of those positions against the limits. A combination of the following limits are used to achieve such objectives:

- Position Limit
- Hold Period Limit
- Factor Sensitivity Limit
- Potential Loss Amount

Managing Credit Risk

SIL assumes credit risks through the various financial instruments that it holds in its portfolio. Credit risk is the possibility that a bond issuer or borrower will default, by failing to repay principal and interest in a timely manner. SIL is guided by the credit rating assigned to an issuer or bond issue when making trading decisions. Nevertheless, SIL conducts its own internal analysis of the financial and strategic position of an issuer, particularly for issuers in the accrual portfolio. SIL's investment portfolio is heavily weighted in investment grade rated issuers to mitigate overall credit risk. SIL does not generally acquire securities that are not rated by a reputable rating agency (such as Standard & Poor's or Moody's) and will aim to acquire bonds with a minimum credit rating of BB-. Additionally, notional limits and maximum piece sizes for any specific bond are established to mitigate credit risk. Securities will be divided into categories according to credit rating and liquidity and assigned limits accordingly.

Managing Liquidity Risk

Liquidity risk measures the capacity of an institution to adequately and promptly satisfy all scheduled and unscheduled contractual funding obligations. Effective liquidity management is essential to maintaining market confidence, meeting regulatory requirements, maintaining the flexibility necessary to capitalize on attractive asset purchases and business expansion opportunities, and protecting SIL's capital base. SIL pursues effective liquidity management to achieve these objectives through:

- The placement of limits on maximum amounts of funding that become due during different time periods under business-as-usual conditions
- Active liability management focused on the diversification of funding sources, instruments, and the synchronization of the maturities of its assets and liabilities.
- A contingency funding plan, which is a formal plan for maintaining liquidity under adverse conditions
- Active analysis and monitoring of the macroeconomic and interest rate environments in its operating jurisdictions

SIL also mitigates market risk by conducting regular sensitivity analysis and stress tests of SIL's capital base and through the continuous validation of the adequacy and integrity of policies, assumptions, practices, and procedures form part of the risk management strategy.

15. This Offer (by way of provisional allotment) will not be underwritten.

16. As at the date of this Circular Letter the holders on the register with the ten largest holdings of Existing Ordinary Stock Units are as follows:-

Shareholders	Number of Shares	Percentage
ATL GROUP PENSION FUND TRUSTEES NOMINEE LIMITED	48,421,065.	15.77%
LLOYD BADAL	30,180,375.	9.83%
GRACEKENNEDY PENSION FUND CUSTODIAN LTD FOR GRACEKENNEDY PENSION SCHEME	26,136,350.	8.51%
PAM - POOLED EQUITY FUND	22,025,175.	7.17%
PAM-CABLE & WIRELESS PENSION REAL ESTATE FUND	14,492,015.	4.72%
SATYANARAYANA PARVATANENI	10,601,480.	3.45%
NATIONAL INSURANCE FUND	10,080,645.	3.28%
CHARLES A. ROSS	10,047,515.	3.27%
WINNIFER M. MULLINGS	8,292,420.	2.70%
EVERTON LLOYD MCDONALD	7,998,950.	2.60%

17. Your Directors' interests in Existing Ordinary Stock Units of the Company as at the date of this Circular Letter are as follows:-

Director Name	Number of shares
Mr. Charles Ross	10,047,515

No service agreement exists between the Company and any of its Directors OTHER THAN a service agreement that exists between the Company and Sterling Asset Management Limited (mentioned in paragraph 22 as one of documents as may be inspected at the offices of the Company at 40 Knutsford Boulevard, Kingston 5 on any weekday (Monday to Friday) during the hours of 9:00 a.m. to 4:00 p. m., until January 25, 2019).

18. The Company has operated a dividend reinvestment programme and a complementary share purchase programme since July, 2016. Apart from shares issued under these programmes, no share or loan capital of the Company has been or is proposed to be issued and no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company (other than selling agents agreements to be entered into by the Company and stockbrokers as may be involved in the acquisition

of the New Ordinary shares under this Rights Issue.). No capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

19. As at the date of this Circular Letter, the Company is not involved in any litigation. Save as mentioned in paragraph 17, the Company has not entered into any material contract.
20. An estimate of fees associated with the rights issue is provided below:

TOTAL FEES PAYABLES (EST)	\$16,000,000
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21. The Company's advisors in connection with this Rights Issue are as follows:-

Attorneys-at-Law

Patterson Mair Hamilton
Temple Court
85 Hope Road

Auditors

KPMG
Victoria Mutual Building
6 Duke Street, Kingston
Kingston 6

Registrar and Transfer Agents

Jamaica Central Securities Depository
40 Harbour Street
Kingston

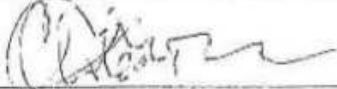


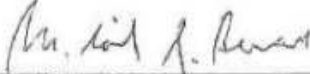
Arranger & Broker

NCB Capital Markets Limited
"The Atrium"
32 Trafalgar Road
Kingston 10

22. Copies of the following documents may be inspected at the offices of the Company at 40 Knutsford Boulevard, Kingston 5 on any weekday (Monday to Friday) during the hours of 9:00 a.m. to 4:00 p. m., until January 25, 2019:-
- (a) The constitutive documents of the Company;
 - (b) Audited Financial Statements of the Company for each of the years ended 2013-2017.
 - (c) Management Agreement between Sterling Asset Management Limited and Sterling Investments Limited

This Circular Letter has been executed by the Directors whose signatures appear below under and by virtue of authority given by the Directors of the Company.

Yours faithfully,

Name of Director:	Signature:
Charles Ross	
Derek Jones	
Max Rochester	
Michael Bernard	

SCHEDULE 1:

Sterling Investments Ltd.

Balance Sheet
As at September 30, 2018

	Unaudited 9 months ended Sep-18	Unaudited 9 months ended Sep-17	Audited 12 months ended Dec-17
ASSETS			
Cash Resources			
Cash & Cash Equivalents	1,384,478	172,632	14,696,494
Accounts Receivable	42,127,887	38,816,099	42,462,081
Income Tax Recoverable	-	18,269	-
Investment Securities	1,226,757,925	1,186,746,218	1,110,936,549
TOTAL CURRENT ASSETS	1,270,270,291	1,225,753,218	1,168,095,124
TOTAL ASSETS	1,270,270,291	1,225,753,218	1,168,095,124
LIABILITIES			
Margin Loan Payables	313,041,747	306,483,288	274,814,733
Other Payables	21,863,811	11,747,924	6,687,475
Due to Related Company	13,236,002	12,958,685	19,855,271
Manager's Preference Shares	10,000	10,000	10,000
Income Tax Payable	-	-	208,351
TOTAL LIABILITIES	348,151,560	331,199,897	301,575,830
SHAREHOLDERS' NET EQUITY			
Share Capital	696,589,430	666,620,483	669,453,676
Prepaid Share Reserve	134,540	2,880,916	2,195,194
Fair Value Reserve	(25,228,738)	(7,626,699)	(30,491,694)
Retained Earnings	250,623,499	232,678,621	225,362,118
TOTAL EQUITY	922,118,731	894,553,321	866,519,294
TOTAL LIABILITIES & EQUITY	1,270,270,291	1,225,753,218	1,168,095,124

Sterling Investments Limited

Income Statement

For Period Ended September 30, 2018

	Unaudited 9 months ended Sep-18	Unaudited 9 months ended Sep-17	Unaudited 3 months ended Sep-18	Unaudited 3 months ended Sep-17	Audited 12 months ended Dec-17
Revenue:					
Interest Income	62,615,728	58,547,066	20,959,652	20,626,491	79,081,255
Foreign Exchange Gains	73,540,796	11,463,666	35,142,694	8,701,146	(26,241,648)
Gain on disposal of available-for-sale securities	(339,777)	23,233,509	(107,560)	1,815,838	37,818,293
Unrealised gain on quoted equities	(1,927,903)	-	59,787		1,318,999
	133,888,845	93,244,241	56,054,573	31,143,475	91,976,899
Expenses:					
Interest	(7,785,248)	(5,613,467)	(2,982,971)	(2,463,904)	(7,642,960)
Impairment loss on available-for-sale securities	4,022,737	2,298,250	956,771	(1,281,116)	(1,158,490)
Unrealised gain/(loss) on embedded derivatives	-	(392,078)	-	-	(392,078)
Other operating	(21,005,524)	(21,655,152)	(6,749,484)	(6,871,798)	(28,399,108)
	(24,768,035)	(25,362,447)	(8,775,684)	(10,616,818)	(37,592,636)
Operating Profit	109,120,810	67,881,794	47,278,889	20,526,658	54,384,263
Other Income	103,490	(6,106)	44,109	225	1,087
Preference Dividend Expense	(18,278,002)	(8,300,000)	(8,672,642)	(4,300,000)	(1,899,545)
Profit before Income Tax	90,946,298	59,575,688	38,650,356	16,226,882	52,485,805
Income Tax Expense	(545,356)	(581,966)	-	(194,751)	(808,586)
Profit for Period	90,400,941	58,993,722	38,650,356	16,032,131	51,677,219
Other Comprehensive Income:					
Items that may be reclassified to profit & loss:					
Realised (gains)/losses on disposal of available-for-sale securities reclassified to profit for the year	2,173,906	(21,840,739)	92,658	(1,465,964)	(36,232,680)
Impairment loss on available-for-sale securities reclassified to profit for the year	-	-	-	-	-
Unrealised change in fair value of available-for-sale securities	3,089,050	51,107,324	5,366,580	19,936,363	42,634,271
	95,663,898	88,260,307	44,109,594	34,502,530	58,078,810
Shares outstanding	59,808,494	57,667,451	59,808,494	57,667,451	57,952,213
Earning Per Share	1.51	1.02	0.65	0.28	0.89

Sterling Investments Limited Management Discussion & Analysis as at September 30, 2018

Economic Overview

The quarter ended on a positive note with the revised NAFTA agreement, a year in the making, and duly renamed to U.S.M.C.A. (the United States-Mexico-Canada Agreement) being finalized. However, China did not fare as well and underperformed as the U.S. implemented tariffs on a total of \$250 billion of Chinese goods, and threatened tariffs on a further \$267 billion of goods. In addition, no real progress was made in negotiations and China responded with tariffs on \$110 billion of US goods. Italian 10-year government bond yields rose from 2.68% to 3.15% amid political concerns surrounding policies of the new populist government. Toward the end of the quarter, the Italian government announced a 2019 fiscal deficit target of 2.4%. This was larger than expected and not in keeping with the targets set by the European Commission. The Eurozone revised GDP growth for the second quarter of 2018 up to 0.4% quarter-on-quarter, compared to the initial estimate of 0.3%. Eurozone inflation was estimated at 2.1% for September, up from 2.0% in August. There was no change in policy from the European Central Bank who reiterated that interest rates would remain on hold “at least through the summer of 2019”. Oil prices (Brent) reached a nearly four-year high at the end of the quarter of 82.72 in part due to U.S. sanctions on Iran and the economic crisis in Venezuela which reduced global supply growth. There was some divergence between Brent and the WTI as at the start of the third quarter, oil prices (WTI) were at \$74.15, and ended the quarter at \$73.25 (a decrease of 1.2%) while Brent prices increased by 4.13% over the same period.

The Federal Reserve (Fed) increased its benchmark rate to a range between 2% and 2.25% in September for the third time this year and the eighth since the Fed began to lift rates in late 2015. The Fed is expected to raise rates one more time this year. Treasury yields increased in the third quarter as positive economic news, the prospect of less accommodative central bank monetary policies, and more borrowing by the U.S. government weighed on investor demand for Treasury securities. The yield on the benchmark 10-year Treasury note increased from 2.85% to 3.05% but stayed below the year-to-date closing high of 3.11% it reached in May. The two-year Treasury note’s yield rose to its highest level in 10 years. The Barclay’s High Yield ETF US Index increased by 1.6% in the 3rd quarter. The US Equity (S&P 500) index grew by 7.20% over the same period.

During the quarter, SIL’s team continued to purchase assets it believed to be undervalued during the market sell off. The team sought to minimize the duration of securities in the SIL portfolio and believes it is well positioned for a rise in interest rates and volatility. The robust growth in interest income provides another source of income and liquidity for investors.

Growth in Net Profit	53.20%
Total Assets	J\$1.27 billion
Efficiency ratio as at September 30, 2018	15.7%
Weighted average number of shares	59,808,494
Earnings per share	J\$1.51
Book value per share	J\$15.42

Net interest income, SIL’s primary source of 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. The net interest margin was 87.6%. The Jamaican dollar depreciated against the US dollar by J\$9.65 or 7.7% for the nine-month period ended September 2018, relative to the same period in 2017 when it depreciated by J\$1.47 or 1.1%. This led to increased unrealized foreign exchange gains for the nine months ended September 2018 of J\$73.5 million compared to J\$11.5 million in September 2017. Gross revenue was J\$133.9 million for the nine months ended September 2018 compared to J\$93.2 million in the prior 2017 period. This reflects an increase of 43.6% over the corresponding period in 2017. 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. Operating expenses for the nine months ended September 2018 were J\$21.0 million or 3.0% lower than the J\$21.7 million of operating expenses recorded for the corresponding period in 2017. Total equity increased by 3.1% from J\$894.6 million as at September 2017 to J\$922.1 million as at September 2018.

Total assets increased by 3.6% from J\$1.2 billion as at September 2017 to J\$1.3 billion as at September 2018. This was largely attributed to the increase in investment securities which experienced a 3.4% increase over the same period. This was partly funded by a combination of the Dividend Reinvestment Programme (DRIP) and Complementary Share Purchase

Programme (CSPP). As at September 2018, margin loans totalled J\$313.0 million, or 25.5% of the total portfolio of investment securities compared to 25.8% for September 2017.

Sterling Investments Limited recently announced their impending stock split and rights issue. The announcement was well received in the market and the resulting increase in the stock price placed it in the top 10 performing stocks on the Jamaica Stock Exchange calendar year to date.

Sterling Investments Ltd.			
Balance Sheet			
As at September 30, 2018			
	Unaudited 9 months ended Sep-18	Unaudited 9 months ended Sep-17	Audited 12 months ended Dec-17
ASSETS			
Cash Resources			
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LIABILITIES			
Margin Loan Payables	313,041,747	306,483,288	274,814,733
Other Payables	21,863,811	11,747,924	6,687,475
Due to Related Company	13,236,002	12,958,685	19,855,271
Manager's Preference Shares	10,000	10,000	10,000
Income Tax Payable	-	-	208,351
TOTAL LIABILITIES	348,151,560	331,199,897	301,575,830
SHAREHOLDERS' NET EQUITY			
Share Capital	696,589,430	666,620,483	669,453,676
Prepaid Share Reserve	134,540	2,880,916	2,195,194
Fair Value Reserve	(25,228,738)	(7,626,699)	(30,491,694)
Retained Earnings	250,623,499	232,678,621	225,362,118
TOTAL EQUITY	922,118,731	894,553,321	866,519,294
TOTAL LIABILITIES & EQUITY	1,270,270,291	1,225,753,218	1,168,095,124

Sterling Investments Limited

Income Statement

For Period Ended September 30, 2018

	Unaudited 9 months ended Sep-18	Unaudited 9 months ended Sep-17	Unaudited 3 months ended Sep-18	Unaudited 3 months ended Sep-17	Audited 12 months ended Dec-17
Revenue:					
Interest Income	62,615,728	58,547,066	20,959,652	20,626,491	79,081,255
Foreign Exchange Gains	73,540,796	11,463,666	35,142,694	8,701,146	(26,241,648)
Gain on disposal of available-for-sale securities	(339,777)	23,233,509	(107,560)	1,815,838	37,818,293
Unrealised gain on quoted equities	(1,927,903)	-	59,787		1,318,999
	133,888,845	93,244,241	56,054,573	31,143,475	91,976,899
Expenses:					
Interest	(7,785,248)	(5,613,467)	(2,982,971)	(2,463,904)	(7,642,960)
Impairment gain/loss on available-for-sale-securities	4,022,737	2,298,250	956,771	(1,281,116)	(1,158,490)
Unrealised gain/(loss) on embedded derivative	-	(392,078)	-	-	(392,078)
Other operating	(21,005,524)	(21,655,152)	(6,749,484)	(6,871,798)	(28,399,108)
	(24,768,035)	(25,362,447)	(8,775,684)	(10,616,818)	(37,592,636)
Operating Profit	109,120,810	67,881,794	47,278,889	20,526,658	54,384,263
Other Income	103,490	(6,106)	44,109	225	1,087
Preference Dividend Expense	(18,278,002)	(8,300,000)	(8,672,642)	(4,300,000)	(1,899,545)
Profit before Income Tax	90,946,298	59,575,688	38,650,356	16,226,882	52,485,805
Income Tax Expense	(545,356)	(581,966)	-	(194,751)	(808,586)
Profit for Period	90,400,941	58,993,722	38,650,356	16,032,131	51,677,219
Other Comprehensive Income:					
Items that may be reclassified to profit & loss:					
Realised (gains)/losses on disposal of available-for-sale securities reclassified to profit for the year	2,173,906	(21,840,739)	92,658	(1,465,964)	(36,232,680)
Impairment loss on available-for-sale securities reclassified to profit for the year	-		-		-
Unrealised change in fair value of available-for-sale securities	3,089,050	51,107,324	5,366,580	19,936,363	42,634,271
	95,663,898	88,260,307	44,109,594	34,502,530	58,078,810
Shares outstanding	59,808,494	57,667,451	59,808,494	57,667,451	57,952,213
Earning Per Share	1.51	1.02	0.65	0.28	0.89

Sterling Investments Ltd.
Statement of Cash Flows
For period ended September 30, 2018

	Period ended September 2018	Audited Dec 2017	Period ended September 2017
Cash flows from operating activities			
Profit for the period	90,400,941	51,677,219	58,993,722
Adjustments for :			
Interest Income	(62,615,728)	(79,081,255)	(60,037,210)
Interest Expense	7,785,248	7,642,960	5,613,467
Impairment loss on FVOCI	(4,022,737)	1,158,490	(2,298,250)
Unrealised loss on embedded derivative	-	392,078	
Unrealised gain on quoted equities	1,927,903	(1,318,999)	392,078
Income Tax Expense	545,356	808,586	581,966
Managers Preference Share Interest	18,278,002	1,899,545	8,300,000
	<u>52,298,986</u>	<u>(16,821,376)</u>	<u>11,545,773</u>
Changes in operating assets:			
Accounts Receivable	7,172,086	(22,859)	(325,388)
Margins Payable	38,227,014	143,006,631	174,675,186
Other Payables	(3,101,666)	874,579	(13,741,567)
Due to Related Company	(6,619,269)	4,590,531	(2,306,055)
	<u>87,977,150</u>	<u>131,627,506</u>	<u>169,847,949</u>
Interest Received	55,777,836	71,566,440	56,470,905
Income Taxes Paid	(753,707)	(581,966)	(581,966)
Interest Paid	(7,785,248)	(7,642,960)	(5,613,467)
Net cash provided by operating activities	<u>135,216,031</u>	<u>194,969,020</u>	<u>220,123,421</u>
Cash flows from investing activity			
Investment securities, being net cash used by investing activity	(152,803,629)	(166,163,371)	(216,970,304)
Net cash provided by Investing activities	<u>(152,803,629)</u>	<u>(166,163,371)</u>	<u>(216,970,304)</u>
Cash flows from financing activities			
Issue of Preference shares			
Issue of ordinary shares	27,135,754	34,261,721	26,318,911
Prepaid Share Reserve	(2,060,654)	(10,070,994)	-
Manager's preference shares interest paid	-	(13,278,611)	-
Dividend payment	(20,799,518)	(26,176,847)	(30,454,973)
Net cash provided by financing activities	<u>4,275,583</u>	<u>(15,264,731)</u>	<u>(4,136,062)</u>
Increase/(decrease) in cash and cash equivalents during the period	(13,312,016)	13,540,918	(982,945)
Cash and cash equivalent at the beginning of period	14,696,494	1,155,576	1,155,576
Cash and cash equivalent at the end of period	1,384,478	14,696,494	172,632

Sterling Investments Limited
Statement of Changes in Equity
For period ended September 30, 2018

	Share capital	Prepaid Share Reserve	Fair value	Retained earnings	Total
Balance at December 31, 2017	669,453,676	2,195,194	(30,491,694)	225,362,118	866,519,294
Adjustment on initial application of IFRS 9, net of tax			-	(44,340,043)	(44,340,043)
Adjusted balance as at December 31, 2017	<u>669,453,676</u>	<u>2,195,194</u>	<u>(30,491,694)</u>	<u>181,022,075</u>	<u>822,179,251</u>
Comprehensive income:					
Profit for period	-	-	-	90,400,941	90,400,941
Other comprehensive income:					
Realised gain/loss on disposal of available-for-sale securities reclassified to profit for the year			2,173,906		2,173,906
Impairment (gains)/loss on AFS securities reclassified to profit	-	-	(4,022,737)	-	(4,022,737)
Unrealised gains/(loss) in fair value of available-for-sale	-		7,111,787	-	7,111,787
Total comprehensive income	<u>669,453,676</u>	<u>2,195,194</u>	<u>(25,228,738)</u>	<u>271,423,016</u>	<u>917,843,148</u>
Transactions with owners:					
Share issued during the period	27,135,754	-	-	-	27,135,754
Prepaid share reserve		(2,060,654)			(2,060,654)
Dividends	-	-	-	(20,799,518)	(20,799,518)
	<u>27,135,754</u>	<u>(2,060,654)</u>	<u>-</u>	<u>(20,799,518)</u>	<u>4,275,582</u>
Balance at September 30, 2018	<u>696,589,430</u>	<u>134,540</u>	<u>(25,228,738)</u>	<u>250,623,498</u>	<u>922,118,731</u>
	630,913,829	12,266,188	(36,893,285)	204,139,872	810,426,604
Balance at December 31, 2016	630,913,829	12,266,188	(36,893,285)	204,139,872	810,426,604
Comprehensive income:					
Profit for period	-	-	-	58,993,722	58,993,722
Other comprehensive income:					
Realised gain/loss on disposal of available-for-sale securities reclassified to profit for the year			(21,840,739)		(21,840,739)
Impairment (gains)/loss on AFS securities reclassified to profit	-	-	-	-	-
Unrealised change in fair value of available-for-sale securities	-		51,107,324	-	51,107,324
Total comprehensive income	<u>630,913,829</u>	<u>12,266,188</u>	<u>(7,626,699)</u>	<u>263,133,594</u>	<u>898,686,912</u>
Transactions with owners:					
Share issued during the period	35,706,654	-	-	-	35,706,654
Prepaid share reserve		(9,385,272)			(9,385,272)
Dividends	-	-	-	(30,454,973)	(30,454,973)
	<u>35,706,654</u>	<u>(9,385,272)</u>	<u>-</u>	<u>(30,454,973)</u>	<u>(4,133,591)</u>
Balance at September 30, 2017	<u>666,620,483</u>	<u>2,880,916</u>	<u>(7,626,699)</u>	<u>232,678,621</u>	<u>894,553,321</u>

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. 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, 2017 (‘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.

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, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 9 which are described in note 4.

4. Changes in significant accounting policies

Except as described below, 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, 2017 which was prepared in accordance with International Financial Reporting Standards (IFRS). The changes in accounting policies are also expected to be reflected in the Company’s financial statements as at and for the year ending December 31, 2018. Certain other new and amended standards are effective from January 1, 2018 but they do not have any material impact on the Company’s financial statements.

The Company has initially adopted IFRS 9 *Financial Instruments* from January 1, 2018. The effect of initially applying this standard is mainly attributed to an increase in impairment losses recognised on financial assets. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 largely retains the existing requirement in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available for sale.

(i) Classification and measurement

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt instruments; FVOCI – equity; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

A debt investment is measured at FVOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms gives rise on

specified dates to cash flows that are solely payments of principal and interest.

On initial recognition of an equity investment that is not held for trading, the company irrevocably elects; on an investment-by-investment basis; to present subsequent changes in the investment's fair value in OCI. All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

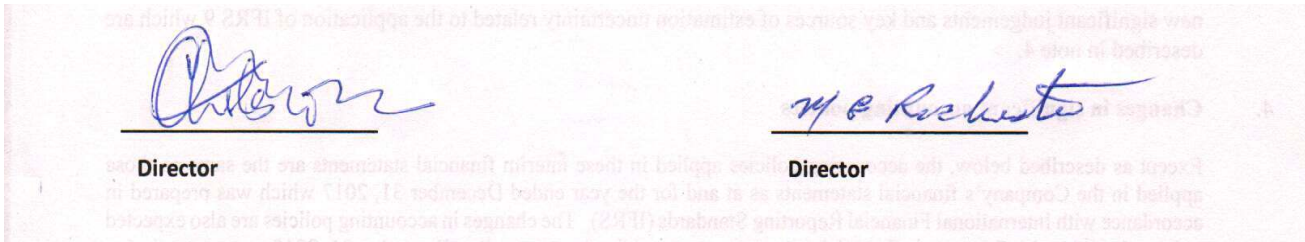
(ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL model). The new impairment model applies to financial assets measured at amortised cost and debt instruments at FVOCI, but not to investments in equity instruments.

Under IFRS 9, loss allowances are measured on either of the following bases:

- a. 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- b. Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.



The image shows two signatures in blue ink on a document. The signature on the left is written over a horizontal line and is followed by the word "Director" in bold black text. The signature on the right is also written over a horizontal line and is followed by the word "Director" in bold black text. The background of the document is light pink and contains some faint, mirrored text from the reverse side.

Top Ten Shareholders as at September 30, 2018

Shareholders	Number of Shares	Percentage
ATL Group Pension Fund Trustees Nominee Limited	10,000,000	16.34%
Lloyd Badal	5,706,480	9.25%
GraceKennedy Limited Pension Scheme	5,227,270	8.54%
Pam - Pooled Equity Fund	4,405,035	7.20%
Pam-Cable & Wireless Pension Real Estate Fund	2,898,403	4.74%
Satyanarayana Parvataneni	2,102,333	3.44%
National Insurance Fund	2,016,129	3.29%
Charles A. Ross	1,992,478	3.26%
Winnifred M. Mullings	1,658,484	2.71%
Everton Lloyd McDonald	1,599,790	2.61%

Shareholdings of Directors as at September 30, 2018

	Number of shares	% of total
Derek Jones	0	0.00%
Maxim Rochester	0	0.00%
Michael Bernard	0	0.00%
Charles Ross	1,992,478	3.26%