THE INVESTMENT MAGAZINE

by: PROVEN Investments Limited

MARCH 2020 EDITION

AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2020

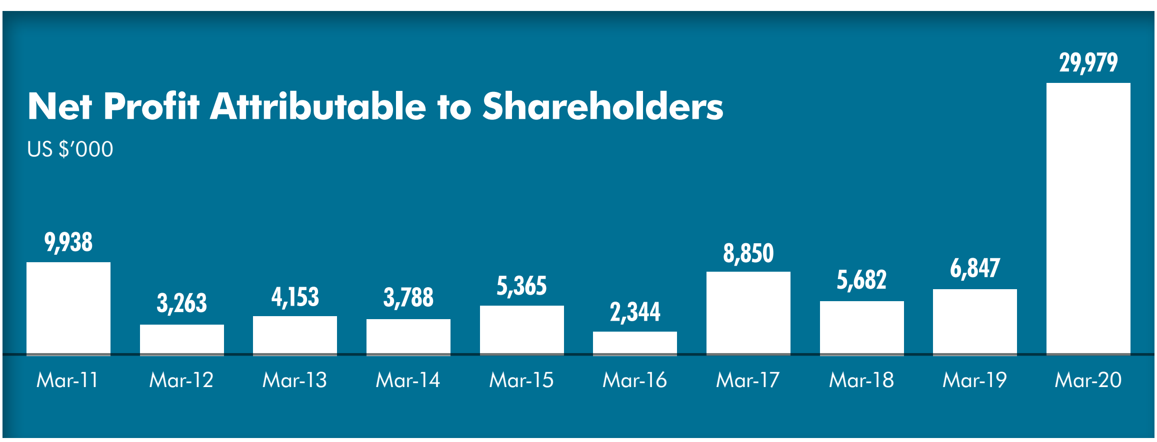
The Board of Directors of PROVEN Investments Limited ("PIL") is pleased to report its Audited Financial Statements for the financial year ended March 31, 2020.

FINANCIAL HIGHLIGHTS

US$29.98 million	—	Net Profit attributable to shareholders
US$0.048	—	Earnings Per Share
US$612.98 million	—	Consolidated Total Assets
31.60%	—	Return on Average Equity
57.68%	—	Efficiency Ratio
US$0.0028 per share	—	Quarterly Approved Dividend

Financial Performance

PIL registered a strong performance for the financial year ended March 31, 2020. Over the period, emphasis was placed on executing growth strategies across all business lines, however the realised results were offset by adverse market conditions stemming from COVID-19 in the final quarter. Net Profit attributable to Owners of the Company (NPAO) for the year amounted to US$29.98 million, while NPAO adjusted for the extraordinary gain and associated charges amounted to US$11.04 million, which represents a 61.26% increase in core earnings from the US$6.85 million earned in the previous year. PIL experienced robust organic growth resulting from the disciplined execution of its Private Equity strategy which focused on optimizing and extracting value created by its Portfolio Assets through ongoing expansion, management and rebalancing of its holdings to deliver above average returns to its Shareholders.



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Performance Drivers

PIL operates under three distinct business strategies, namely, (1) Private Equity (Financial Services and Real Sector), (2) Real Estate and (3) Treasury/PIL Proprietary.

1. Private Equity

PROVEN Wealth Limited (PWL)

PWL reported Profit Attributable to Equity Holders of US$2.51 million for the year ended March 31, 2020, which represented 8.36% of the PIL's NPAO. Revenue generated by PWL totalled US$10.63 million with Net Interest Income and Other Income accounting for 25.59% and 74.41% respectively. Pension Management Income and Interest Income were the top performing line items during the year. Total Administrative and General Expenses amounted to US$6.79 million, accounting for 23.76% of total Group Operating Expenses. Total Assets remained relatively flat year-over-year coming in at US$113.67 million as at March 31, 2020.

PWL continues to focus on its strategy to grow its off-balance sheet wealth and advisory management business by offering innovative investment solutions to clients. The company's diversification of its revenue streams and reduced reliance on the repo business resulted in non-interest income accounting for 74.41% of its revenue. PWL is also focused on improving its operating efficiency aided by the adoption of improved technological solutions throughout the business. PWL and PROVEN Fund Managers Limited (PFML) were merged on April 1, 2019. The first full year of operations as a merged entity produced synergic gains which enabled greater value extraction from this portfolio company.

Access Financial Services Limited (AFSL)

As a result of reduced holdings from 49.72% to 24.72% in September 2019, AFSL is now recognised as an associate company resulting in the recognition of a share of its profits, instead of a consolidation of its results into PIL's Consolidated performance. AFSL's contribution for the financial year ended March 2020 amounted to US$0.850 million.

BOSLIL Bank Limited (BOSLIL)

PIL currently owns 75% of the equity of BOSLIL. BOSLIL experienced another successful year, as Net Profit totalled US$4.64 million, resulting in US$3.43 million in Profit Attributable to Equity Holders being realized. This contributed 11.43% to the Group's NPAO. Revenue generated by BOSLIL totalled US$10.23 million with Net Interest Income and Other Income accounting for 62.82% and 37.18% respectively. BOSLIL contributed 57.50% to total Net Interest Income reported by PIL. Efficiency Ratio increased from 47.03% as March 2019 to 54.65% as at March 2020 due mainly to non-recurrent expenses associated with business process improvements and IFRS9 related charges. Total Administrative and General Expenses amounted to US$5.59 million, accounting for 19.57% of total Group Operating Expenses. Total Assets of the Bank experienced a 12.08% increase from US$245.35 million as at March 2019 to US$274.98 million as at March 2020. BOSLIL's performance was mainly driven by growth in its core business, reflecting optimal asset-liability management and cost synergies which resulted in the Bank posting an increase of 8.51% in Net Profits compared with the previous year.

International Financial Planning Limited (IFP)

PIL acquired 100% interest in IFP in August 2018. IFP is a licensed securities dealer with offices in Cayman, Bermuda and the British Virgin Islands that caters to a variety of investors ranging from medium to high net worth individuals. The company reported Revenues and Net Profit of US$5.66 million and US$0.73 million respectively. This resulted in a NPAO contribution to the Group of 2.45% for the year ended March 31, 2020. PIL is currently in the process of re-engineering this business and anticipates revenue enhancement and cost synergy measures to bear fruit in the medium to long term. IFP operations are entirely focused on fee based off balance sheet activities, and as a result 100% of its revenue is derived from fees and commission which contributed 48.88% to the overall Fees and Commission reported by the Group for the year ended March 31, 2020.

JMMB Group Limited (JMMB)

PIL acquired 20.01% of the participating voting shares in JMMB in December 2018 and thereafter opted to maintain its 20.01% equity stake through its participation in the additional public offering (APO) which closed in November 2019. JMMB is an associate company and contributed US$10.35 million in the form of Share of Profits for the year ended March 31, 2020. JMMB's expanding presence in the on-shore banking and insurance sub-industry within the region is consistent with PIL's ongoing strategy to diversify the portfolio of investments across the twenty four (24) countries of the Caribbean and Latin America.

Dream Entertainment Limited (DREAM)

In February 2019, PIL acquired a 20% equity stake in DREAM. The greater part of 2019 was spent on restructuring the Dream organisational structure to improve operating efficiency while realising some level of integration into the PIL structure. For the year ended March 31, 2020 PIL reported a marginal share of loss amounting to US$0.017M. During the financial year ending March 31,2020 the focus will shift to managing cashflow as it navigates the COVID 19 Pandemic while realising the benefits of the restructuring initiatives undertaken in the prior year. The Management of Dream remains optimistic and looks forward to the reopening of the Entertainment Sector. PIL continues to view this portfolio investment from its strategic lens as it aligns with PIL's strategic thrust to identify, invest in and grow, viable real sector private companies. The objective is to create shareholders' value through a clear exit strategy. DREAM has over the years provided enviable entertainment products that cater to a growing audience that is primarily beyond the Jamaican shores.

2. Real Estate

Real Properties Limited (RPL)

RPL reported Profit Attributable to Equity Holders of US$2.38 million. This performance contributed 7.93% to Group NPAO and represents a year-over-year increase of 40.16%. The increase was mainly driven by robust property sales which contributed $1.12M in income (the sales proceeds are represented in the Other Income line item while the cost of development is reflected in Property Expense line item). Total assets stood at US$35.01 million as at March 31, 2020, which represents a 14.07% increase compared to US$30.69 million reported as at March 31, 2019. This subsidiary continues to diversify

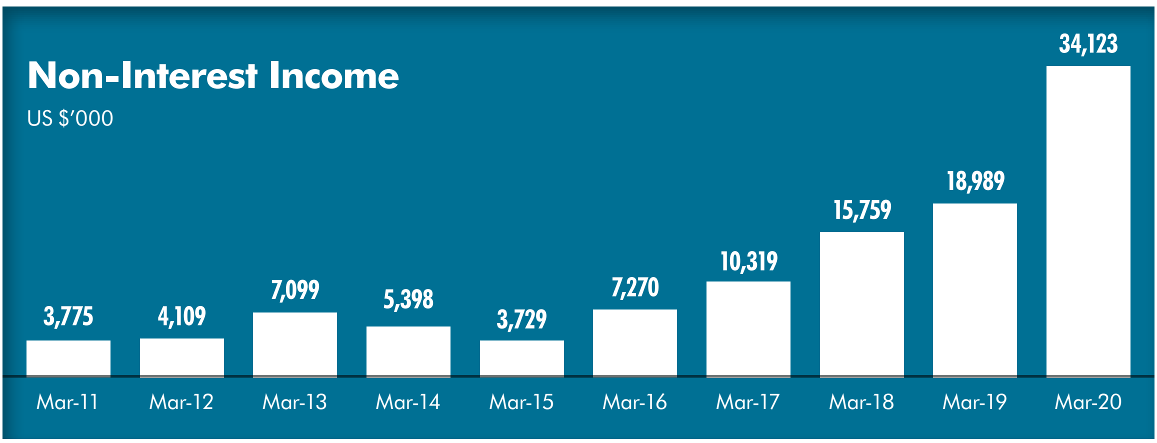
its portfolio of real estate holdings which as at March 31, 2020, included three (3) rental income properties and six (6) developmental sales projects; all at various stages of the development cycle. RPL continues to closely monitor the local and international real estate markets for new opportunities while making the requisite adjustment to successfully navigate the uncertainties associated with recent developments around COVID 19.

Residential Development	Location	Description	Status/Projected Completion Date
The César	21 Millsborough Avenue, Kingston 6	6 Villas & 9 Apartments	August 2021
VIA at Braemar	19-21 Braemar Avenue, Kingston 5	99 Apartments (51 Studios, 30 One Bedrooms, 18 Two Bedrooms)	September 2021
Mystic Ridge	Milford Road, St. Ann	156 Apartments (144 Studios, 12 Two Bedrooms)	September 2022
AVISTA at Bloomfield	Bloomfield, Mandeville	78 Apartments (40 Studios, 20 One Bedroom, 18 Two Bedrooms)	March 2022
Grove Park (52% stake)	Grove Park Avenue, Kingston 8	76 Apartment (48 One Bedroom, 28 Two Bedrooms)	May 2022
Omega Drive (40% stake)	Omega Drive- Grand Cayman	13 Townhouses (9 Two Bedroom, 4 Three Bedroom)	December 2021
RENT/LEASE	**Location**	**Description**	**Status/Projected Completion Date**
Real NPW	Newport West, Kingston 13	29,680 SF of commercial space	100% Occupancy
Real Portmore Pine 1	Portmore Pines Plaza, Greater Portmore	26,908 SF of commercial space	100% Occupancy
Real Portmore Pines 2 (51% stake)	Portmore Pines Plaza, Greater Portmore	51,689 SF of commercial space	100% Occupancy
Gladstone Commercial (60% stake)	Gladstone Drive, Kingston 5	41,872 SF of commercial space	Projected completion December 2021
Bloomfield Commercial	Bloomfield, Mandeville	~100,000 SF of commercial space	Projected Completion 2023

3. Treasury / PIL Proprietary

The Treasury segment of the PIL's operations generated Profit Attributable to Equity Holders of US$20.08 million (net of all intercompany income and charges) for the year ended March 31, 2020. This represented 67.00% of the total NPAO of $29.98 million reported for the year.

The performance of this segment was mainly attributable to the extraordinary gain of $24.93 million realized on PIL's sale of 25.0% of its holdings in AFSL in September 2019. Reflected in this segment is the JMMB portfolio Investment net of interest charges. Net Interest income (NII) registered a loss of US$3.09 million largely reflecting debt servicing obligations associated with wholesale funding of the JMMB share acquisition. The loss on the Net Interest Income line was partially offset by Other Income of US$1.45 million, which was driven by Dividend Income and Foreign Exchange Translation Gains. Total Administrative and General Expenses amounted to US$4.69 million, accounting for 16.43% of total Group Operating Expenses while Preference Dividend charges totalled US$8.61 million.



STATEMENT OF FINANCIAL POSITION

Total assets amounted to US$612.98 million as at March 31, 2020, which declined marginally from the US$623.32 million reported as at March 31, 2019. The year-over-year shift in the composition of total assets mainly emanated from a 13.47% reduction in the Investment Securities portfolio over the period along with shifts in Investment in Associates to account for the revised recognition of AFSL. The reduction in the Investment Securities holding was deliberate to optimise the risk return dynamics taking into consideration the flat yield curve and credit spread risk. These portfolio rebalancing initiatives also enabled an improvement in the overall liquidity positioning particularly in the final quarter, which was aimed at bolstering the Company's ability to successfully navigate the uncertainties associated with the COVID-19 pandemic while also providing sufficient cash resources to take advantage of opportunities that may arise due to depressed asset prices. As a result of these initiatives cash and cash equivalent increased 36.93% year-over-year. Liabilities also remained flat at US$507.56 million as at March 31,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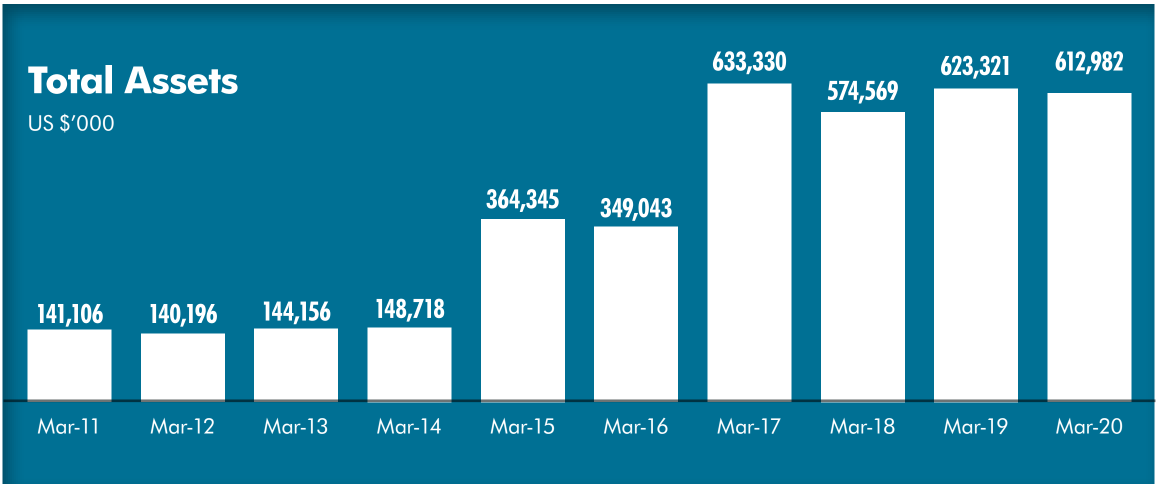
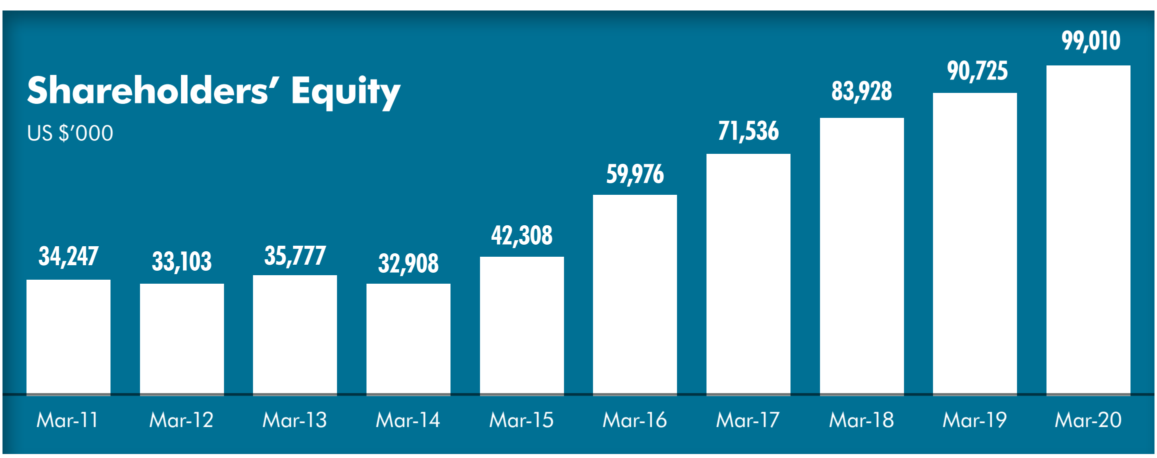
2020 from US$510.18 million as at March 31, 2019. Noteworthy is that Customer Deposits or Due to Customers experienced a 13.29% growth year-over-year, demonstrating solid execution of growth strategy.



SHAREHOLDERS' EQUITY

Shareholders' Equity Attributable to Owners of the Company increased by 9.13% to US$99.01 million as at March 2020 from US$90.73 million as at March 2019. The change is attributed to a significant increase in retained earning arising from core growth and net impact of activities associated with Portfolio Assets namely JMMB and AFSL. The dislocation of asset prices throughout March due to COVID-19, negatively impacted the Investment revaluation reserve resulting in a loss of US$14.87 million compared to a gain of US$2.69 million for the same period last year. However, this was offset by Retained Earnings which registered more than a two-fold increase compared to the period ended March 2019.



DIVIDEND PAYMENT

The Board of Directors approved a quarterly dividend of US$0.0028 per share to all Ordinary Shareholders on record as of July 6, 2020, to be paid on July 20, 2020. This represents an annualized tax-free dividend yield of 5.23% based on the average share price of US$0.28 for the year ended March 31, 2020.

PIL takes this opportunity to thank all our stakeholders for their support and trust. Our continued success is a result of the dedication of our Directors, Management and Staff and we thank them for their loyalty and commitment.

OPERATING ENVIRONMENT

During the greater part of the year, growing concerns about a slowdown in global economic growth and the ongoing US-China trade war dominated economic headlines. However, it was an unexpected viral outbreak (Coronavirus or COVID-19) that brought the markets to their knees in the final quarter of the year. The global trend of monetary policy easing was sustained over the period as central banks continued to provide more stimulus to keep the economic expansion intact for the first nine-months of the year and then was intensified to keep the economy afloat amid the COVID-19 pandemic. According to The International Monetary Fund (IMF), the global economy is projected to decline sharply by 4.9% followed by a rebound of 5.4% in 2021, assuming successful containment efforts of COVID-19.

While the US economic growth may have slowed in 2019 compared to 2018, it showed resilience and was able to outpace global economic growth by a considerable margin. This was buoyed by a strong labor market, near-record unemployment and solid wage growth. Geopolitical factors were heightened during the first nine-months of the financial year as the trade war between the United States and China loomed throughout and ended with articles of impeachment filed against the President Trump. Despite this, investors remained relatively bullish resulting in soaring bond prices with significantly low credit spreads and several major equity indexes were pushed to record highs.

As the COVID-19 impact heightened in the last quarter of the financial year, equities suffered steep declines across the spectrum of the developed market. Also, government bond yields declined markedly over that period as investors flew to perceived safety. As reported by Bloomberg Terminal, the S&P500 and Dow Jones Industrial Average (DJIA) declined by 9.86% and 16.53% respectively over the 12-month period. The benchmark US Treasury 10-year yield declined by 183bps to 0.67% over the 12-month period ended March 2020. The spread between two-year and ten-year Treasury yields fell below zero during the period, an event that has preceded each of the last seven recessions. This spread got pushed into negative territory in mid-August 2019 due to intensified risk aversion associated with US-China trade uncertainty.

Following nine consecutive rate hikes starting in December 2015, the US Federal Reserve (the "Fed") reduced interest rates three times commencing in July 2019, representing a total decline of 2.25% to bring the Federal Funds rate within a range of 0.00% – 0.25% for the 12 Month period ended March 2020. The Federal Reserve (Fed) cut interest rates twice in March for the first time since the global financial crisis and announced unlimited quantitative easing. There have been many stimulus programs implemented, aimed at assisting SMEs and financial institutions, and should continue as needed.

Corporate bonds declined significantly over the 12-month period ended March 31, 2020, and underperformed government bonds with moves exacerbated by a sharp tightening in liquidity. Spreads on investment grade corporate bonds issues fluctuated between 127bps and 488bps over this period, ending the period at 396bps.

Emerging market (EM) instruments also tumbled amid developments which together with a strong US dollar which proved to be an additional headwind. The MSCI Emerging Markets Index decreased by 23.87% over the 12-month period. As per the Credit Suisse Emerging Market Index (an index that tracks the credit spread on EM corporates), spreads ranged from 228bps to 672bps over the period ended March 31, 2020 at 566bps. Recovery is expected to lag across the EM as weaker healthcare systems, inadequate policies or stimulus, depressed oil prices and dependence on developed markets should present greater headwinds for most economies.

Several of Europe's economies weathered growth slowdowns over the period ended March 31, 2020. Brexit fears fuelled a 0.2% contraction in the United Kingdom's economy over the period June - September 2019, its first decline since 2012. Theresa May resigned as leader of the Conservative Party and her role was filled by Boris Johnson in July 2019 who pulled off a landslide victory in the general election held in December 2019. Brexit was completed on January 31, 2020 and negotiations on the future of the EU-UK relationship now carries a deadline of December 31, 2020.

The dollar maintained a relatively strong position throughout much of 2019. The United States Dollar Index, or DYX, which measures the U.S. dollar against the currencies of several other countries, ranged from a low of $94.90 to a high of $102.82, both the high and low were hit in March 2020 and ultimately closed the month at $99.05. Oil prices plunged as the spread of coronavirus weakened the outlook for demand, which coupled with a breakdown of an agreement between oil producers to constrain supply weighed heavily on prices. WTI Crude Oil and Brent crude oil posted negative returns of 66.75% and 67.05% respectively over the 12-month period. Meanwhile, gold prices rose over 22.48% to $1577/oz (an ounce) at the end of March 2020 after hitting a high of $1680/oz as investors continued to park cash into safe havens.

Looking forward, a 2021 rebound critically depends on the success of current containment efforts in relation to COVID-19 and restored investor and consumer confidence. The likely scenario involves a successful reopening of the U.S Economy in the 2nd quarter of 2020 and that global economic recovery should take place in the latter half of 2020. However, the risk to this outlook is that the pandemic could prove to be more persistent than assumed as the path of the virus remains uncertain.

Regional

The COVID-19 pandemic is set to push the Latin America and Caribbean region into its deepest recession in modern history. According to the IMF, growth stagnated in Latin America and the Caribbean to 0.1% in 2019 and is expected to contract by 5.2% in 2020. Prior to COVID-19, growth was constrained by high levels of indebtedness, low investment, weak business climates and low productivity among other factors. Thus, these factors are expected to exacerbate effects of the pandemic coupled with limited fiscal space to roll out extensive stimulus programs to speed up the rate of recovery.

Monetary policy as a tool is limited in the region due to the trend in expansion which was already in place prior to the pandemic and which resulted in persistently low policy rates. Thus, looking forward a more robust fiscal stimulus plan across the region is the key to ensuring a smoother and swifter recovery from this pandemic. Key downside risks facing the region include the inability to provide an uninterrupted supply of health services and essentials coupled with lack of social protection systems to provide support to the vulnerable.

Jamaica

Economic reform was successfully completed last year and GDP growth for FY18/19 was 2% and is estimated at 0.9% for FY19/20. Debt to GDP also improved from 145% to end FY 18/19 at 96%. Fiscal surpluses and continued retirement of debt was expected to continue in 2020. However, a sharp decline in revenues and stimulus spending will create significant strain on the economy and as a result, S&P is projecting negative GDP growth of 13% for FY20/21. The impact of COVID-19 is expected to be prolonged due to limited stimulus in place to provide support and high dependence on tourism, for which the outlook remains bleak over the next 1-2 years.

BOJ reduced the benchmark interest rates by a total of 125bps from 1.75% at March 2019 to 0.50% as at March 2020. This is expected to be maintained to boost economic activity. Inflation closed January 2020 at 5.2% and is expected to be impacted by supply and demand factors. The inflation outlook is still uncertain and will be determined by the severity of COVID-19. BOJ's weighted average selling rate for USD closed at 135.39 as at March 31, 2020, due to lack of tourism flows and slowdown in USD remittances. This will continue to place upward pressure on the rate; however, lower oil prices and demand are potential offsetting factors.

Coronavirus Impact

Markets saw extreme declines and volatility in March, the final month of the financial year. US stock market trading was temporarily suspended on a number of occasions due to the size of daily moves and for several days companies were unable to issue bonds in March 2020. Government bond yields and prices were volatile, first reaching extreme lows on heightened fear, but then rising as investors panicked and sold liquid assets extensively to raise cash. As the crisis unfolded, governments and central banks around the world announced unprecedented support programs for businesses, households, and the financial system, helping to stabilize markets later in the month.

PIL'S COVID – 19 Response

We are happy to report that PIL has been very proactive in providing leadership and governance structures to support our Portfolio Companies as well as institute frameworks to ensure the protection and safety of our stakeholders as the Pandemic evolves. All portfolio companies were able to activate their Business Continuity Plans and execute on a transition in its operations to enable continuation of business activities throughout while safeguarding the health of our stakeholders.
The major highlights of PIL COVID-19 response included:

A. Safety and Business Continuity - the safety of our customers, employees and stakeholders are very important to PIL. In response to COVID-19, PIL and its portfolio companies employed various safety measures and tweaked human resource policies to ensure that our stakeholders were protected at all times. We will continue to adapt our policies as the Pandemic evolves to ensure that our stakeholders are safeguarded.

B. Enhanced Monitoring and Reporting - The Group Investment Management Committee enhanced its oversight of both the financial and operational elements of each Portfolio Company through biweekly meetings to discuss strategies and plans to mitigate risks to the business, the meetings focused on high level review of each Portfolio Company.

1. Enhance liquidity monitoring and management, through activation of Liquidity Plans to ensure that all portfolio companies maintained sufficient liquidity above the minimum regulatory requirements to ensure added liquidity for our clients as well as positioning for portfolio opportunities.
2. Monitor credit risk exposure of the investment portfolio and where possible proactively rebalance to reduce credit risk exposure to align with our top down assessment of the short to medium term impact of COVID-19.
3. The implementation of measures to assist clients during this crisis, such as payment holidays.
4. The Real Estate segment made minor adjustments to its development project plans to manage project risk exposure while its rental properties remains largely unaffected. Overall, the prospects for this segment remains compelling.

C. Steady Focus on Strategic Initiatives - despite the disruption PIL remained focused on its main Strategic Pillars of Business as Usual Transformation and Future Proofing. We can report that PIL:

1. Successfully developed COVID-19 scenario forecasts under varying paths of the Pandemic. This was instrumental in enabling a nimble yet disciplined approach to the budget revisions to support the ongoing focus on maximising the risk adjusted return to shareholders.
2. Continue to actively seek and evaluate its pipeline of acquisition opportunities and remain focused.
3. Leverage the new paradigm created by the Pandemic to further support the adoption of FINTECH solutions to guide its business as usual transformation
4. While proactive steps have been taken across the Portfolio Companies to minimize business disruptions and manage downside risk. The situation is very tentative, and it would not be prudent to provide any sort of macro- economic or business forecast at this point. PIL however, anticipates that this environment is likely to depress asset prices and increase scarcity of capital, as such, PIL is positioning to execute on investments that are consistent with its investment philosophy.

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We would like to take this opportunity to thank all of our stakeholders for your support and trust.

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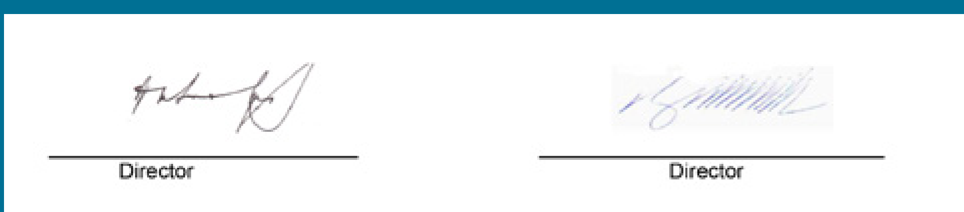

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