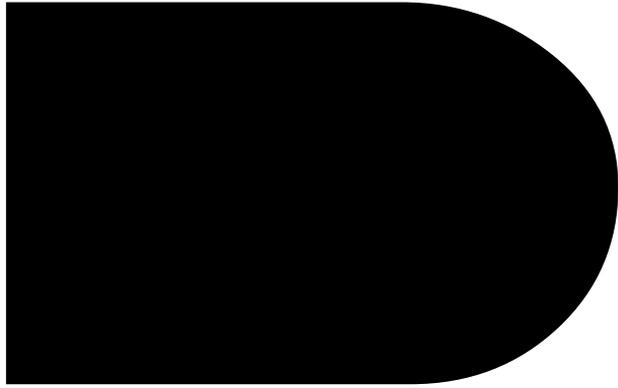


**THE INVESTMENT  
MAGAZINE**

by: PROVEN Investments Limited

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MARCH 2019 EDITION



# AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

## PROVEN INVESTMENTS LIMITED REPORTS AUDITED FINANCIAL RESULTS

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The Board of Directors of PROVEN Investments Limited ("PIL") is pleased to report its audited financial statements for the year ended March 31, 2019.

## FINANCIAL HIGHLIGHTS

<b>US\$6.97 million</b>	—	Net Profit attributable to shareholders
<b>US\$0.011</b>	—	Earnings Per Share
<b>US\$625.91 million</b>	—	Consolidated Total Assets
<b>7.87%</b>	—	Annualized Return on Equity
<b>66.33%</b>	—	Efficiency Ratio
<b>US\$0.0021 per share</b>	—	Proposed Dividend

## FINANCIAL PERFORMANCE

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PROVEN Investments Limited (PIL) experienced double-digit growth in profitability, recording Net Profit attributable to shareholders for the fiscal year of US\$6.97 million. This represents a 22.63% increase from the US\$5.68 million earned in the same period last year. Net Revenue for the year ended March 31, 2019 experienced a 4.3% increase to US\$37.72 million compared to US\$36.15 million earned during the year ended March 2018. This was mainly due to an improvement in Fees and Commission, Pension Management Income and Net Foreign Exchange Gains. The financial results for the period reflect the net impact of accounting adjustments required under the new IFRS 9 Accounting Standard which took effect from January 1, 2018.

### Net Profit

Net Profit attributable to shareholders amounted to US\$6.97 million or \$0.011 per share versus US\$5.68 million or \$0.0094 per share reported for the same year last year. Annualized Return on Average Equity of 7.87% was achieved for the fiscal year ended March 2019.

### Net Interest Income

Spread income was a major contributor to revenue during the year, accounting for 50% of total revenues and reflects PIL's core positioning in Financial Services. Net Interest Income totalled US\$18.73 million and recorded a decline of 8.1% compared with last year. This decline was mainly due to the reduction in interest-bearing assets over the year to facilitate optimal rebalancing of the portfolio and reflects the contraction in spreads emanating from the rise in short term US interest rates.

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### Other Income

Fees and commission increased by 61.6% year over year from US\$5.08 million to US\$8.20 million, reflecting the Group's decision to diversify its income towards off balance sheet income sources. Net Foreign Exchange Gains totalled US\$1.63 million, compared to a loss of US\$0.44 million reported last year. Net Fair Value Adjustments and Realized Gains from the Trading of Securities for the year amounted to US\$1.14 million compared to a gain of US\$4.29 million earned last year. This decline was mostly due to the fixed income environment which exerted an upward pressure on yields for the better part of the financial year. Additionally, continued realignment of the portfolio was executed over the year to reduce the overall market and credit risk exposure resulting in a rightsizing of the balance sheet to reflect a greater focus on the other core strategies, namely; Private Equity and Real Estate.

### Private Equity

Private equity investments that fit our risk to reward objectives are a strong area of focus, PIL continues to explore opportunities throughout the region consistent with the ongoing acquisitive thrust. Our current private equity holdings continue to boost PIL's bottom-line:

#### **PROVEN Wealth Limited**

PROVEN Wealth Limited ("PWL") reported net income totalling US\$1.94 million for the year while total assets of the company as at March 31, 2019 stood at US\$113.05 million. The firm continues to focus on its strategy to grow the wealth management business through offering innovative investment products to clients and reduce the issuing of repurchase agreements while improving its operating efficiency. During the year PWL and PROVEN Fund Managers Limited (PFML) to achieve greater operational efficiency and effectiveness, sought and were granted approval from the Financial Services Commission (FSC) for the transition and merger of the two entities. This became effective April 1, 2019.

#### **PROVEN Fund Managers Limited**

PROVEN Fund Managers Limited continues to be one of the top players in the Asset and Pension Fund Management and Administration business. Profitability increased by 24.94% to US\$0.68 compared to last fiscal year. The increase in profitability continues to reflect underlying growth in assets under management and an expanded product offering. Following the successful launch of a suite of four (4) Unit Trust Funds in 2017 and in keeping with the desires of its clients for options; the Company expanded the suite to include two new Non-Diversified Portfolios in 2018 (namely PROVEN High Yield Fund and the PROVEN Real Estate Fund), bringing the total unitized product offering to six (6).

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**Montego Bay Branch:**  
Unit #11  
Fairview II Shopping Centre

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### **Access Financial Services Limited**

Access Financial Services Limited produced a net profit of US\$3.86 million and Net Income attributable to PIL was US\$1.72 million for the year. The company's loan portfolio was US\$29.78 million as at March 2019, representing a 27.30% increase when compared to the balance as at March 2018. The significant increase in the company's asset base reflects its acquisition of Embassy Loans Limited, a micro financing outfit with operations in the US.

### **BOSLIL Bank Limited**

PROVEN Investments Limited currently owns 75% of the equity of BOSLIL Bank Limited. BOSLIL experienced another successful year, as net profit totalled US\$4.28 million (US\$3.20 million attributable to PIL) was realized. Total Assets of the Bank as at March 31, 2019 stood at US\$245.35 million. BOSLIL's performance was mainly driven by growth in its core business, reflecting optimal asset liability management; which resulted in the Bank posting a 25.85% year over year increase in net interest income.

### **International Financial Planning Limited**

PROVEN Investments Limited completed the acquisition of 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. IFP contributed US\$0.53 million to Net Profits on revenues of US\$2.73 million over the period of August 2018 to March 2019.

### **Investment In Associated Companies – JMMB Group Limited**

During the year PIL acquired 20.01% of the participating voting shares in JMMB Group Limited. This investment aligns with the company's core Investment Strategy. JMMB's expanding presence within the region is consistent with PROVEN's ongoing strategy diversify the portfolio of investments across the 24 countries of the Caribbean and Latin America.

### **Dream Entertainment**

During the 4<sup>th</sup> quarter, PROVEN acquired a 20% equity stake in Dream Entertainment Limited for a total of J\$75.28M. This is consistent with PROVEN's strategic thrust to identify, invest in and grow, viable real sector private companies. Dream Entertainment Limited has over the years shown the ability to provide enviable entertainment products that cater to a growing audience that is primarily beyond the Jamaican shores. This acquisition not only aligns with PROVEN's core Investment Strategy within the Real Sector but also its risk to reward objectives in achieving its financial goals.

*"For me, it's knowing that I can make someone feel better and for them to know that someone cares. That makes hard work worth it."*

*-Lorriane Hutchinson, Nurse*



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### **Real Properties Limited (Real Estate)**

Real Properties had a successful year, as reflected in its financial performance, project execution and project pipeline. The subsidiary reported net income totalling US\$1.70 million, on revenues of US\$2.23 million, while, total assets stood at US\$30.69 million as at March 31, 2019, this represents a 53.3% increase compared to US\$20.02 million reported as at March 31, 2018. The subsidiary continues to diversify its portfolio of real estate holdings which as at March 31, 2019 included three (3) rental income properties and six (6) developmental sales projects; all at various stages of the development cycle. The company continues to closely monitor the local and international real estate markets for new opportunities.

### Operating Expenses

For the year, consolidated operating expenses increased by 9.90% to US\$25.89 million compared to US\$23.56 million in the year ended March 2018. The increase is mainly due to incremental administrative and general expenses as a result of additional expenses from acquired subsidiaries and acquisition costs incurred. The Efficiency Ratio at the end of March 31, 2019 stood at 66.33%. It is anticipated that strategies to increase synergies and drive efficiencies across the Group will realise positive benefits in the upcoming financial year leading to a further reduction in this ratio.

### Balance Sheet

Total assets amounted to US\$625.91 million as at March 31, 2019, which represents an increase of 8.49% from US\$576.91 million as at March 2018. Total liabilities increased to US\$510.18 million as at March 2019 from US\$469.56 million for last year, representing an increase of 8.65%. The balance sheet reduction experienced over the first two quarters was reversed in the third quarter following the acquisition of the JMMB shares.

### Shareholders' Equity

Shareholders' Equity Attributable to the Owners of the Company increased by 8.13% to US\$92.01 million from US\$85.10 million as March 2018. The improvement in fair value reserves came on the heels of improving bond market conditions experienced in the fourth quarter. These gains counterbalanced the net reduction in Foreign Exchange Translation Reserves and Retained Earnings.

### Dividend Payment

The Board of Directors approved an interim dividend payment of US\$0.0021 per share to all Ordinary Shareholders on record as at June 14, 2019 to be paid on June 28, 2019.



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This represents an annualized tax-free dividend yield of 4.32% based on the average share price of US\$0.208 for the year ended March 31, 2019.

PROVEN Investments Limited takes this opportunity to thank all our stakeholders for your 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

### International

Global growth for 2018 is estimated at 3.7%, however the International Monetary Fund revised its outlook for global growth in 2019 from 3.5% to 3.3%. Amid a bleaker outlook in most major advanced economies and signs that higher tariffs are weighing on trade; this has been the lowest expectation for growth since the last financial crisis. Nevertheless, a rebound to 3.6% growth is projected for 2020.

After two years of steady growth in asset prices, 2018 proved more of a challenge for investors, particularly in the last three months of the year. The prospect of fading US policy support in 2019, together with escalation in the US-China trade conflict, reduced monetary stimulus and global growth concerns eventually took a toll on investor confidence. The S&P 500 and Dow Jones Industrial Average logged their biggest calendar year annual losses in a decade, which was fueled in the 3rd quarter of the fiscal year with losses of 13.07% and 10.16%, respectively.

Markets recovered in the first three months of 2019, fueled mainly by the increasingly dovish Federal Reserve commentary, apparent progress in US-China trade talks, and the end of the government shutdown. Global equities rallied with most market averages posting solid gains led by S&P500 which erased previous losses to close the fiscal year ended March 2019 at a 7.32% gain. Both global and US Treasury bond yields continued their descent, boosting returns to high quality bonds and solidifying positive results across all major asset categories. The US 10-year treasury yield ended March at 2.41%.

Global bond markets remained volatile over the year as investors continued to digest the implications of the geopolitical developments. The Federal Reserve hiked rates by a total of 100bps with four quarter point moves at the March, June and September and December meetings, collectively bringing the federal funds rate to a range of 2.25%-2.50%.

US Treasury yields rose markedly over 2018 with the US 10-year treasury yield peaking at 3.24% in October, boosted by signs of stronger-than-expected U.S. economic activity.

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Strong growth, wage inflation, rate hike and a seemingly more hawkish Federal Reserve (Fed) chair all contributed to the persistent upward pressure on yields. However, the dovish shift from the Fed towards the end of the year and mounting growth concerns marked the return of risk aversion and boosted a reversal in bond yields.

Economic data within the Eurozone continued to indicate slower growth as worries around the sustainability of global growth, trade wars and corporate profits continued to build. The UK government finalized a withdrawal agreement with the EU. However, the agreement received fierce push-back and several senior and junior ministers resigned in protest, posing significant uncertainty over the prime minister's leadership and the final parliamentary passage of the deal. The eurozone economy grew by 1.8% in 2018 and growth worries continued to linger during the first three (3) months of 2019. Germany saw zero growth while Italy slipped into recession. Forward-looking data continue to point to weakness in the economy.

Emerging Markets are finally showing some strength, as the MCI Emerging Market Index posted an overall return of 11.03% in the last three months of the period. After a turbulent year, EM currencies and bonds had their worst performance for several years and even slid deeper into a bear market towards the end of October as rising Fed rates pushed up the value of the dollar and the trade war intensified, hitting countries such as Indonesia and South Africa that had weaker fundamentals. Argentina and Turkey added domestic problems to the mix, fueling contagion risks, while Mexico and Brazil navigated through presidential elections.

Commodities underperformed over the year and volatility was largely driven by oil due to supply swings. Brent crude was down 19% for the year as oil prices staged a rally from mid-2017, only for most of those gains to be wiped out in dramatic fashion in October to December. Brent crude oil posted lows of around \$42.50 from its highs in the \$76.50 over the period. Oil prices rebounded in the final quarter, driven by a tightening market and production cuts across several global producers. According to the U.S. Energy Information Administration Worldwide, crude oil prices are expected to average \$70 a barrel in 2019 and \$67/b in 2020.

Overall, risks remain skewed to the downside, with a range of threats menacing the global economy, including the possible collapse of negotiations between the U.S. and China to end their trade war, and the departure of Britain from the European Union without a transition agreement, known as the "no-deal" Brexit scenario.

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Additionally, the steep fall of the 10-year Treasury yield on the about turn of the Fed, could introduce volatility in the Bond Market if economic performance surprises to the upside relative to what market participants priced into the market as at the end of 1Q2019

### Regional

The weakening global economy and rising policy uncertainty are contributing to slowing Latin America's growth momentum. Overall, the region is expected to advance by 2% in 2019 and 2.5% in 2020, still well below peer countries in other regions. Economic activity in the Caribbean is still projected to pick up in 2019-20 due to expected robust tourism from the U.S, reconstruction from the devastating hurricanes of 2017 in some tourism-dependent countries, and higher commodity production in some commodity exporters.

Fiscal consolidation efforts across the region appear to have gained root, with improved fiscal balances being recorded in all but four markets. However, in most instances, fiscal prudence remains a major priority for the medium term to ensure debt sustainability. Barbados experienced substantial reduction in interest costs associated with the suspension of external debt payments and lower interest rates on domestic restructured debt contributed to a US\$197.9 million improvement in the fiscal position during the first nine months of the fiscal year.

Jamaica's Debt to GDP is projected to end FY 18/19 at 96%, the lowest level of debt in nearly two decades, and end FY 19/20 at 80%. The BOJ expects that heightened external demand for domestic good and services will drive economic growth over the medium-term, while fiscal restraint is expected to contain domestic demand. However, growth will continue to be constrained by indebtedness, structural issues, crime and implementation capacity constraints.

The BOJ weighted average increased from 124.88 at the start of April 2018 to end March 2019 at 125.02 and reached a high of approximately 136.70 over the period. Throughout the period the BOJ responded to supply and demand dynamics via its B-FXITT intervention tool resulting in several inflection points over the period. The BOJ signalling effect has aided in normalizing what we believe to be some excessive swings in the currency movement.

Jamaica's monetary policy became even more accommodative over 2018 with rates reaching multi-decade lows in support of the government thrust to stimulate economic growth. The GOJ benchmark rate closed the period at 1.75% and the easy money stance will be sustained, as the BOJ continues to target an inflation rate of between 4% and 6%.

# **AUDITED FINANCIAL STATEMENTS**

## **FOR THE YEAR ENDED MARCH 31, 2019**

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Overall, economic prospects for the Caribbean and Latin American are anticipated to remain buoyant throughout 2019 mainly driven by the gains of fiscal consolidation, relatively low real rates and inflation which are anticipated to stimulate real sector expansion. This will continue to be supported by tourism flows even as US growth approach peak levels.

# PROVEN

## Investments Limited

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

Our continued success is as a result of the dedication of our Directors, Management and Staff and we thank them for their loyalty and commitment.

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Director



Director

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