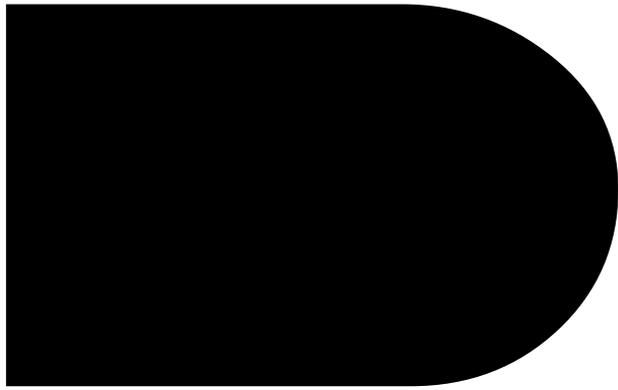


**THE INVESTMENT  
MAGAZINE**

by: PROVEN Investments Limited

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MARCH 2018 EDITION



# AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

## PROVEN INVESTMENT 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, 2018.

## FINANCIAL HIGHLIGHTS

<b>US\$5.68 million</b>	—	Net Profit attributable to shareholders
<b>US\$0.0094</b>	—	Earnings Per Share
<b>US\$576.9 million</b>	—	Consolidated Total Assets
<b>7.30%</b>	—	Annualized Return on Equity
<b>65.50%</b>	—	Efficiency Ratio
<b>US\$0.0012 per share</b>	—	Quarter Proposed Dividend

## FINANCIAL PERFORMANCE

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PROVEN Investments Limited experienced growth in Net Revenue for the year ended March 31, 2018, with a 47.0% increase to US\$36.15 million compared to US\$24.82 million earned during the previous year.

Net Profit attributable to shareholders for the year amounted to US\$5.68 million. This represents a 34.85% decline from the US\$8.85 million earned in the previous year. Last year's results however included extraordinary income and expenses arising from the BOSLIL acquisition and if these were excluded from last year's results, net profit attributable to shareholders would have recorded a 8.02% increase year over year.

### 1. Tradeable Securities

Spread income was the major contributor to revenue during the year, with a 40.6% improvement compared with last year as net interest income totalled US\$20.39 million. This increase reflects the impact of the BOSLIL acquisition and ongoing efforts to augment spread management across the Group. Dividend income decreased by 40.5% to US\$0.81 million from US\$1.36 million reported for the previous year, due to a reduction in our mutual fund holdings and the associated management fees, in favour of a direct investment in the underlying securities.

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Realized gains from the trading of securities for the year amounted to US\$4.29 million, more than 1.5 times the US\$1.72 million earned for the previous year. Net foreign exchange gains recorded a loss of US\$0.44 million compared to the gain of US\$1.90 million reported for the year ended March 2018. This decline occurred because of the revaluation of 2.20% experienced in the Jamaican dollar against the US dollar during the year compared to a 5.36% devaluation for the year ending March 2017.

## 2. Private Equity

Private equity investments that fit our risk to reward objectives continue to be a strong area of focus as we explore vast opportunities throughout the region. Our current private equity holdings continue to boost our bottom-line:

### **PROVEN Wealth Limited**

PROVEN Wealth Limited's ("PWL") net income after tax totalled US\$2.27 million for the year, representing a reduction of 34% year over year, mainly as a result of a difference in the effective tax rate, as pre-tax profit was only down by 4.63%. The firm continues its strategy to offer innovative investment products to clients and reduce the issuing of repurchase agreements. Accordingly, the balance sheet experienced an overall 30.85% contraction compared to the same period last year. Total Assets for the company as at March 31, 2018 stood at US\$117.72 million.

### **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. During the year, the company launched its flagship Unit Trust suite of products dubbed "PROVEN Select", which offers clients direct participation in a diversified professionally managed portfolio of investments. Profitability increased by 21.92% compared to the same period last year, as net profit after tax for the year ended March 2018 was US\$0.55 million compared to US\$0.45 million for the year ended March 2017.

### **Access Financial Services Limited**

Access Financial Services Limited contributed considerably to the results of the Group during the year, producing net profits attributable to PIL of US\$2.80 million for the year ended March 31, 2018, representing a decrease of 4.63% when compared to the previous year's results. Access Financials' loan portfolio was US\$23.40 million as at March 31, 2018, representing a 15.43% increase

“The only source  
of knowledge  
is experience.”

Albert Einstein

**PROVEN**

**WEALTH**

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**Montego Bay Branch:**

Unit #11

Fairview II Shopping Centre

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### Private Equity - Continued

when compared to the balance as at March 31, 2017.

#### **BOSLIL Bank Limited**

Proven Investments Limited currently owns 75% of outstanding equity of BOSLIL Bank Limited. We are proud to report that BOSLIL Bank Limited experienced another successful period, contributing net profits attributable to PIL of US\$2.980 million and Total Assets for the company as at March 31, 2018 stood at US\$261.70 million.

### 3. Real Estate

PROVEN REIT Limited has successfully completed and sold its second residential development on Sullivan Avenue, Kingston 8. The third and fourth developments in the pipeline have broken ground on Millsborough Avenue in Kingston 6 respectively and are expected to be completed and sold over the next twelve to eighteen months. The company continues to closely monitor the local and international real estate markets for new opportunities.

### 4. Operating Expenses

For the year ended March 31, 2018, consolidated operating expenses increased by 31.0% to US\$23.56 million from US\$18.25 million in the prior year. This increase was mainly due to the inclusion of the results of BOSLIL Bank in the Group for this financial year and resulted in an increase in the Efficiency Ratio to 65.50% compared to 59.51% for the prior year. Expense management and consolidation has been a key focus of management as we seek to reduce our efficiency ratio closer to the established target of 50%.

### 5. Net Profit

Net Profit attributable to shareholders totalled US\$5.68 million or 0.94 cents per share versus US\$8.85 million or 1.60 cents per share in the year ended March 2017. Annualized Return on Average Equity was 7.30% for the year ended March 31, 2018.

*"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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### 6. Balance Sheet

Total assets amounted to US\$576.9 million as at March 31, 2018, which represents a decline of 8.91% from US\$633.33 million as at March 31, 2017. This reduction was mainly due to reduction in repurchase agreements and key liabilities that were paid off over the course of the year. Total liabilities decreased to US\$469.56 million as at March 31, 2018 from US\$543.47 million as at March 31, 2017. The balance sheet reduction reflects a deliberate effort to deleverage the balance sheet.

### 7. Shareholder's Equity

Shareholders' Equity attributable to the owners of the company increased by 18.95% to US\$85.09million as at March 31, 2018 from US\$71.53million as at March 31, 2017 in line with an increase in Share Capital and a positive change in the Investment Revaluation Reserve during the period, following a slight recovery in the bond market and additional capital raised in the Rights Issue in July 2017.

### 8. Dividend Payment

The Board of Directors has approved an interim dividend payment of US\$0.0012 per share to all ordinary shareholders on record as June 8, 2018 and to be paid on June 26, 2018. This will bring the total dividend for the financial year to US\$0.0070 per share, representing an annualized tax-free dividend yield of 3.04% based on the average share price of US\$0.23 for the period ended March 31, 2018.

PROVEN Investments Limited takes 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.

# PROVEN

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# REIT

Real Estate  
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Mandeville, Jamaica



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### OPERATING ENVIRONMENT

#### INTERNATIONAL

Over the twelve months to March 2018 global growth surprised to the upside amidst continued policy uncertainty and geopolitical risk. The IMF reported that growth strengthened in 2017 to 3.80% mainly attributed to a rebound in global trade, investment recovery in advanced economies, continued strong growth in emerging markets and signs of recovery in several commodity exporters. Expectations for growth in the 2018/2019 period remains robust, however is likely to be vulnerable to gradual tightening of monetary policy, high level of global indebtedness, and emerging geopolitical tensions including potential trade wars.

The US executed on its data driven plan to gradually remove monetary policy accommodation which resulted in four hikes, increasing its short-term interest rates by 100 basis points over the course of the year bringing the rate within a range of 1.5% - 1.75%. The market continues to price in at least three rate hikes for the 2018 full year. Strong demand for longer dated treasury securities resulted in the flattening of the Treasury curve, as shorter-term rates rose, while longer term yields remained subdued.

There were observed uptick in inflation towards the fed's targeted rate of 2% during the second half of the year, this along with reflationary concerns following the December passing of the tax reform bill fuelled the 10-year yield towards the 3% mark in the final quarter. Amidst these conditions credit spreads in both the investment grade and the high yield space tightened. Both the European Central Bank and the Bank of Japan were more accommodative in their monetary policy stance despite signs of improving economic growth. The U.S. dollar experienced steady decline against the other major currencies which augured well for emerging markets over the period.

Over the first three quarters market conditions were characterized by record low volatility which propelled all the major world equity markets to record high, volatility returned to the market during the January to March quarter resulting in a market correction in the aftermath of the passing of the US Tax reform. Despite improving earnings growth, global stocks entered a new phase of volatility fuelled by concerns surrounding valuation, investor worries about rising interest rates, inflation pressures and escalating trade tensions between the U.S. and China. Talk of a potential trade war and US, Korea and Russia relations sent stocks reeling at various times throughout the quarter, while emerging markets stocks powered through the turmoil.

# PROVEN

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# ROCK

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Looking ahead while long term yields are largely anticipated to remain at their secular lows relative to historical levels, concerns regarding late cycle recovery and plans to unwind the balance sheet is likely to support relatively higher yields. Risk premia will continue to reprice likely resulting in higher levels of overall market volatility relative to that experienced in 2017.

### REGIONAL

Following two years of lackluster outlook for Emerging Markets the last twelve months showed signs of a gradual turnabout supported primarily by an uptick in commodity and service demand, connected with improved economic outlook in advance economies along with a declining dollar. The region is estimated to have grown by a modest .90% in 2017 amidst an active Atlantic Hurricane season which caused extensive damages.

Global commodity prices increased and pushed regional consumer prices higher during 2017. Excluding Suriname (which continues to experience above average inflation), inflation reached 1.3% y/y at September 2017 compared to 0.5% one year earlier. Most recent data suggest that inflation accelerated across most of the region, with inflation falling significantly only in Trinidad and Tobago, where domestic demand remains weak. Further, growth in foreign exchange (FX) reserves in net commodity importers has generally slowed with reserve expansion limited primarily to the OECS, Curacao and Sint Maarten, Jamaica and the Bahamas.

Caribbean issuers benefited as the market assessed the impact of a slow process of normalization in rates around the world, and expectations of higher inflation in the US still tamed. Investors' search for yield continued to benefit countries in the region with improving fiscal balances and/or with government policy moving towards that direction.

Regional fiscal conditions deteriorated over the course of the year. The median fiscal deficit of central governments increased from 0.7% of GDP in 2016 to 1.6% in 2017. Barbados, Suriname, and Trinidad and Tobago received credit rating downgrades. High levels of indebtedness remain, with increasing debt service payments crowding out the productive expenditure needed to stimulate growth. The median public debt burden declined marginally from 67% of GDP in 2016 to 65% in 2017.

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However, Jamaica and Dominican Republic continued a positive path with both issuers tapping the international capital markets within the period.

Jamaica's economic growth came in at 0.9% for the 2017/2018 period well below forecasted levels but represent steady modest gains relative to the contraction experience in prior years. Efforts of the Economic Growth Council to stimulate growth continue to be negatively impacted by high indebtedness. A commitment towards fiscal prudence to engineer economic reform continue to see steady implementation as evident in debt to GDP reducing to 105% relative to target of 111% at the end of the 2017/2018 fiscal year.

The region is expected to grow by 2% in 2018 and 2.60% in 2019. Returns to positive growth are projected for Suriname and Trinidad and Tobago, driven by continued recovery in the energy sectors. There will be further hotel investment in St. Kitts and Nevis and Saint Lucia. An increase in growth is forecasted for Jamaica, as agriculture recovers and mining picks up. Growth is also forecasted for the service-dependent economies and reconstruction activity should drive growth in the five countries most affected by Hurricanes Irma and Maria.

# 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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