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LOCAL EQUITY REPORT

EPPLEY CARIBBEAN PROPERTY FUND

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Eppley Caribbean Property Fund

Company Overview:

Eppley Caribbean Property Fund Limited SCC (CPFV) is a segregated cell company incorporated under the provisions of the Barbados Companies Act and licensed as a mutual fund under the Barbados Mutual Funds Act. The registered office of the Company is at 1st Floor, Carlisle House, Hincks Street, Bridgetown, Barbados. In May 2018, Eppley Fund Managers Limited, a company incorporated and registered as a mutual fund administrator under the laws of Barbados and a wholly-owned subsidiary of Eppley Limited, a company incorporated under the laws of Jamaica, purchased the common shares of the Company from Fortress Fund Managers Limited and AAAltman Real Estate and assumed the management of the Company.

Stock		CPFV
Last Price (J$)	$	40.94
Year to Date Return		-16.31%
Dividend Yield		15.57%
Trading Price Discount to NAV		22%
Forward Price/FFO		23.3x
AFFO Yield		4.3%
Estimated Fair Value	$	54.07
Total Return Upside/Downside		47.64%
Recommendation		OVERWEIGHT
As at May 6th, 2021		

Investment Rationale:

Since Eppley became the investment manager of the fund, there has been a material improvement both in portfolio's country exposure and type of real estate structures. This has led to a steady increase in the total square feet of the portfolio and increase Net Asset Value (NAV) with diversification.

COVID-19 impacted the real estate industry broadly in multiple forms, with varying degrees of impact across the spectrum of asset classes. Particularly, real estate focused on office space, retail and hospitality were the most impacted. In the context of the Caribbean, majority of the commercial properties fall within these categories. As such, it stands to reason that entities and real estate investment trusts (REITS) with exposure to real estate assets would have been materially impacted. CPFV would also be susceptible to the effects of COVID-19, primarily in their Barbados portfolio which is majority comprised of retail properties. Barbados which is predominantly dependent on tourism, would have seen a material decline due to tight lockdown measures such as the closure of borders and curfews. These measures translated into lower stopover arrivals and lower level of activities in the retail properties. The investment manager has granted COVID-19 relief measures for tenants in the form of rental deferral or temporary staggering of rental payments given the impact of COVID-19. The pivot towards introducing Jamaican assets, especially in the industrial space will have a positive material impact on the company's long-term performance. This as the Manufacturing and Distribution (M&D) and construction industry have shown material resilience to the impact of COVID-19. As such, the continued focus on improving value to shareholders through divesting away from Barbados and retail properties will act as a positive tailwind for the long-term performance of CPFV.

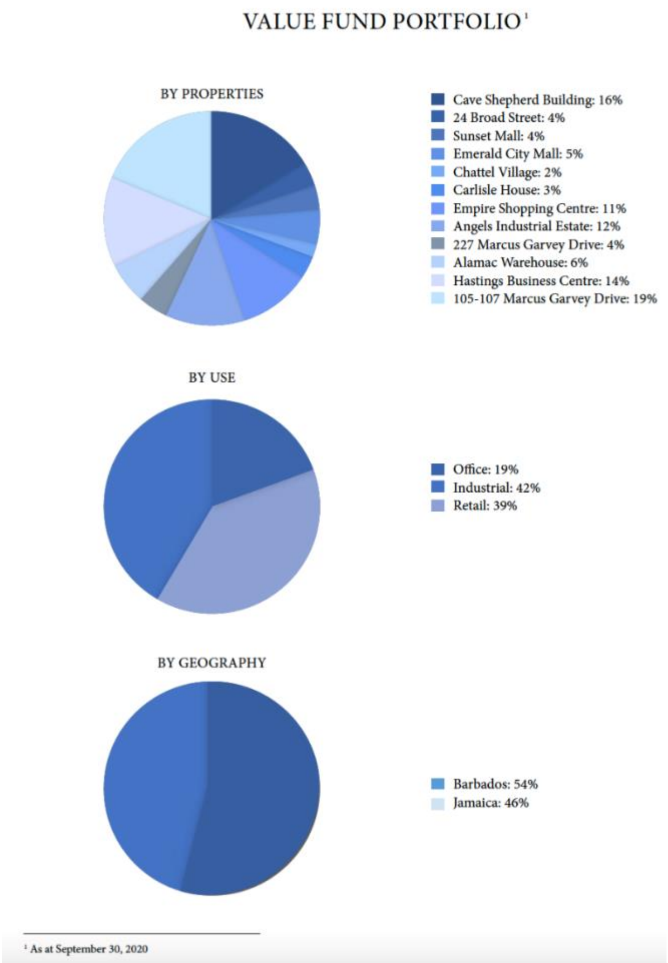
Valuation:

We conducted a valuation exercise on the shares of CPFV which yielded an average fair value estimate of **J$54.07** implying a potential capital gain of **32.07%**. We believe this investment may be best suited for investors with a medium to long-term horizon whose portfolios could benefit from diversifying into a real estate fund with exposure to regional properties. The economics of the fund will continue to be driven primarily by improved fund management, improved diversification of the properties regionally and across sectors, and an overall improving global economic outlook, BIL recommends a **Overweight** rating.

Business Economics

The Company is a closed-end mutual company which is in the business of investing the consideration it receives for the cellular shares[1] it issues primarily in real estate in the Caribbean. The two (2) segregated cells established by the Company, namely the "Value Fund" and the "Development Fund", both trade on the BSE and TTSE. Income generating performing assets and associated liabilities of the Company are allocated by the Company to the Value Fund while non-income generating assets and associated liabilities of the Company (as represented primarily by the real estate investments held for development and/or resale) are allocated by the Company to the Development Fund. **The Company listed the shares of the Value Fund on the Jamaica Stock Exchange (JSE)**.

The Value Fund comprises of multiple income-generating assets within Jamaica and Barbados, with monies raised in their Initial Public Offering (IPO) geared towards establishing their Jamaican based assets. Since the closing of this public offering, the company successfully completed the acquisition of its Jamaican targets which in entirety account for approximately 46% of their property portfolio. The lease tenors on these properties are a mixture of long-term, USD/JMD mixture, triple net and anchor leases. This provides the company with some level of certainty of medium and long-term cash flows.



Property Portfolio Breakdown:

Cave shepherd Building • Located in Barbados • One of the largest department stores in the English speaking Caribbean	24 Broad Street • Located in Barbados • Renovated office and retail building in the centre of Bridgetown, Barbados
Sunset Crest Mall • Located in Barbados • Commercial shopping centre located on the west coast of Barbados, within proximity to some of Barbados' most popular tourist destinations.	Emeral City Mall • Located in Barbados • Shopping complex located in St. Phillip, Barbados. • Located approximately 15 minutes away from Barbados' main airport

[1] "Cellular assets" are defined in the Barbados Companies Act as the assets of the company attributable to the company's cell i.e. assets represented by the stated capital and reserves (including retained earnings, capital reserves, revaluation surpluses, and contributed surpluses) attributable to the cell and all other assets attributable or held within the cell.

Chattel Village • Located in Barbados • Is a tourist shopping village located on the west coast of Barbados and is located close to many of Barbados' most notable hotels, villas and luxury retailers.	Carlisle House • Located in Barbados • Landmark commercial office located on the waterfront in Bridgetown
Empire Shopping Centre • Located in Jamaica • Is a retail and office complex located in the heard of the Cross Roads commercial distric in Kingston	Angels Industrial Estate • Located in Jamaica • Is an industrial complex conveniently located in Angels, St. Catherine near to major highways and large residential and retail developments.
227 Marcus Garvey Drive • Located in Jamaica • Is a manufacturing and warehouse facility comprising of 27,000 square feet located on Marcus Garvey Drive near the Kingston Freeport Container Terminal, the Tinson Pen Aerodome and access points to Kingston, Portmore and major highways	Hastings Office Centre • Located in Barbados
105-107 Marcus Garvey Drive • Located in Jamaica	

Investment Manager

Eppley Fund Managers Limited is the investment manager for the Value Fund and is a wholly-owned subsidiary of Eppley Limited, an investment company focused on credit, mezzanine, and real estate opportunities throughout the Caribbean and Central America. Eppley Limited invests on its own account and on behalf of investors in its funds.

Eppley Limited (now a public company) was founded in 1973 as Orrett and Musson Investment Company Limited. In 2013, its name was changed to Eppley Limited and its shares were listed on the JSE. Eppley Limited is formerly a subsidiary of Musson
(Jamaica) Limited ("Musson"), a successor to S.P Musson Son & Company Ltd. one of the six companies that formed Barbados Shipping and Trading Limited, a company incorporated under the laws of Barbados.

Eppley Limited's team is comprised of professionals with extensive experience in investments, finance and accounting throughout the Caribbean. Eppley Limited's team has worked together to invest in credit, mezzanine and real estate asset classes and has collaborated for many years to successfully manage capital for some of the most prominent institutional investors in the region.

Eppley Limited has a track record of delivering attractive returns by applying a consistent investment philosophy, strategy and process across different asset classes. Since its IPO in July 2013, Eppley Limited has produced compound average annual returns to its investors of over 34% including dividends and the appreciation in the price of its shares.

Uniformly, Eppley Limited is a value investor and seeks opportunities to deploy capital where value exceeds its purchase price and where returns exceed its risk of loss. To find these opportunities, Eppley Limited focuses on private markets like credit and real estate where inefficiencies are most pronounced and where its strengths of originating, negotiating and structuring investments are most highly rewarded. As its newly appointed investment manager, Eppley Fund Managers Limited intends to bring this approach and experience to the management of the Company.

Strategic Outlook and Investment Opportunity

Currently the Value Fund's portfolio is still majority weighted to Barbados and towards retail assets. The Directors believe that the Value Fund's Barbadian assets are well positioned to appreciate as the Barbadian economy recovers. The Value Fund's experience in Barbados since 2008 however, underscores the importance of expanding its geographic reach beyond a single island and to spread its exposure across all classes of commercial real estate. Based on the valuations completed on the properties in Barbados in March and September 2020, we are able to appreciate the impact that their exposure to retail properties in a tourism dependent country has on the overall value fund. All of Barbados properties saw a decrease in fair valuations which is underpinned by the impact of COVID-19 on both the sovereign and the retail space. As such, the investment manager increasing the sheer size of the portfolio by diversifiying away from their current Barbados properties will allow the Value Fund to capture great economies of scale and improve its operating efficiency.

By allowing the Value Fund to purchase a portfolio of income-producing real estate in Jamaica which includes industrial assets, the Value Fund will continue on this critical strategic objective. The management team also completed the acquisitions of two buildings located at 155-157 Tragarete Road, Port of Spain and 52 Valsayn Branch Road, Curepe in Trinidad and Tobago. These are office-space properties that are fully tenanted. This acqusition would bring the total fund property size to approximately 775,000 square feet, in excess of 500,000 square feet being added since Eppley assumed management of the fund.

The Value Fund currently has a pipeline of additional acquisition opportunities consisting of retail, office, hospitality and industrial assets mostly in Barbados, Cayman Islands, Guyana, Jamaica and Trinidad and Tobago. These opportunities represent active ongoing negotiations with potential vendors regarding the sale of commercial properties to the Value Fund in line with its investment strategy and target returns. The Director's anticipate that as the Value Fund completes these or other similar acquisition opportunities, the mix of the Value Fund's holdings will continue to diversify by country and use.

Financial Performance Summary ($ represented Barbados Dollar)

Revenue & Profitability (September 31st, 2020: FY'20)

CPFV improved their portfolio allocation by divesting some of their interest in Barbados properties and increasing their exposure to Jamaican assets, primarily in the industrial space. This diversification allowed them to generate a net rental income of $2.94 million, a 63% increase yoy. This was attributable to the higher level rental income per square feet, due to the acquisition of additional properties. The fund experienced a 68.9% increase in fair value gains on investment properties to $3.41 million. This increase in fair value was primarily driven by the addition of the 105-107 Marcus Garvey drive property. There was a share of loss amounting to $2.53 million (a profit of $2.94 million was earned in 2019) due to the exposure to a joint venture housing real estate properties in Barbados, namely Sunset Mall, Emerald city and Cave Hill Shepher Building. After accounting for interest income and other income, the company realised total investment income of $4.58 million, versus $6.99 million, a 34% decrease yoy.

Net Operating Income (NOI) attributable to shareholders, a measure of the Value Fund's share of rental income less its operating expenses, experienced a 21% decline to $2.9 million 2020. The decrease is mostly related to rental relief measures provided to tenants whose businesses were temporarily closed or severely impacted by a slowdown in travel due to COVID-19.

Total operating expenses, which is primarily comprised of fund management fees, investment advisor fees and professional fees and interest expenses, saw a decline of 18% to $2.53 million. This decrease was mainly attributable to net foreign exchange losses decreasing from $1.56 million to $201 thousand, 87% decrease yoy. Normalizing this operating expense, there was a 51% uptick to $2.32 million, driven primarily by the higher fees charged due to the increase in the AUM. The arrangement with the investment manager is a 1.5% of the fund's assets.

This performance would have resulted in profit before taxation decreasing by 51% to $2.05 million versus $3.88 million in 2019. However, Funds from Operations (FFO) attributable to shareholders, a measure of the value of Fund's core operating profitability which includes interest income and expense in addition to NOI, was $2.8 million in 2020, a 2% increase relative to 2019. This improved performance was reflective of the Value Fund's increased liquidity and lower debt position.

Net profitabile attributable to shareholders saw a decline of 51% to $1.89 million from $3.88 million in 2019. FFO attributable to shareholders however saw an improvement and continues to be the Value Fund's yardstick with which management measures performance and is the basis upon which the Value Fund's dividend policy has been determined.

The company increased the square feet of their portfolio to 600,899 (2019: 493,504.00), with the occupancy level amount to 89% (2019: 93%) and the Annualized NOI amount to 8.6% (2019: 8.2%). These indicates that despite the impact COVID-19 would have had on their tenants and the relief measure implemented, there was an overall improvement in performance of the fund (measured in the FFO) since under the new management of Eppley

Liquidity and Solvency (As at Septemeber 31st, 2020)

The fund had total assets of $108.90 million, a 9% increase over the corresponding period. This growth was driven by the higher levels of investment properties of $62.82 million versus $39.33 million in 2019. This growth would have been substantiated by the acquisitions of Jamaican properties and the disposal of Barbados properties. There was also a reduction in interest in joint ventures for which the fund held some of its exposure to Barbados properties. The Company's cash balance (89% held in repurchase agreement) decreased to $23.88 million, a 30% yoy decline, attributable to deployment of cash to acquire additional properties. Recievables which is primarily comprised of rent recievable of tenants, saw a marginal increase to $399,268 from $390,268. However, $55,791 (2019: $276,943) was considered to be impaired as there was evidence that the debtor may not be able to fuflill their obligation in the foreseeable future.

Total liabilities saw a 40% increase to $14.02 million which was primarily driven by a 4x increase in accounts payable to $2.94 million (2019: $495,545). Majority of the increase was an increase in dividends payable (75% of payabales). The fund has bond payable amount to $10.58 million for which they are in tw0 (2) series with maturities in 2021 and 2023 . Series 1 carried an interest rate of 4% and matures 2021, series 2 carried an interest rate of 4.5% and maturies 2023. The collateral security on the bond is Carlisle ouse, Hincks Street, Bridgetown and No.24 Broad Street.

Shareholder's equity attributable to fundholders then saw an increase of 8% primarily driven by an increase in share capital, representing the capital raise on the JSE. Retained earnings saw a material decrease from $5.04 million to $1.84 million.

3-Months Performance (December 31st, 2020: 3M'21)

CPFV saw their net rental income increase by 11% to $936,220. This would be on account of the increased portoflio properties to include the Jamaican assets, with the total fund square footage being 740,000 square feet. Share of profit from investments decline by 23% to $417,430 due to further underperformance of the Barbados retail properties which continue to be impacted by the slowdown in the global travel industry. After accounting for interest income, total investment income declined by 6% to $1.55 million.

NOI attributable to shareholders declined by 7% to $1.02 million. The decrease is mostly attributable to rent relief measures provided to the tourism exposed tenants in Barbados.

Total operating expenses increased to $588,987, a 33% increase yoy. This growth was predominently driven by increase in professional managements and interest expenses. FFO attributable to shareholders was $971 thousand compared to $1.1 million recorded in the corresponding period. Similarly, the decrease reflects the impact of COVID-19 and changes in the Fund's cash and debt position for the quarter.

Liquidity and Solvency (As at December 31st, 2020)
The fund saw its total assets increase by 7% to $116.08 million on the back of an 80% increase in investment in in associated to $31.21 million. This would reflect the company increase its exposure to joint ventures which accounts for a portion of their Barbados portfolio. Accounts recievables also increased by 53% to $614,110 while cash and cash equivalents decline by 31% to $16.45 million. The decrease would be on account of additional properties and exposures to their joint ventures.

The total liabilities increased to $20.38 million on the back of a 77% increase in loans payable to $18.73 million. The increase in loans payables was attributable to financing for their recent acquisitions. The structure of the acquisitions being primarily debt financing, allowed the company to maintain a high level of liquidity (cash balance) given the uncertainty in the operating environment and the majority of their assets being unecumbered.

Shareholders' equity continued its increase to $95.66 million, a 0.86% yoy driven by higher retained earnings to $2.82 million (53% increase over the 2020FY balance).

Fair Value and Recommendation:
We performed a valuation exercise on the shares of CPFV using the dividend discount model (DDM) and Price to Adjusted Funds From Operation (P/AFFO). The valuation methods assumed an investment horizon of five (5) years.

We decided to use FY 2026 as we believe that the underlying value of the company's pipeline will be realized over a five year horizon. Also there would be a material improvement in the environment in a post-COVID environment.

Our resulting base case estimate for FY 2021 Book Value is US$95.97 million which translates to a NAV per share of J$52.84. This book value estimate is informed by an exchange rate of J$/B$ of 75.29, the company growing profit to $2.07 million and paying out 75% of earnings as dividends.

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Recommendation		OVERWEIGHT
As at May 6th, 2021		

Utilizing the DDM model, we obtained a fair value estimate of **J$56.24**, which is higher than the NAV per share at the end of FY 2021 at **J$52.84**. The P/AFFO of 30.09x approach yielded a fair value of **J$52.94.** By averaging the three estimates, we obtained a fair value of **J$54.07**, which is **32.07%** above the current price of **J$40.94**. It is of note that this estimate of fair value is in line with the company's last reported NAV of B$0.70 (J$52.5).

In view of the foregoing, BIL recommends an **Overweight** rating.