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Offer to Purchase Shares

GUARDIAN HOLDINGS LIMITED

Barita Investments Limited
15 St. Lucia Way, Kingston
Tel #: 1-888-429-5333

Guardian Group

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Company Overview

Guardian Holdings Limited (GHL) is the parent company for the Guardian Group, which focuses on life, health, property & casualty insurance, pension, and asset management. GHL was formed in 1982 and became a publicly listed company in Trinidad & Tobago on June 18, 1996. The company has grown steadily and currently serves markets in 21 countries across the English and Dutch Caribbean, including Trinidad & Tobago, Barbados, Jamaica, Curacao, Aruba, St. Maarten, and Bonaire, to name a few. Guardian Group's products and services are marketed throughout the Eastern Caribbean, the Bahamas, Cayman Islands, the US Virgin Islands, and Belize.

Investment Rationale

Regional Diversification: GHL has a market presence in most of the English and Dutch-speaking Caribbean, through seven entities.

Strong Management Team: GHL's management team has been a part of its historical growth and continues to remain at the helm of operations. Further, the recent acquisition of a majority stake by the National Commercial Bank Financial Group (NCBFG), augurs well for the growth of GHL, in light of NCBFG's stellar track record in the financial services industry.

Financial Performance: Despite COVID-19, GHL grew earnings Year-over-Year (YoY) by 11.87%, which was largely driven by expense management and to a lesser extent, growth in gross insurance premiums. A pickup in gross premiums post-pandemic, coupled with its enhanced expense management, supports a strengthening of the Group's performance going forward.

Valuation: We used the Justified Price-to-Earnings (P/E) and Justified Price-to-Book (P/B) valuation methodologies to arrive at a fair value estimate for GHL. The estimated fair value using the average of the two methods is **J$795.97**, which is equivalent to the offer price. It should be noted that NCBFG's trailing P/E is ~ 22x, while GHL's current trailing P/E is ~ 8x. Importantly, it is GHL that is expected to drive NCBFG's earnings over the near to medium term; by implication, GHL's prospective P/E expansion is likely to deliver more value compared to that of the parent company. In light of this, while the short-term capital appreciation opportunity might be muted due to broader market sentiments, we believe the asset is attractive to value-oriented investors who have the capacity and willingness to purchase the asset at a fair price and hold it over the long term.

Action:	Participate
Industry Outlook	Positive
Listing Price	J$795.00
Fair Value	J$795.97
Potential Upside/(Downside) (%)	0.12%
Offer P/E (12M Trailing)	8.51X
Offer P/B (Q1 2021)	1.81X

Financial Summary (TT$)

	2018	2019	2020	TTM
Net Results from Insurance	898 Mn	958 Mn	1.41 Bn	1.44 Bn
Net Income from Investing	1.01 Bn	1.36 Bn	988 Mn	1.29 Bn
Fee and Comission Income	114 Mn	117 Mn	144 Mn	141 Mn
Net Profit Attributable to Equity holders	533 Mn	692 Mn	774 Mn	987 Mn
Total Assets	28 Bn	30 Bn	33 Bn	33 Bn
Total Equity Attributable to Share holders	3.39 Bn	3.93 Bn	4.67 Bn	4.64 Bn

Financial Ratios

	2018	2019	2020
Combined Ratios	83.7%	84.7%	65.9%
Net Loss Ratio	43.4%	48.7%	35.7%

Outside of the strategic value presented by GHL as a leader in the financial services sector within the region, the current offer delivers value to prospective investors in the form of greater liquidity. To the extent that the shares were relisted on the Jamaica Stock Exchange (JSE), only investors who owned the shares from other exchanges have been able to sell. As such, this offer creates a larger market for the company on the JSE and allows interested investors to acquire a position. This thereby enhances the price discovery of the asset. **Therefore, our participation recommendation is underpinned by the long-term value this offer presents to value-oriented investors. Further, the offer presents an opportunity to purchase the stock at a fair price and should essentially improve the liquidity of the stock thereafter, which will then strengthen the price discovery of the asset.**

Offer Summary:

Selling Shareholder	**NCB Global Holdings Limited**
Security	**Guardian Holdings Limited**
Offer	**Offer For Purchase of up to 2,000,000 Ordinary Shares:** I. **600,000** Ordinary Shares are available to the General Public II. **1,400,000** Ordinary Shares are Reserved as follows: a. 1,000,000 Shares are reserved for subscription by Clients of NCB Financial Group or Guardian Group in Jamaica with NCBCM[1] Brokerage Account b. 400,000 Shares are reserved for subscription by Staff of NCB Financial Group and Guardian Group with NCBCM Brokerage Account ***The proceeds of this offer will go to NCB Global Holdings and by extension, NCB Financial Group**
Lead Broker	**NCB Capital Markets Limited**
Subscription Price	General and Reserved Share Applicants: **J$795.00 per share**
Minimum Subscription	Investors applying for shares in this offer must make an offer for a **minimum** of **10 shares** per applicant with incremental amounts of **1 share**.
Use of Proceeds	**None of the net proceeds from this invitation will be payable to the Company as all the Shares are being sold by the Selling Shareholder** **The Selling Shareholders intend to use the proceeds from the sale of their Shares for their own purposes.**

GHL Shareholding:

Ordinary Shares – Before Offer		
Shareholders	**Number of Issued Ordinary Shares**	**Percentage of Shareholding**
NCB Global Holdings Limited	143,777,991	61.97%
Other Shareholders	88,246,932	38.03%
Total Issued Share Capital	**232,024,923**	**100%**
Ordinary Shares – After Offer		
Shareholders	**Number of Issued Ordinary Shares**	**Percentage of Shareholding**

[1] NCB Capital Markets Limited

Staff of NCB Financial Group and Guardian Group with NCBCM Brokerage Account	400,000	0.17%
Clients of NCB Financial Group or Guardian Group in Jamaica with NCBCM Brokerage Account	1,000,000	0.43%
General Public	600,000	0.26%
NCB Global Holdings Limited	141,777,991	61.10%
Other Shareholders (i.e., shareholdings existing prior to the Offer)	88,246,932	38.03%
Total Issued Share Capital Following Invitation	**232,024,923**	**100%**

Corporate Governance and Management

Given the nature of the business operations of GHL, corporate governance is a crucial component in determining both the quality of performance and the sustainability of future performance. The Company's corporate governance approach is anchored by the following five (5) considerations:

I. Framework for effective governance
   - This encompasses the Corporate Governance Policy, which established a formal mandate for stewardship of the Company including:
     i. Strategy direction and oversight
     ii. Succession, training, and induction of Board Members
     iii. Risk Management
     iv. Internal Controls
     v. Material transactions
     vi. Financial Performance
     vii. Compliance
     viii. Stakeholder communication
   - These functions are performed through four (4) committees which are governed by sets of responsibilities and composition. These committees are inclusive of:
     i. The Corporate Governance Committee (CGC)
     ii. The Audit Committee (AC)
     iii. The Risk and Compliance Committee (RCC)
     iv. The Talent Development and Compensation Committee (TDCC)

GHL DIRECTORS	BOARD (5)	AC (4)	[1]RCC (4)	CGC (3)	TDCC (5)
Antony Lancaster	5	4	4	2	5
Charles Percy	5	4	4	2	5
David Philip Hamel-Smith	5	-		3	5
Dennis Cohen	5	4	4	-	
Henry Peter Ganteaume	5	4		3	5
Imtiaz Ahamad	5	4		-	
Maxim Rochester	5	4	[2]3	-	
Michael Lee-Chin	5	-		-	
Nicholas Lok Jack	5	-		-	
Patricia Ghany	5	-		-	[3]1
Patrick Hylton	5	-		-	5
Ravi Tewari	5	-	[4]3	-	-
Robert Almeida	4	-	[5]2	-	-

1. The RCC was established in May 2020. In March 2020, Risk and Compliance matters were discussed as part of the previously constituted Audit, Compliance and Risk Committee.
2. Mr. Maxim Rochester's appointment to the RCC was approved by the GHL Board on 7th May, 2020
3. Ms. Patricia Ghany's appointment to the TDCC was approved by the GHL Board on 29th October, 2020
4. Mr. Ravi Tewari's appointment to the RCC was approved by the GHL Board on 7th May, 2020
5. Mr. Robert Almeida's appointment to the RCC was approved by the GHL Board on 5th March, 2020

Source: GHL 2020 Annual Report

II. Strengthening the Composition and Performance of the Board and Committees
   - This entails preparing the current and potential board members in key areas such as Anti-Money Laundering and Countering the Financing of Terrorism. This principle also handles the remuneration packages to attract, recruit and retain talent.

III. Reinforce Loyalty and Independence
- This pertains to the company acknowledging the important oversight role of independent directors and has enshrined in its By-Laws a requirement that at least thirty percent (30%) of the Board comprise Directors who satisfy the criteria for Independence.
- This principle also governs:
  i. Conflicts of Interest
  ii. Director's Tenure
  iii. Commitment of Time

IV. Foster Accountability
- This refers to the Board's adherence to transparency and accountability as part of its commitment to effective corporate governance.

DIRECTORS	General Management	Finance/Accounting	Insurance - General	Insurance - Life	International Business	Property Management and Development	Corporate Finance	Mergers & Acquisitions	Banking	Asset Management	Risk Management	Information Technology	Strategy	Human Resource Management	Regulatory	Civil Engineering	Law	Sales and Marketing
Antony Lancaster	●	●	●	●	●		●	●	●	●	●		●	●	●			●
Charles Percy	●		●	●	●	●			●		●		●	●		●		
David Philip Hamel-Smith	●	●			●	●	●	●	●	●			●	●	●		●	●
Dennis Cohen	●	●	●	●	●		●	●	●	●	●		●	●	●			
Henry Peter Ganteaume	●	●			●		●	●							●			
Imtiaz Ahamad	●	●	●			●				●			●					●
Maxim Rochester	●	●	●	●			●		●	●	●	●	●	●	●			
Michael Lee-Chin	●	●	●		●	●	●		●	●					●	●		●
Nicholas Lok Jack	●				●		●	●					●					●
Patricia Ghany	●	●			●		●			●	●		●	●				●
Patrick Hylton	●	●	●	●			●	●	●	●	●	●	●	●	●		●	●
Ravi Tewari	●		●	●		●	●	●		●		●	●		●			
Robert Almeida	●	●			●		●	●	●	●	●		●					●

Source: GHL 2020 Annual Report

V. Relationship with Shareholders

The Board has adopted a formal Disclosure Policy designed to provide accurate, timely, and balanced disclosure of all material matters concerning the Company. The Board and management team have wide-ranging capabilities and experience across multiple disciplines as the Figure above demonstrates. Individually, each director has achieved a fair degree of success in their respective careers and area of expertise.

Business Economics

GHL is the parent company for Guardian Group, which has a focus on life, health, property and casualty insurance, pensions, and asset management. **The Guardian Group is a subsidiary of NCB Financial Group (NCBFG) which currently owns 61.97% (will be diluted to 61.10%, assuming that this offer for the sale of shares is successful)**. **GHL represents the Insurance arm of NCBFG, following the recent acquisition of the life and annuity portfolio of NCB Insurance Company Limited (NCBIC).** This has allowed the company to streamline the separate insurance businesses to create synergies by removing redundant activities and combining similar services.

As a dealer under the Securities Act; and following its registration (under a new company name) as an insurance agent under the Insurance Act, NCBIC will sell insurance products and provide pension fund administration and investment management services as an exclusive agent of Guardian Life Limited (GLL). Insurance policies for existing policyholders of NCBIC, as indicated by the companies, will not be adversely impacted by the acquisition as GLL will honor existing contracts based on their pre-acquisition terms.

Business Segments

LIFE, HEALTH AND PENSIONS
- Guardian Life of The Caribbean Limited (100%)
- Guardian Life Limited (100%)
- Fatum Life Insurance N.V. (100%)
- Fatum Life Aruba N.V. (100%)
- Fatum Heal N.V. (100%)
- Guardian Life (OECS) Limited (100%)

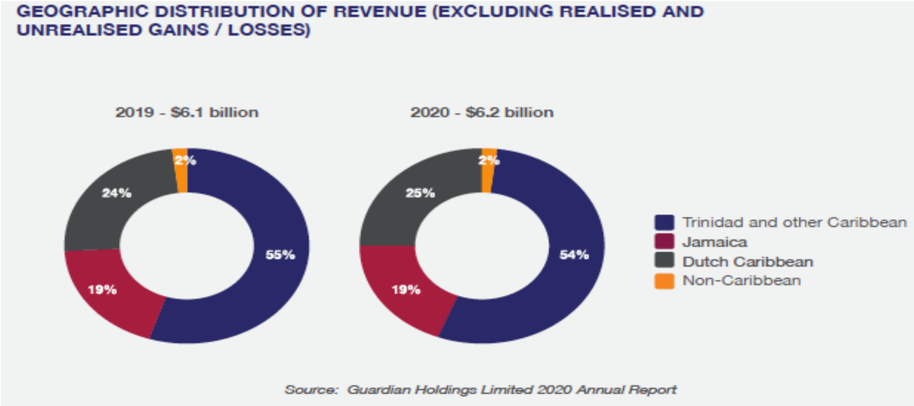
ASSET MANAGEMENT
- Guardian Group Trust Limited (100%)
- Guardian Asset Management and Investment Services Limited (100%)

STRATEGIC ALTERNATIVE INVESTMENTS
- Laevulose Inc Limited (100%)
- RGM Limited (33.33%)
- Tobago Plantations Limited (25%)

PROPERTY AND CASUALTY
- Guardian General Insurance Limited (100%)
- Guardian General Insurance Jamaica Limited (100%)
- Fatum General Insurance N.V. (100%)
- Fatum General Insurance Aruba N.V. (100%)
- Fatum Brokers Holding B.V. (100%)
- Thoma Exploitatie B.V. (100%)
- Guardian Re (S.A.C.) Limited (100%)
- Guardian General Insurance (OECS) Limited (100%)
- Fidelity Insurance (Cayman) Limited (68%)
- RoyalStar Holdings Limited (26%)

Source: Prospectus - NCB Global Holdings' GHL prospectus

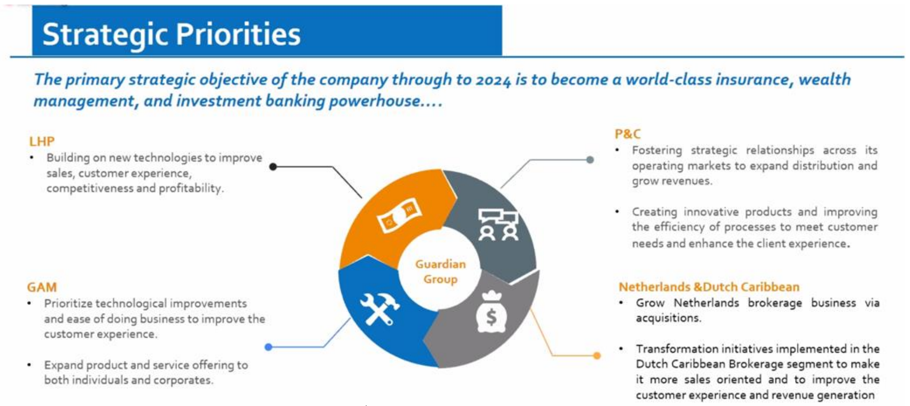
This transaction has allowed GHL to increase Assets Under Management (AUM) which serves to increase the size of the company's balance sheet, improve earnings generation and broaden the Group's demographic and geographical footprint. This combination also resulted in expense synergies by eliminating redundant systems while also lowering combined reserves and capital due to the larger scale of their assets and liabilities and related opportunities for better asset-liabilities matching.



Strategic Focus

Given the impact of COVID-19 on the company's performance, primarily in Q1'20, the company has established key strategic initiatives over the short term to aid in bolstering its performance. These include improving its insurance, wealth management, and investment banking capabilities.

This strategic initiative will be undertaken within four (4) key areas:



Source: GHL Investor Briefing, May 20th, 2021

- **Life, Health and Pensions (LHP):**
  - The building out of new technologies to improve sales, customer experience, competitiveness, and profitability
- **Guardian Asset Management (GAM):**
  - Prioritize technological improvements and ease of doing business to improve the customer experience
  - Expand product and service offering to both individuals and corporates.
- **Property and Casualty (P&C)**
  - Fostering strategic relationships across its operating markets to expand distribution and grow revenues
  - Creating innovative products and improving t efficiency of processes to meet customer needs and enhance the client experience
- **Netherlands & Dutch Caribbean**
  - Grow Netherlands brokerage business via acquisitions
  - Transformation initiatives implemented in the Dutch Caribbean Brokerage segment to make it more sales-oriented and to improve the customer experience and revenue generation.

Global Market Overview and Outlook

Name	2020	2019	2018	2017
Key Credit Ratios				
Total Debt/Equity	27.8	30.5	34.1	30.8
ROA (%)	0.5	0.6	0.6	0.8
ROE (%)	6.8	10.2	9.9	10.3
Operating Income to Net Premium Earned	14.3	18.9	16.8	20.4
Fixed Charge Coverage Ratio		7.0	8.5	7.1
Net Premium Earned to Shareholder Equity	45.7	53.4	71.5	56.8
Supplemental Credit Ratios				
Statutory Capital		5,046.7	4,693.0	5,247.4
Tangible Common Equity Ratio (%)	6.7	6.5	5.5	6.2
Total Debt/Total Capital	21.0	21.8	24.9	23.2
Share Repurchases	169.1	452.0	511.0	405.9
Cash and Marketable Securities	5,658.5	3,696.5	3,419.4	2,854.8
Insurance Reserves - 1 Yr Growth (%)	6.5	6.3	2.4	4.8
Unrealized Gain	1,376.5	2,731.9	-1,472.2	689.2
BEST ROE (%)	10.9	11.3	10.4	
Weighted Average Cost of Capital (%)	9.0	7.2	8.9	8.5
Weighted Average Cost of Debt (After Tax)...	1.8	2.1	2.8	2.6
Combined Ratio (Non-Life)	89.1	74.8	75.5	115.1

Insurers are expected to deliver improved operating results in 2021 through higher premium rates and tighter underwriting standards, with capital levels increasing, driven mainly by rising interest rates. For Q4'20, life insurers posted in-line to moderately better than expected results, as rising financial markets, strong alternative investments, and cost actions helped offset pressure from COVID-19 and low interest rates. Capital market transactions are expected to be a theme for life insurers in 2021 as insurers seek to reduce their exposure to capital-intensive and/or non-core risks, while in some cases boosting cash. With pretax profit showing solid gains, life insurers' asset-management units were a key area of strength in Q4'20, and this is expected to continue in the first half of 2021 (1H'21). The growth reflects sharply higher year-end asset values, supported by rising financial markets, net inflows, and generally effective expense control, which together helped lift pretax margins by an average of approximately 3 percentage points in Q4. Asset management divisions could be the relative standout for life insurers in 2021, given the rise of financial markets, flows improving and generally favorable incremental margins. Low interest rates and higher unemployment make for a challenging backdrop, but life insurer's asset-management units could be the bright spot for 2021.

With COVID-19 claims and related expenses likely tailing off in 2021, assuming effective vaccination programs, there is anticipation that average returns in 2021 for life insurers can recapture approximately 60% of the performance in 2019FY. Still, given the pressure on portfolio yields from reduced reinvestment rates, Bloomberg does not expect a full recovery to pre-pandemic levels, though expense curbing initiatives should provide support for the sector on a whole.

Financial Performance (Financial Year Ended December 2020, FY'20)

(Dollar Values ($) represent Trinidad and Tobago Dollars unless otherwise stated)

For the year ended December 31st, 2021, GHL's financial performance witnessed its largest negative impact from COVID-19 in Q1'20 or the March 2020 quarter. This was quickly recovered in Q2'20, as the company was able to report year-over-year growth in its revenues and profit attributable to shareholders when compared to the 2019 period of 4.12% and 11.87%, respectively. This management attributed to the ability of the company to drive increase underwritten revenues across multiple business segments and geographical regions, while also improving cost efficiency measures. The Company had higher reinsurance costs due to its exposure to natural disaster-prone areas and the impact of COVID-19 on the global economy. Notwithstanding, the Company was also aided by the acquisition of the life insurance and annuities portfolios of NCBIC, which allowed for improvements in the capital asset and overall performance of the company's Income Statement.

Insurance Activities

Gross written premiums increased from $6.36 billion to $6.44 billion, a 3% increase year-over-year. This growth was supported mainly by the P&C segment which resulted in a $223 million increase over 2019. This was driven by business from the Group's Netherlands portfolio, rate increases in the hurricane-affected areas, continued strengthening of relationships, and improvements in product offerings. The Life, Health, and Pensions (LHP) segment, however, experienced a $33 million decrease relative to 2019 due to the underperformance in the T&T markets driven primarily by the impact of COVID-19.

Net written premiums decreased from $4.48 billion to $$4.38 billion, a 2% decrease year-over-year. This decrease was attributable to both the LHP (decrease of $48 million) and P&C (decrease of $55 million) segments. For the P&C segment, the decrease in net written premiums, once compared to the increase in gross written premiums, indicates that the decline was mainly driven by higher reinsurance rates.

Net results from insurance activities increased from $958.58 million to $1.41 billion, a 47% increase year-over-year. The LHP business segment recorded a 60% increase over the prior year, attributed mainly to reserve adjustments on the combined GLL and NCBIC life and annuity portfolio which was acquired during the year. The portfolio acquisition allowed GHL to harvest expense synergies by eliminating redundant systems and to hold lower combined reserves and capital due to the larger scale of the asset base and liabilities and the related opportunities for better asset-liability matching. The P&C business segment also recorded growth over the prior year by 32% due to lower claims because of the pandemic combined with positive development on claims reserves. The P&C segment was also spared major catastrophic events in 2020.

Investing Activities

Net income from investing activities saw a decrease of 28% YoY, moving from $1.37 billion to $988 million. This decrease was primarily on account of net fair value gains/losses which recorded a negative movement of $651 million. This was driven substantially by movements in the Group's regional equity portfolios and reflects the sale of equities due to pandemic-related uncertainties.

Other P&L Line Items

Operating expenses decreased marginally from $1.38 billion in 2019 to $1.37 billion in 2020. Management stated that the Group continues to focus on its strategic initiative to develop the tools required to advance its competitive edge through efficiency, commitment to its customer base, product innovation, and technological upgrades via a structured transformation program. Additionally, the Group continues to incur costs as part of their preparation for the implementation of IFRS 17 (Insurance Contracts), which will be applicable on January 1st, 2023. In 2020, the net loss ratio decreased by 13% and the P&C's overall combined ratio fell to a historical best of 65.9%, mainly due to improved loss ratios from the Property Motor and Marine lines.

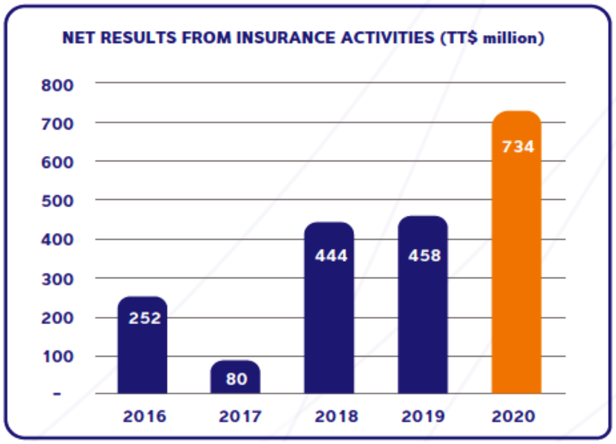
Finance Charges saw an increase of 2% to $153 million due to the higher level of debt undertaken by the company to fund the acquisition of the portfolio from NCBIC. Share of profit from associates declined by 2% to $17 million due to lower revenue and profits for RGM Limited, which is a strategic alternative investment for the Group.

Accounting for these income statement movements, the company saw net profit attributable to equity holders increasing by 12% to $774 million, representing earnings per share of $3.34.

Segments Reports

Life, Health & Pensions: Management assessed the performance of this segment as credible given the performance during the COVID-19 period. While profit after tax declined by 9% to $726 million, there was an improvement in operational efficiency that mitigated the broader economic impacts experienced during the year. Net results from the insurance activities surged by 60% to $734 million. This was primarily supported by the acquisition of the NCBIC life and annuities portfolio. Gross written premiums (GWP) declined by approximately 0.9% to $3.70 billion due to the underperformance of one subsidiary in T&T as the other major LHP entities were able to grow GWP year over year.

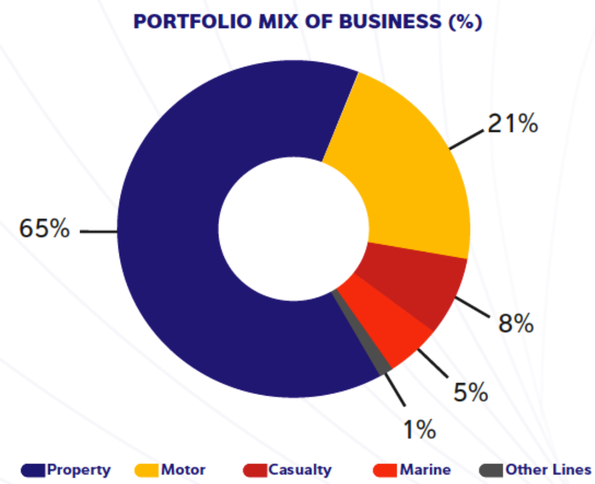
The net results from **investing activities** fell by 30% to $865 million. This was mainly a result of the movement in fair values of their investment portfolios. Management attributed this to the material impact COVID-19 had on the Caribbean and international market performances to which their investment portfolios had exposure.



Source: GHL 2020 Annual Report

Operating expenses and finance charges fell by 4% year-over-year to $698 million. This emanated from the significant curtailment of discretionary expenses in response to the falling premium revenues noted, aided by reduced operating costs during periods of "lockdown". Overall, the LHP segment declared net profits after taxes of $726 million, 9% lower than the 2019 levels.

Property & Casualty (P&C): This segment saw GWP increase by 8% to $2.85 billion, a growth level supported by growth across all primary business classes (Property, Motor, and Casualty). Guardian General Insurance Limited contributed the most premium at 51% of the Group's P&C division. The main growth in revenues from Guardian General Insurance Limited was due to rate increases in the hurricane-affected areas, continued strengthening of relationships, and improvements in product offerings. Also, the portfolio mix remains predominantly Property and Motor Business.

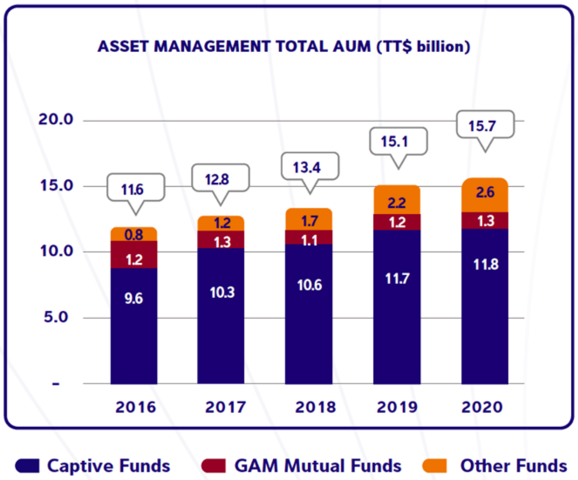


Source: GHL 2020 Annual Report

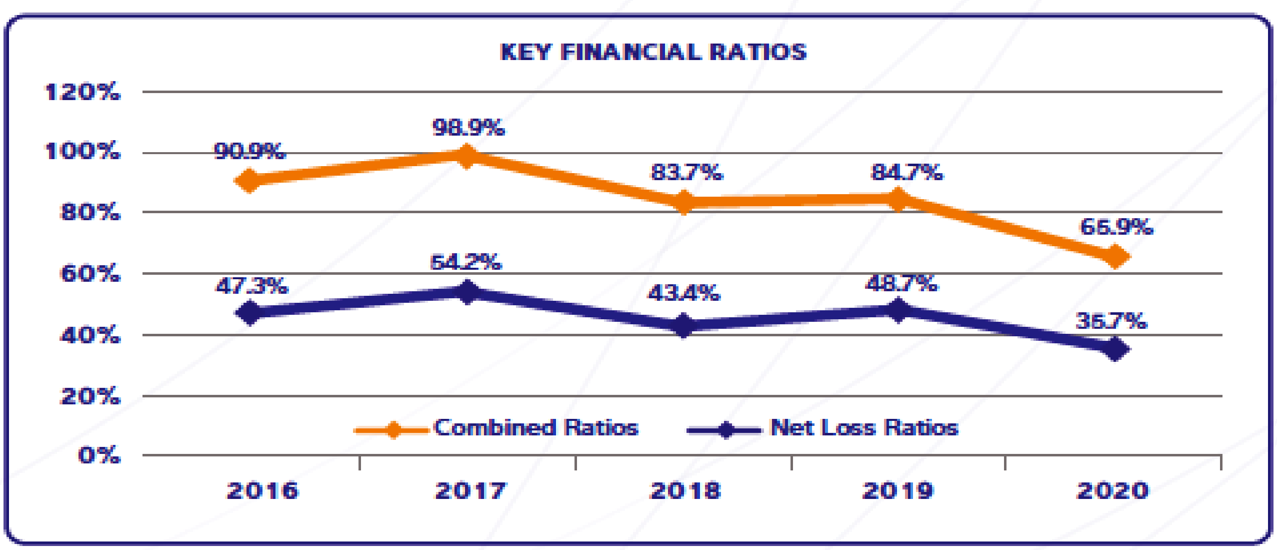
Asset Management: This segment saw a growth in assets under management of 4% to $15.7 billion, with year-end profit after taxation of $51.4 million, a 35% increase year-over-year.

AUM across all categories increased for the year. Third-party funds which consist of the private wealth management business was the largest contributor having increased by $0.4 billion or 18%. Captive assets which consist of in-house insurance business grew by $0.1 billion while mutual fund assets also increased by $0.1 billion.

Within the asset management division, total revenue increased by 33% to $136.7 million. The main activities driving the growth in revenues were improvements in net investment income and structuring, which rose 28% and 44% respectively over 2019. Unrealized gains also contributed to the revenue stream. Management credits the improvement in profitability to a continued focus on capital market and trading activities.



Source: GHL 2020 Annual Report



Source: GHL 2020 Annual Report

Liquidity and Solvency

Assets

As at December 31st, 2020, the Group's total assets grew by 10% YoY to $33.02 billion. The majority of the asset base is comprised of investible assets, which increased by 11% to $25.8 billion. This was largely due to the net inflows of premium income from in-force policies, together with the impact of the NCBIC portfolio acquisition, partially offset by fair value losses and impairment provisioning as prescribed by IFRS 9 (Financial Instruments).

Other assets increased by 7% to $7.22 billion with the main contributors being an increase in intangible assets of $222 million, an increase in loans and receivables of $192 million to $2.02 billion, an increase in investment securities of mutual fund unit holders of $169 million to $1.46 billion and an increase in cash and cash equivalents of mutual funds of $121 million to $287.99 million. These were partially offset by a decrease in reinsurance assets of $212 million to $1.07 billion. The increase in intangible assets was mainly due to the acquisition of the NCBIC portfolio by Guardian Life Limited resulting in an addition of $166 million to intangible assets. This reflected the estimated fair value of in-force contracts acquired and represented the portion of the purchase price that was allocated to the value of the right to receive future cash flows from the life insurance and annuity contracts in force at the acquisition date. The increase in loans and receivables is mainly due to an increase in premium receivables of $95 million and an increase in commercial and other loans of $68 million. Reinsurance assets decreased by $212 million due to the decrease in catastrophe claims reported and loss adjustment expenses and claims incurred but not reported for the P&C business. Insurance contracts comprise obligations to holders of long-term insurance and short-term non-life insurance policies, which are estimated using prudent actuarial and accounting principles. Overall, there was an increase in insurance contract liabilities by $1.3 billion to $18.8 billion in 2020. Insurance contract liabilities associated with the Group's long-term insurance contracts accounted for this increase and are directly linked to the increased activity in that segment, together with the impact of the NCBIC acquisition.

Liabilities

Total liabilities grew to $28.35 billion, a 9% increase year-over-year. This increase was driven by higher insurance contracts of 8% to $18.82 billion and financial liabilities to $2.38 billion, a 29% increase. The growth in financial liabilities was supported by multiple facilities and loans, namely:

- **Facility 1: $1 billion -** This is a fixed rate 12-year bond ending in December 2023 and comprises two series. Interest is charged at 7.975% per annum and is paid semi-annually. Series 1 principal repayments commenced on 27 July 2011 by 7 equal half-yearly installments of $3,375,000, 16 equal half-yearly installments of $18,750,000, and a final balloon installment of $576,375,000. Series 2 principal repayments commenced 27 January 2012 by 6 equal half-yearly installments of $375,000, 16 equal half-yearly installments of $2,083,333, and a final balloon installment of $64,416,667.

  Facility 2: $1.02 billion - This is a secured 5-year fixed rate bond ending in December 2025. Interest is charged at 5% per annum and is paid semi-annually. The principal is payable at maturity. Facilities 1 and 2 are secured by a debenture creating a charge over the fixed and floating assets of Guardian Holdings Limited

- **Facility 3: $650 million -** This is an unsecured fixed-rate 2-year loan ending in December 2021. Interest is charged at 4.38% per annum and is paid semi-annually. The principal is payable at maturity.

- **Facility 4: J$13.4 billion -** This is an unsecured fixed-rate bond comprising of five series where interest is payable quarterly, and the principal is payable at maturity. Series A interest is charged at 5.750% ending in September 2022, Series B interest is charged at 6.500% ending in September 2025, Series C interest is charged at 6.750% ending in September 2026, Series D interest is charged at 7.000% ending in September 2027 and Series E interest is charged at 8.750% ending in September 2030.

- **Loan 1: US$50 million (subsidiary level) -** This is an unsecured fixed-rate 5-year loan ending in June 2021. Interest is fixed at 4.5% and is payable semi-annually. In December 2019, the Group, through its subsidiary, made a principal repayment of US$10 million in accordance with the prepayment clause of the loan agreement. The principal outstanding of US$40 million is payable at maturity.

Equity attributable to shareholders saw a 19% increase to $4.67 billion driven by profit attributable to shareholders which grew by 30% to $3.02 billion. The Company declared no dividends during the 2020 financial year. The group's equity and debt as a proportion of total capital are 59% and 41%, respectively.

Q1 of FY2021 Financial Performance ($ represents TT$ unless otherwise stated)

Revenue: The company saw net written premiums increase by 1% to $1.25 billion. Gross premiums also saw a 3% increase year-over-year to $2.04 billion. This growth was primarily in the Life, Health, and Pension business segment that recorded a 2% growth in gross premiums supported by the Trinidad and Jamaica markets. The integration of the life insurance and annuities portfolio acquired by Guardian Life Limited at the end of Q3'20 from NCB Insurance Company Limited has contributed to the increase in the segment's results for the quarter. The Property and Casualty (P&C) business segment also recorded growth in gross premiums of 4%, bolstered primarily by operations in the Netherlands Antilles.

Net income from investing activities increased by $306 million to $332.40 million as at the end of March 2021, driven primarily by net fair value gains which recorded a favorable movement of $354 million, relative to a loss of $329 million in the prior period. This was further supported by overall positive movements in the Group's regional equity portfolios.

Expenses: Operating expenses remained relatively flat at $309.07 million when compared to the prior year's out-turn of $309.11 million. The Group has been closely monitoring expenses as it continues to incur costs associated with the implementation of IFRS 17 (Insurance Contracts) as well with the Group-wide transformation initiatives.

As such, profit before tax saw a material increase to $215 million, relative to a loss before taxes of $81.07 million in the corresponding period. After accounting for taxes, the Group saw net profits of $177.27 million, of which $176.79 million was attributable to equity holders of the company.

Liquidity and Solvency

The Group's total assets increased to $33.70 billion, a marginal increase over the $33.02 billion as at the end of 2020FY. This marginal increase was due to an increase of Investment Securities to $20.79 Billion from $20.66 billion, Resinsunce assets of $1.26 billion from $1.07 billion and cash and cash equivalents of mutual fund unitholders to $354.93 million from $287.99 million. There was a 21% increase in loans and receivables to $2.44 billion during the period.

Total liabilities also saw an increase of 2.5% to $29.06 billion, driven primarily by an increase in Insurance Contracts to J$19.34 billion (2.7% increase over the 2020 FY). Financial liabilities also saw an increase to $3.35 billion (2.4% increase) and investment contract liabilities increased to $2.70 billion (0.37% increase).

As such, equity attributable to shareholders saw a decline to $4.64 billion, a 0.6% decline over the 2020 FY. This decline was driven by lower levels of negative reserves at $523.21 million, relative to a negative reserve of $317.74 million. Retained earnings saw an increase to $3.19 billion relative to $3.01 billion, driven by higher levels of profitability.

Summary

The foregoing commentary on GHL's financial performance suggests that the company has a solid competitive market position and strong financial position given that it was able to grow during the pandemic. Prospectively, we anticipate that the performance achieved through NCBIC historically will be replicated elsewhere in GHL's operations and that could unlock further value for shareholders. Notwithstanding the improving macroeconomic backdrop, GHL is likely to face significant growth challenges in light of the bifurcated global economic recovery underway. That is, economies such as those in the Dutch Caribbean, which are heavily dependent on tourism could recover last and this could be further compounded by the extent to which those territories gain access to the COVID-19 vaccines for their population. This acts as a potential headwind to the underlying performance of GHL. However, when considering the lower contribution of this segment currently, we expect the improving performance of this in the Group's strategic short-term focus will positively improve its contribution levels.

Other financial factors include the continued historically low interest rate environment and the dearth of long-term assets with the requisite yields to match long-term liabilities. These are material headwinds that could legitimately constrain the pace of GHL's growth. Consequently, value-oriented investors that might be looking towards the long-term performance of the asset rather than short-term gains are especially required to consider those fundamental factors that could constrain GHL's medium to long-term financial performance.

Valuation

We conducted a valuation exercise on the shares of GHL with two (2) valuation methodologies; Justified Price-to-Earnings (P/E) and Justified Price-to-Book (P/B). We performed this assessment on our projected 2021 financial year performance.

Valuation Summary	
P/B Valuation	J$763.53
P/E Valuation	J$828.41
Average Fair Value Estimate	J$795.97
Current Price	J$795.00
Implied Upside	0.12%

We utilized the 2021 FY for both the EPS and BVPS. The base case estimate for Net Income is approximately **$1.33 billion** which translates to an EPS of **$5.73 (J$125.81)**. Applying the Justified P/E multiple of **6.58X**, we obtained a fair value estimate of approximately **J$828.41**. Our resulting base case estimate for 2021 FY Book Value is **$5.74 billion**, which translates to a BVPS of **$23.60 (J$517.92)**. Applying the Justified P/B of **1.47X**, we obtained a fair value of **J$763.53**.

Using an average of the two values results in our fair value estimate of J$795.97, which is just 0.12% above the offer price; indicating that the offer is fairly priced. We reiterate the view that while the security appears to be fairly valued, on a relative basis and on the expectations of GHL's prospective financial performance, there could an opportunity for investors to realize upside through valuation multiple expansion as GHL's earnings grow.

Main Risks to Consider

Trinidad and Tobago Macro-Economic Risks – As at the end of its financial year 2020, GHL earned ~ 54% of its revenue from 'Trinidad and other Caribbean' and 25% from the Dutch Caribbean. Trinidad, in particular, has faced considerable challenges over the last few years as a consequence of low oil prices, which has lead to an adverse impact on the Trinidadian economy given its lack of diversification. Over the medium-term (~ 5 years), these macro risks could become heightened if appropriate measures are not implemented to correct the current macroeconomic state. GHL however, is seeking to manage these risks through strategic initiatives such as the replication of the NCBIC insurance model in other Caribbean territories.

Limited Trading of the Stock – The perceived 'high' nominal value (note that the company's trailing P/E is low at 8.51x) of the stock within the market could impact its liquidity and trading. However, post this offer (assuming it is successful), this risk should be reduced as there will be sufficient shares in the market and a broader mix of investors, inclusive of local institutional and other sophisticated investors, who are likely to look beyond the nominal price of the stock to arrive at their investment decisions.