Business Profile: Barita Investments Limited (BIL) is a publicly traded company and a member dealer of the Jamaica Stock Exchange (JSE). The company is licensed and regulated by the Financial Services Commission (FSC). Products and services offered include Cambio trading, fixed income trading, stock brokerage, pooled funds management, retirement planning, investment banking and wealth management. Since being acquired by Cornerstone Financial Holdings, BIL's services have expanded to include investment banking.

Company Update: BIL has been actively raising capital in the local market, including two rights issues in 2019, and an APO in 2020. The latter raised J$13.3 billion, which was reportedly deployed as follows: J$6 billion to the seeding of Alternative Investment strategies; J$4.5 billion to Investment Banking underwriting; J$0.3 billion to a technology overhaul and upgrade; J$0.3 billion was directed to footprint expansion; while J$2.2 billion was allocated to the expansion of its trading operations. The company's strategic focus continues to revolve around the expansion of investment banking business as well as the newly launched Alternative Investments (AI) portfolio to support a larger and more diverse revenue stream. Accordingly, 56% of the funds earned from this APO is earmarked for growing those business lines through the expansion of product offerings to suit a wider range of investor profiles.

Governance Structure: The Board of Directors (the Board) consists of ten members, of which 60% are independent. This includes the Chairman and Non-Executive Director, Mr. Mark Myers, whose stated role is the leadership, conduct and governance of the Board and its committees. The Board members' expertise spans corporate governance, strategy, risk management, legal and information technology.

BIL has three Board committees, namely: Audit Committee, Corporate Governance and Conduct Review Committee (CGCRC) and the Board Investment Committee (BIC)—the CGCRC and the BIC were established during FY 2020. The members of the respective committees are derived from the Board and are all chaired by independent members. The Audit Committee has four members, of which three are independent. This committee is responsible for, among other things, overseeing the financial and operational reporting process, and assess the effectiveness of internal control measures. The CGCRC comprises of three members—all independent—whose duties are to ensure compliance of Board procedures and corporate governance best practices, as well as the engagement of an independent consultant to undertake board evaluations. The BIC also has three members—one independent member—in charge of strategic oversight of the investment and funding activities of the company.

KEY DETAILS OF APO AND INSTRUMENT SUMMARY	
Opening Date	September 6, 2021
Closing Date	September 21, 2021
Reasons for Invitation and Use of Proceeds: • J$4 billion will be used to add capacity to the Company's principal investment portfolios currently focused along opportunities in Alternative Investments to include: ` Private Equity ` Private Credit ` Infrastructure • J$4.12 billion to expand local and regional footprint • J$1.68 billion to further expand the Investment Banking underwriting capacity	
APO	
Offer Price	J$80
Size (if fully upsized)	125 million (187.5 million) units
Existing Shareholders and BIL clients	18.75 million
Cornerstone and key Investors	93.75 million
Non-Reserved	12.5M
Shares Currently Outstanding	1,085.6M
SIJL's Valuation of Barita Investments Limited	
Fair Value (upsized)	J$ 88.43 (J$99.39)
Fiscal Year End	September 30

SWOT Analysis

Strengths: consistent growth in the asset management and securities trading lines; financial strength as the company's leverage remains low.

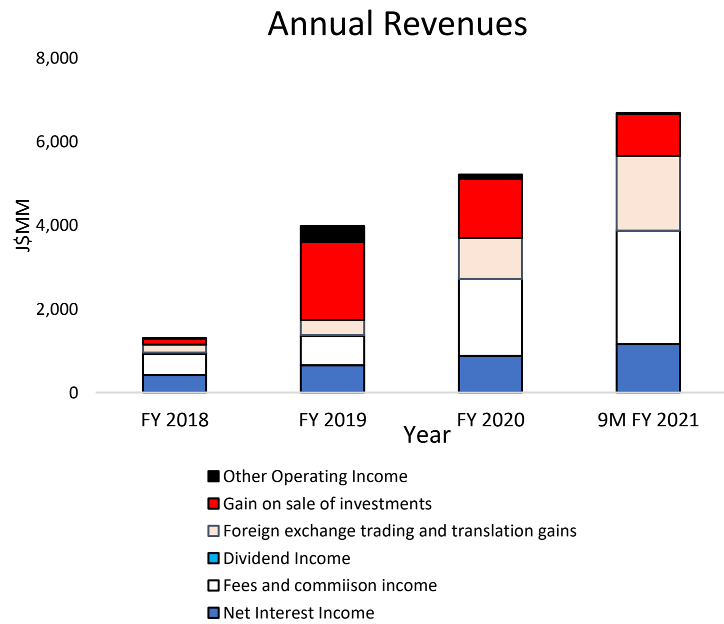
Weakness: possible dilution effect stemming from continued issuances of additional shares.

Opportunities: recently launched investment banking and alternative investment business lines aimed at achieving continued growth in revenues.

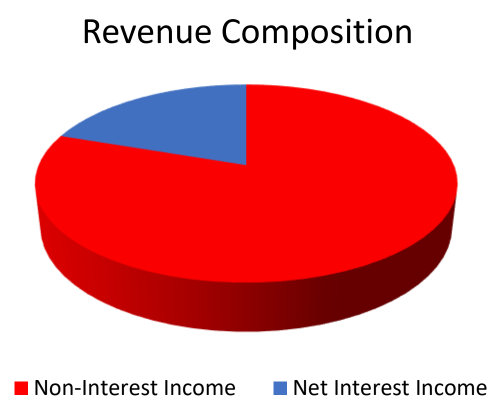
Threats: continued economic malaise driven by the evolution of COVID-19; high levels of competition due to saturation of the market with fairly homogenous products and services; The negative media surrounding related party activities could impact future fund-raising activities and price performance.

Financial Highlights

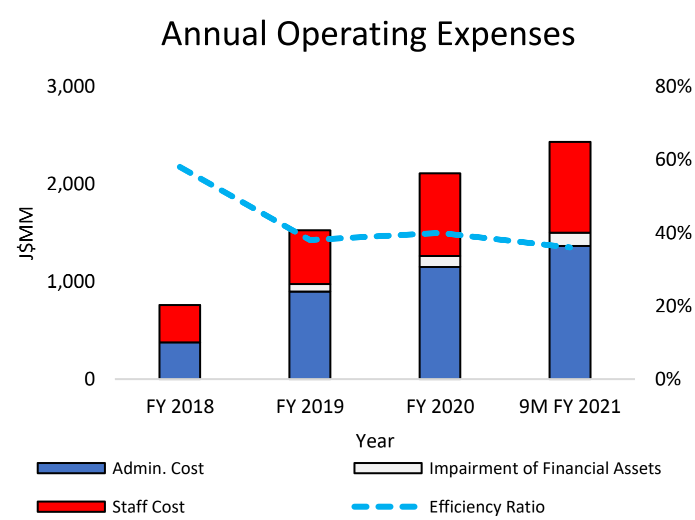
Revenues for FYE September 2020 grew to J$5.21B representing a 31% increase over 2019, driven by higher fees and commission income, foreign exchange trading & translation gains and net interest income. Fees and commission income rose by 163% YoY to J$1.83B in FY 2020 (35% of the revenues) driven by the investment banking business which reportedly experienced sustained and continued to experience steady client acquisition. This revenue line also benefited from the asset management segment which rose to J$290B as at September 2020, up from J$180B in the comparative period of 2019. Foreign exchange trading & translation gains increased by 177% YoY, reflecting, in part, gains from a non-deliverable forward currency contract selling transaction with Cornerstone. Net interest income increased by 36%, reflecting the company's efforts to expand its fixed income portfolio. These increases were partially offset by a 25% YoY decline in gain on sales of investments and trading activity stemming from reduced market activities during the second half of the company's financial year.



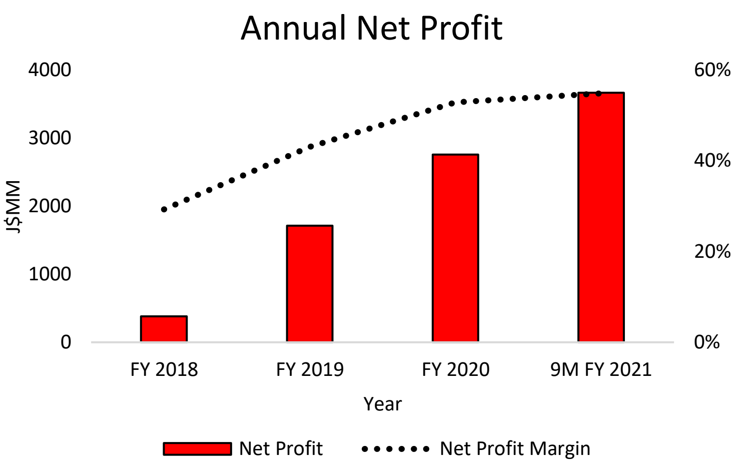
Revenues for the nine months ended June 2021 totaled J$6.69B, representing an increase of 77% YoY, reflecting continued growth in BIL's core business lines. The company attributes this to the sustained expansion of its customer base and the impact of strategies implemented to grow and diversify revenues. Revenue from foreign exchange and trading activities grew by $1.36B (317%) to J$1.78B, reflecting "greater customer engagement and increased transactional activities." Fees and commission income increased by J$1.33B (95%) YoY to J$2.72B credited to an increase in the funds under management and the investment banking segments. The growth in non-interest income reflects the company's continued focus on optimizing its revenue mix with emphasis on fee-based income. Net interest income increased by 38% YoY to J$1.15B, reflecting growth in the company's fixed income assets coupled with a rise in securities sold under repurchase agreements (repo liabilities).



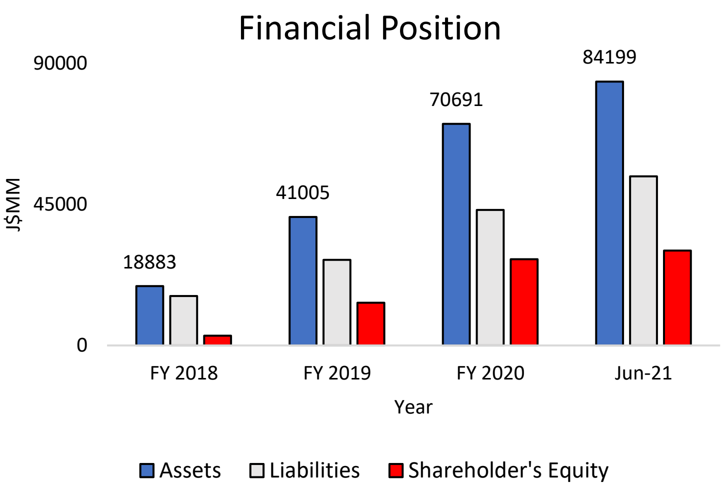
Operating Expenses were J$2.11B in FYE 2020 compared to J$1.53B in 2019, a 38% increase. This was driven by YoY increases of 28.4% in administrative costs (54.6% of the total operating expenses) and 52.8% in staff costs. For the nine months ended June 2021, there was an 87% YoY growth in operating expenses as staff costs and administrative expenses increased by 68% and 86%, respectively. The company attributed the increase to investments in the critical pillars of its growth strategy which includes the acquisition and retention of human capital management, and the development of key infrastructure to enhance customer experience.



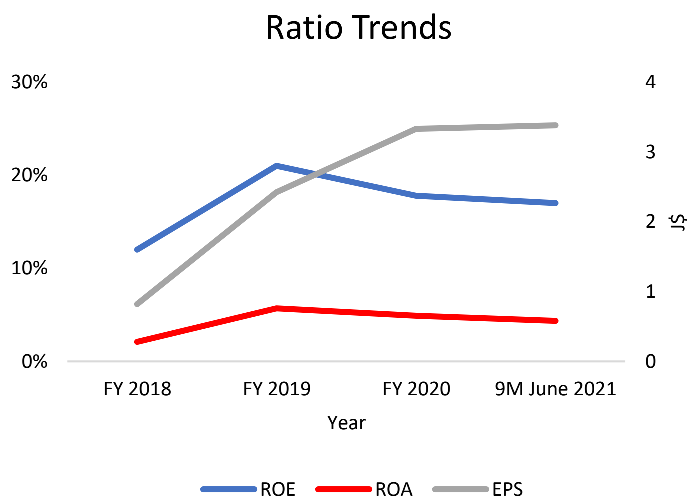
Net profit rose to J$2.76B in FY 2020 compared to J$1.71B in FY 2019, reflecting a 61% increase YoY. The strong performance was due to an increase in revenues and a 53% YoY decline in taxation. The reduction in taxation was as a direct consequence of BIL's investment in securities domiciled in countries with favourable tax treatments. The company's net profit margin improved from 43.04% in 2019 to 52.9% in 2020. For the nine months ended June 2021, net profits totaled J$3.67B, an 83% YoY increase compared to the corresponding period of 2020. This outturn in profitability was due to growth in revenues which seemingly showed resilience amidst the evolving COVID-19 pandemic.



Total Assets rose by 72% YoY to J$70.69B as at September 2020. Pledged assets—assets guaranteed as collateral under repurchase agreements with customers, the BoJ and financial institutions grew by J$24.5B YoY to J$35.43B. Cash and bank balances increased by J$4.45B or 570% YoY, which is indicative of the strong levels of liquidity maintained throughout the crisis, bolstered by the capital raised via the APO in Q4 2020. According to management, the ample liquidity allowed them to be both prudent and nimble in exploiting opportunities across its operations during the period. As at June 2021 (Q3 2021), assets grew by J$13.5B to J$84.2B compared to September 2020. Pledged assets were the primary driver of this increase, growing by 47% to J$51.97B. The growth in assets was also influenced by a 46% increase in receivables and the inclusion of investment in associates of J$2.04B arising from the acquisition of 20% interest in Derrimon Trading Limited in Q2 FY 2021. This was partially offset by a decline in marketable securities and cash balances.



Total Liabilities increased by 58% YoY to J$43B as at September 2020 and continues to predominantly consist of repo liabilities which grew by J$10.35B to J$34.45B during the period. Additionally, payables—the second largest segment—increased by J$5.23B to J$6.97B during the period. As at June 2021, total liabilities stood at J$53.94B. This was mainly attributable to a further increase in securities sold under repurchase agreements. Repos increased by J$11.9B to J$46.21B when compared to September 2020. Notes payable also grew by J$4.2B but was offset by a J$5.2B decline in payables as client funds being following the September 2020 APO were disbursed or reinvested in the current financial year.



Total Shareholder's Equity stood at J$27.48B as at September 2020, a two-fold increase when compared to the comparative period in 2019. Share capital rose by 126% YoY on account of the successful APO in 2020 which saw the company raising J$13.3B from the issuance of an additional 260.6M new ordinary shares, mainly taken-up by its parent company, Cornerstone. Retained earnings also rose by 52% YoY due to a boost in profits during the year.

Shareholder's Equity con't.: Driven by continued profitability and accumulation of retained earnings, equity stood at J$30.26B as at June 2021. The current APO will likely drive further growth in total equity by the end of the company's financial year from the increased share capital.

Investment thesis

Revenue diversification: The recently launched investment banking business which contributed revenues of J$279M in FY 2019 and J$523M in FY 2020, creates another opportunity to sustain revenue growth. This initiative, along with new marketing approaches aimed at growing the company's managed fund portfolio, will help to diversity revenues and reduce reliance on interest income.

Consistent revenue growth: The company has indicated its intentions to grow both the asset management and investment banking business, providing the opportunity for increased revenue from fees and commission income. Since the launch and subsequent deals, fees and commission income has grown by a four-year (FY 2016 to FY 2020) CAGR of 52%. The company has also indicated that 45% of the 2020 APO's proceeds were used to extend its investment universe into alternative investments with the aim of consistent growth in its long-term financial performance.

Experienced management: The company has an experienced management team that has contributed to the growth and success of the organization. BIL has also sought to aggressively develop its talent pool with the aim of building high quality human capital and support growth within various areas of the organization. The company has also expressed its intention to build a culture of high performance and accountability.

Well capitalized: Increased capitalization through two rights issues in 2019 and a subsequent APO in 2020 aided in strengthening the company's financial position, reduced leverage and allowed BIL the flexibility and greater scope to exploit opportunities. This current APO is expected to further bolster its equity position which positions the company favourably to pursue opportunities and deals that are currently in the pipeline.

Key Risks:

Related party activities: There have been concerns in the market regarding related party transactions between Barita and its affiliates. Based on the nature of the business, these transactions may continue in the foreseeable future. However, unless the minority investors can achieve a level of comfort that they will not be disadvantaged by these interrelated deals, BIL's stock price and ability to raise additional capital may be adversely impacted.

Sustainability of Strategy: Within the last nine months (between October 2020 and June 2021), the company has paid out J$2.64B in dividends. This is aligned to the company's current dividend policy that allows a payout of at least 80% of earnings. The policy will benefit shareholders—especially the related parties that have a larger stake in the company. However, such a high payout could hinder future expansion plans that will require significant injection of funds. Consequently, this could increase the likelihood of another capital markets activity in the future. The company pursued two rights issues in 2019, and an APO in 2020 all of which increased the number of shares outstanding. This upcoming APO will again increase shares outstanding which may put investors at risk of a potential dilution in their earnings per share (EPS).

COVID-19: A resurgence (third wave) in coronavirus cases has resulted in a reinstatement of more stringent containment/lockdown measures. Consequently, this could likely result in increased negative investor sentiments and by extension a further slump in capital markets. The surge could also delay the implementation of initiatives by the company, constraining the optimal deployment of the company's capital.

Competition: The Jamaican financial landscape has become increasingly competitive with numerous entities vying for market share. BIL's limited number of branches has made it difficult to target prospective clients and investors in certain geographical areas. Notwithstanding the steady growth in its client base since 2018, BIL's efforts to attain an even larger client base may be constrained as prospective investors may have established relationships with competitors that are offering similar products and services.

Outlook

Barita's strategic focus of shifting from interest income to fee-based income has paved the way for an increase in revenues over the last two financial years, and based on its current trajectory, revenue for FY 2021 is expected to surpass both years. Therefore, within the short to medium-term it is expected that BIL will likely continue to deliver acceptable returns to shareholders through the company's diversified offerings, in particular, AI products that could potentially satisfy the appetite of more sophisticated investors. However, the possibility of BIL's plans being delayed or constrained due to systemic risks associated with the resurgence in COVID-19 cases, will likely temper the upside potential in the near-term. Additionally, the company will remain challenged by an increasingly competitive landscape across its suite of offerings.

BIL's APO opened on September 6, 2021, as the company seeks to raise at least J$10B by issuing an additional 125M shares. This could be upsized by an additional 62.5M shares in the event it is oversubscribed. The company plans to use the proceeds to increase its investment banking underwriting capacity, digital transformation, AI strategies and expanding its footprint. Whilst this bodes well for the company's growth prospects, investors must be mindful of the potential dilution effect on EPS due to the possibility of the growth in shares outpacing that of earnings.

Valuation and Recommendation

Based on our concerns regarding the sustainability of BIL's strategy, and expectations that investment banking and asset management growth may be impacted by a saturated market, we assumed a LTGR of 7%.

Current valuation: We also estimated a beta of 0.82, a risk-free rate of 5.14%, a cost of equity of 10.14% and dividend payout ratio of 60% in the stable period. This resulted in an estimated a fair value of $76.28 using the Dividend Discount Model (DDM). Based our relative valuation model, with a P/E of 20.84x and a P/B of 3x with equal weighting, BIL target price is $89.05.

Assuming the APO is successful: The increase in share capital is expected to bolster the company's equity position and facilitate expansion of the investment banking business, increase funds under management and ultimately drive revenue growth. This led to a revised valuation which resulted in a **fair value of $88.43** and a **target price of $100.22. Assuming the APO is successful and is upsized**, we estimate a **fair value of $99.39 with a target price of $106.63**

We are recommending **Marketweight** for Barita's APO, as such we recommend investors participate in the offer if it is aligned to their current strategy. Barita has shown growth in profitability, and the company has expressed that plans are in place for further growth; however, the current negative news surrounding the company could adversely influence market sentiments thereby impacting the company's price performance in the near-term.

Recommendation Key

Underweight: We recommend that clients have significantly less or no exposure to the asset or asset class in question than that which is indicated by their portfolio's Strategic Asset Allocation (SAA). The variance in the amount of exposure is dependent on the client's Investor Profile.

Underweight to Marketweight: We recommend that clients have slightly less, but more than zero, exposure to the asset or asset class in question than that which is indicated by their portfolio's SAA. The variance in the amount of exposure is dependent on the client's Investor Profile.

Marketweight: We recommend that clients have the amount of exposure indicated by their portfolio's SAA.

Marketweight to Overweight: We recommend that clients have slightly more exposure to the asset or asset class in question than that which is indicated by their portfolio's SAA but less than the upper limit indicated by their portfolio's Tactical Asset Allocation (TAA). The variance in the amount of exposure is dependent on the client's Investor Profile.

Overweight: We recommend that clients have significantly more exposure to the asset or asset class in question than that which is indicated by their portfolio's SAA, up to the maximum amount indicated by their portfolio's TAA. The variance in the amount of exposure is dependent on the client's Investor Profile.

Appendix

INVITING OFFERS FOR THE SUBSCRIPTION

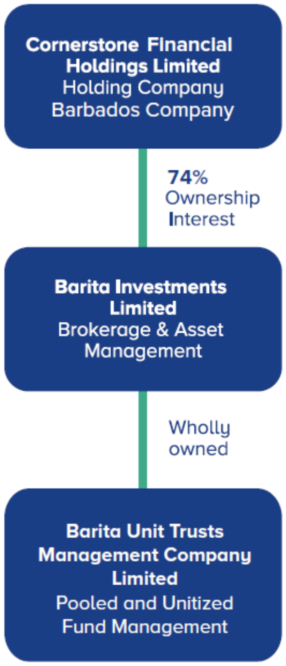
of up to 125,000,000 New Ordinary Shares
(with the ability to upsize by inviting offers for up to an additional 62,500,000)
New Ordinary Shares in the capital of Barita Investments Limited (the "Company" or "Barita")

New Ordinary Shares allotted to each investor pool and subscription price per New Ordinary Share for each investor pool.

EXISTING SHAREHOLDERS AND BARITA CLIENTS (AS DESCRIBED HEREIN)	CORNERSTONE INVESTOR AND KEY INVESTORS (AS DESCRIBED HEREIN)	NON-RESERVED
18,750,000	93,750,000	12,500,000
J$80.00	J$80.00	J$80.00

(a) Pre-Additional Public Offering

TOP 10 SHAREHOLDERS	NO. OF SHARES	% SHAREHOLDING
Cornerstone Financial Holdings Limited	806,566,479	74.30%
First Citizens Investment Services Limited	66,280,154	6.11%
Rita Humphries-Lewin	53,550,974	4.93%
Barita Finance Limited	14,892,166	1.37%
National Insurance Fund	8,191,553	0.75%
Pimento Grove Limited	6,734,053	0.62%
JCSD Trustee Services Limited A/C Barita Unit Trust Capital Growth Fund	6,420,126	0.59%
Karl Wright	6,272,000	0.58%
Karl Lewin	6,196,437	0.57%
John O. Minott	5,649,117	0.52%
Sub-total	**980,753,059**	**90.34%**
Other Shareholders	104,850,034	9.66%
Total	**1,085,603,093**	**100.00%**


Cornerstone Financial Holdings Limited
Holding Company
Barbados Company
74%
Ownership Interest
Barita Investments Limited
Brokerage & Asset Management
Wholly owned
Barita Unit Trusts Management Company Limited
Pooled and Unitized Fund Management


CORPORATE GOVERNANCE STRUCTURE
Shareholders
Board of Directors
Audit Committee
Corporate Governance & Conduct Review Committee
Board Investment Committee
Leadership Team