

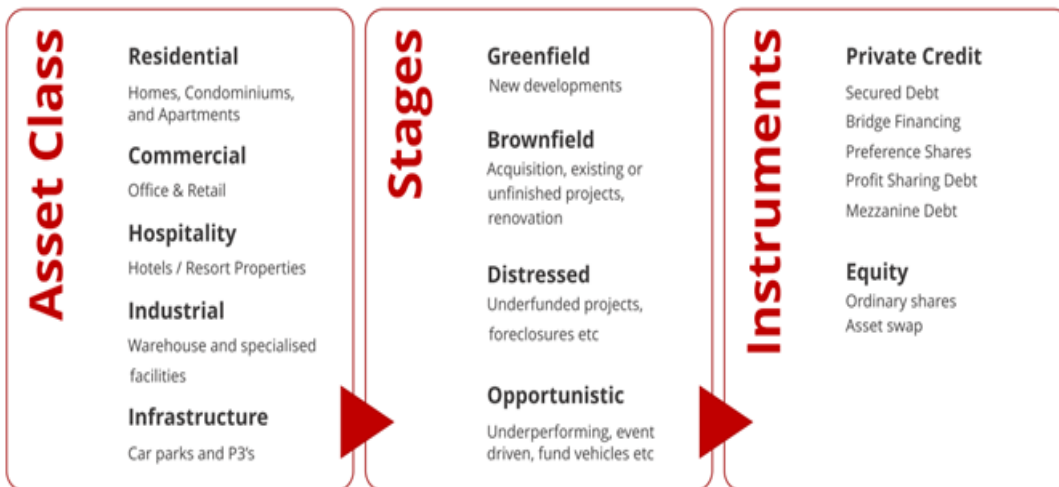
### Sygnus Real Estate Finance Limited (the Company or SRF)

#### **SYGNUS** | REAL ESTATE FINANCE

Sygnus Real Estate Finance Limited is a speciality real estate company that primarily invests in real estate assets using flexible financing instruments and structures, including preference shares, equity, asset swaps, profit-sharing debt, secured debt, asset-backed debt, mezzanine debt, and other forms of flexible financing structures. The Company finances real estate opportunities with a short to medium-term investment horizon. SRF mainly targets real estate assets across a broad range of sectors, including residential, commercial, industrial, infrastructure and hospitality. In addition to this, the Company invests at various stages of the real estate life cycle, including greenfield (new developments), brownfield (e.g. acquisitions), distressed (e.g. foreclosures) and opportunistic (e.g. event-driven).

SRF's investment activities are managed by its Investment Manager, Sygnus Capital Limited (SCL), which is a wholly-owned subsidiary of Sygnus Capital Group Limited. The Company provides shareholders with access to the real estate market in the form of capital appreciation and consistent dividend payments. SRF's policy is to pay out up to **85%** of the earnings generated from these investments as dividends.

Sygnus Real Estate Finance (SRF) will focus on generating value via investments in the following real estate categories and financial instruments:



### IPO



Key Features:	
Offer Price	J\$19.30
Estimated Fair Value	J\$24.06
Implied Upside	24.7%

### SUMMARY

Sygnus Real Estate Finance (SRF) is seeking to raise J\$3.9 billion in two classes of shares, JMD class and USD class

- Up to 207,608,341 Ordinary Shares (can be upsized to 38,857,193 Ordinary Shares).

Contact a Financial Advisor Today!!

(876) 929-7159

Or

Schedule an appointment

[www.jnfunds.com](http://www.jnfunds.com)

## Invitation Details

SRF Limited is inviting offers for the subscription of up to **207,608,341** of Sygnus Real Estate Finance Limited's (SRF) ordinary shares at a subscription price of **J\$19.30/US\$0.127** for the general public, **J\$18.30/US\$0.121** for key investors and **J\$17.90/US\$0.117** for existing shareholders and Team members. Please see the summary above for more details on the offer. If the offer is fully subscribed, the number of shares outstanding after the successful completion of IPO will be **405,736,173**.

Summary of the Terms of the Offer			
Company	Sygnus Real Estate Finance Limited		
Lead Arranger	Sygnus Capital Limited		
Joint Lead Brokers	Sagicor Investments Jamaica Limited and Scotia Investments Jamaica Limited		
Shares the subject of the Invitation	Up to 207,608,341 Ordinary Shares (upsizable up to a further 38,857,193 Ordinary Shares)		
Securities to be Issued	The Shares will rank pari passu for dividends and distributions on a winding up and in all other respects with the existing issued Shares in the capital of the Company.		
Offer Opens	9:00 am on Friday, July 23, 2021		
Closing Date	4:30 pm on Friday, August 20, 2021		
	General Public	Key Investors	Existing Shareholders and Team Members
Price	J\$19.30/US\$0.1270	J\$18.30/US\$0.1210	J\$17.90/US\$0.1170
Share Allotment	72,662,919	67,472,711	67,472,711
Use of Proceeds	The Company intends to use the proceeds of the IPO to (i) pay its IPO & Listing Expenses (estimated at J\$175,500,000), and (ii) partially repay vendor mortgages up to J\$1.0 billion (iii) invest and hold the net funds raised in the IPO in Real Estate Investment Assets, across a broad range of categories, including residential, commercial, industrial, infrastructure and hospitality.		
Minimum Share Offering	Each application must be for a minimum of 1,000 Shares and in multiples of 100 Shares thereafter		

## Corporate Governance

The board comprises seven (7) members; One (1) Independent chairman, Two (2) Non-Independent Non-Executive Directors, and Four (4) Independent Non-Executive Directors. Approximately **71%** of the Board of Directors are independent non-executive Directors. In theory,

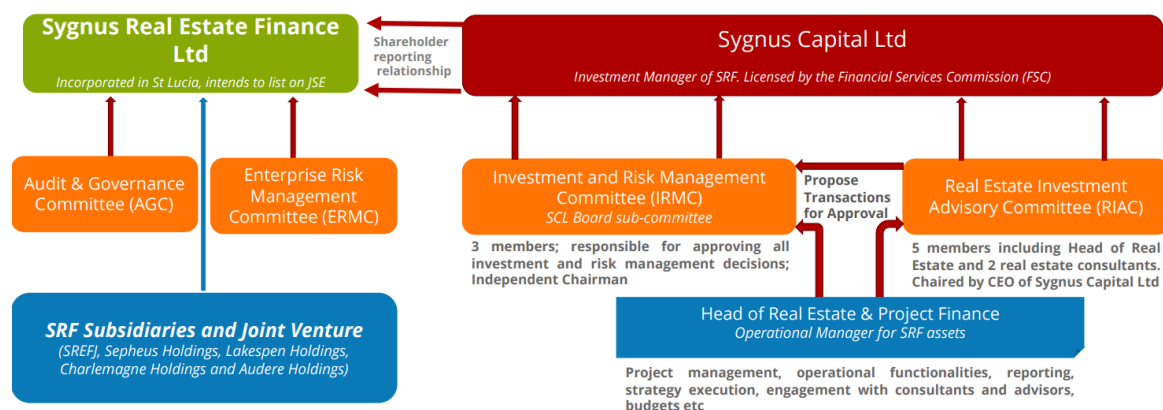
### DIRECTORS

INDEPENDENT	NON-EXECUTIVE DIRECTORS	INDEPENDENT- NON EXECUTIVE DIRECTOR
CLEMENT WAINWRIGHT ITON, CHAIRMAN	DAVID CUMMINGS IKE JOHNSON	LINVAL FREEMAN HORACE MESSADO ELIZABETH STAIR PIERRE WILLIAMS

independent directors will not be subject to pressure, and therefore are more likely to act in the shareholders' interests when those interests run counter to those of entrenched management.

A Real Estate Investment Advisory Committee assisted by a panel of consultant real estate experts makes recommendations to an Investment and Risk Management Committee (IRMC). The IRMC is a board sub-committee of the Investment Manager and is responsible for all investment decisions with an independent Chairman. The RIAC is chaired by the Chief Executive Officer of the Investment Advisor. A Head of Real Estate manages all real estate projects and coordinates other operational activities.

Please see the diagram below for a graphical representation of the governance structure.



## The Real Estate Advisory Committee

The Investment Manager has established a Real Estate and Investment Advisory Committee (RIAC), which is responsible for due diligence, screening, credit & equity analysis, structuring and post-investment monitoring of all investments. The Committee is comprised of 5 members and is chaired by the CEO of the Investment Manager. Two members of the RIAC are external consultant advisors and the member comes to the Committee with significant experience in the real estate industry and project management. From time to time the RIAC is assisted by a panel of independent advisors including project managers, quantity surveyors, valuers, architects, and engineers. The members of the Committee are highlighted below:

<p><b>Berisford Grey (Chairman)</b> Former Managing Director of Corporate &amp; Investment Banking at CIBC First Caribbean. Former SVP Origination and Capital Markets at Scotia Investments Jamaica where he established the capital markets as a strategic Business Unit within Scotia Investments. Former Managing Director of Corporate &amp; Investment Banking at CIBC First Caribbean.</p>	<p><b>Jeremy Brown (External Consultant)</b> Mr. Brown joined the Urban Development Corporation (UDC) in 1973 and was actively involved in the development of its major projects including the Kingston, Ocho Rios, Montego Bay and Oracabessa waterfront redevelopments, the Hellshire Hills development as well as several major hotels.</p>	<p><b>Gregory Samuels</b> Senior Vice President and Head of Investment Banking at Sygnus. Former assistant Vice President of Treasury and Trading at Scotia Investments Jamaica Ltd; Former Associate Director, Client Solutions Group at CIBC FirstCaribbean where he provided structured products and derivative hedging solutions to clients. Former engineer with Royal Dutch Shell PLC. Expertise in structured finance, project finance, corporate &amp; investment banking, private credit, derivatives trading, equity investments, financial engineering, credit risk and project management.</p>
<p><b>Peter Rousseau (External Consultants)</b> Mr. Rousseau has been a pioneer in real estate development and was instrumental in development of the first ever Jamaican five-star all-inclusive luxury vacation villa resort, the first in the world to win the coveted AAA Four Diamond Award. His experience includes over 686 units of residential development, over 50 years of project management expertise spanning marquee office complexes, luxury housing projects and industrial developments for some of the largest corporations in Jamaica and across the region. Peter Rousseau also has decades of entrepreneurial and professional acumen spanning across investment &amp; housing companies, property consultancy, acquisitions, tourism, receivership &amp; marketing &amp; sales.</p>		<p><b>David Cummings</b> As Head of Real Estate and Project Finance, David Cummings is charged with providing leadership and project management of Sygnus Real Estate Finance Ltd. (SRF). A former Deputy Chief of Defence Staff for the Jamaica Defence Force (JDF), Mr. Cummings brings a depth of experience and expertise in project management, negotiation, risk management, finance and logistics. Prior to his role at Sygnus, David served with the JDF for over 32 years holding leadership roles including Colonel General Staff and Colonel Adjutant Quartermaster, and Deputy Chief. During his tenure he created and successfully implemented projects valued at over US\$200M spanning construction, infrastructure, maritime, information systems and aviation.</p>

# Business Overview and Strategy

SRF is an alternative investment company dedicated to providing flexible capital to unlock value in the real estate asset class across the Caribbean region. SRF's deployment of funds into real estate investment assets is typically done at the stage of the investment life cycle where the optimal value of the real estate asset can be unlocked, relative to the underlying risk. Unlike other typical assets, the nature of the real estate asset class provides downside protection once sufficient value has been unlocked from the underlying asset, thus minimizing risk.

SRF's strategy is to exit its investments on average over a period of 3 to 5 years and repeat the cycle by redeploying this capital into new investments. Its strategy focuses on real estate investment assets that offer significant appreciation potential through active management of its equity investments, complemented by income generated from its debt and quasi-debt investments. SRF generates returns from exiting its equity positions (property investments, joint ventures, development projects etc.) after unlocking the optimal asset value, and from income on its debt and quasi-debt investments (real estate investment notes).

The Company's policy is to pay out up to **85%** of the earnings generated from investments as dividends. Therefore, SRF intends to deploy flexible capital in real estate assets and provide shareholders with access to the real estate market in the form of capital appreciation and consistent dividend payments. The Company proposes to pay dividends semi-annually but may change to quarterly in the future if it is more appropriate to do so.

In the 19 months since it started its operation, SRF has focussed on building out its real estate investment portfolio in Jamaica before expanding regionally. Some of the key considerations include Jamaica's favourable tax regime, favourable housing supply/demand dynamics, low development footprint, advanced capital markets and Jamaica's improving economic conditions.

Looking ahead, the company will be focused on executing its four strategic objectives over the next 1 & ½ years. These include:

1. **Increasing Cash:** SRF's first strategic objective is to raise adequate cash to (i) unlock further upside from its property investments (ii) invest in its development projects that have broken ground or are at an advanced stage of planning; (iii) continue making strategic property investments across the spectrum of real estate assets to build out a longer lead pipeline of projects that can be executed in the future. It is anticipated that majority of its cash will come from the IPO which is expected to be at minimum **J\$3.9B**.
2. **Executing Key Strategic Projects:** The Spanish Penwood and One Belmont joint ventures are two projects that are scheduled for completion within the next 1 to 2 years. SRF's two largest property investments, namely Mammee Bay and Lakespen, have substantial upside value to be unlocked. Thus, phase I of these projects would be expected to be well underway within the 1 ½ to 2 ½ years.
3. **Deepening Access to Flexible Capital:** SRF intends to play a leading role in broadening access to flexible capital to unlock value in real estate assets across the Caribbean. SRF intends to achieve this objective by partnering with owners of strategic real estate assets via joint ventures and other types of partnerships, to create innovative financing structures to unlock value for asset owners and enhance SRF's Shareholder value.

4. **Expanding Regionally:** While SRF has been deliberate in its strategy, to capitalize on the large number of investment opportunities in Jamaica, it intends to begin investing in opportunities across the Caribbean. As some of the major Jamaican opportunities begin to mature, SRF intends to begin deploying capital to other territories and is already looking at high probability transactions that can be executed in other Caribbean territories.

## How is the Mandate Executed?

SRF deploys its capital at the value creation stage of the real estate life cycle. This approach allows the company, to earn attractive risk-adjusted returns with downside protection for shareholders. This is possible as SRF has assembled some of the most experienced professionals on both the financing side and the project side to ensure the proper execution of its mandate. This is achieved by deploying its capital into the following real estate investment assets:

1. **Strategic Property Investments with High-Value Creation** – These include investment property, land held for sale and shares in companies that own land or investment property. An example of this would be its Spanish Penwood property. This purpose-built facility will be built to suit a client's needs.



2. **Real Estate Investment Notes** – customized debt and quasi-debt instruments used to invest in real estate projects or finance real estate transactions. As of the end of Feb 2021, SRF had **J\$992.4M** invested in Notes, **100%** of which are secured with real estate assets. Some of the notes were structured with a profit-sharing component which benefits from additional value that is unlocked on completion of the project or upon exit.
3. **Proprietary Real Estate Developments** – These will be SRF's projects executed with SRF as the developers and/or specialized projects are commissioned by SRF's partners.

4. **Investment in Joint Venture Partnerships** – SRF also partners with reputable owners of strategic real estate assets to unlock value from the assets where, due to various restrictions, those owners may have been otherwise incapable of unlocking. The One Belmont project is an example of SRF's joint venture partnership. The completed development will include commercial office spaces, four levels of parking, backup generator and water storage, rooftop terrace and post COVID-19 pandemic touchless features and amenities.





# Financial Analysis

## Revenue & Profitability August 2019 – August 2020 (13 Months)

SRF reported total revenues of **J\$510.0M** and a net profit of **J\$415M** over the 13 Months ended August 31, 2020, its first year of operations. Net investment income was **J\$377M** for the 13 months. The results posted over the period were heavily influenced by valuation gains on investment property (**J\$400M**), net interest income (**J\$65M**) and operating expenses which amounted to **J\$90M**. SRF's net total investment income, or core revenues, comprised of all the activities that were involved in the unlocking of value from its portfolio of real estate investment assets, namely: net interest income on its real estate investment notes and the commitment fees related to this activity; gain or loss on its property investments, namely, valuation gain or loss on its investment properties, or realized gain or loss on any real estate assets that were exited; and share of gain or loss on its joint venture investments.

The valuation gain on investment property of **J\$400M** was driven by the strategic acquisition of **29.4** acres of unimproved beachfront property in Mammee Bay, St Ann, Jamaica, which was subsequently subdivided into two lots: one lot representing investment property and the other lot representing real estate asset held for sale. The structuring of this acquisition resulted in a valuation gain of **J\$400.7M** on the sub-division held as investment property and thus unlocking a portion of the value in the asset. The entire Mammee Bay property was acquired for the equivalent of **J\$3.55B**, the financing of which was structured using various customized financing instruments, namely a vendor mortgage, an asset swap involving SRF shares and a promissory note. The portion classified as assets held for sale was equivalent to **J\$1.81B**, and the portion classified as investment property for the equivalent of **J\$1.74B**. The acquisition was done via SRF's wholly-owned subsidiary, Sepheus Holdings Ltd.

Over the subsequent 6-months ending February 2021, SRF almost doubled its full-year 2020 total revenues with an outturn of **J\$1.1B**. Net investment income was **J\$873.5M** driven mainly by a valuation gain on investment property of **J\$913.4M**, a **J\$109.7M** gain upon exiting the Mammee Bay beachfront property sub-division and **J\$11.7M** in net interest income. In addition to Mammee Bay, the value of two other investment properties, namely Spanish Penwood and 56 LMR increased by a combined **J\$150.9M** in value, bringing the total to **J\$913.4M** in value creation. Fair value gains on financial instruments was **J\$54.7M** for the six months and net foreign exchange gains were **J\$21.8M**.

Since the end of the second quarter, SRF closed the strategic purchase of shares in Lakespen Holdings Ltd, which owns 55 acres of investment property located in Jamaica's main industrial and logistics belt. SRF also paid the deposit on an investment property with a purchase price consideration of **US\$1.2M** and a market value of **US\$1.4M**. They also made the final payment for the acquisition of **3.25** acres of investment property located on Hillcrest Avenue, Kingston, Jamaica, home of the Former French Embassy.

SRFs operating expenses of **J\$89.8M** consist of management fees, performance fees, corporate service fees and other expenses. Noteworthy, no management fees were charged during the first six months of operations, as these fees were waived by the investment manager. Corporate service fees began accruing in the third month of operations in November 2020. Management fees are computed as **2%** of total assets under management. For the 6-months ended February 2021, operating expenses were **J\$1.1B**.

SRF's Net profit for the 13 Months up to August 31, 2020, was **J\$414.9M** and for the 6 months up to February 28 2021, this more than doubles the results of its first year, amounting to **J\$949.9M**.

## Real Estate Investment Activity

During the 13-months ended August 2020, SRF's portfolio of real estate investment assets totalled **J\$5.96B**, spread across 9 investments and 3 different types of investment assets. This total comprised of **J\$4.68B** in property investments, **J\$874.0M** in real estate investment notes and **J\$405.5M** in joint ventures. The fair value of real estate

	6 Month Feb 2021	6 Month Feb 2020	13 Month Aug 2020
Summary of Investment Activity	JA\$ '000	JA\$ '000	JA\$ '000
Fair Value of Real Estate Investment Assets*	5,352,116	1,444,041	5,955,425
New Commitments in Real Estate Investment Assets	423,334	1,096,548	5,228,811
Number of Real Estate Investment Assets (#)	11	6	9
Dry Powder	249,564	1,129,942	73,946
Number of Investments Exited (#)	2	-	-
Value of Investments Exited	2,112,580	-	-
Number of Real Estate Investment Notes (#)	5	3	4
Fair Value of Real Estate Investment Notes	992,351	538,976	873,996
Fair Value Yield on Real Estate Investment Notes (%)	10.1%	11.7%	10.1%
*Includes J\$304.0 million in additional contribution to be made with JV partner			
** Sold 15 acres of Mammee Bay sub-division carried as land held for sale during 6 Month Feb 2021			

investment notes was **J\$874.0M** with an average yield of **10.1%**. The total acreage of property investments, including the acreage for properties on which a deposit was made, was **85.0** acres, diversified across industrial, residential, commercial, and beachfront (hospitality and or residential) use assets.

SRF was invested in 11 different real estate assets at the end of the 6-Month Feb 2021. A summary of some of the major investments is highlighted below.

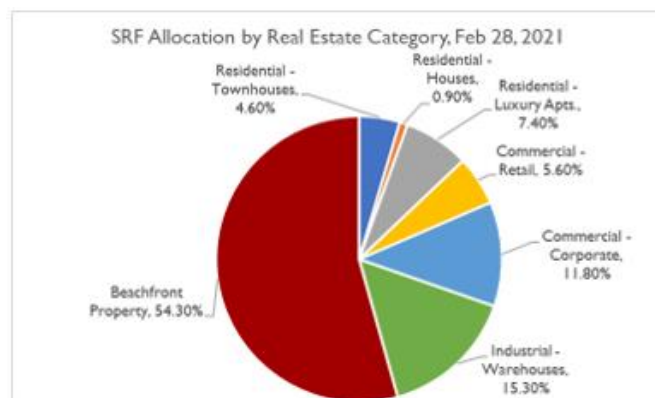
Subsidiary	Underlying Property Investment	Market Value of Property	Valuation Date	Purchase Price	Size
Sepheus Holdings	Mammee Bay	US\$19,300,000 (value of remaining sub-division)	February 2021	US\$24,000,000 (29.4 acres pre-sub-division)	29.4 acres (sold 15-acre sub-division)
SREFJ	56 LMR	US\$1,800,000	February 2021	US\$1,500,000	0.63 acres
SREFJ	Spanish Penwood	US\$3,100,000	February 2021	US\$2,400,000	2.85 acres
Audere Holdings JV	Belmont Road	US\$2,100,000 (land)	June 2020	US\$2,100,000 (land)	1.0 acre (SRF owns 70% of JV)
Charlemagne Holdings	Former French Embassy	US\$7,200,000	April 2021	US\$6,500,000	3.25 acres
Lakespen Holdings (Shares)	Lakespen	US\$12,970,000	November 2020	US\$6,000,000 (purchase of shares)	55.0 acres

During the year, SRF financed new investment commitments valued at **J\$5.23B** in 9 real estate investment assets, as it began executing its strategy of dedicating flexible capital to unlock value across the spectrum of real estate assets. **J\$4.28B** or **81.8%** of the investment commitments was dedicated to acquiring strategic property investments (un-developed property) with substantial value creation opportunities over the short to medium term. **J\$846.8M** or **16.2%** was deployed to income bearing real estate investment notes, and **J\$106.7M** to joint venture partnerships, which is a key strategic thrust of SRF to monetize real estate assets across the Caribbean.

For the 6-months ended February, SRF's real estate investment portfolio was **J\$5.35B** spanning 11 investments. There were two investment exits during the period, totalling **J\$2.11B**, primarily driven by the Mammee Bay asset held for sale for **J\$1.92B** and a real estate

investment note for the remaining balance, which more than offset new investment commitments and an increase in the fair value of property investments. The two investment exits were comprised of the sale of a portion of Mammee Bay beachfront property that was held for sale and a real estate investment note that was used to bridge 56 serviced lots.

As of Feb 2021, SRF's investments were allocated across 7 sub-categories of real estate, with the largest allocation to beachfront properties with 54.3%, industrial warehouses with 15.3% and commercial corporate with 11.8%. SRF's capital was allocated across three investment categories, namely property investments at 74.0%, real estate investment notes at 18.5% and investment in joint ventures at 7.4%.



## Investment Pipeline

Excluding the recent acquisition of property investments post the 6 Month Feb 2021 period, SRF had an estimated investment pipeline of **J\$2.15B** spanning real estate investment notes, joint ventures and strategic property investments over the next 12 to 24-month horizon. This pipeline is expected to increase significantly during this time horizon. A summary of the current opportunities as of June 2021 are outlined in the table below.

#	Name	Location	Description	Stage	SRF Participation	Funding Type	Timeline
1	Project Ocean View	Western Jamaica	Middle Income Ocean View Houses	Discussions ongoing	~J\$245.0M	Bridge Notes	6 - 12 months
2	Project Ocean Bay	North Coast Jamaica	Ocean View Apartments	Mandated	~J\$450.0M	Mezzanine Debt	6 - 12 months
3	Project Manitoba	Kingston, Jamaica	0.5 Acre Strategic Property Investment: Commercial Property in Prime Location	Sale Agreement	US\$1.2M	Equity / Mezzanine Debt	0 - 6 months
4	Project Manitoba	Kingston, Jamaica	Joint Venture: Commercial Offices in Prime Location. JV Partner Putting in 1/2 Property to be combined with 1/2 strategic acquisition by SRF	Advanced Discussions	US\$2.0M	Equity + Mezzanine Debt	12 - 24 months
5	Project Ventura	Kingston, Jamaica	Joint Venture: 9 Luxury Villas in Prime Location on 1 Acre. JV Partner Putting in the Property	Letter of Intent	US\$1.5M	Equity / Mezzanine Debt	12-36 months
6	Project Honeycomb	Kingston, Jamaica	Joint Venture: 32 Ultra Luxury Apartments in Prime Location with Bank Financing. JV Partner Putting in the Property	Reviewing of JV Terms	US\$3.0M	Equity / Mezzanine Debt	12-24 months
7	Project Winnipeg	Kingston, Jamaica	Joint Venture: Commercial Offices in Prime Location. JV Partner Putting in the Property	Initial discussions	US\$2.0M	Equity / Mezzanine Debt	12-36 months

## Balance Sheet

SRF's total assets of **J\$5.71B** in February 2021 comprised of **J\$5.35B** in real estate investment assets, **J\$144.0M** in cash and cash equivalents and **J\$107.7M** in other assets. Real estate investment assets were comprised of three categories of investments: **J\$3.96B** in property investments, **J\$992.4B** in real estate investment notes and **J\$398.0M** investment in joint ventures.



SRF reported total liabilities of **J\$2.1B** as of February 28, 2021, driven by **J\$1.5B** in loans and borrowings, **J\$398.4B** in amounts due to related parties and **J\$79.1M** in preference shares. The loans and borrowings were largely made up of a **US\$10.0M** vendor mortgage in relation to the same property. The amounts due to related parties largely reflected **J\$304.0M** due to the Audere Holdings joint venture, and fees due to the Investment Manager, Sygnus Capital Ltd. Total shareholders' equity as of February 28, 2021, was **J\$3.6B**.

## Liquidity

As of the end of the 6-Month ended February 28, 2021, SRF had **J\$249.6M** in cash and cash equivalents on its balance sheet. Subsequent to the end of the period, SRF secured a two-year revolving credit line for **US\$3.9M** accessible in JMD and USD (dual-currency line) at a rate of **5%** in USD and **6%** in JMD, from a major commercial bank and further discussions are being had with multiple banking partners to secure additional revolving credit facilities, as SRF seeks to achieve a minimum of **J\$1.5B** or **US\$10.0M** in dual currency credit lines.

In addition to the **US\$3.9M** revolving credit line, SRF has secured indicative terms for a **J\$2.5B** construction note in relation to the financing of the One Belmont project scheduled to break ground in July/August 2021. The capital stock, or total capital used to finance SRF's large development projects, are typically structured with senior debt-financed by commercial banks, customized mezzanine debt or preference shares financed by co-investing partners or SRF, and equity-financed by SRF and other equity co-investment partners.

In total, SRF has a minimum required investment deployment of between **J\$5.5B** and **J\$6.0B** over the next 12 to 18 months. Approximately **J\$1.5B** of this pipeline is earmarked for deployment in real estate investment notes. The Company expects to partially finance these investments from capital raised in an initial public offering (IPO) on the Jamaica Stock Exchange. SRF also expects to partially pay down up to **J\$1.0B** in vendor mortgage liabilities with part proceeds from the IPO.

## Valuation Analysis

To arrive at a fair price for the SRF we used the Price to Book Value (P/B) method. As of the end of the 6 months ending February 28, 2021, SRF's Total Shareholders' Equity was **J\$3.60B**. However, subsequent to the end of that period, the Company closed the former French Embassy and the Lakespen transactions at a combined cost of **US\$12.5M**. At the time of the prospectus, the combined market value on the two properties was reported at **US\$20.17M** which therefore implies that total shareholder's equity, at the time of this offer, would have seen an additional uplift of **~US\$7.67M** or **J\$1.18B**, bringing the total shareholders equity to circa **J\$4.78B**. With this **adjusted** total shareholders' equity, the book value of SRF's shares amounts to **~J\$24.13** and therefore implies that the shares are being offered to the public at a discount of **~20.0%** to the book value.

However, to determine a fair price for SRF, with consideration for current market conditions, we also reviewed the companies listed on the Jamaica Stock Exchange in the real estate segment. Although we acknowledge that there may be differences in the characteristics of each company, we believe the assessment is necessary for determining the price the market is willing to pay for the real estate asset as well as gauging investor's appetite for real estate opportunities.

On Average, the comparable companies in the real estate sector trade at close to book value (.997x). Using this as a guide, it is estimated that SRF's fair price is at circa J\$24.06. This therefore means the IPO price of J\$19.30 represents a discount of ~20.0% to the estimated fair price.

Company	Equity	B/V Per Share	Price	P/BV
Eppley Caribbean Property Fund Ltd SCC	7,418,870,851.97	54.29	41.44	0.76
Kingston Properties Ltd	4,781,176,431.88	7.06	9.50	1.35
First Rock Capital Holdings Ltd	4,775,231,845.52	16.70	14.37	0.86
Stanley Motta Limited	4,784,121,000.00	6.31	5.48	0.87
Sygnus Real Estate Fund (Adj.)	4,780,179,482.00	24.13	19.30	0.80
Sagicor Real Estate X Fund	14,077,529,000.00	6.28	8.45	1.35
<b>Industry Average</b>				<b>0.997</b>

A further review also shows that two out of the six companies' shares trade at a significant premium to their Book Values while the other listed stocks are at an average discount of ~20.0%. According to research<sup>1</sup>, differences in the Price to Book may be related to differences in long-run average returns. Therefore, it is possible that the disparity in the P/BV above could be linked to differences in strategy and the long-run return potential of each entity.

The investment objective of SRF is to bring flexible financing to monetise and unlock value in real estate assets across the Caribbean region, through active management. Therefore, the Company finances real estate opportunities with a short to medium-term investment horizon, typically between 3 and 5 years. SRF focuses on generating capital appreciation, and to a lesser extent current income, from its Real Estate Investment Assets, and is a more aggressive strategy than its comparable counterparts.

Given SRF's aggressive active management strategy, which includes the acquisition of strategic properties with substantial capital appreciation upside and joint ventures in strategic asset development, for example, it may be reasonable to expect the market to price the asset (SRF shares) with a premium above market and above other real estate assets locally.

## Investment Positives and Negatives

### Investment Positives

**Strong Dividend Opportunity:** SRF intends to pay out up to 85% of net profit attributable to shareholders in the form of dividends on a semi-annual basis and may change to quarterly in the future if it is more appropriate to do so. This creates an opportunity for investors to earn steady dividend income while getting real estate exposure.

**Active Management:** SRF provides investors with exposure to a strategy of proactively identifying, unlocking and optimizing the underlying value while managing the underlying risk and exiting within an average of 3-5 years.

**High Return Potential:** SRF is an alternative investment firm that is solely dedicated to the real estate asset class, by providing customized financing solutions in various forms across the credit and equity spectrum. Through the application of flexible financing, SRF will seek to earn attractive risk-adjusted returns with downside protection. Real estate development, if executed properly, has the potential for outsized returns which could boost the return from the Company.

<sup>1</sup> See Bodie, Kane, and Marcus (2001) for a summary of the empirical research.

**Robust Corporate Governance Structure:** SRF has implemented a robust governance structure which includes the critically important Real Estate and Investment Advisory Committee (RIAC), which is responsible for due diligence, screening, credit & equity analysis, structuring and post-investment monitoring of all investments. It includes personnel with a wealth of experience and is a critical component of SRF's structure which increases the likelihood of success of each investment.

**Asset Class Diversification:** To the extent that an investor does not currently have real state exposure, SRF may provide diversification benefits. Real estate has historically provided strong risk-adjusted returns and low correlations relative to other asset classes.

**Attractively Priced:** SRF shares are priced at **J\$19.30** while the book value and fair price estimate are above **J\$24.0**. This offer price represents a discount of **20%** to the book value and estimated fair price of the stock and therefore presents an attractive opportunity for investors.

**Track Record of Profitability:** SRF reported a profit of **J\$949.9M** for 6 Months ending February 2021 and **J\$414.9M** for the 13 months up to Aug 2020, in under two years of operation. In addition, SRF acquired two assets after February 2021 that are likely to impact earnings positively, given the difference between acquisition price and valuation reported for the assets.

## Investment Negatives

**Development Risk:** SRF current investments and pipeline opportunities include properties that have not yet been developed. With this comes the possibility of construction delays.

**Price Risk:** The trading activity could result in the stock's price fluctuating without regard for the operating performance of SRF and cause it to remain below the Book Value or the fair price for an extended period and potentially lowers the returns for the investor.

**Competitive Landscape:** Over time, there has been an increasing number of players in the real estate business in the Caribbean region which could create competitive pressure for SRF. Currently, there is Sagicor X Fund, PanJam, KPREIT, Eppley Caribbean Property Fund and First Rock listed on the Jamaica Stock Exchange. Additionally, if interest rates remain low, we expect that additional competition may be seen in the space as more asset managers look to alternative investments in search for yields.

**Lack of Liquidity in Real Estate Assets:** Certain real estate assets, including land, office buildings and residential units, are generally illiquid and may take several months and sometimes years, to find an appropriate buyer or tenant. This may impact some of the Company's development projects, which may lead to a negative impact on its cash flow and a longer lead time to exit certain transactions.

**COVID-19 and the Economy:** The pandemic and the measures to control its impact have resulted in severe disruptions to economic activity, business operations and asset prices across the Caribbean region where SRF makes its investments. The nature, scale and timing of the risks from the pandemic varies and SRF cannot predict the duration nor the full impact of the pandemic.

**Foreign Currency Risk:** the risk that the value of the future cash flows from its investment portfolio may fluctuate because of changes in foreign exchange rates. However, the Company intends to manage foreign currency risk by matching currencies i.e., US\$ will be invested in opportunities that generate US\$ and similarly for J\$.

## Analyst's Opinion

Sygnus Real Estate Finance Limited is a speciality real estate investment company, dedicated to providing flexible financing to unlock value in real estate assets across the Caribbean region. SRF is an alternative investment firm that is solely dedicated to the real estate asset class, by providing customized financing solutions in various forms across the credit and equity spectrum.

Through the application of flexible financing, and with careful screening, managing and assessment of its highly experienced Real Estate Investment Advisory Committee, SRF will seek to earn attractive risk-adjusted returns with downside protection. We believe that Sygnus Real Estate Finance's offer is a good investment opportunity given the business model of active management, track record of the Investment Manager, robust governance structure and the pipeline of opportunities on the table.

Given the present economic environment and market dynamics characterised by low-interest rates and high liquidity, we anticipate that real estate could continue to perform well as a leading growth sector. Additionally, the low-interest rate may enable the use of financial leverage to enhance returns which could further enhance the value proposition of SRF.

Based on our fair value estimate of **J\$24.06**, the shares are being offered at a discount of circa **20.0%** which provides the potential for capital appreciation. As a result of the foregoing, we assign a **Medium**-risk rating to the security and recommend that clients **PARTICIPATE** in this IPO.

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