

About Offer

The Eppley Caribbean Property Fund Limited SCC² - Value Fund (also referred to as the “Company” or “ECPFL”) is offering 97,448,157 shares (inclusive of 9,174,752 Reserved Shares) at a price of \$46.18 on the Jamaica Stock Exchange (JSE) Main Market to raise JMD\$4,500,000,000. The Value Fund, one of two funds offered by Eppley Caribbean Property Fund Limited, is a real estate investment trust (REIT) that is domiciled in Barbados. The other fund is the Development Fund. **Only shares in the Value Fund are on offer in this Invitation. The existing shares in the Value Fund are listed on the Barbados Stock Exchange (BSE) and the Trinidad and Tobago Stock Exchange (TTSE). However, Eppley is seeking to cross-list shares on the JSE while simultaneously raising capital to fund its growth and diversification strategy.**

If the invitation offer is successful and the company is able to sell all the shares on offer, then these new shares would comprise 64% of the outstanding shares in the Value Fund. **Proceeds from the invitation will be used to: repay a Bridge Loan, purchase tenanted commercial properties in Jamaica and Barbados, and fund future purchases currently in the pipeline.** Fees and expenses associated with the invitation will also be covered from the proceeds.

Financial Year End	September 30 th
Stock	Eppley Value Fund
Offer Price	\$46.18
LTM FFO per share	\$2.57
Price/FFO (vs. Industry*)	17.9x vs 34.8x
Dividend Yield (vs. Industry*)	4.4% vs 1.9%
NOI Yield	7.8%
Net Asset Value per share	\$46.18
Recommendation	BUY

* Industry includes EPPLEY, XFUND and KPREIT

ECPFL's Value Fund Capital Structure

Name of Shareholder	Shareholdings Pre-Invitation		Shareholdings Post Invitation	
	Issued Shares Before Subdivision of Authorized Share Capital	% of Issued Share Capital	Number of Shares After Opening Date	% of Issued Share Capital After Opening Date
FIRSTCARIBBEAN BARBADOS C1686 AA	5,591,258	10.05	5,591,258	3.62
MASSY (BARBADOS) LTD	5,000,000	8.98	5,000,000	3.24
RBTT TRUST LIMITED - T964C	2,219,615	3.99	2,151,331	1.39
FIRSTCARIBBEAN INT'L BANK A/C#C1191	2,151,331	3.87	2,000,000	1.29
FIRSTCARIBBEAN BARBADOS C1686 CC	1,859,952	3.34	1,859,952	1.2
RBC TRUST (TRINIDAD & TOBAGO) LIMITED - T148	1,387,260	2.49	1,387,260	0.9
RBC TRUST (TRINIDAD & TOBAGO) LIMITED - T426	1,387,258	2.49	1,250,000	0.81
REPUBLIC BANK LIMITED - A/C CT1937	1,250,000	2.25	1,207,150	0.78
FIRSTCARIBBEAN BARBADOS C1577	983,690	1.77	983,690	0.64
REPUBLIC BANK LIMITED - A/C #778	897,750	1.61	897,750	0.58
Other Existing Shareholders	32,924,654	59.16	33,324,377	21.56
General Public	0	0	87,791,350	57.88
Reserved Shareholders	0	0	9,656,807	6.11
Total Ordinary Shares	55,652,768	100	153,100,925	100

² Segregated Cell Company is a corporate structure in which a single legal entity is comprised of a core and several cells that have separate assets and liabilities.

Executive Summary and Recommendation

In an effort to diversify the Value Fund's property portfolio, the Fund Managers are seeking to acquire different types of commercial properties³ in various countries across the Caribbean. The primary objective of this strategy is to diversify the property portfolio, build scale, and boost the Fund's Net Operating Income yield. There are currently plans to purchase properties in countries such as Cayman, Guyana, and Trinidad & Tobago to seize the potential returns on offer in these real estate markets. However, to achieve the aforementioned and to enhance Fund's performance and increase shareholder value, the Fund, which is already listed on the BSE and TTSE, needs additional capital.

The Value Fund has started to show positive signs under its new leadership (Eppley Fund Managers), and new strategic plan recording gains in the six months ending March 31, 2019. Participating investors can look forward to earning high dividend yields; becoming part owners of top quality commercial properties in Barbados; and capturing the benefits of a buoyant Jamaican real estate market.

Each share is being offered at the Fund's Net Asset Value of \$46.18 per share, which is also the fair value of the Fund. The Fund's assets were last valued in March 2019, as such, the asset prices used to value the Fund reflect the most recently available market prices. We are recommending that investors **PARTICIPATE** in ECPFL's invitation on the basis that the stock is relatively undervalued at a price/FFO⁴ of 17.9x which is significantly lower than peers, KPREIT (48.3x) and XFUND⁵ (37.9x). This recommendation is also supported by ECPFL's high historical⁶ average dividend yield of 5.7% which is greater than KPREIT's 1.9% and XFUND's 0.9% providing investors with greater levels of income.

Suitability

Value Fund shares are suitable for investors with a medium to long term investment horizon seeking to diversify their portfolio with commercial real estate or with Caribbean-wide real estate exposure; or those interested in accessing stable income (dividend).

Investment Positives

- **History of High Dividend Payouts:** Eppley Caribbean Property Fund Limited offers a dividend payout ratio of 75% to 100% of Funds From Operations (FFO), which equates to a 4-year average dividend yield of 5.7%. This dividend yield is significantly greater than the average dividend yield of its listed peers – X Fund and KPREIT.
- **Relatively Undervalued Share Price:** Based on ECPFL's price to FFO ratio, at a price of \$46.18, the share is relatively undervalued when compared to peers. There is also potential for the stock price to appreciate as management continues to execute its diversification strategy.

³ Industrial, Office and Retail properties.

⁴ Price to FFO is a valuation method that is normally used to value real estate companies relative to other companies. Its use is preferred over the P/E ratio because FFO gives a more accurate measure of a real estate company than earnings.

⁵ Kingston Properties Limited and Sagicor Real Estate Fund.

⁶ From 2015-2018

- **Acquisition of real estate in buoyant markets (Jamaica, Cayman and Guyana) poised for significant growth:** The positive outlook for real estate in these markets should boost rental income and fund performance.
- **Opportunity for investors with a long-term investment horizon to get into the Barbados Class A property market at low valuations** - Given the depressed state of the Barbados real estate market, investors with a long term investment horizon can invest at the current low valuations and benefit when the market rebounds. Already, the economy appears to be in the nascent stages of recovery and if sustained, could significantly boost property values over the long term.
- **Portfolio Diversification:** Investors stand to benefit from owning a diversified portfolio of properties across the Caribbean once acquisitions in the pipeline have been completed. Eppley offers significant diversification benefits when compared to other listed real estate vehicles.
- **Tax Exemption:** Under the CARICOM Treaty all dividends declared by the Value Fund, a Barbadian⁷ company, to residents of Jamaica are expected to be paid without any withholding taxes.

About Eppley Caribbean Property Fund

Eppley Caribbean Property Fund Limited (ECPFL) is a closed-end investment company registered with limited liability in Barbados under the provisions of the Mutual Funds Act of Barbados. **ECPFL was previously Fortress Property Fund before Eppley Fund Managers, a wholly-owned subsidiary of Eppley Limited⁸, took over in May 2018 after purchasing the common shares of former fund managers - Fortress Fund Managers Limited and AAAltman⁹ Real Estate.**

The Value Fund owns a portfolio of income-producing commercial real estate in Barbados. **The portfolio consists of six properties, covering 269,848 square feet with an average occupancy of 90%. The average net operating income (NOI) yield¹⁰ of the properties is 7.8%.** NOI is a measure that is used to analyze real estate investments that generate income.

Though new to real estate fund management, Eppley Limited (Eppley), the parent company of Eppley Fund Managers, has a track record of delivering attractive returns by applying a consistent investment philosophy, strategy and process across different asset classes. ECPFL fully owns half of the properties in the property portfolio and has joint ownership of the other half.

Most of the properties have strong tenants and medium to long term triple net leases¹¹, which provide a positive outlook for income as well as property appreciation through maintenance and insurance. Triple net leases reduce the overall cost structure of the Caribbean Property Fund because maintenance, property taxes, and insurance costs are borne by the tenants. Due to tenant migration to

⁷ Barbados has a fixed exchange rate regime. BBD\$2:US\$1

⁸ Domiciled in Jamaica, Eppley Limited is an investment company focused on credit, mezzanine, and real estate opportunities throughout the Caribbean and Central America.

⁹ Alleyne, Aguilar & Altman Limited trading.

¹⁰ NOI or Net Operating Income of the property equals all revenue from the property minus all necessary operating expenses. NOI yield is equal to NOI divided by the current market value or purchase price.

¹¹ A triple net lease is a contract where the tenant is responsible for paying the building's property taxes, building insurance and the cost of any maintenance or repairs the building may require during the term of the lease.

other commercial areas in Barbados resulting in 42% occupancy, Carlisle House, a commercial office building, has been the worst performing property in the portfolio. Management is seeking to repurpose the building to boost the NOI yield and increase the property value. Management also appears to be open to selling the property. It is currently listed for sale at US\$6.25Mn-\$6.50Mn vs. its carrying value of BDS\$7.5Mn (US\$3.75Mn)

Table 1: Properties in the Value Fund

PROPERTIES	SQUARE FEET	OCCUPANCY	NOI	ASSET VALUE	CURRENT NOI YIELD	OWNERSHIP
Cave Shepherd Building	103,131	100%	\$4,505,244.52	\$52,500,000.00	8.58%	36%
No. 24 Broad Street	14,119	100%	\$994,519.85	\$8,800,000.00	11.3%	100%
Sunset Mall	17,646	100%	\$1,136,147.49	\$12,200,000.00	9.3%	24%
Emerald City Mall	78,488	100%	\$1,508,358.72	\$26,000,000.00	5.8%	30%
Chattel Village	8,038	100%	\$220,289.26	\$1,470,000.00	14.9%	100%
Carlisle House	48,426	42%	\$138,352.64	\$7,500,000.00	1.8%	100%
Total (Property level)	269,848	90% ¹²	\$8,502,912.48	\$108,470,000.00	7.8%	

(\$\$ Expressed in BBDs)

Source: ECPFL Prospectus

Table 2: Property Tenant and Lease Details

Property	Tenant	Lease Type	Lease Expiration
Cave Shepherd Building	Cave Shepherd	Triple Net Lease	2029
No. 24 Broad Street	Duty-Free Caribbean Limited	Triple Net Lease	2021
Sunset Crest Mall	Duty Free Caribbean Limited	Triple Net Lease	2029
Emerald City Mall	AOne Supermarket	Triple Net Lease	2032
Chattel Village	Various	Operating	2026
Carlisle House	Various	Operating	2019

Source: ECPFL Prospectus

Corporate Governance

The Board of Directors possess a diverse set of skills and expertise that is expected to provide numerous positive benefits to the Value Fund. Mr. Nicholas A. Scott has been appointed as the executive chairman of the eight-member board. **Executive Director, Roger Cave**, who is the founder and Managing Director of the fund management company, has managed the funds since 1996 and **should provide valuable expertise to the board as he possesses a wealth of experience in fund management and the real estate market in Barbados**. Mr. Cave is also a non-executive director of Cave Shepherd & Company and Duty Free Caribbean. **His relationship with these entities should assist the Fund with negotiations with the company's major tenant¹³ as well as joint holders of the Cave Shepherd property**. Given their background, the fund managers are considered to be well experienced and qualified in financial services and investment functions, which augurs well for fund performance.

¹² Average Occupancy

¹³ Duty Free Caribbean

The Board consists of a mixture of independent¹⁴ (5) and non-independent (3) members. **With the majority of the board members being independent, this should provide the Fund with impartial and diversified ideas from their experience and background, increase the Funds network, and assist with conflict resolution.** However, corporate governance best practice calls for at least 75% independent directors and ECPFL falls just short of this.

Dividend Policy






















The company's policy is to pay an annual dividend of between 75% and 100% of Funds from Operations (FFO)¹⁵ subject to the need for reinvestment in the company from time to time. The Fund has maintained a dividend yield of over 4% since 2015 and paid its lowest yield in 2018 when losses were experienced. In order to adhere to the dividend policy, the company made dividend payments from the retained earnings because the profits made were insufficient to cover the bill. **This has significantly depleted the retained earnings and may negatively affect dividend payment in the near term.** However, the successful execution of this invitation would allow them to improve the Fund's rental income through new property acquisitions.

Real Estate Market

Barbados

The Barbados real estate market has been sluggish over the last decade (2007-2017) as the economic downturn contributed to an oversupply of properties, challenges in maintaining occupancy and the underutilization of office spaces. There has also been a fall in demand for commercial properties resulting from companies leaving spaces vacant or reducing office space usage to cope with the harsh economic climate. **These factors combined have placed downward pressure on rental rates and property values. At the same time, operating costs have been rising due to factors such as increased property taxes, maintenance, and insurance fees.** Reflecting the fall in real estate prices, the Barbados Condo Price Index (BCPI) for the west and the south coasts¹⁷ properties have dipped. **In spite of a**

Table 3: Board of Directors & Fund Managers

ECPFL's Executive Board of Directors	Banking and Financial Services	Business Management	Legal Professional	Real Estate Professional	Fund Management	Economics
Nicholas A. Scott						
Paul B. Scott						
Jeffrey Hall						
Melanie Subratie						
Roger Cave						
Sharon Donaldson						
Damian Duncan						
Richard Luck						
Fund Managers						
Justin Nam						
Jacquelin Watson						
Denise Gallimore						

¹⁴ Persons who are attached to Musson Group of Companies.

¹⁵ This represents Rental Income net of operating expense, taxes, and financial costs.

¹⁷ West coast BCPI falling to 62.11 from 100 points and South coast BCPI falling to 94.36 from 100 points (2007 - 2017)

depressed real estate market and sliding prices, Barbados' property prices are relatively high compared to the rest of the Caribbean and almost double that of Jamaican property prices.

The commercial rental market continues to be characterized by generally stagnant demand and an oversupply particularly in the B & C class segments¹⁸. Particularly, landlords of B & C class commercial rental spaces have been facing high vacancy rates as corporate tenants relocate to newer and more modern facilities. The challenges faced by commercial properties have forced some landlords to consider repurposing their buildings for other uses.

Most of ECPFL's properties are characterized as Class A properties, due to characteristics such as high-income earning tenants, low vacancy rate, attractive locations, and appealing physical structures and amenities. This should therefore augur well for the Fund's rental income as tenants are demanding more of these properties. As a commercial property, Carlisle House's location in Bridgetown is less attractive to tenants in comparison to office spaces located in Barbados' business hub, Warrens¹⁹. This has contributed to the property's low occupancy level and it being ranked as a B class property.

Table 3: Comparison of Real Estate in Select Caribbean Countries²⁰

Country	Buying Price US \$ per Sq. M.	Rent per Month (\$)	Gross Rental Yield
Barbados	\$2,739	\$2,501	5.48%
Jamaica	\$1,404	\$1,369	9.75%
Cayman	\$4,163	\$3,018	7.25%
Bahamas	\$3,632	\$2,964	8.16%
Bermuda	\$7,056	\$5,597	4.76%

At first glance, it would appear that the market has responded to the change in political administration, the IMF programme, domestic debt restructuring, unprecedented corporate tax reform and the nascent signs of improvement in the economy. According to data from Terra Caribbean, overall transaction volume for 2018 is up by just under 10% over the 2017 figures and it is likely that market sentiment has improved by a greater margin²¹. That return of confidence to the market is reflected in the fact that sales volume was up in each quarter YOY following the election bell. The market has also benefited from the increase in tourist arrivals, which contribute rent from accommodations. However, increasing accommodation tax rates and room levies could adversely affect this segment of the market.

In 2019, prices are expected to continue to soften in the over-supplied segments of the market. However, given that the Barbadian economy continues to recover amidst all the risks, we anticipate a resurgence of the real estate market over the medium to long-term. The commercial segment of the market especially should benefit as more businesses expand. In particular, if the government's reduction

¹⁸ B & C class commercial properties are those properties that are over 15 years old, may not be properly maintained or is in need of renovation, and attract lower income tenants than Class A properties. These properties are also in less desirable locations than class A properties.

¹⁹ Warrens is a rapidly developing business area in Barbados.

²⁰ Source: Global Property Guide, 2018 figures.

²¹ Terra Caribbean.

in domestic corporate taxes is successful in attracting new investment as well as incentivize companies to reinvest funds for expansion, then the real estate market could benefit from companies seeking additional or new commercial space.

That said, natural disasters and a weakening of the global economy are the main risks to the sector. Although the country has historically experienced few natural disasters, hurricanes and tropical storms are still risks that could devastate the economy and cause severe property damage. Further, the anticipated deceleration of the global growth and a “no deal” Brexit are expected to negatively impact the residential real estate market, which has a significant proportion of British buyers.

Jamaican Real Estate Market

The Jamaican real estate market has been performing well due to demand outpacing supply in both residential and commercial segments of the market. **The real estate market has brought impressive results for both private investors and financial institutions, providing them with attractive returns from the rental market and capital gains through increases in prices²².**

In the residential segment, it is a sellers’ market. There is strong demand, with **competition between first-time homebuyers²³ and other investors who are interested in a stable stream of income from both long and short-term rentals including listings through Air BnB.** This competition has led to rising home prices as investors are willing to pay prices above market value to benefit from these short-term rentals that generate hard currency. Given the recent reductions in transaction taxes, low mortgages rates, and strengthening economy, the demand in the residential sector is expected to increase. This should boost property prices in 2019.

The commercial market has also been buoyant aided by the island’s growing Business Process Outsourcing (BPO) companies, expansion of existing businesses, and start-up of new businesses. BPO companies have grown significantly over the years, and the number of people employed in the sectors increased to over 30,000 in 2018 from 12,000 in 2011²⁴. **This has led to BPOs contributing to the demand for commercial space to house their employees. Companies are seeking to expand to take advantage of Jamaica’s low-cost skilled labour force.** Expansion in the manufacturing, distribution, and retail segments are also boosting demand for commercial space. There has also been a resurgence in activity in the Downtown Kingston area which has seen more businesses acquiring and renting properties. A Hilton hotel is expected to be opened in that area in 2020, which adds to the R hotel and the AC Hotel Marriott that were recently constructed and are open for business.

As demand continues to be stimulated by a stable, growing economy with low mortgage rates and low transactions costs associated with property acquisition, Jamaica’s Real Estate Market is expected to continue strengthening in both residential and commercial segments.

²² Broker at Coldwell Banker Jamaica Realty, Andrew Issa.

²³ Who now qualify to buy based on their NHT (National Housing Trust) mortgage points and low-interest rate mortgage being offered.

²⁴ Jamaica Information Service (JIS).

Business Strategy

Diversification of the Value Fund's real estate holdings, to increase the scope and scale of its operations, is the primary strategic focus of the Eppley Fund managers. Given that the current portfolio is heavily weighted to Barbados and retail assets, management wants to extend its geographic reach beyond a single island and spread exposure across all types of commercial real estate. Increasing the sheer size of the portfolio will allow the Value Fund to capture economies of scale and improve its operating efficiency. The Value Fund currently has a pipeline of acquisition opportunities consisting of retail, office, hospitality and industrial assets mostly in Barbados, the Cayman Islands, Guyana, Jamaica and Trinidad and Tobago.

Table 4: Some Potential Purchases

Property	Tenant	Lease Type	Lease Expiration	Currency Denomination	Country
Prospective Class A Office Building	Various	Operating	2022	BBD	Barbados
Empire Shopping Centre	Various	Triple Net Lease	2019-2027	USD/JMD	Jamaica
Angels Industrial Estate	T. Geddes Grant Distributors	Triple Net Lease	2019	USD	Jamaica
227 Marcus Garvey Drive	Musson Limited	Jamaica Tenants pay maintenance and insurance	2023	JMD	Jamaica
Alamac Warehouse	Various	Operating	2021	BBD	Barbados

Source: ECPFL Prospectus

In accordance with its strategy, ECPFL has decided to diversify the Value Fund portfolio by investing in leading Jamaican commercial and industrial properties²⁵. The Angels Industrial Estate and Alamac Warehouse are two **industrial properties that will help with diversity into other segments of the real estate market. If acquired, these properties will represent 17% of ECPFL's property portfolio.** The existing lease contract for the tenant of Angels Industrial Estate expires in August 2019, therefore if purchased this will pose a threat to the Fund's future rental income given that the property will be vacant when the contract expires. Another valuable addition would be the acquisition of a class A office building in the south coast of Barbados. This adds to the diversity strategy by increasing the weighting of commercial properties, and should benefit the Fund as there is strong demand for class A commercial office spaces in Barbados.

The company's strategy to acquire properties in other Caribbean countries such as the Cayman Islands and Guyana could reap significant profits. Many businesses have set up shop in Guyana in anticipation of the oil production that should commence in 2020, which is expected to increase the country's real GDP growth to almost 30% from 5%. **More businesses are expected to migrate to the oil-rich country and will demand office space.** The demand for real estate in Cayman prospered in 2018 with commercial, residential, and land transactions increasing by 58%, 9%, and 25% respectively²⁶. Cayman's real estate market is expected to continue in its growth and this should be assisted by laws passed on January 1, 2019, which require foreign companies to show 'substantial activity' or be subjected to

²⁵ These properties will be acquired at prices at or below recent independent appraisals and at NOI yields in line with or above the Fund's current portfolio. **That is an average NOI yield of 9.3%.**

²⁶ Source: Cayman Islands Real Estate Brokers Association.

penalties. This should increase the demand for commercial office spaces as foreign corporations try to adhere to Cayman regulations by setting up physical outlets on the island.

Costs & Benefits of Cross-Listing

The Value Fund is already listed on the Barbados Stock Exchange (BSE) and Trinidad and Tobago Stock Exchange (TTSE), therefore listing on the JSE would provide benefits as well as costs to the company. The major cost would be direct one-time costs such as registration, and ongoing costs associated with meeting reporting and disclosure requirements. Major benefits include increased diversity and brand awareness as well as an opportunity for the company to raise capital and expand. **Cross-listing should also lead to better liquidity for the stock given the more vibrant Jamaican market, the wider investor base and improved price discovery.** Investors will also benefit from the company cross-listing as **Jamaican residents receiving dividends will be exempted from paying withholding taxes²⁷, and any transfer of Value Fund shares on the JSE and BSE will be exempted from transfer tax and stamp duty.**

Industry Analysis

Peer Analysis

Eppley Caribbean Property Fund Limited is the only publicly listed REIT in Barbados. The Caribbean, however, consists of two peer REITs domiciled in Jamaica. They are Kingston Properties Limited (KPREIT) and Sagicor Real Estate X Fund Limited (XFUND). **These companies are not considered fierce competitors for tenants as each company has a majority of its property portfolio weighted in different segments of the real estate market.** For instance, KPREIT's property portfolio consists mainly of residential and industrial properties, XFUND's portfolio consists of mainly hotel/tourism properties, while ECPFL's portfolio is mainly comprised of commercial and retail properties (see table below). As a part of the diversification strategy, KPREIT reduced the weighting of residential properties in its portfolio and purchased a commercial building. XFUND is seeking to diversify its portfolio by increasing the weighting of commercial properties.

Table 5: Historical Peer Metrics

	ECPFL			XFUND			KPREIT		
Date	2016	2017	2018	2016	2017	2018	2016	2017	2018
Historical Change in NAV per share	-2.53%	-1.30%	-6.58%	27.18%	14.02%	58.43%	9.53%	0.77%	2.33%
Historical Change in NAV per share (YTD)	-2.60%	-1.33%	-4.05%	25.24%	-7.46%	92.52%	4.09%	2.89%	-0.25%
Valuation Frequency of NAV	Monthly			Quarterly			Quarterly		
Property Valuation Frequency	Semi Annual			Annual			Annual		
Fund Management Fees	1.5% of Net Assets			1.5% of Net Assets + Performance Fee			N/A		

ECPFL has experienced an average decline of 3.5% in its NAV per share over the last three years, mainly due to fair value losses. Its peers, XFUND and KPREITs, on the other hand have experienced a 3-year average growth in NAV of 33.2% and 4.2%, respectively. **Positive increases in NAV per share for KPREIT and XFUND partially reflects fair value gains in Jamaican properties in each company's portfolio. It is also noteworthy that ECPFL reports NAV at a higher frequency than its peers.** More frequent

²⁷ Dividends received by a Shareholder who is not a resident of Barbados may, however, be subjected to tax in the country where the Shareholder is resident.

calculations mean that investors are able to trade at the most recent prices for the assets in the portfolio which improves market efficiency and price discovery.²⁸ Investors in Eppley also have the benefit of knowing the value of the properties more frequently because independent property valuations are done semi-annually compared to annually for XFUND and KPREIT.

Fund Performance

Impacted by the decline in the Barbados real estate market, the performance of the Value Fund over the past decade has been below expectation. Since 2008, the total net asset value of the Value Fund has declined consistently. **It has experienced material fair value losses in most years over the last decade caused initially by the global financial crisis and deterioration in the Barbadian economy. However, for the first 6 months of FY 2018-19, the performance of the Value Fund has improved under the management of Eppley Fund Managers.**

In 2018, the Value Fund's dividend was BBD\$1,335,666 (\$0.02 per share) or about 76% of FFO attributable to shareholders. At this level, ECPFL dividend as a share of FFO is significantly higher when compared with peer REITs such as Kingston Properties Limited (KPREIT, 71% of FFO) and Sagicor Real Estate Fund (XFUND, 0% of FFO)²⁹. The fund has also offered higher dividend yields than KPREIT and XFUND over the last four years (Table 5).

Table 5: Dividend Yield Comparison

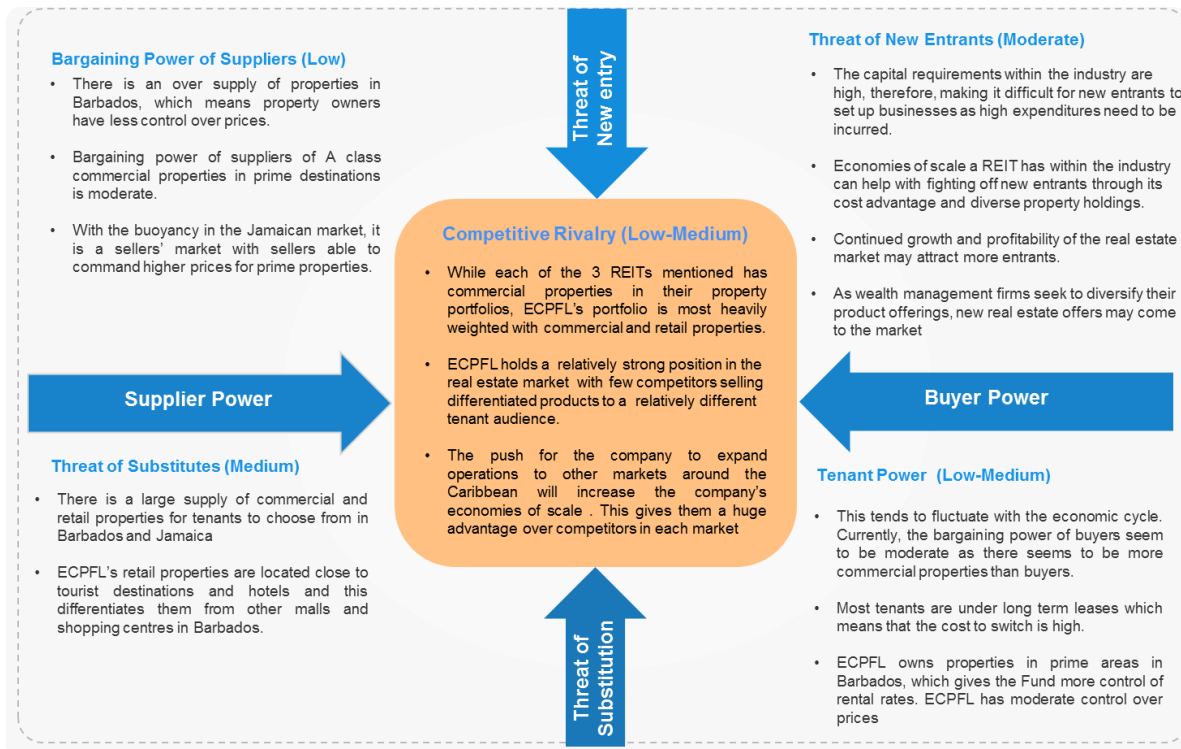
Dividend Yield	2018	2017	2016	2015
ECPFL ³¹	4.4%	7.0%	6.4%	5.0%
Sagicor X Fund	0.0%	0.9%	1.1%	1.5%
KPREIT	1.3%	2.1%	3.2%	1.0%

²⁸ The for NAV REITs are computed daily in more developed markets.

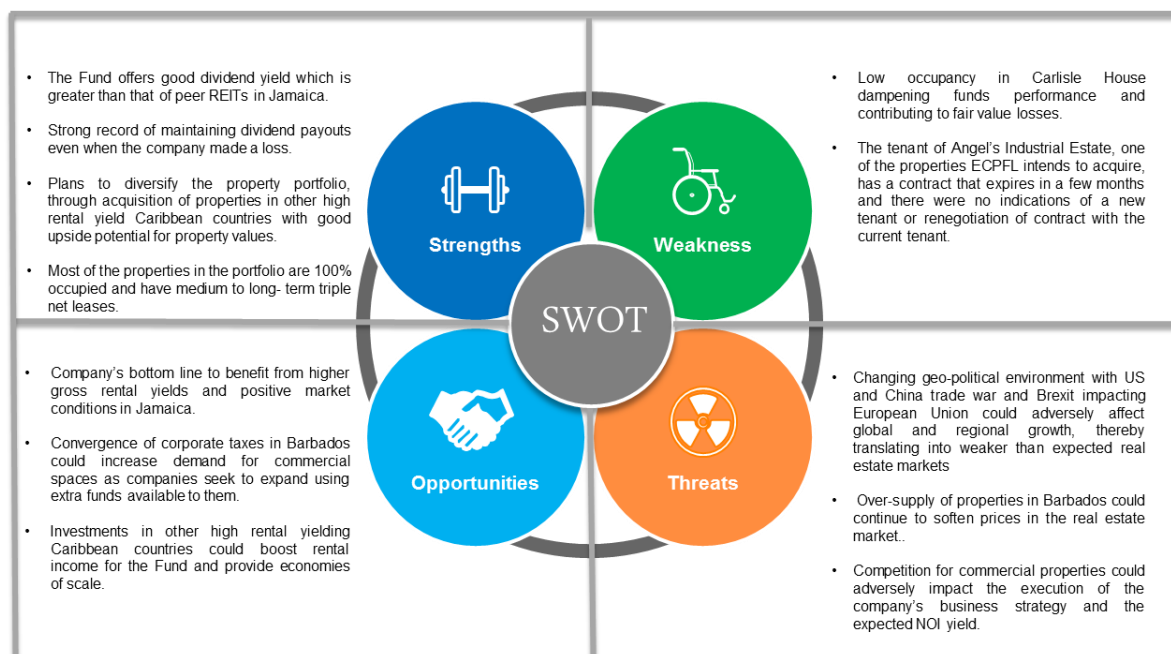
²⁹ As at December 31, 2018.

³¹ ECPFL's 2018 dividend yield was calculated using the prices at the end of each year. If calculated at the offer price, BBD\$0.71, the dividend yield would decrease. However, with a successful invitation, the Fund's portfolio will increase and should increase rental income and thus, dividend yield to levels of previous years.

Porter's Five Forces



SWOT Analysis



Financial Analysis

Key Financial Statistics

<i>expressed in BBD\$ thousands</i>	2017	2018	% Change	Mar-18	Mar-19	% Change	LTM
NOI attributable to Value Fund Shareholders	2,445	2,450	0.2%	1,024	1,598	56.1%	3,024
Interest expense	-479	-480	0.1%	-242	-241	-0.3%	-479
Interest and other income	45	28	-37.1%	18	66	262.7%	76
Interest expense of investments accounted for using Equity Method	-140	-247	76.7%	-71	-252	256.9%	-428
FFO attributable to Value Fund Shareholders	1,872	1,752	-6.4%	729	1,171	60.5%	2,193
Comprehensive (loss)/income per year attributable to Value Fund Shareholders	1,610	-801	-149.7%	781	1,215	55.6%	-367
FFO per Value Fund Share	0.034	0.031	-8.8%	0.013	0.021	61.5%	0.039
Earnings per Value Fund Share	0.030	-0.014	-146.7%	0.014	0.022	57.1%	-0.006
NOI Interest Coverage	3.95x	3.37x		3.28x	3.24x		3.33x
Total Debt to Capital	20%	21%		20%	21.03%		NA

Vacancy at Carlisle House puts a strain on the bottom line in 2018

The Value Fund generated a loss attributable to shareholders of BBD\$800,863 (EPS: -BBD\$0.01) for the financial year ended September 30, 2018, relative to the BBD\$1.61Mn (EPS: BBD\$0.030) reported the previous year. The loss was primarily driven by a decline in the fair value of the Value Fund's investment properties and in particular Carlisle House. Carlisle House continued to experience rising vacancy during the year, which resulted in its value being written down by BBD\$2.5Mn (25%) in the last financial year.

Table 5: Historical Expense Ratios for ECPFL & Peers

<i>expressed in BBD\$ /%</i>	2014	2015	2016	2017	2018	Average
Total Expense ³²	908,522	878,771	818,625	848,046	850,960	NA
NAV	44,692,507	43,721,002	42,821,292	42,483,374	39,734,665	NA
Expense Ratio	2.03%	2.01%	1.91%	2.00%	2.14%	2.02%
XFUND	17.87%	36.47%	35.35%	28.01%	0.16%	23.57%
KPREIT	7.75%	7.62%	5.69%	6.61%	6.67%	6.87%

At just 2.0%, the Fund's 5-year average total expense ratio is significantly below that of XFUND (23.6%) and KPREIT (6.9%). The Value Fund's expense ratio³³ also increased slightly coming in at 2.1% in 2018, which was partially due to a number of one-off fees and charges related to transactions. Furthermore, at the Cave Shepherd main store, the fund agreed to accept lower rental payments in exchange for denominating the payments in US dollars and extending the lease term beyond 2030.

³² This includes fund manager and advisor fees. Eppley charges approximately 1.5% of the Fund's NAV annually as a fund manager and advisor fee.

³³ Measures fees and other expenses relative to the value of fund assets.

Despite this, the Fund's net operating income (NOI) due to Shareholders increased slightly to BBD\$2.45Mn³⁴ (+0.2%) supported by additional income from its 30% stake in the Emerald City Mall³⁵, which was acquired in a sale and leaseback transaction during the year. Notwithstanding, funds from operations (FFO) which excludes non-cash, non-recurring items such as fair value gains from earnings came out at BBD\$1.75Mn (BBD\$ 0.031 per share) in 2018, representing a 6.4% decline when compared to BBD\$1.87Mn (BBD\$0.034 per share) in 2017. This was due to a 76.7% increase in interest expense emanating from a loan undertaken to fund the Emerald City Mall Acquisition.

2019 Paints an Improved Picture as Property Acquisition Boosts Income

The Value Fund experienced significant increases in all three key financial performance indicators so far in FY 2018-19, which will be the first full year that Eppley has managed the Value Fund. Specifically, net operating income (NOI), funds from operations (FFO) and earnings attributable to Value Fund Shareholders all increased by at least 50%.

The Fund recorded earnings attributable to Value Fund Shareholders of BBD\$1.21Mn for the six months ending March 31, 2019, reflecting a 56% increase relative to the corresponding period last year. **Earnings growth was largely driven by an increase in NOI attributable to Shareholders, which grew 56% to BBD\$1.60Mn due to the Fund's 30% acquisition stake in Emerald City Mall and its increased stake in the Cave Shepherd Building³⁶.** Consequently, the Fund recorded \$1.17Mn (BBD\$0.021 per share) in FFO attributable to Shareholders for the six months ending March 31, 2019, a 61% increase relative, to the BBD\$729,459 (BBD\$ 0.013 per share) recorded in the prior year.

The decline in property value weighs on NAV; liquidity and solvency remain strong

The net asset value (NAV) of the Value Fund was BBD\$0.71 per share as at March 31, 2019, representing a 4.1% decline in value relative to the corresponding period in 2019 when the NAV stood at BBD\$0.74 per share. Impacted by a BBD\$2.3Mn reduction in the value of its investment properties, the Fund's total asset position declined 8.2% over the period to BBD\$50.71Mn at the end of the March 2019 quarter. The Fund suffered primarily due to the adjustment in the value of Carlisle House.

The Fund at the end of the March 2019 period held a significant cash balance of BBD\$11.87Mn³⁷, reflecting the proceeds of recent asset disposals as well as the settlement of a Vendor's note. The Value Fund's only direct debt liability is a BBD\$10.6Mn medium-term note. Additionally, the Cave Shepherd

³⁴. This equates to an NOI yield of 5.2%.

³⁵ Since the transaction only closed in January 2018 the Value Fund recorded just nine months of results from its ownership interest in the Emerald City Mall in 2018.

³⁶ In September 2018 the company increased its ownership stake in Cave Shepherd Building from 24% to 36%.

³⁷ Approximately BBD\$10.7Mn of the Value Fund's cash is being held in escrow by NCB Capital Markets (Barbados) Limited in respect of a Bridge Financing.

and Company (CS&C)³⁸ and Emerald City joint ventures also have mortgages, which are secured by their respective properties.

Comparison of Key Solvency and Liquidity Ratios

	NOI to Interest Coverage	Total Debt to Capital
KPREIT	1.6x	35%
XFUND	4.3x	28%
Value Fund	3.3x	21%

Source: NCBCM Research, XFUND, KPREIT and Value Fund Financials

Overall the company has maintained a fairly strong balance sheet over the last five years with more than adequate cash resources to cover its short term obligations while preserving a relatively low debt to capital. The company's NOI to interest coverage ratio remains consistently above 3.0x over the last two years, coming in at 3.3x for the last twelve months ending March 31, 2019. This is below the value for Sagicor's XFUND (4.3x) but compares favorably to KPREIT (1.6x) and the peer average (2.9x) for the same period. **Additionally, the Fund currently has the lowest debt to capital ratio (21.0%) among its peers. This redounds well for its credit profile, enabling access to a variety of funding sources which will be important as the Fund continues to expand its commercial portfolio.**

Valuation

Table 6: Relative Valuation Metrics

	ECPFL	XFUND	KPREIT	AVERAGE
Price³⁹	\$46.18	\$9.03	\$6.00	N/A
Price-to-FFO	17.9x	37.9x	48.3x	34.8x

Real Estate Investment Trusts shares are usually priced using net asset value per share. This is because the use of NAV provides a more accurate estimate of actual market value for REIT holdings. Using this method, the net asset value (NAV) is BBD\$0.71 or JMD\$46.18 per share as at March 31, 2019.

Price to FFO⁴⁰ is considered to be a better measure for REITs than P/E because FFO calculations remove accounting distortions and give a more accurate measure of a REIT's performance. **We believe that ECPFL's price of \$46.18 is reasonable since its price to FFO of 17.9x is significantly below that of KPREIT's (48.3x) and XFUND's (37.9x).** Using this metric, the stock is undervalued relative to industry peers with a fair amount of upside potential. **For this reason, along with the fact that ECPFL's historical⁴¹ average dividend yield of 5.7% is greater than that of KPREIT (1.9%) and XFUND (1.1%),**

³⁸ Cave Shepherd and Company is a public entity in Barbados with diverse interests in retail, tourism, financial services, property development, renewable energy, and international business.

³⁹ As at June 26, 2019.

⁴⁰ Funds from Operations is the sum of net income, depreciation & amortization, and deferred tax expense minus gains on from sale of property and debt restructuring. This provides investors with an accurate perspective of REITs performance.

⁴¹ From 2015-2018

we are recommending that investors **PARTICIPATE** in ECPFL's invitation. Furthermore, we view the ECPFL invitation as a good diversification play that is suitable for investors with a long-term investment horizon and who are interested in owning a wide portfolio of commercial real estate across the Caribbean.

Risks

- **The fund may trade below its NAV due to illiquidity:** Typical of closed-ended funds, the **ECPFL** may trade below its NAV and as such investors may be unable to exit at or near fair value. The stocks of peer real estate funds **KPREIT** and **XFUND** trade infrequently. However, cross-listing on the more vibrant Jamaican market and wide retail investor participation could aid price discovery and allow the fund to trade at or closer to its NAV.
- **The Fund last traded below the NAV (Invitation Price) in Barbados** - The Value Fund shares last traded on June 12, 2019, at a price of BBD\$0.54 on the BSE and the volume traded was small (1190 units). The trade before that was also low in volumes (1810 units) on June 5, 2019, at a price of \$0.53. Given that the stock is being traded below NAV per share, Jamaican investors may want to purchase at a lower price and cause shares to be trading below NAV per share. However, factors such as illiquidity on the BSE, having to set up a brokerage account in Barbados and other complication might render this infeasible for most investors.
- **Execution Risk Caused by Uncertainty of property acquisitions:** The Company's pipeline of future commercial property acquisition opportunities may not materialize as anticipated or take longer than expected to materialize slowing the flow through of earnings to the company's bottom line.
- **Natural disasters and other catastrophes** can be caused by various events including, but not limited to, hurricanes, earthquakes, tornadoes, wind, hail, fires and explosions, and the incidence and severity of natural disasters and other catastrophes are inherently unpredictable. While all the properties are insured, these disasters could disrupt earnings for extended periods of time.
- **Struggling Barbados Economy:** Barbados still battles recovery and there is a risk that the country could experience a longer period of slow to no growth or even a contraction. This could adversely affect the real estate market and valuation of properties that ECPFL owns in that market.
- **Lower Valuation of Carlisle House:** Carlisle House could continue to decrease in value given the property's location and its low occupancy rates. If management is not successful at repositioning the property, then it may have to be sold at a lower value than reported in Table 1.

Disclosures

Company Identification:

NCB Capital Markets Ltd (formerly Edward Gayle and Co.) established in 1968 is Jamaica's oldest stockbrokers. The Company became a part of the NCB Group in 1994 and a fully owned subsidiary in October 2002. In December 2002, the then Edward Gayle and Co. was merged with another NCB subsidiary, NCB Investments. The products distributed by this combined subsidiary cover the traditional money market product offerings (J\$ and US\$ Repos), primary dealer services, stock brokerage, and investment advisory services. Edward Gayle was renamed NCB Capital Markets Ltd. in October 2003.

Important Disclosures

The views expressed in this report are the views of NCB Capital Markets Ltd at the date of this report.

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Ratings Definitions:

BUY: We believe the stock is attractively valued. The Company has sound or improving fundamentals that should allow it to outperform the broader market. We anticipate the stock will outperform the market over the next 12 months. The risk factors to achieving price targets are minimal.

HOLD: We believe the stock is fairly valued at the current price. The Company may have issues affecting fundamentals that could take some time to resolve. Alternatively, Company fundamentals may be sound, but this is fully reflected in the current stock price. The risk factors to achieving price targets are moderate. Some volatility is expected. Do not accumulate additional shares.

SELL: (1.) We believe the stock is overpriced relative to the soundness of the Company's fundamentals and long-term prospects. The Company has significantly weak fundamentals or a flawed business model. (2.) The stock is fully priced at current market price; investors should seek to take profits at this time.