CREDIT RATING REPORT

National Investment Fund Holding Company Limited (NIF)

22 June 2018

TYPE OF RATING	RATING ASSIGNED		OUTLOOK
	Regional Scale	National Scale	
TT $4.0 Billion Bond Issue	*Cari***AA**	*tt***AA**	Stable

RATING HISTORY			
Date	**Regional Scale**	**National Scale**	**Instrument/Remarks**
June 22, 2018*	*Cari***AA**	*tt***AA**	TT $4.0 Billion Bond Issue in 3 Series

** Initial rating assigned*

RATING DRIVERS

Supporting Factors

- High asset quality of the NIF's underlying assets lends to stable and reliable cash flows
- Adequate debt servicing capacity based on stable investment income
- Likelihood of support from the GORTT, if needed

Constraining Factors

- NIF's cash flows are discretionary and high in concentration risk
- Refinancing risk applies, given the bond's structure and its refinancing component

Rating Sensitivity Factors

Factors that could lead to a lowering of the ratings and/ or Outlook include:

- Deterioration in the financial performance of RFHL and/or TGU, leading to a 20% or greater reduction in dividend payments from either of them to the NIF
- A lowering of the credit ratings of the Government of the Republic of Trinidad and Tobago

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COMPANY BACKGROUND

The National Investment Fund Holding Company Limited (NIF) is a special purpose investment company created by the Government of the Republic of Trinidad and Tobago (GORTT) to monetize the Government's assets held in the form of shares of various corporate entities in Trinidad and Tobago. The NIF plans to issue a bond in the amount of TT $4.0 billion in 3 Series as follows:

1. Series A - TT $1.2 billion with a tenor of 5 years at a fixed rate of 4.5%
2. Series B - TT $1.6 billion to TT $2.0 billion with a tenor of 12 years at a fixed rate of 5.7%
3. Series C – TT $800 million to TT $1.2 billion with a tenor of 20 years at a fixed rate of 6.6%

The shares to be placed in NIF are currently held by Corporation Sole and to effect the monetization, the proceeds from the bond will be used to repay a Note issued by the GORTT to the NIF in the amount of TT $4.0 billion. The bond, which will be tax free for investors, will have semi-annual coupon payments and the principal for each series will be repaid upon the maturity of the respective series, with provision for portions of Series A and Series B refinanced for a further period of 5 years each. The bond will be fully secured by way of a debenture on the shares of the companies owned by the NIF, with a total value of TT $7.9 billion as at April 30, 2018 (*Table 1*).

Table 1
Assets to be placed in the NIF

Company	Market Capitalisation (TT $)	% shareholding owned by the NIF	Value of shares (TT $)	% of NIF's Portfolio
Republic Financial Holdings Limited (RFHL)	16,509,484,026	26.1	4,314,647,272	55
Trinidad Generation Unlimited (TGU)	2,021,550,000	100.0	2,021,550,000	26
Angostura Holdings Limited (AHL)	3,242,684,344	29.9	969,562,613	12
The West Indian Tobacco Company Limited (WITCO)	7,456,082,400	5.4	402,606,499	5
One Caribbean Media Limited (OCM)	824,597,532	23.0	189,545,371	2
Total			**7,897,911,755**	**100**

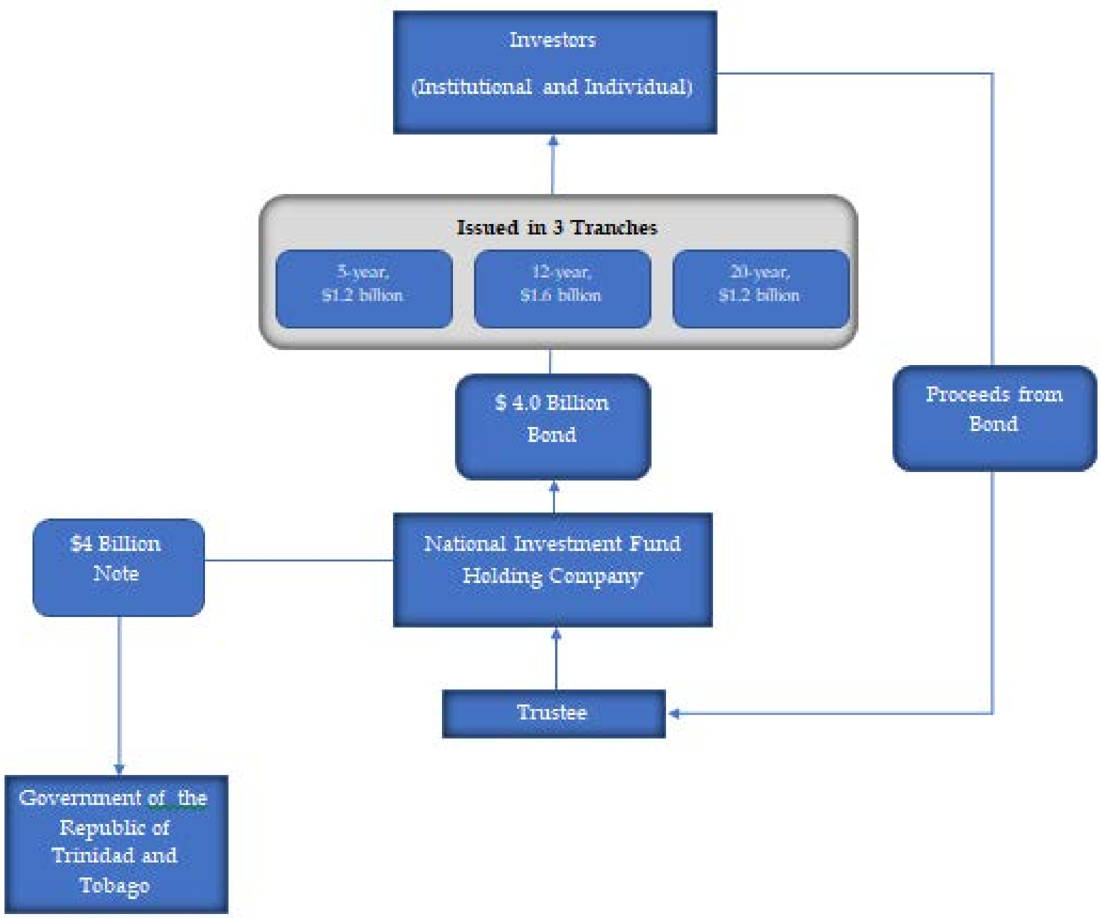
Notes: *(i) TGU's valuation was done by an independent global specialist in corporate valuations in September 2017*
(ii) All the other assets are publicly traded on the Trinidad and Tobago Stock Exchange

NIF's income will consist primarily of dividends from its underlying assets from which the interest and principal repayments on the bond will be made. A sinking fund will be established to accumulate funds for principal repayment and the funds in the sinking fund will be invested in high-quality fixed income securities with all interest received reinvested in the fund.

The NIF will engage First Citizens Trustee Services Limited as the Trustee for the bond and the Registrar and Paying Agent will be the Trinidad and Tobago Central Depository Limited (TTCD). The arranger and lead broker for the transaction is First Citizens Brokerage and Advisory Services Limited. Appointed Attorneys are Fitzwilliam, Stone, Furness-Smith & Morgan.

The NIF structure is depicted in Chart 1 below.

Chart 1



RATING METHODOLOGY

The source of cash-flows to service the debt being issued by the NIF Holding Company Limited is primarily the dividend payments from the underlying assets.

As such, our approach to rating the NIF bond issue is to first assess the standalone creditworthiness of the 5 corporates whose shares are held in the NIF. This largely determines the Business Risk parameter rating of the NIF, factoring in the relative proportions of the 5 entities as a percentage of the total assets of the NIF. We then look at the historical dividend payments of the entities and, based on our projected financial performance for each of the 5 entities, form an opinion on the quantity and reliability of future dividend payments to the NIF over the life of the bond. This, together with an assessment of the debt service metrics associated with the bond, allows us to assign a rating for the Financial Risk parameter of the NIF.

We assessed and assigned a rating for Management Risk, and based on the combined Business Risk, Financial Risk and Management Risk ratings, arrived at an overall stand-alone entity rating for the NIF. This stand-alone rating was then adjusted down by 1-notch due to the structural subordination nature of the NIF's cash inflows. We then considered the likelihood of parent support to the NIF if needed, to arrive at the final issue rating.

SUMMARY OVERALL RISK ASSESSMENT

Risk Factor	Risk Assessment
Overall Business Risk	**AA**
Overall Financial Risk	**AA**
Overall Management Risk	**Above Average**
Overall Rating (Stand Alone) – National Scale	*tt***AA**
Notch-Down for structural subordination of cashflows	*1 Notch*
Notch-Up for likelihood of parent support	*1 Notch*
Final Rating – National Scale	*tt***AA**
Final Rating – Regional Scale	*Cari***AA**

RELATED CRITERIA

Criteria used for our rating of the 5 corporate entities in the NIF

- Our rating methodology for RFHL involves an assessment of the entity's Business Risk (comprised of Economy Risk, Industry Risk, Market Position and Operating Efficiency), Capital Adequacy, Resources, Asset Quality, Management, Earnings and Liquidity.

  For more details on the rating methodology for banks and financial institutions, refer to our website at: www.caricris.com/index.php/caricris-rating-methodologies

- Our rating methodology for TGU, AHL, WITCO and OCM involves an assessment of each entity's Business Risk (comprised of Economy Risk, Industry Risk, Market Position and Operating Efficiency), Financial Risk (comprised of Accounting Quality, Current Financial Position, Future Financial Position, Cash Flow Adequacy and Financial Flexibility) and Management Risk (comprised of Competencies, Integrity, Risk Management and Corporate Governance).

  For more details on the rating methodology for Manufacturing and Service Sector Entities, refer to our website at: www.caricris.com/index.php/caricris-rating-methodologies

RATING RATIONALE

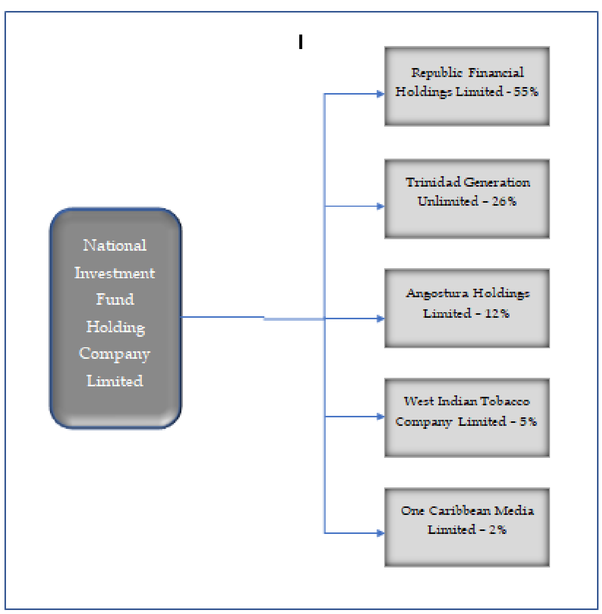
Caribbean Information and Credit Rating Services Limited (CariCRIS) has assigned initial credit ratings to the proposed TT $4.0 billion bond issue of the National Investment Fund Holding Company Limited (NIF) of *Cari***AA** (Local Currency Rating) on the regional rating scale and *tt***AA** on the Trinidad and Tobago (T&T) national scale. These ratings, which are of investment grade quality, indicate that the level of creditworthiness of this debt obligation, adjudged in relation to other debt obligations in the Caribbean and within T&T is **high**. The ratings include a 1-notch upgrade for the high likelihood of support from the Government of the Republic of Trinidad and Tobago (GORTT), if needed.

CariCRIS has also assigned a **stable** outlook for the ratings. The stable outlook is based on our expectation that over the next 12-15 months, the net dividend payments from the underlying assets of the NIF will be more than adequate to meet the coupon payments that will come due on the bond during the period.

The factors supporting the ratings are:

High asset quality of NIF's underlying assets lends to stable and reliable cash flows

Chart 2
Composition of the Underlying Assets of the NIF



As seen in Chart 2 above and discussed below, the underlying assets of the NIF are of high credit quality. The constituent companies operate in stable, resilient and profitable industries with good diversity, consisting of banking, electricity generation, manufacturing, and media and telecommunication services. The companies are all well-managed with strong and competent boards of directors.

Republic Financial Holdings Limited

The largest asset in the fund accounting for 54.7% of total assets is Republic Financial Holdings Limited. Republic Financial Holdings Limited (RFHL) is the registered owner of all of the banks in the Republic Bank Group – Republic Bank Limited, Republic Bank (Guyana) Limited, Republic Bank (Barbados) Limited, Republic Bank (Grenada) Limited, Republic Bank (Suriname) Limited, HFC Bank (Ghana), as well as Republic Securities Limited and other subsidiaries. The RFHL Group has been profitable over the last 5 years, with a 5-year compound annual growth rate (CAGR) of profit after tax of 10.1%. In FY2017, RFHL recorded a profit after tax (PAT) of TT $1.3 billion, up 39.7% from the prior year's outturn.

Table 2
RFHL's Summary Financial Performance for FY2015 – FY2017

	FY2017	% Chg	FY2016	% Chg	FY2015*	% Chg	3 Yr Avg
			TT $'000				
Investments	17,362,457	7.1	16,216,571	12.4	14,426,239	0.8	16,001,756
Net Loans and Advances	35,464,448	3.4	34,292,693	3.9	33,007,998	21.8	34,255,046
Provisions for Losses	(802,167)	(8.9)	(880,316)	44.0	(611,487)	56.2	(764,657)
Total Earning Assets	57,993,110	3.8	55,849,998	1.6	54,977,232	10.5	56,273,447
Total Assets	68,380,245	3.1	66,336,967	1.4	65,415,024	11.2	66,710,745
Total Interest Bearing Liabilities	55,729,458	2.0	54,623,712	2.1	53,491,103	10.8	54,614,758
Tangible Net Worth	9,172,746	6.8	8,585,593	2.9	8,345,543	6.1	8,701,294
Total Interest Income	3,796,975	5.2	3,610,566	29.9	2,778,731	10.2	3,395,424
Total Income	4,689,509	4.9	4,470,888	14.2	3,915,435	8.1	4,358,611
Total Operating Expenses	(2,736,433)	4.7	(2,613,040)	23.0	(2,124,453)	13	(2,491,309)
Impairment Losses	0	(100.0)	(519,931)	164.2	(196,774)	6	(238,902)
Profit After Tax (PAT)	1,317,089	39.7	943,113	(23.7)	1,236,744	0.6	1,165,649
				%			
Interest Rate Spread	5.6		5.5		4.7		5.3
Net Interest Income/ Average Earning Assets	4.8		5.5		4.7		5.0
Gross NPLs/Gross Loans	4.4		5.1		3.7		4.4
PAT/Average Total Assets	2		3		2		2.3
Tangible Net Worth/Adjusted Assets	13.4		12.9		12.8		13
Total Expenses/Total Income	54.1		58.4		54.3		56

Source: Republic Financial Holdings Limited Audited Financials

** Financial year runs from October 1 to September 30*

RFHL recorded total interest income of TT $3.8 billion in FY2017, an increase of TT $186.4 million or 5.2% compared to FY2016 as the Group continued to expand its loan and investment portfolios and increase its footprint in the Trinidad and Tobago, Barbados, Suriname, Guyana and Cayman/Eastern Caribbean markets (*Table 2*). In spite of a TT $123 million or 4.7% increase in total operating expenses, RFHL's PAT improved by TT $373.9 million or 39.7% in FY2017 compared to FY2016. RFHL's dividend pay-out ratio over the past 5 financial years (FY2013 – FY2017) averaged 59.5%, with the average dividend over the period being TT $693.4 million.

RFHL continues to be well capitalized with a tangible net worth (TNW) of TT $9.2 billion as at September 2017, up 6.8% from TT $8.6 billion one year earlier. RFHL's TNW is the largest in CariCRIS' sample of regional banks. The large TNW provides adequate coverage of total adjusted assets[1] at 13.4%, above CariCRIS' sample of regional commercial banks of 11.8%, and good capital coverage of non-performing loans (NPLs) at 11.6 times, up from 9.5 times as at September 2016. Each subsidiary within the RFHL Group recorded strong capital adequacy ratios (CAR) as at September 2017, well above the CBTT's minimum requirement for systemically important financial institutions (SIFIs) of 10% and the Group's minimum requirement of 12%.

RFHL's subsidiary in Trinidad and Tobago, Republic Bank Limited (RBL), is the largest commercial bank in T&T in terms of assets with an asset base of TT $45.3 billion as at September 2017 and is the 2nd largest in CariCRIS' sample of regional commercial banks. Supported by its network of 129 automated banking machines (ABMs), the largest in the country, and 41 branches, the Bank maintained its leading market share in 2017. RBL's share of the market for net loans and advances and for deposits averaged 34.9% and 33.6% respectively over the past 3 years, with RBL having the largest real estate mortgage and credit card portfolios in T&T. Notably, RBL contributed more than 60% to RFHL's total income and PAT in FY2017, making RFHL's performance highly linked to and influenced by that of RBL.

Trinidad Generation Unlimited

Trinidad Generation Unlimited (TGU) is the 2nd largest asset in the NIF, accounting for 25.5% of total assets. TGU owns and operates a 720 Megawatt (MW) net capacity combined-cycle gas-fired power plant in the Union Industrial Estate in La Brea, South Trinidad, which currently is the largest power generation plant in T&T in terms of installed capacity. TGU contributes in a major way to the energy security of the country while simultaneously improving the fuel efficiency of the entire grid. As at January 2016, the plant accounted for 34% of all power generation in T&T and delivered approximately 45% of the country's average demand.

[1] *Total adjusted assets exclude goodwill, intangibles and revaluation reserves*

Table 3

TGU's Summary Financial Performance for 2015 – 2017

	2017	% chg	2016	% chg	2015	% chg	3-Year Avg
	TT $ 'million						
Operating Revenue	698.7	(2.4)	716.2	5.3	679.9	0.6	698.3
Operating Expenses	49.6	(25.3)	66.4	1.0	65.7	61.2	60.6
Operating Profit	563.4	0.1	562.8	4.9	536.7	(3.8)	554.3
Profit After Tax (PAT)	177.8	254.8	50.1	(87.3)	395.8	(10.9)	207.9
Total Assets[a]	6,952.5	(2.2)	7,105.5	14.6	6,199.4	(15.5)	6,752.5
Net Worth	1,389.9	3.3	1,345.4	(10.0)	1,494.9	(40.4)	1,410.1
	%						3-Year Avg
Gross Profit Margin	92.9		90.7		90.3		91.3
EBITDA Margin	80.9		79.9		80.2		80.4
PAT Margin	25.0		6.6		54.7		28.8
ROCE	10.0		17.4		28.4		18.6
Return on Equity (ROE)	13.0		3.5		19.8		12.1
Return on Assets (ROA)	2.5		0.8		5.8		3.0
Total Debt/Net Worth	283.2		291.5		-		191.5
	Times						3-Year Avg
Interest Cover[b]	2.2		2.6		19.0		7.9
DSCR	1.7		1.9		53.1		18.9
Current Ratio	11.6		4.0		0.2		5.3

Source: TGU's Audited Financials

[a] *Excludes intangible assets*

[b] *EBITDA/interest expense*

In 2017, TGU continued its good financial performance recording a 255% or TT $127.7 million increase in PAT to TT $177.8 million over the prior year (*Table 3*). This improvement, however, was primarily due to a 70.5% decline in tax expense for the year. Operating revenue fell slightly in 2017 to TT $698.7 million from TT $716.2 million previously, as finance lease income and capacity revenues fell by TT $3.4 million and TT $11.4 million respectively. These revenue shortfalls were offset by a 25.3% reduction in operating expenses, leading to an operating profit of TT $563.4 million, in line with that of the prior year. TGU's dividend pay-out ratio over the past 3 years has averaged 212%, with the average annual dividend paid over the period being TT $612.9 million.

Angostura Holdings Limited

Angostura Holdings Limited (AHL) is the 3rd largest asset in the NIF, accounting for 12% of total assets. AHL is a holding company whose subsidiaries are engaged in the manufacture and sale of rum, bitters and other spirits, as well as the bottling of alcoholic and non-alcoholic beverages on a contract basis and the production and sale of food products. AHL's portfolio of brands includes Angostura® 1824, Angostura® 1787, Angostura® 1919, Angostura® 7 Year Old Rum, Angostura® 5 Year Old Rum, Angostura® Reserva, Angostura® Single Barrel, White Oak, Forres Park Puncheon, Black Label, and Royal Oak, as well as the Amaro di Angostura®, Angostura® Orange Bitters, Angostura® Aromatic Bitters, and their signature beverage, Angostura® Lemon, Lime and Bitters (LLB).

Table 4
AHL's Summary Financial Performance for 2015 – 2017

	FY2017	% Chg	FY2016	% Chg	FY2015	% Chg	3-Year Avg
	TT $ '000						
Revenue	575,199	(7.3)	620,469	(4.5)	649,409	(3.4)	615,026
Gross Profit	370,851	(0.1)	371,346	(3.1)	383,384	(4.4)	375,194
Total Expenses	(211,990)	(2.6)	(217,578)	27.5	(170,666)	(5.6)	(200,078)
Operating Profit	158,861	3.3	153,768	(27.7)	212,718	(3.4)	175,116
EBITDA	155,066	(8.4)	169,320	(22.8)	219,392	4.5	181,259
PBT	155,066	(8.4)	169,320	(22.8)	219,392	4.5	181,259
PAT	111,107	(8.9)	121,957	(25.5)	163,672	6.7	132,245
Operating Cashflow	161,686	(24.3)	213,514	68.8	126,498	2.1	167,233
	As at Dec-17	**% Chg**	**As at Dec-16**	**% Chg**	**As at Dec-15**	**% Chg**	**3-Year Avg**
Cash	152,820	(16.4)	182,749	45.8	125,302	(27.7)	153,624
Total Assets	1,157,751	4.2	1,110,761	(19.2)	1,374,464	31.1	1,214,325
Total Liabilities	175,782	(1.4)	178,338	(63.9)	493,717	80.6	282,612
Financial Debt	20,000	(33.3)	30,000	(40.7)	50,600	(55.9)	33,533
TNW	981,969	5.3	932,423	5.9	880,747	13.6	931,713
	%						**3-Year Avg**
Gross Margin	64.5%		59.8%		59.0%		61.1%
EBITDA Margin	27.0%		27.3%		33.8%		29.3%
PAT Margin	19.3%		19.7%		25.2%		21.4%
ROCE	15.8%		17.9%		24.1%		19.3%
ROA	9.8%		9.8%		13.5%		11.0%
	Times						**3-Year Avg**
Current Ratio	5.6		6.2		4.5		5.4
Receivables (Days Op Income)	106.6		106.6		154.2		122.5
Trade Creditors (Days Total Expenses)	64.4		51.2		72.9		62.8
Total Debt / Net Shareholders' Equity	0.02		0.03		0.06		0.0
Interest Cover	183.7		143.4		156.5		161.2
Op. CF / Total Debt	8.1		7.1		2.5		5.9

Source: AHL's Audited Financial Statements
Financial year ends December 31

AHL's financial performance has been healthy, though profits were down 2 consecutive years. In 2017, revenue declined by 7.3% year-on-year (y-o-y). This drop in revenue was primarily due to a strategic decision by the company to downsize the unprofitable export commodity rum business and focus on building the global profile of the company's brands. Despite the reduction in revenue, the gross profit margin improved to 64.5% from 59.8% previously. Total expenses decreased y-o-y by 2.6%, on account of lower selling and marketing expenses. The reduction in revenue was offset by the fall in expenses causing operating profit to rise y-o-y by 3.3%. Other income fell by 350% to TT $5.6 million, due mainly to a 96% decline in foreign exchange gains. This led to an 8.9% fall in profit after tax for the year ended December 2017. The company has generated positive cash flows from operations over the past 3 years averaging TT $167.2 million. AHL's dividend pay-out ratio over the past 5 years averaged 37.7%, with the average annual dividend paid over the period being TT $55.3 million.

West Indian Tobacco Company Limited (WITCO)

West Indian Tobacco Company Limited accounts for 5% of the fund's assets. WITCO is a subsidiary of British American Tobacco (BAT), the world's largest tobacco group. Currently, the company supplies 25 brands in 137 stock keeping units (SKU's) both to the local T&T market and regionally to 16 CARICOM members and associate countries.

Table 5
WITCO's Summary Financial Performance for 2013 – 2017

	2017		2016		2015		2014		2013	5 -Year Average
	TT $'000	% Chg	*TT $'000*	% Chg	*TT $'000*	% Chg	*TT $'000*	% Chg	*TT $'000*	*TT $'000*
Operating Revenue	867,649	(14.8)	1,018,365	(3.3)	1,052,924	3.5	1,017,368	7.7	944,790	980,219
Gross Profit	681,302	(16.7)	817,508	(3.5)	847,187	8.1	783,566	11.8	701,002	766,113
Total Expenses	(114,044)	7.1	(106,438)	(17.0)	(128,180)	16.8	(109,703)	(13.8)	(127,267)	(117,126)
Operating Profit	567,258	(20.2)	711,070	(1.1)	719,007	6.7	673,863	17.5	573,735	648,987
EBITDA	568,453	(20.2)	711,949	(1.0)	719,037	6.7	674,027	17.3	574,406	649,574
PAT	380,218	(26.2)	515,495	0.0	515,483	5.4	489,195	19.0	411,071	462,292
Net Cash Accruals	(26,959)	(160.1)	44,867	(0.4)	45,027	(44.9)	81,655	(8.9)	89,595	46,837
Equity Share Capital	42,120	0.0	42,120	0.0	42,120	0.0	42,120	0.0	42,120	42,120
Net Worth	330,330	(10.9)	370,685	11.4	332,674	16.4	285,704	23.8	230,743	310,027
Operating Cash Flow	417,975	(15.7)	495,828	(6.1)	528,223	6.1	497,767	15.8	429,847	473,928
Cash	234,655	(12.9)	269,483	(6.0)	286,778	5.3	272,267	28.3	212,132	255,063
Total Assets	556,864	(6.1)	593,272	6.5	557,080	7.1	519,913	10.7	469,524	539,331
Total Liabilities	226,534	1.8	222,587	(0.8)	224,406	(4.2)	234,209	(1.9)	238,781	229,303
	%									
EBITDA Margin	65.4		69.9		68.3		66.2		60.8	66.1
PAT Margin	43.8		50.6		49.0		48.1		43.5	47.0
ROCE	156.8		197.2		224.3		253.7		271.2	220.7
	Times									
Interest Cover	n/a		n/a		n/a		n/a		n/a	n/a
Net Cash Accruals/Total Debt	n/a		n/a		n/a		n/a		n/a	n/a
Op. Cash flow/Debt Servicing Burden	n/a		n/a		n/a		n/a		n/a	n/a
Total Debt/Net Worth	n/a		n/a		n/a		n/a		n/a	n/a
Current Ratio	2.7		3.4		3.0		2.5		2.0	0.0

Source: WITCO Annual and Interim Financial Reports

** Financial year ends December 31st*

***WITCO had no finance costs in 2013 and 2015*

n/a = not applicable

In 2017, the company reported a Group profit after tax (PAT) of TT $380.2 million, down from TT $515.5 million in the previous year (*Table 5*). Notwithstanding the reduced profitability, the PAT margin remained strong at 43.8%. Leading the fall in profitability was a 14.8% reduction in operating revenue over the year due to lower sales volumes, a reflection of a contraction in demand, coupled with a significant change in the portfolio mix. Notably, WITCO has no long term debt. The company has generated positive cash flows from operations over the past 5 years, with cash from operations at TT $418 million in 2017 and averaging TT $474 million over the 5-year period. Further, WITCO holds substantial cash balances which averaged TT $255 million over the past 5 years.

One Caribbean Media Limited (OCM)

OCM accounts for 2% of the fund's assets. OCM, through its subsidiaries, is one of the Caribbean's largest media services companies and derives its revenue from 2 segments: media (83%) and non-media (17%). OCM's media services segment comprises of print, broadcast-television and radio, video production, printing and design, and digital media. Its non-media services segment comprises of renewable energy, distribution, and cable and broadband. OCM operates in 3 territories, these being Barbados, Trinidad and Tobago and Grenada.

Table 6
OCM's Summary Financial Performance for 2013 – 2017

	2017		2016		2015		2014		2013	5-Yr Avg
	TT $ '000	*% chg*	*TT $ '000*	*% chg*	*TT $ '000*	*% chg*	*TT $ '000*	*% chg*	*TT $ '000*	*TT $ '000*
Operating Revenue	442,177	(5.2)	466,226	(11.4)	526,380	(3.9)	547,713	(0.7)	551,713	281,576
EBITDA	98,846	(8.0)	107,495	(16.3)	128,409	2.1	125,761	(8.3)	137,165	66,405
Group PAT	51,213	(2.4)	52,490	(33.3)	78,747	(6.6)	84,274	0.3	84,000	38,965
Operating Cash Flow	112,300	21.4	92,522	(22.1)	118,736	(2.5)	121,810	38.7	87,793	59,244
Total Assets	810,797	5.0	772,196	(2.8)	794,793	6.5	746,428	6.3	701,911	425,127
Net Worth	560,118	(7.6)	606,361	(0.1)	606,827	6.5	569,674	3.4	551,186	321,574
	%									
EBITDA Margin	22.5		22.8		24.1		22.8		24.6	23.3
PAT Margin	11.7		11.1		14.8		15.3		15.1	13.6
ROCE	11.7		13.2		17.7		18.4		42.4	20.7
	Times									
Interest Cover	18.9		40.7		40.3		89.5		50.8	48.0
Total Debt/Net Worth	0.15		0.06		0.06		0.03		0.00	0.1
DSCR	5.5		4.3		23.9		86.7		32.5	30.6
Current Ratio	2.3		3.1		2.8		3.0		3.4	2.9

Source: OCM Audited Financials
Financial Year ends December 31

OCM has been consistently profitable over the last 5 years with stable operating cash flows which remained healthy at TT $112.3 million in 2017 (*Table 6*). In 2017, OCM recorded PAT of TT $51.2 million, slightly down (by 2.4%) from the prior year's outturn. OCM's cash resources have been improving over the past 3 years and amounted to TT $78 million as at December 2017, up from TT $65.9 million one year earlier. Although below its peer average of 3.1 times, OCM's current ratio remains healthy at 2.3 times. The Company is well capitalized relative to peers with a TNW of TT $560.1 million, providing adequate coverage of assets, represented by a TNW to adjusted assets ratio of 6.9 times, though down from 7.9 times in the previous year. OCM's debt servicing ability has remained favorable over the last 5 years with an interest cover and DSCR at a healthy 18.9 times and 5.5 times respectively as at December 2017. Although there was an increase in borrowing in 2017, gearing remained low at 0.15, which was considerably lower than that of its peers.

Table 7
Dividend Payments of NIF's Underlying Assets for FY2013 – FY2017 (TT $'000)

Investment	FY2013	FY2014	FY2015	FY2016	FY2017	5-year Average
RFHL	683,028	685,251	687,597	704,965	705,985	693,365
AHL	47,444	53,632	53,637	65,904	55,695	55,262
OCM	45,067	46,361	47,907	47,837	48,452	47,125
WITCO	339,558	426,452	495,967	488,921	425,958	435,371
TGU	19,400	6,393	1,405,947	27,016	405,816	372,914
Total Dividends	**1,134,497**	**1,218,089**	**2,691,055**	**1,334,643**	**1,641,906**	**1,604,038**

The combined total annual dividends paid by the 5 operating entities that comprise the NIF, averaged TT $1.6 billion over the past 5 years (*Table 7*). Given the overall high credit quality of these companies, with a strong track record of profitability and dividend payments, we are of the view that this should lead to a stable and reliable stream of cash flows into the NIF over the life of the bond.

Adequate debt servicing capacity based on stable investment income

In assessing the NIF's capacity to meet its debt obligations, we have incorporated the following conservative, but in our view prudent, baseline assumptions:

- Overall marginal change in profits for each of the 5 underlying entities over the first 5 years of the bond (5-year average CAGR of -3.6%) with Year 5 profit for each entity held constant over the remaining life of the bond
- Dividend pay-out ratios for each of the 5 entities that are consistent with their average payouts over the past 10 years and held constant over the life of the bond
- A re-investment rate for the sinking fund equivalent to the current 90-day T Bill rate

Based on these assumptions and projected dividends from the 5 entities, we see the need for refinancing of at least TT$450 million of Series A and TT$750 million of Series B.

With these assumptions and including the refinanced components of TT$450 million of Series A and TT$750 million of Series B, both refinanced for a further 5-year period, we expect the NIF to comfortably meet all its interest payments and principal re-payments as they come due for the life of the bond.

Net investment income provides an interest cover of 1.68 times in 2019 and should improve incrementally over the life of the bond as principal is repaid (*Table 8*). Debt service coverage inclusive of the sinking fund balance remains comfortably above 1 for the life of the bond, indicative of a comfortable cushion for the NIF in meeting its total debt obligations (interest and principal).

Should the actual dividend flow to the NIF exceed our projections over the period, the amounts to be refinanced, if refinancing is needed at all, will be less.

Based on our stress testing of the cashflows, the NIF can withstand up to a 20% decline in dividend income (from our base case scenario) from either RFHL or TGU (the 2 largest contributors to the cashflows), and still be able to meet its interest and principal payment obligations.

Table 8

Selected Projected Financial Performance Indicators 2019 – 2038 for the NIF

	2019	2020	2021	2022	2023
	TT $ '000				
Dividend Income	375,216	377,572	379,697	385,889	385,889
Sinking Fund Balance	147,679	298,225	453,290	616,338	48,336
Total Assets	8,045,591	8,196,137	8,351,202	8,514,250	7,946,248
Tangible Net Worth	4,045,591	4,196,137	4,351,202	4,514,250	4,679,248
	Times				
Interest Coverage Ratio*	1.68	1.68	1.69	1.72	1.72
Effective Interest Coverage Ratio**	1.68	2.33	3.02	3.74	4.47
Effective Debt Service Coverage Ratio***	1.68	2.33	3.02	3.74	1.05
Investment Yield	4.75	4.78	4.81	4.89	4.89

**Total Dividend Income / Interest Payments Due*

***(Sinking Fund Balance + Dividend Income)/ Interest Payments Due*

****(Sinking Fund Balance + Dividend Income)/ (Interest Payments Due + Principal Due)*

Table 8 continued

	2024	2025	2026	2027	2028
	TT $ '000				
Dividend Income	385,889	385,889	385,889	385,889	385,889
Sinking Fund Balance	236,727	427,837	621,231	816,937	547,452
Total Assets	8,134,639	8,325,749	8,519,143	8,714,849	8,445,363
Tangible Net Worth	4,867,639	5,058,749	5,252,143	5,447,849	5,645,363
	Times				
Interest Coverage Ratio*	1.99	1.99	1.99	1.99	1.99
Effective Interest Coverage Ratio**	2.24	3.21	4.20	5.20	6.19
Effective Debt Service Coverage Ratio***	2.24	3.21	4.20	5.20	1.82
Investment Yield	4.89	4.89	4.89	4.89	4.89

**Total Dividend Income / Interest Payments Due*

***(Sinking Fund Balance + Dividend Income)/ Interest Payments Due*

****(Sinking Fund Balance + Dividend Income)/ (Interest Payments Due + Principal Due)*

Table 8 continued

	2029	2030	2031	2032	2033
	TT $ '000				
Dividend Income	385,889	385,889	385,889	385,889	385,889
Sinking Fund Balance	765,626	986,408	408,946	675,140	944,845
Total Assets	8,663,537	8,884,319	8,306,858	8,573,052	8,842,757
Tangible Net Worth	5,863,537	6,084,319	6,357,858	6,624,052	6,893,757
	Times				
Interest Coverage Ratio*	2.26	2.26	3.21	3.20	3.21
Effective Interest Coverage Ratio**	5.48	6.76	11.41	6.58	8.81
Effective Debt Service Coverage Ratio***	5.48	6.76	1.41	6.58	8.81
Investment Yield	4.89	4.89	4.89	4.89	4.89

**Total Dividend Income / Interest Payments Due*

***(Sinking Fund Balance + Dividend Income)/ Interest Payments Due*

****(Sinking Fund Balance + Dividend Income)/ (Interest Payments Due + Principal Due)*

Table 8 continued

	2034	2035	2036	2037	2038
	TT $ '000				
Dividend Income	385,889	385,889	385,889	385,889	385,889
Sinking Fund Balance	1,217,775	744,966	1,056,484	1,371,943	491,172
Total Assets	9,115,686	8,642,878	8,954,396	9,269,855	8,389,084
Tangible Net Worth	7,166,686	7,442,878	7,754,396	8,069,855	8,389,084
	Times				
Interest Coverage Ratio*	3.21	3.21	4.86	4.87	4.87
Effective Interest Coverage Ratio**	11.05	13.32	14.24	18.21	22.19
Effective Debt Service Coverage Ratio***	11.05	1.84	14.24	18.21	1.37
Investment Yield	4.89	4.89	4.89	4.89	4.89

**Total Dividend Income / Interest Payments Due*

***(Sinking Fund Balance + Dividend Income)/ Interest Payments Due*

****(Sinking Fund Balance + Dividend Income)/ (Interest Payments Due + Principal Due)*

Likelihood of support from the GORTT, if needed

The NIF is 100% owned by the GORTT, through the Corporation Sole. Notwithstanding the absence of an explicit Government guarantee, given the expected wide shareholding by institutional and individual investors including registered pension funds, we are of the view that for moral and economic reasons, in the event of a crisis, there is a strong incentive for financial support from the GORTT to the NIF to meet its debt commitments, should this be needed.

The Trinidad and Tobago economy is projected to grow by 1.5% to 1.8% in 2018, with a slightly stronger performance expected in 2019. Upstream companies plan up to US $10 billion in investment in the energy sector over the next 5 years. The gas shortages to the downstream segment of prior years have been somewhat reduced and with successful implementation of the current gas development plans these could be minimized over the coming years. In addition to the energy sector turnaround, the non-energy sector, which typically lags the performance of the energy sector, should also return to growth by 2020. Fiscal consolidation, however, remains a challenge as well as falling reserves, which have been on the decline for the past 4 years.

These rating strengths are tempered by:

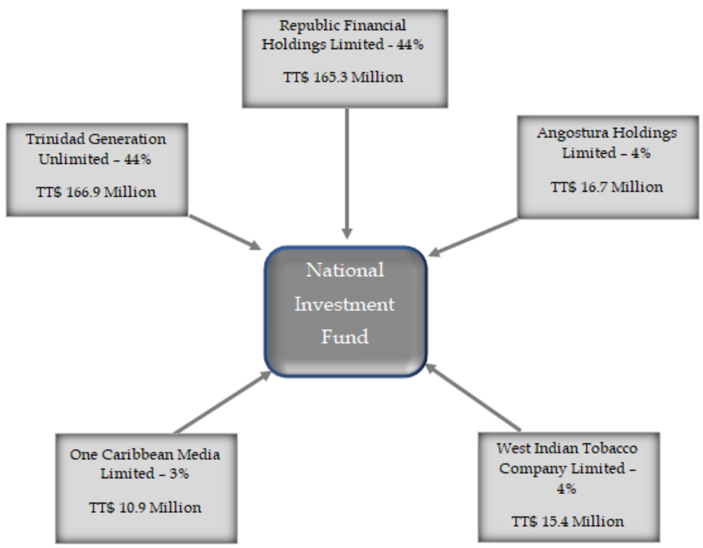
NIF's cash flows are discretionary and high in concentration risk

Given that the primary source of cash inflow to the NIF is by way of dividends from the underlying assets, we believe that this introduces an element of structural subordination to the rated instrument, given the discretionary nature of dividends. The NIF is currently unable to influence the dividend payments that is expected to constitute approximately 61% of its investment income[2]. As such, should there be a decline in these dividend payments this could reduce the NIF's debt servicing capability. Mitigating this risk, to some extent, is the strong track record and consistent annual dividend payments over the past 5 years of the underlying companies. Also, the GORTT by way of its controlling interest in TGU can seek to make up for any shortfall by increasing dividends from that company, if required.

[2] *Dividend payments from RFHL, AHL, WCO and OCM*

Additionally, the NIF's earnings are highly concentrated in 2 entities in the fund; RFHL and TGU. These 2 companies account for 88.5% of dividend income of which RFHL and TGU represent 44% each (*Chart 3*), thus making the fund's ability to meet its debt service commitments highly dependent on these companies' dividend pay-outs. Mitigating this concentration risk is the long history of profitability of the banking industry in the Caribbean. Further in FY2017, RFHL's dividend pay-out ratio was 56.4% and has averaged 59.5% over the last 10 years, with little variability over the period. Our stress testing shows that RFHL's dividend payment would have to decline by 90% from its 2017 level for the NIF's interest cover to fall to 1, and decline by 20% for the DSCR to fall to 1, keeping the projected payments from the other 4 companies unchanged.

Chart 3
Percentage of Dividend Income from the Underlying Assets[3]



TGU operates in an essential industry[4] and this, combined with the company's secured power purchase agreement with T&TEC, ensures high stability in revenue and profits. As such, TGU's dividend payments to the fund are also likely to be stable and reliable. Furthermore, TGU is the only underlying asset in the fund that is wholly-owned/controlled by the GORTT and therefore the Government has the discretion to make extraordinary dividend payments as required, evidenced by its 5-year average dividend pay-out ratio of 128.9%.

[3] *2019 estimates of expected dividend income*
[4] *Electricity generation*

CariCRIS is of the opinion that while the NIF is exposed to concentration risk in RFHL and TGU, this risk, to a large extent, is mitigated by the strong and healthy financial performance of both companies as well as their history of strong dividend payments.

Refinancing risk applies, given the bond's structure

Given the refinancing component in the proposed bond, the NIF is exposed to the risk of having to refinance the tranches at higher interest rates, especially given the expected increasing interest rate environment in T&T over the coming years. Our base case projections assume a coupon of 5% for the refinanced component of Series A and 5.5% for the refinanced component of Series B. Our stress test on the refinancing risk assumes a coupon of 5.5% and 6.75% respectively for the 2 refinanced series. In all instances, the interest cover and debt service coverage ratios remain comfortably over 1 throughout the life of the bond.

Rating Sensitivity Factors

Factors that could lead to a lowering of the ratings and/ or Outlook include:

- Deterioration in the financial performance of RFHL and/or TGU which could possibly reduce dividend payments from either of them to the NIF by 20% or more
- A lowering of the credit ratings of the Government of the Republic of Trinidad and Tobago

June 22, 2018

Meaning of the Assigned Ratings

The ratings assigned to the proposed TT $4.0 billion bond issue of The National Investment Fund Holding Company Limited (NIF) are *Cari***AA** (Local Currency Rating) on our regional rating scale and *tt***AA** on the Trinidad and Tobago (T&T) national scale. These ratings indicate that the level of creditworthiness of this proposed debt obligation, adjudged in relation to other debt obligations in the Caribbean and within T&T is **high.**

Ratings in the AA category of our rating scales are considered investment grade ratings.

Relative Rank of the assigned Ratings

CariCRIS' Long-Term Rating Scale		
Regional	**National**	**Definition**
*Cari***AAA**	**AAA**	Highest
*Cari***AA**(+/-)	**AA(+/-)	High
*Cari**A**(+/-)*	**A(+/-)	Good
*Cari**BBB**(+/-)*	**BBB(+/-)	Adequate
*Cari***BB**(+/-)	**BB(+/-)	Below Average
*Cari***B**(+/-)	**B(+/-)	Weak
*Cari***C**(+/-)	**C(+/-)	Poor
*Cari***D**	**D	Default

Explanation of CariCRIS' Regional and National Rating Scales

Regional scale ratings use the listed rating symbols with the prefix '*Cari*' while national scale ratings use the rating symbols with the prefix applicable for the respective national scale e.g. 'bb' for the Barbados national scale, '*jm*' for the Jamaica national scale and '*tt*' for the Trinidad and Tobago national scale.

The **regional scale rating** indicates that the level of creditworthiness of an obligation/obligor adjudged in relation to other obligations/ obligors in the Caribbean is… (As per the table).

The **national scale rating** indicates that the level of creditworthiness of an obligation/obligor adjudged in relation to other obligations/ obligors in the country (e.g. Trinidad & Tobago) is… (As per the table above).

Mapping of CariCRIS' Regional Rating Scales with the Global Rating Scales

S&P	Moody's	Fitch	CariCRIS
AAA to AA-	Aaa to Aa3	AAA to AA-	AAA
A+ to A-	A1 to A3	A+ to A-	AAA
BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	AA+ to AA-
BB+ to BB-	Ba1 to Ba3	BB+ to BB-	A+ to A-
B+ to B-	B1 to B3	B+ to B-	BBB+ to BBB-
CCC+ and	Caa1 and below	CCC+ and	BB+ and
D	D	D	D

Limitations of the Ratings

- The rating assigned by CariCRIS reflects CariCRIS' current opinion of the creditworthiness of the Rated Instrument and does not constitute an audit of the Company by CariCRIS.

- Ratings are not static and are subject to change over time. The Rating of the NIF bond could change over time as the creditworthiness of the underlying entities change due to external and internal factors. CariCRIS' rating surveillance process and formal annual review of the ratings provides an up-to-date assessment of the creditworthiness of the Rated Instrument.

- A CariCRIS rating is not a recommendation to buy, sell or hold the Rated Instrument.

- CariCRIS' ratings are based on the current information provided to CariCRIS by the Company or obtained by CariCRIS from sources it considers reliable. CariCRIS does not guarantee the completeness or accuracy of the information on which the rating is based.

- CariCRIS relies in good faith on the information, whether written, oral, digital or in any other form, provided by the Company and/or authorised for provision to CariCRIS by a third party for the purpose of the rating assignment.

- Should the final structure and characteristics of the bond change in any material way from that presented to us in the draft prospectus dated 13 June 2018, CariCRIS reserves the right to revise its ratings accordingly.