

Annual Letter to Shareholders

2073/74

JAGUAR INVESTMENTS PVT. LTD.

TO THE SHAREHOLDERS OF JAGUAR INVESTMENTS:

First and foremost, I would like to welcome all our new investors to the Jaguar family. It has been a great year for the company, and I am thankful to all our investors for their trust and support. With the close of this financial year, we have also completed our first official year in business. As per our plans during the previous year, we started the current fiscal year with several new investors from various business backgrounds along with a higher capital base. This provided us with fresh liquidity which helped us grow our business as well as make new strategic investments.

ECONOMIC SCENARIO

Due to the effects of earthquake and trade disruptions, Nepal's economy almost came to a standstill as our GDP grew by a mere 0.01% during fiscal year 2072/73. However, this fiscal year was a complete different story as the economy witnessed a huge rebound in consumer confidence and business growth. As per latest economic data, Nepal's GDP increased by a staggering 6.94% (estimated, MOF) in 2073/74, which beat its previous estimate of 6.5%. Though GDP growth can be largely contributed to good monsoon, reduced power cuts and relatively higher government spending, a major factor for this year's growth can be attributed to the jumpstart in development activities and consumer spending which were suppressed during earthquake and blockade. With resumption in trade and improvement in supply situation, the inflation rate began to decline and hovered around 2.7% at the end of fiscal year.

Halfway into fiscal year 2073/74, the banking sector began to gradually witness liquidity crunch in the market. With huge increase in capital base in BFIs, there was augmented pressure on management at such institutions to maintain high level of profitability. As expected, financial institutions began aggressively lending to unproductive sectors. Due to rapid credit expansion by BFIs along with slowdown in remittances and low capital expenditure by the government, total amount of loanable funds at BFIs began to dwindle. Low deposit mobilization at financial institutions gave rise to unhealthy competition among banks that fought for customer deposits. Within a short period, deposit rates nearly doubled pushing the lending rates even higher.

In November 2016, a sudden decision by the Modi government in India to demonetize IRs. 500 and IRs. 1,000 sent shockwaves in Nepal – especially the Terai region of Nepal. Though Nepali Rupee is the prime currency of the country, the open border in the southern belt has given rise to high number of financial transactions in Terai taking place in Indian currency. Hence, with the demonetization scheme, many people in Nepal feared their stock of Indian currency would have no financial value. The effects of demonetization created a slowdown in trade and business activities for several months.

POLITICAL SCENARIO

Fiscal year 2073/74 once again turned out to be a tumultuous year for politics in Nepal. Coalition governments were formed only to change hands after a short tenure. Soon after the fiscal year began, Prime Minister K. P. Oli had to resign from his position as he lost support from a coalition partner, UCPN Maoist. Political uncertainty was once again back on the table as Nepali Congress and UCPN Maoist parties decided to share the PM post until the results of federal election. As a result, Pushpa Kamal Dahal became the new PM in early August 2016. During the winter season, the political scenario deteriorated and its effects were seen on Nepal's secondary market.

However, one of the highlights of this fiscal year was the successful completion of local level elections after a gap of 20 years. The first phase of local elections was held in 3 provinces during the tenure of Pushpa Kamal Dahal while the second phase took place under leadership of Sher Bahadur Deuba who became the Prime Minister on June 07, 2017. In a bid to appease the dissenting parties in Province 2, a third phase of election was scheduled for September 18, 2017.

STOCK MARKET

Nepse witnessed high volatility throughout fiscal year 2073/74. During the end of fiscal year 2072/73, the secondary market had witnessed significant growth, and this trend continued up to the first 10 days of this fiscal year. As a result, Nepse reached its highest level in history on July 27, 2016 peaking at 1881.45 points with a volume of NPR 2.27 billion. However, as K. P. Oli resigned as PM, the political uncertainty took a toll on the share market, which gradually began trending lower. The markets remained choppy for a few months, and eventually, Nepse saw a steep dive and reached its lowest level of the year at 1252.5 points on February 12, 2017. Gradually, Nepse began recovering from its low level in February and closed at 1582.67 points on July 13, 2017 which was the last trading day of fiscal year 2073/74. Hence, Nepse witnessed an overall decline of 7.89% for the fiscal year.

JAGUAR UPDATE

Our first full year of operation has definitely been an interesting one for us. We made our first strategic investment into a financial media portal www.nepalipaisa.com which has now become a leading financial news website in Nepal. Through Nepali Paisa, we also launched an app for stock market enthusiasts which already has over 20,000 downloads within a short timeframe. Jaguar also conducted several training sessions on the stock market to help promote literacy in the capital market. We also launched a subsidiary, Mayflower Capital and segregated our business divisions. Lastly, we also participated in Enterprise Business Accelerator program in search of new and upcoming business ventures with great future potential.

FINANCIAL PERFORMANCE

The lackluster performance of the stock market had a slight expected effect on our performance as well. However, our stock portfolio was still able to beat Nepse by a small margin. Understanding that a company needs various sources of revenue, we were constantly looking for new ways to diversify our revenue base. Jaguar's earnings per share (EPS) for this fiscal year stood at NPR 10.85 per share.

We are currently focused on building a strong base for the future through innovative ideas, capacity enhancement and building partnerships. I believe our efforts and steps to make a difference in Nepal's capital market will help create a strong brand in the future. We hope to continuously receive your support and guidance in the coming years as well to take Jaguar to a prominent level.

December 15, 2017

Niraj R. Karmacharya

Managing Director