



WHY INVEST IN THE Cayman Islands

A COMPREHENSIVE GUIDE



CLIMATE & WEATHER IN THE CAYMAN ISLANDS

The Cayman Islands enjoy summer like weather all year round. Lying between the latitudes of 19° and 20° North, in the far Western Caribbean, the Cayman Islands are tempered by cooling trade winds.

Temperatures reach highs of 29°C (85°F) to 32°C (90°F) during the summer months of July and August. Relative humidity varies from 68% to 92%.

Temperatures are coolest during February, ranging from 22°C (72°F) to 30°C (86°F) during the day and 17°C (64°F) to 22°C (72°F) at night. The sea temperature ranges from 25°C (78°F) to 27°C (82°F) in the winter months and from 27°C (82°F) to 30°C (86°F) in the summer.



1. Cayman Islands

GENERAL

The Cayman Islands is a British Overseas Territory located in the Western Caribbean. Some key facts about the islands, made up of Grand Cayman, Cayman Brac and Little Cayman, are presented below:

Language:	English
Currency:	KYD (Cayman Islands Dollars) USD also widely accepted
Fixed exchange rate of:	0.82 KYD to USD
Population:	63,129 (2018)
Capital City:	George Town
Area:	122.23 km ²
Location:	Grand Cayman and its sister islands are located Just south of Cuba in the Caribbean Sea approximately 1-hour flight south from Florida, USA (Miami, Fort Lauderdale).
Law:	Combination of common law and statute, heavily based upon the law of UK
Major Industries:	Financial Services, Tourism, Banking, Insurance, Construction and Construction materials



3.2. ECONOMY

3.2.1 Gross Domestic Product (GDP) Real GDP

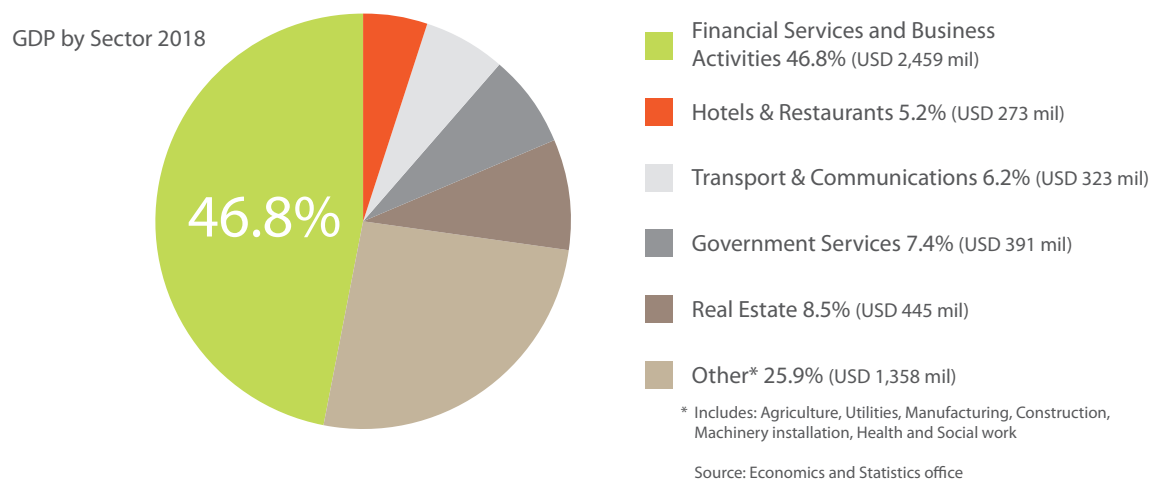
GDP at constant 2015 prices (in USD) is shown below. GDP has grown from \$4.78bn to \$5.25bn from 2015 to 2018. GDP per capita in 2018 is USD \$81,484.



Gross by Sector, 2018

The below figure summarizes the key sectors which have contributed to GDP in 2018. The most significant contribution is from the Financial Services and Business Activities sector.

This sector includes companies operating in Banking, Insurance and Mutual Funds as well as their associated service providers.



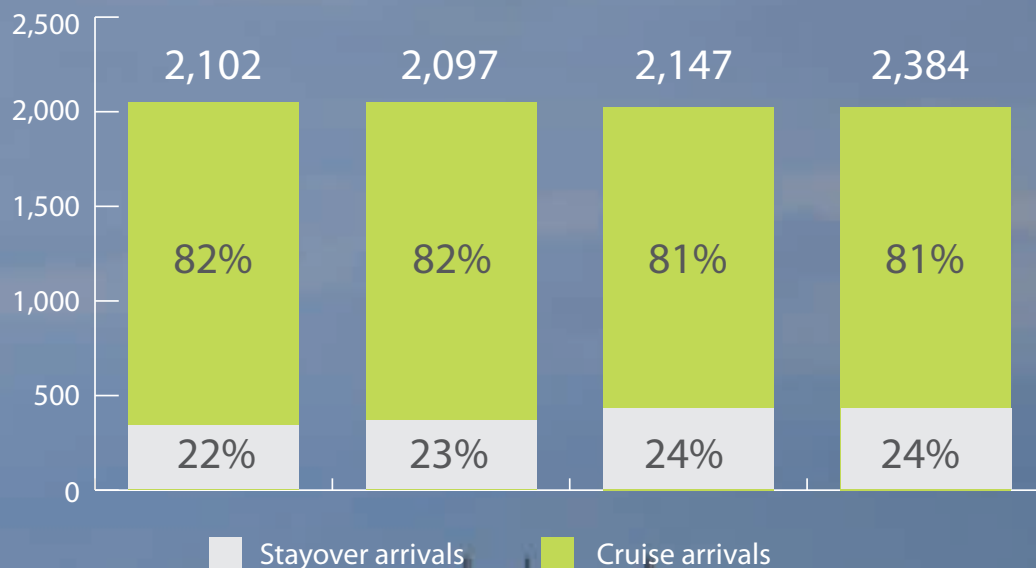
4.3% Growth IN THE TOURISM INDUSTRY



3.2.2 TOURISM

The Cayman Islands' Tourism industry has also benefited from increasing visitor arrivals in recent years. This has been observed in both cruise arrivals and stay-over arrivals contributing to an annualized growth of 4.3% from 2015 to 2018. Cruise arrivals in particular have driven the year-on-year growth from 2017 to 2018, accounting for 193,000 of the 237,000 increase.

Tourist Arrivals (in thousands), 2015-2018



Source: Economics and Statistics office



1.2.3 FINANCIAL SERVICES AND BANKING

The Cayman Islands financial services industry has evolved as one of the world's most important financial centers, helping to ensure the flow of the global economy and providing professional services second-to-none in many aspects of the industry, such as fund management, the formation of private and commercial trusts and captive insurance.

In addition, the Cayman Islands regulatory regime adheres to international regulatory standards, helping the jurisdiction reach the exceptionally high levels of service it does today, required within the global financial services industry. The Cayman Islands Monetary Authority is a member of the International Organization of Securities Commissions (IOSCO) and the Cayman Islands has twice chaired the Caribbean Financial Action Task Force.

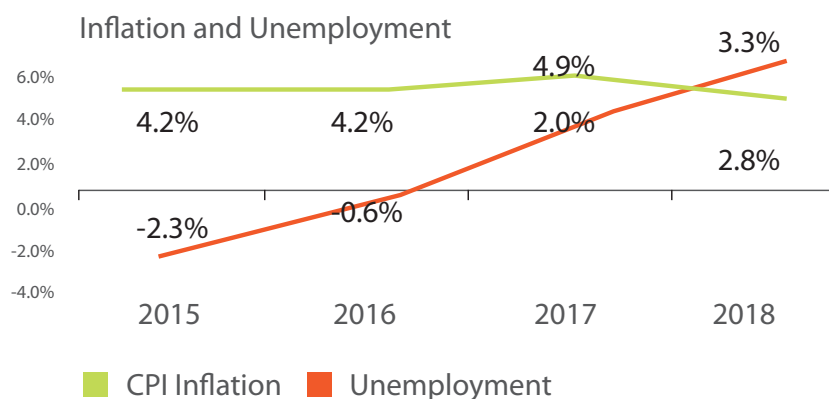
Because of its high standing among the world's top financial services jurisdictions, the Cayman Islands has attracted some of the world's top financial services professionals, including lawyers, accountants, fund administrators, trust, insolvency and insurance professionals, all offering a superlative level of service.

There are hundreds of private banks established in the Cayman Islands and several retail banks. Cayman is the world's most important location for the domicile of mutual funds and hedge investment funds and the second largest domicile for captive insurance companies. There are many service providers on island able to assist with the establishment of a captive insurance company, general company incorporation and the establishment of an investment fund.

1.2.4 INFLATION AND UNEMPLOYMENT

Positive inflation in recent years has been driven by price increases across all categories of consumer goods. These price increases are also driven in part by imported inflation as prices rise in the US during the same period. The US saw CPI inflation of 0.1%, 1.3%, 2.1% and 2.4% for the 2015-2018 period.

The unemployment rate had remained relatively flat over the period 2015-2017, however in 2018 there was a significant decline in unemployment from 4.9% to 2.8%. This was primarily driven by a reduction in unemployed Caymanians from 1,515 to 996 (-34%). The other status groups are Permanent Residents, where unemployment fell from 190 to 188 and Non-Caymanian where unemployment fell from 380 to 108.



Source: Economics and Statistics office, ESO Fall Labor Force Surveys

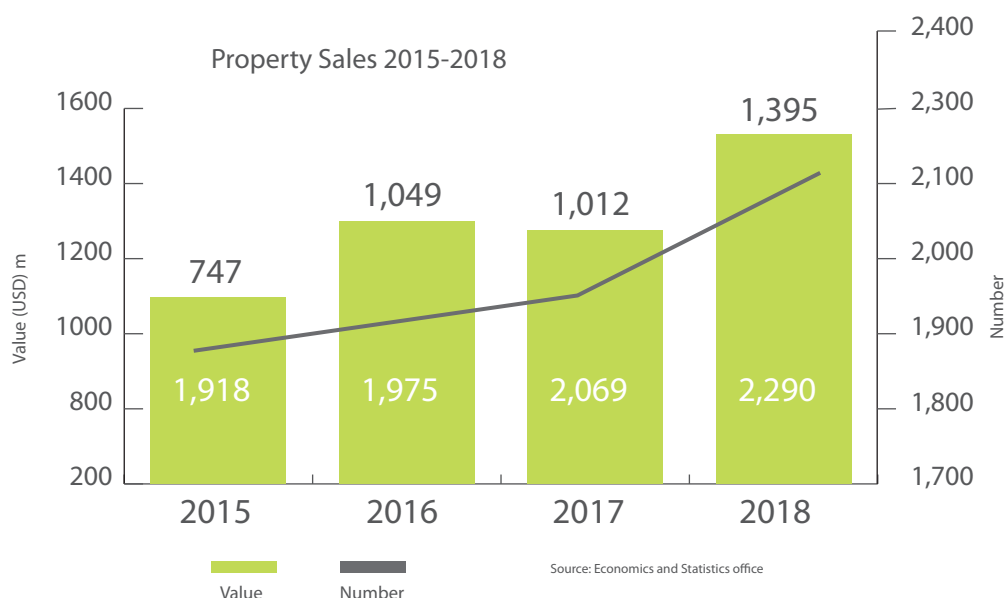
For Sale



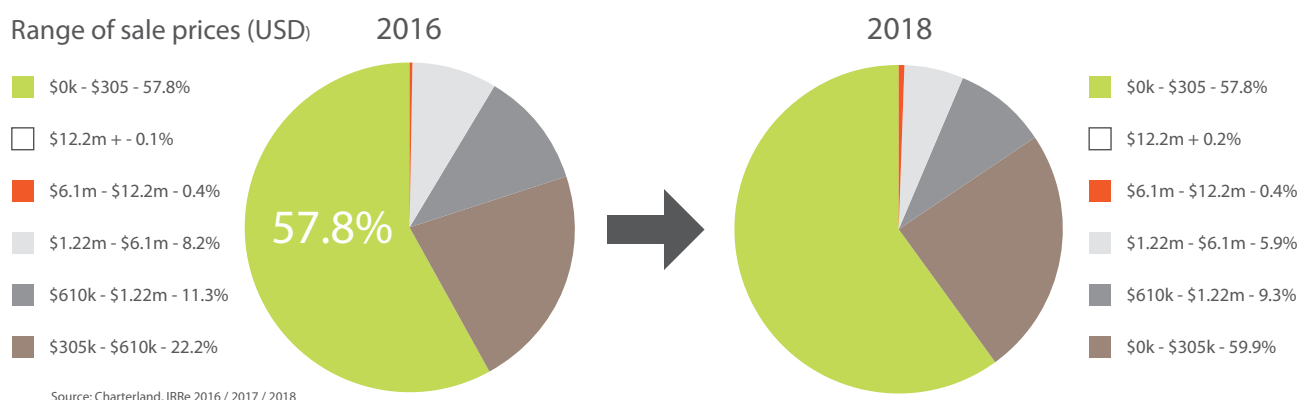
1.3.3 REAL-ESTATE

Overall the Cayman Islands has experienced substantial growth in its property market in recent years, driven largely by a healthy local economy resulting in increased demand as well as a significant number of new developments coming to the market.

The upward trend in the market is reflected in both the number of properties as well as the value of property sales in recent years. In 2018 USD \$1.26bn of property transferred ownership reflecting a near 100 percent increase on value from 2015.



Data also shows the shift in the composition of property sales towards the higher-end of the market. For example, the percentage of properties sold in the USD \$1.22m – USD \$6.1m range has increased from 5.9% in 2016 to 8.2% in 2018. Conversely the percentage of properties in the USD \$0k - 305\$k range has decreased from 59.9% in 2016 to 57.8% in 2018.



The rising sales value of properties has led to an increased appetite from developers for construction projects focused, in particular, on complexes of residential homes and apartment buildings. Between 2015 and 2018 over USD 1.2bn of residential construction projects have been approved.

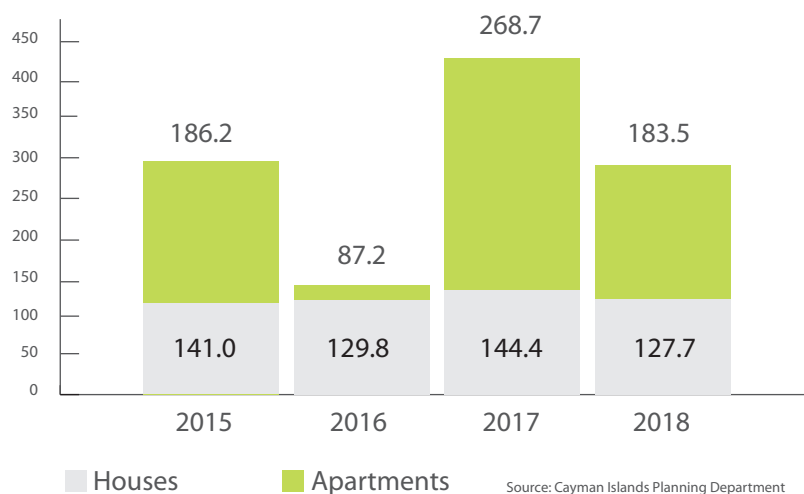
Some of the more notable projects, included in the data below, are Vela (USD 49m), approved in 2015), the Grand Hyatt Hotel and Residences (USD 244m), approved in 2017); Periwinkle in Grand Harbour (USD 73m), approved in 2017), Watermark (USD 216m), approved in 2018) and Olea (USD 46m), approved in 2018).

For Sale



1.3.3 REAL-ESTATE CONTINUED

Residential construction projects approved, USD \$m

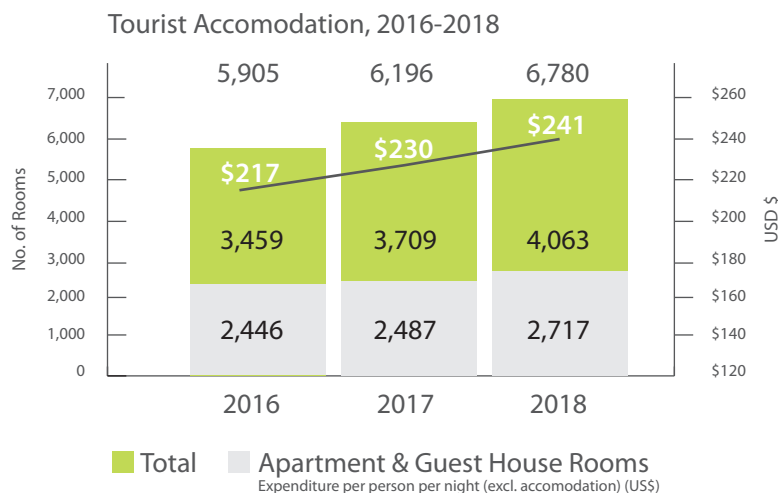


The growth in stay-over tourism, as presented in Section 3.2 has also contributed to the boom in the real estate market. Average length of stay and group size have stayed relatively consistent however the total number of rooms available and average expenditure per person per night have both increased.

This suggests that while prices of property are increasing, so are the short-term rental rates meaning yields remain steady. Data from IRR suggests that capitalization rates¹ in the Cayman rental market have remained steady at approximately 7% in recent years.

TOURIST ACCOMMODATION, 2016-2018

The graph below summarizes the growth in tourist accommodation from 2016 to 2018:



Time Difference:

LONDON - CAYMAN ISLANDS

+ 5hours (April - Oct)

+ 4hours (Nov - Mar)

DUBAI - CAYMAN ISLANDS

+ 9 hours

MIAMI - CAYMAN ISLANDS

- 1 hour



3.4 TAX, LEGAL AND REGULATORY

3.4.1. Taxation

The government's primary source of income is indirect taxation: there is no income tax, capital gains tax, or corporation tax. There are no taxes other than import duties (at varying rates), stamp duty at rates up to 7.5% on transfers of real estate, and stamp duty at rates up to 1.5% on mortgages of USD \$366,000 or higher. Issues of securities, mutual fund shares or units are normally exempt from stamp duty. Few goods are exempt; notable exemptions include books, cameras, gold, and perfume.

The Cayman Brac stamp duty concession stipulates a 100% of stamp duty waiver and 100% import duty waiver for building materials to Cayman Brac and the same is applicable in Little Cayman until December 2020.

Newly established exempt companies receive a tax undertaking from the Cayman Islands government stating that if the law changes negatively and taxes would be imposed, they will not be affected for a period of 25 years.

3.4.2 FOREIGN OWNERSHIP

Restrictions on foreign ownership of land:

- There are no restrictions on foreign ownership of property.
- No annual property taxes
- Stamp Duty on Conveyance or Transfer of immovable property is generally levied at 7.5% of property value.
- Reduced rates of 0% and 2% may apply to first-time Caymanian purchasers of real property under certain conditions.
- Real estate agent commission ranges from 5% to 10%, depending on the property price. It is typically paid by the seller.

Restrictions on foreign ownership of business:

- A local company must have at least sixty per cent of its shares beneficially owned by Caymanians and at least sixty per cent of its directors are Caymanians (the "60/40 Rule"); or
- The company has been granted a license under the Local Companies Control Law (a "LCCL License") and under the TBLL and is carrying on business in accordance with the terms and conditions imposed in such license and not otherwise.
- A company which is not in compliance with the 60/40 Rule, whether a foreign registered company or an ordinary non-resident company (hereinafter referred to as "Foreign Controlled"), may carry on business in the Cayman Islands if it is so empowered by its memorandum of association and:
 - (i) it is licensed under the LCCL and the TBLL and, at the relevant time, is carrying on such business in accordance with the terms and conditions imposed in such license and not otherwise
 - (ii) it is licensed under the Banks & Trust Law or other regulatory laws; or
 - (iii) it is a company operating under a franchise granted by the Government.¹¹



3.6

QUALITY OF LIFE

3.6.1

Health care

Cayman has 3 fully equipped hospitals, 24 healthcare practices with over 100 physicians, over 100 private healthcare facilities (including pharmacies, laboratories, physician clinics and therapy clinics), and numerous private specialists.

In the private sector, three stem cell treatment-focused centres opened, Health City won three awards from America's largest healthcare conference, one of which was for providing high-quality healthcare based on US parameters while still reducing costs.

However, healthcare and medications are costly, so it is essential that you either have a health insurance policy that covers travel if you are visiting, or health insurance coverage if you are a resident. Life expectancy is 82.3 years (79.8 years for males, 84.7 years for females).



3.6.2 INFRASTRUCTURE

Infrastructure

The roads here are smooth, modern and well maintained. The government even undertakes regular road maintenance and widening projects to ensure that transportation around Cayman is safe and easy.

From mobile phone service to broadband internet and satellite TV, Cayman's utilities services are on par with those of the UK, Canada and the United States.

The recent expansion project of the Owen Roberts International Airport in Grand Cayman has tripled the size of airport facilities, allowing the island to accommodate close to 2.5 million passengers and international travelers.

Further project to reinforce and prolong the runway to accommodate larger aircraft is in the works and plans of the local government.

The Cayman Islands has direct flights to and from:

- Miami
- New York
- Fort Lauderdale
- Chicago
- Denver
- Toronto
- La Ceiba, Honduras
- Dallas
- Charlotte
- Houston
- Philadelphia
- Charlotte
- UK - London
- Havana, Cuba
- Montego Bay and Kingston, Jamaica
- Tampa
- Atlanta
- Washington
- Nassau, Bahamas,

3.6.3 Crime

Crime rates are low, but you should take sensible precautions to protect your personal safety and belongings. Take particular care of your passport as this can't be renewed or replaced in the Cayman Islands. Report the theft or loss of your passport immediately to the police (from whom a written report must be obtained).

3.6.4 Registry services

The Cayman Islands is the registry country of choice for many owners and management companies with corporate aircraft ranging from Cessna Citation, Gulfstream, Embraer, Airbus and Boeing Business Jets. Standards are rigid and specifications exact to qualify, but this has led to the register being highly respected and recognized throughout the aviation industry internationally.

The Civil Aviation Authority of the Cayman Islands (CAACI) is the statutory body responsible for aviation regulatory oversight throughout the Cayman Islands and for aircraft registered in the Cayman Islands. The CAACI works in close partnership with a specialized group of legal firms and Cayman Islands Government authorities to ensure that clients have the most comprehensive counsel on every avenue of law, custom law, tax and insurance.

Cayman is an important domicile for the registration of ships and the Maritime Authority of the Cayman Islands (MACI) oversees the administration of registering a vessel.

