

Jamaica, West Indies

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Pan-Jamaican Investment Trust Limited

Review of Annual & First Quarter Results and Sector Outlook

➔ FIRST QUARTER RESULTS

Pan Jamaica's first quarter (as at March 31-09) results were creditable.

- Net Profit attributable to shareholders increased by 49.6%, from J\$272.8 mill (Q1-08) to J\$408.1 mill (Q1-09).
- Basic earnings per share (EPS) increased by 49.7%, from J\$1.59 to J\$2.38.
- Operating Income increased by J\$101 million (26.7%) driven by FX gains and interest and dividend income. The J\$ depreciated by 10.38% against the US\$ between Dec-31 & Mar-31. An investment trading loss of J\$10.5 million was recorded, offsetting the FX gains.
- Operating Expenses increased by 4.4% above last year's level aided by a reduction in electricity costs and a 8.1% increase in administrative expenses—which was below inflation.

➔ FIRST JAMAICA INVESTMENTS—continues to perform well

First Jamaica, via its wholly owned subsidiary Jamaica Property Company, enjoyed occupancy levels exceeding 98% in the first quarter. The company's contribution to group operating profit of J\$146.4 million represents an increase of 32.9% (compared to Q1-08). The investment management segment contributed J\$140.2 million to group operating profit, an increase of J\$37.7 million due primarily to exchange gains on US-dollar investments. On the negative side the value of the company's available for sale portfolio declined by J\$59.8 million due to declines in equities and fixed income assets.

➔ SAGICOR LIFE JAMAICA LIMITED—continues to perform well

SLJ benefited from an unusual decrease in insurance and annuity liabilities (J\$585 million) due to the prevalence of high interest rates locally. This led to a 90% increase in net profits (to J\$1.443 bill); without this item SLJ would have reported a more modest increase of 14% in net profits.

➔ HARDWARE & LUMBER—the “weak link”

Hardware and Lumber continued to be the “weak link” with losses of J\$113 million compared to profits J\$22 million in Q1-08. Decreased revenue in the wholesale and retail segments and high US-dollar debt and expense due to the depreciation of the dollar (financing cost) continued to hurt the business. Pan Jamaica noted that they “remain deeply concerned about the outlook for this business and have recorded an impairment loss this quarter to reduce our carrying value to the current trading level of \$5 per share.”

➔ ANNUAL RESULTS

- The group's net profit attributable to equity holders increased by 15%, from J\$991 million in 2007 to J\$1.142 billion in 2008.
- Basic earnings per stock unit increased by 15.2%, from J\$5.79 in 2007 to J\$6.67 in 2008.
- Book value per stock unit came in at J\$43.38, up % 4.7% compared to J\$41.42 in 2007.
- Price/Earnings Ratio (P/E) ➔ 5.1.
- Dividends Per Stock Unit came in at J\$1.00, down from J\$4.711 in 2007. However, the relatively high 2007 figure was due to a special dividend payment of approx. J\$3.75 per stock unit. Ordinary dividends are actually up by approx. 25%.
- ROE was 15.7% in 2008, up from 14.1% in 2007.

Source: JSE, JMMBIR, PIOJ, Company Annual Report

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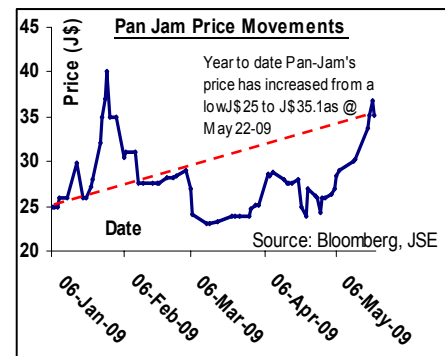
Key First Quarter Ratios

First Quarter P/E	10.39
Earnings Per Share (EPS)	J\$2.38
Return on Equity (ROE)	5.75%
Price/Book Value per stock unit	55.23%

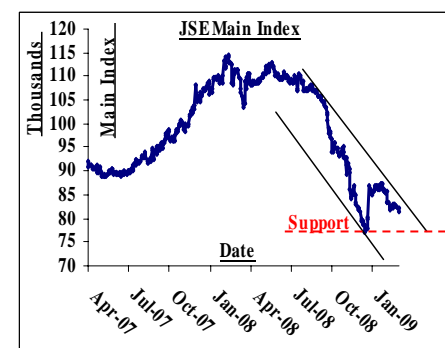
Company Profile

Pan-Jamaican Investment Trust Limited has several subsidiaries and associated companies. Through its subsidiaries, its activities are investment and property management services, and through its associated companies, Sagikor Life Jamaica Limited, life and health insurance and pension management and Hardware and Lumber Limited, trading.

Pan Jam Price Movements



JSE Main Index





→ Performance of Subsidiaries

→ FIRST JAMAICA INVESTMENTS LIMITED—Creditable Performance

The company performed creditably; profit attributable to shareholders ended 2008 at J\$1.66 billion, up 24% (J\$1.33 billion: 2007). Earnings per stock unit increased 24%, from J\$4.45 to J\$5.51. Overall occupancy levels of properties averaged 98% for 2008 while property income increased 17% (J\$164 million) to J\$1.126 billion. The increase in property income was more than enough to offset higher operating costs which increased by 18% due to inflation and higher property operating costs (utilities and maintenance).

The property segment's contribution to group operating profit increased by 22% to J\$537 million from J\$436 million. This includes revaluation gains of J\$338 million.

On the investment side, investment income increased by J\$95 million (34%) while the investment management segment posted operating profit of J\$276 million, a decrease of J\$19 million (J\$295 in 2007). Last year the company recorded a one off gain of J\$60 million while this year there was an unrealized loss of J\$81 million due to the global crisis (local and international securities—for more details see Equity Market-Call-May-8-09).

→ Performance of Associated Companies

→ SAGICOR LIFE JAMAICA LIMITED—Eight Consecutive Years of Record Results

Through First Jamaica's 25% shareholding in Sagicor Life Jamaica (SLJ), Pan Jamaica has exposure to insurance and banking. SLJ posted record results for the eighth consecutive year in 2008. Through the launch of its single premium annuity products and the acquisition of Blue Cross Jamaica, Sagicor grew its revenues by 67% to J\$28.259 billion.

Net Profit attributable to shareholders increased by 33% (to J\$3.928 billion) representing a 25% return on equity while basic earnings per stock unit increased by 33% to J\$1.05 (from J\$0.79 in 2007).

→ HARDWARE & LUMBER LIMITED—Poor Performance

The global recession and consequent downturn in economic activity resulted in poor results for Hardware and Lumber (H&L). According to official data from the PIOJ, the construction industry declined by 5.5%. Reduced building construction (both residential and non-residential), reduced construction at air and sea ports, slowdown in highway construction and lower levels of expenditure for repairs to roads and bridges post Tropical Storm Gustav in August compared to higher levels of construction post Hurricane Dean, accounted for the downturn in the sector. Combined with the depreciation of the J\$ versus the US (13.95%-calendar year) which negatively affected the company's financing cost—it should be no surprise that H&L performed poorly.

H&L reported a net loss of J\$286 million for 2008 compared to a net profit of J\$130 million in 2007. Pan Jamaica's share of the loss was J\$59 million (20.6%). Pan Jamaica also recorded an impairment loss of J\$58 million in 2008—putting total losses due to H&L at J\$117 million.

→ Historical Performance

ROE versus Inflation Over the last ten years the company's average return on equity (ROE) has consistently outperformed inflation. On average the company has outperformed inflation by 16.8 percentage points over the review period.

Source: JSE, JMMBIR, PIOJ, Company Annual Report

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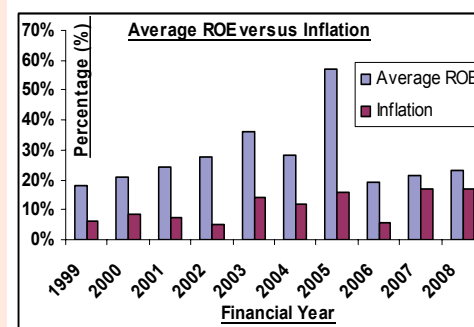
Price Movements & Key Ratios

Price Movements

Price at May 26 2009 (J\$)	35.50
Price at year end (J\$)	24.98
52-week range (J\$)	55.99-33.67

Key Year End Ratios

Year End P/E Ratio	3.7
Earning Per Share-EPS (J\$)	6.67
Dividend Payout Ratio	15.2%
Return on Average Equity	15.7%
Price / Book Value per stock unit	57.6%





Dividend Payout Percentage Gives the percentage of earnings per share actually paid out to shareholders; Pan Jamaica has an average payout of 12.89% (excluding the large special dividend payout in 2007).

P/E Ratio The Company's average P/E ratio is 6.4 over the last ten years. If we assume that the P/E ratio should revert to its long run mean then the stocks year end value indicates that it was severely under-priced (3.7). This is no surprise given the current local and international climate.

→ OUTLOOK

Pan Jam's subsidiaries and associated companies cover three main sectors, (I) Real Estate Renting and Business Activities, (II) Finance and Insurance Services and (III) Construction. Through First Jamaica (Sagikor Life Jamaica—SLJ, Pan Caribbean Financial Services—PCFS, Jamaica Property etc.) there is exposure to real estate renting and business activities (property value, rental income, occupancy levels etc.) and Finance and Insurance services (global bonds, stocks, local bonds, overseas investments etc.). Through Hardware and Lumber there is exposure to construction.

The first two sectors have come under pressure in recent times since the sub-prime driven global financial crisis. The "pain" was felt mainly through depressed GOJ global bond prices, depressed local equities and losses from exposure to overseas investments. On the positive side, currency volatility and rising local interest rates helped to offset losses.

However, we like the first two sectors that Pan Jam is exposed to because these sectors tend to outperform the rest of the Jamaican economy. Since 2003 (using STATIN's revised GDP numbers) the Real Estate, Renting and Business Activities sector has grown by an average of 2.1% while Financial and Insurance services has grown by an average of 2.8% compared to the Jamaican economy which has grown by an average of 2.0%. For 2008, the Real Estate, Renting and Business Activities sector grew by 0.9% and the Finance and Insurance Services sector grew by 1.5%; the Jamaican economy overall, declined by 0.6%.

Going forward, the PIOJ has projected that the Jamaican economy will decline by between 2.5 and 3.5 per cent. We are of the opinion that Real Estate Renting and Business Services may decline but could maintain its relatively stronger performance compared to the rest of the economy. As a basis we use the fact that land does not depreciate on balance sheets and persons and business still have to occupy space (via rental), we believe that some business will close & some will negotiate lower rent but others should weather the storm.

The PIOJ is projecting that the Finance and Insurance Services sector will grow in 2009, albeit at a slower pace than in 2008. Their projection is based on increased fees and commission due to increased utilization of financial services and improvements in insurance industry and funds under management. In our opinion relatively low cost funds from the DBJ for real sector projects and funding from the multilateral agencies (approx. US\$886.5 million—best case scenario) combined with the recent recovery of GOJ global (and emerging market) bonds plus the view that local interest rates are "sticky" downwards—should help to boost the performance of the sector.

- Our outlook seems to be on track based on the latest estimates from the PIOJ for the first quarter of 2009. The overall economy declined by 2.8%, while the Finance and Insurance sector grew by 0.2% and the Real Estate Renting & Business Services sector declined by only 0.2%.

The Construction Sector to which Pan Jam is exposed via H&L, is a bit more challenging. The sector is projected to decline (PIOJ) due to reduced FDI and tight credit conditions (high local interest rates). H&L will also be challenged given the possibility of further currency volatility due to projected Balance of Payments and consequent NIR pressures—which affects their cost of funding/financing costs. For the first quarter (09) the sector is estimated to have declined by 7%.

- **Conclusion →** For the rest of the year H&L should continue to be a drag on Pan Jams price, however the real estate and financial services section should continue to do relatively well given the circumstances. Pan Jam should begin to regain most of its value once the global recession shows clear signs of abating and the construction sector's outlook improves.

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