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JMMB's Portfolio Management Services CLIENT PORTFOLIO RECOMMENDATIONS

GLOBAL REVIEW AND OUTLOOK

- Economic activity in China may have dialed back a notch this month as the outlook dimmed slightly, according to the earliest indicators. Reports show confidence among smaller firms, expectations of financial market experts, and manufacturing activity all moderated in December. Sentiment among steel industry participants remained at low levels, while that of sales managers showed improvement.
- Consumer confidence declined in December on weaker expectations, according to a report Wednesday from the New York-based Conference Board. The group's index decreased to 122.1, from a revised 128.6 in the prior month that was the highest in 17 years. The median forecast in a Bloomberg survey of economists called for a December reading of 128.
- President Trump's Tax Overhaul May 'Punish' Foreign Banks With U.S. Units. A provision in the new tax law, intended to prevent American companies from shifting profits abroad to benefit from a lower overseas rate, might also hit the largest foreign banks with significant U.S. operations.

LOCAL REVIEW AND OUTLOOK

- Jamaica macroeconomic fundamentals remain positive. The Government of Jamaica (GOJ) is on track with the fiscal programme for FY 2017/18 and all the major macroeconomic variables have shown stability over the review period. External conditions are fairly balanced and modest growth continues apace in Canada and the USA, which are the two of the main source economies for tourism and remittance flows. The expectation is that growth in these economies will remain buoyant through to 2018. There are no new developments in the energy markets at this time. A supply gap still exist which is not expected to close in the short-run. Consequent on this and continued buoyant energy output in North America, hydrocarbon prices are expected to remain relatively stable over said time horizon with the risk weighted towards modest increases over the medium-term.
- Preliminary estimates indicate that real Gross Domestic Product (GDP) growth for the July to September 2017 quarter was 0.9% when compared to the similar period in 2016. This followed economic contraction in the second

quarter arising in part from flood rains during the period. The Goods Producing industry was projected to have grown by 0.1% while the Services Industry was estimated to have grown by 1.1%, with the largest growth coming from Hotels & Restaurants; Electricity & Water Supply; Finance & Insurance Services and Transport, Storage & Communication.

- The month-on-month (m/m) inflation rate in October was 0.4% compare to 0.7% in September and 0.2% for the similar period in 2016. Price movements during the month were impacted mainly by a 1.7% increase in prices in the division 'Housing, Water, Electricity, Gas and Other Fuels'. Within the division, there was prices rose by 2.2% in the group 'Electricity, Gas and Other Fuels' and 2.7% for the group Water, Supply and Miscellaneous Services Related to the Dwelling' due to higher water and sewage rates.
- At end-October the domestic currency traded at an exchange rate of \$J130.8/US\$1 which represented a decline in value of 1.8% relative to August. The fall in the value of the local currency reversed a cumulative three months gain of 1.2% during the period June-August. Notwithstanding the precipitous fall in value of the local currency during the month, the 12-month depreciation rate was 2%.

REGIONAL REVIEW AND OUTLOOK

- Despite Trinidad and Tobago's twin deficit (current account and fiscal) and dwindling reserves, the domestic currency remains stable relative to the US dollar in the foreign exchange market as the GOTT is steadfast in maintaining the optics of a stable economy despite trending macroeconomic variables to the contrary.
- The sovereign has been facing economic challenges culminating with the fallout in hydrocarbon prices and declining output from maturing oil fields. In addition to that subdued economic growth in some Caribbean territories, particular Barbados has led to low export growth in Non-petroleum output. There is a ray of optimism that real economic growth will increase to around 2% per annum over the medium-term while unemployment is expected to rise marginally over the similar period.

Market Pulse

INDEX/ITEM	LEVEL/PRICE	TREND
JSE Main	288,381.97	
JSE JNR	2,732.06	
ALL TTSE	1,728.75	
S&P 500	2,682.53	
BOJ 90 DAY T-BILL	4.18%	
T&T REPO RATE	4.75%	
T&T DEBT/GDP	61.10%	
GOJ DEBT/GDP	117%	
US\$:T&T\$	\$6.76	
US\$:J\$	\$124.58	
OIL (PER BARREL)	US\$60.35	
GOLD (PER OUNCE)	US\$1,303.30	

The 4th quarter of the 2017 calendar year saw four (4) companies coming to the market, Fosrich Company Limited, Gwest Centre, Wisynco Group Limited and Vm Wealth Management Limited. All four IPOs were oversubscribed with Wisynco closing with record subscriptions which was reported to be in excess of J\$17 billion well over the J\$6.1 the company was looking to raise. This is an indication of the level of liquidity in the market and investors' appetite for equities. Both Fosrich and Gwest are junior market listings with Gwest becoming the 34th company to list on the junior and in the 1st Quarter in 2018 it is expected that at least one more company will come to market. Since its inception and to date the junior market has been well supported by both investors and companies looking to come to market. . IPOs provide another avenue for investors as they are able to benefit any potential upside to the company going public. By going public companies are able to expand their operations with the proceeds from the IPO and they are subject to greater levels of scrutiny from analysts and investors. The increased scrutiny help to align the strategic direction of the company to that of its shareholders hence providing some protection of shareholders value. For junior market IPOs the size of these offers tend to be small which often result in the offers being oversubscribed and investors end up with only a fraction of the desired exposure. Notwithstanding, IPOs still remain a great avenue for investors to gain exposure to equities. While IPOs have the potential to provide positive returns for investors, as a caution, each IPO should be evaluated to decipher whether or not the company will be suitable for your portfolio.

For the year 2018 the main index grew by 46.53% while the junior market grew by 6.36% while the combined index grew by 41.13%. It is important to note that low trading volumes, while a norm for the summer period, has been the pretty much the order of the day for most of the financial year. So investors should be cautious when looking at market performance as these results are not substantiated with significant trading volumes as this could be a signal that institutional appetite is weakening and there may be a pullback soon after.

Investors who have built out equity portfolios over time might want to use this as an opportunity to review those portfolios. Where there are significant gain, now may prove to be an opportune time to take some gains and rebalance into other suitable assets that meet their portfolio needs.

In building out and managing an equity portfolio it is important to look at companies that have a diversified business model and/or provide consistent cash flows and also look for the presence of significant cross ownerships. As the market consolidates we expect established companies to continue to do well and IPOs to bolster the market. Therefore, these stocks could be considered as candidates for addition to investors' portfolios. Another option for equity investment of course is the Income and Growth Unit Trust as it is mainly equity based and is actively managed and rebalanced.

Lasco Financial Services (LASF) - \$4.72

- Diversified business model
- Earns Foreign currency through its cambio and remittance services thus providing a hedge for currency devaluation

Carreras (CAR) - \$11.38

- Market leader in the distribution of tobacco related products in Jamaica
- Led by a qualified team of professionals
- Excellent dividend policy and dividend yield relative to current fixed income rates

VM Investment (VMIL) - \$2.45

- Member company of a well-known group
- Seeking to expand its operations regionally
- New line of business such as SME lending; margin and insurance financing etc.

Wisynco Group Limited - \$9.90

- Long history in manufacturing and distribution which has led to the company's strong brand equity today
- Exclusive manufacturer and distributor of household consumer product brands.
- Strong management with expertise in manufacturing & distribution, as evidenced by the positive response to the fire of 2016 and minimal impact on operating performance

tTech Limited (TTECH) - \$6.89

- Increasing profit margins
- Strong position in a growing market
- Good dividend policy and dividend yield relative to current fixed income rates

Major Market Updates

- NCB Financial Group (NCBFG) has advised that the acquisition of a 50.1% majority stake in Clarien Group Limited, owner of Clarien Bank Limited based in Hamilton, Bermuda, has been completed.
- Grace Kennedy Limited (GK) has advised that on December 11, 2017, the Privy Council handed down its judgment on the matter of the claim "Paymaster v Grace Kennedy Remittance Services Limited & Paul Lowe", and unanimously allowed GK's appeal and dismissed Paymaster's counter appeal. The Privy Council ruled that Paymaster did not own the copyright in the software.

UNIT TRUST INVESTMENT OPPORTUNITIES FOR PORTFOLIOS

We continue to encourage our clients to look at, and execute upon the opportunities that are available to them by way of our Unit Trust offerings. We recently added four new options to the existing suite of three. As such, we now have as part of our product offering eight (8) Unit Trust investment vehicles that will provide our clients with immediate diversification and expert management by JMMB Fund Managers of their investment dollar. The funds have varying degrees of suitability for different risk profiles, time horizon and investment objectives that clients may have. Please see details of pricing and returns on each fund below

FUND	PRIMARY COMPOSITION	SELLING PRICE	YTD RETURN	12 MONTH GROWTH
Giltedge	Fixed Income	\$20.05	4.67%	4.67%
Income and Growth	Equity	\$15.79	21.67%	23.72%
Optimum Capital	Real Estate	\$28.53	11.98%	13.35%
JMD Bond Fund	Fixed income	\$11.5509	5.42%	5.55%
JMD Real Value Fund	Mutual Funds	\$11.3096	3.39%	3.43%
JMD Income Distribution	Fixed Income	\$10.1406	3.30%	4.82%
USD Income Distribution	Fixed Income	\$1.0289	5.70%	5.94%
USD Giltedge Money Market Fund	Fixed Income	\$1.0096	N/A	N/A

GILTEDGE FUND

The Giltedge Fund pursues a conservative investment strategy and is comprised of a diversified range of high grade income bearing securities which is expertly managed to provide excellent risk adjusted returns for investors.

INCOME AND GROWTH FUND

The Income and Growth Fund represents a very seamless and efficient way for clients with interest in the stock market. Given its very diversified nature across individual equities, the Income and Growth Fund is the perfect vehicle for clients to get efficient equities exposure and diversification while getting professional and active management

OPTIMUM CAPITAL FUND (REAL ESTATE)

The Optimum Capital Fund is a truly diversified fund which comprises of all major asset classes including cash, bonds, equities and real estate. The Fund is designed to offer investors protection against long-term inflation impact on their portfolios, while giving clients the added dimension of achieving true portfolio diversification with minimal effort on their part.

JMD BOND FUND

The JMMB JMD Bond Fund is positioned as a medium to long-term investment solution to clients desirous of having stable and consistent returns. The portfolio consists of Government of Jamaica sovereign instruments and blue chip corporate debt instruments and is managed to provide clients with consistent price appreciation over time. This fund is ideal for the moderate investor whose focus is capital appreciation.

JMD REAL VALUE FUND

The JMMB Real Value Fund is invested primarily in other USD Collective Investment Schemes and is ideal for clients wanting exposure to USD securities/assets but have JMD to invest. The investment manager will therefore have the opportunity to choose from a range of CIS, balancing risk and return objectives. As a balanced asset investment solution, the asset structure gives the fund the added dimension of clients achieving portfolio diversification with minimal effort on their part. The fund is positioned as a medium to long-term investment solution for the moderate investor seeking investment returns in line with inflation.

JMD INCOME DISTRIBUTION FUND

The JMMB Income Distribution Fund consists of sovereign and corporate debt securities and is managed to provide relative stability in the NAVPU. It is ideal for clients with need for periodic cash flows and the fund price should reflect relative stability over time. It is suitable for the moderate investor with an investment horizon of greater than three months

USD INCOME DISTRIBUTION FUND

The USD Income Distribution Fund consists of USD sovereign and corporate debt securities and is managed to provide relative stability in the NAVPU. The fund offers clients the chance to invest in USD and is ideal for clients with need for periodic cash flows. Funds structured to provide consistent medium to long term growth (gross return) and should reflect relative stability over time and therefore would be ideal for clients concerned about price volatility. The fund offers a diversified range of USD securities and other high grade assets. The fund is ideal for the moderate investor with an investment horizon of greater than three months. Now is an opportune time for clients across all risk profiles, portfolio size and objectives to review their overall holdings and seek to utilize the Unit Trust vehicles outlined above to position their portfolios for exceptional performance moving forward.

USD GILTEDGE MONEY MARKET FUND

The JMMB USD Giltedge Money Market Fund is positioned as a short to medium term investment solution; ideal for the conservative investor whose focus is liquidity and capital preservation. This Portfolio largely consist of diversified range of short to medium term high grade corporate bonds, preference shares and sovereign bonds from Caricom, Canada, Europe and the USA and will be positioned as a conservative investment solution. This fund is ideal for all portfolios given its focus on liquidity and capital preservation

FIXED INCOME INVESTMENT STRATEGY

On November 2, 2017, US President Donald Trump announced that Mr Jerome Powell will replace Janet Yellen as the chairman of the US Federal Reserve at the end of her tenure. This move was widely expected and is unlikely to disturb the global markets. The move follows an extended period of speculation over who would be named to head the central bank, whose aggressive policies have been considered crucial to a climate of low interest rates, surging job creation and booming asset prices. In its last meeting for 2017, the Federal Reserve increased its fed funds rate by 0.25%, this is the 3rd increase for 2017. When the Fed increases the federal funds rate, it does not directly affect the stock market itself. The only truly direct effect is that it becomes more expensive for banks to borrow money from the Fed but increases in the federal funds rate have a ripple effect. Because it costs them more to borrow money, financial institutions often increase the rates that they charge their customers to borrow money (loan rates). Interest rates also affect bond prices and the return on both CDs and T-bonds and T-bills. There is an inverse relationship between bond prices and interest rates, meaning that as interest rates rise, bond prices fall, and as interest rates fall, bond prices rise. The longer the maturity of the bond, the more it will fluctuate in relation to interest rates.

Venezuela and its state run oil company Petroleos de Venezuela (PDVSA) remain under pressure as they have been struggling to make outstanding bond payments, forcing them deeper into default territory. While Venezuelan principals continue to reiterate that they are still servicing their debts, payments are coming through late if any at all. The International Swaps and Derivatives Association (ISDA) committee already declared a failure to pay, but most investors seem content to for the money to come in slowly, rather than trying to accelerate the debt and force a restructuring that is likely to be horribly complex. GOJ Global bonds continue to trade on moderate activity as the international markets slow down for the holiday season.

We continue to emphasize the importance of portfolio diversification as managing your exposure to any asset will control the impact that asset can have on your overall portfolio. Seeking exposure on the short end of the yield curve and building out laddered portfolio is the prescribed strategy for fixed income securities as we expect sustained levels of volatility throughout the Emerging Markets.

Outside of purchasing the assets outright, investors are also able to gain exposure to a diversified global bond through a professionally managed fund. The JMMB Fund Managers (JMMBFM) USD Income Distribution Fund is on such option that gives investors access to diversified portfolios that are expertly managed with the intention of returning great value.

As always, decisions surrounding the creation and management of your portfolio should be within the context of what is appropriate given your client's risk and return objectives.

Bond	Coupon Rate	Indicative Price	Indicative yield	Recommendation
Petroleum Company of Trinidad and Tobago 2019	9.75%	\$108.50	4.41%	HOLD/MARKET WEIGHT
Sagicor Finance Ltd 2022	8.875%	\$116.00	4.98%	HOLD/MARKET WEIGHT
Govt. of Trinidad 2024	4.375%	\$104.00	3.64%	BUY
Grupo Unicomer 2024	7.875%	\$110.00	5.95%	BUY/OVERWEIGHT
Govt. of Dominican Republic 2024	5.875%	\$108.50	4.33%	BUY
Nat Road Operating & Constructing Co. (NROCC) 2024	9.375%	\$127.00	4.73%	BUY
Govt. of Jamaica 2025	7.625%	\$121.25	4.26%	BUY
Air Jamaica 2027	8.125%	\$111.00	5.47%	BUY
Govt. of Jamaica 2028	6.625%	\$115.50	4.83%	BUY

Prices and yields are extremely indicative and are subject to change without notice

As always, we recommend that clients take the portfolio approach to investing. This is where they seek to build a portfolio that takes the appropriate exposure to the different asset classes in a way that is consistent with their risk profile, time horizon and objectives. Currently, our recommendation for client portfolios is that cumulative exposure to global bonds issued outside of GOJ and the region should be no more than 10% of one's overall portfolio with an additional limit of 5% to a specific country. We continue to conduct reviews of our capital market expectations and Strategic Asset Allocation for clients' portfolios and will update such guidelines and recommendations where applicable.

Discretionary portfolio management is a form of investment management service in which buy and sell decisions are made by a portfolio manager on behalf of client. This service is beneficial to clients because it frees them from the burden of making day-to-day investment decision which can be better made by a qualified portfolio manager who is attuned to the idiosyncrasies of the market. Delegating the investing process to a competent portfolio manager leaves the client free to focus on other things that matter to him or her. Discretionary investment management may also ensure that the client has access to better investment opportunities through the portfolio manager as it aligns the investment manager's interest with that of the client. The client may also receive better prices for executed trades, as the portfolio manager can put through a single buy or sell order for multiple clients.

At JMMB we offer two (2) categories of discretionary portfolio management, Plan 1 and Plan 2:

Plan 1

Designed primarily for clients who want JMMB to manage their goal achievement to a targeted return, in keeping with goal objectives. This management is executed by JMMB after initial IPS is agreed, so there is no consultation on transaction execution. These individuals tend to have investment objectives along the lines of wealth maximization, retirement, wealth protection, income generation among others and the investment approach will include the outright purchase of bonds and stock (regional and international) with portfolio allocations specific to their risk tolerance and return requirement.

Plan 2

Designed for all JMMB clients (could include HNW) who choose to buy packaged portfolio solutions that will be managed by JMMB. Customized solutions (which include individual products) cannot be selected under this option. After consultation the client has chosen to allow JMMB to manage goal achievement to a targeted return in keeping with investment objectives. Client receives a simple goal plan and makes a commitment to set savings amounts and frequency. Education, house purchase, short term goals, retirement among others are the primary goals for these clients. The investment approach consists of the purchase of a portfolio of CIS and Money market accounts managed by JMMB with allocation in the various accounts determined by the risk and returns objectives associated with the clients.

JMMB RATING SYSTEM GUIDE

Buy Recommendation

The security is attractively priced relative to the broader market, and based on fundamental assessment; we believe the risks related to that security not achieving projected price targets and are minimal.

Buy for Income Only

Based on fundamental assessments, we believe the security may be fairly valued at current prices, and as such additional capital appreciation may not be likely at least in the short to medium term. However, we believe investors could benefit from consistent dividend payments moving forward.

Hold

We believe the security is fairly valued at current prices and no significant deviation in price is anticipated except where there is the release or discovery of new and material information. Investor action could include taking gains and realigning portfolio to other securities.

Speculative Buy

The security is attractively priced relative to its fundamental and intrinsic value. However, overarching risk factors could cause significant volatility in the price of the asset in the short to medium term and further result in the security not achieving its projected price targets. This asset is more suited to clients with a very high tolerance for risk.

Underweight

We believe the security is fairly valued at current prices or its intrinsic value has been exceeded. There could also be risk factors on the horizon that could result in significant price movement to the downside. As a consequence, the recommended course of action is to reduce current portfolio allocation below the Strategic Asset Allocation guidelines by selling down the asset and realigning the portfolio to other securities. For investors who do not currently own the asset, it may be a risky proposition to take exposure at the current price levels as better entry points may be possible in the short to medium term.

Overweight

The security is attractively priced relative to its intrinsic value and the probability of above average growth in the short to medium is extremely strong. As such, investors' interest could be best served by taking a larger than initially projected exposure relative to the portfolio's Strategic Asset Allocation guidelines to take advantage of this highly probable price movement to the upside.

Neutral

We neither have a bullish nor bearish opinion on the asset at this time. However, the discovery of material information or new developments could result in a change in our recommendation on the security.

Sell Recommendation

The security's intrinsic or fundamental value has been exceeded and as such, investors' interests may be best served exiting that particular investment and realigning their portfolios to other securities recommended as buys.

PORTFOLIO MANAGEMENT BASICS

Investment Policy Statement (IPS)

A document that captures information about a respective portfolio's strategic asset allocation, objectives, risk tolerance, time horizon, and details including frequency of portfolio reviews.

Strategic Asset Allocation

A "base policy mix" that is established based on expected returns, client's objectives, risk tolerance, and time horizon. Because the value of assets can change given market conditions, the portfolio constantly needs to be re-adjusted to meet the policy.

Tactical Asset Allocation

A variation from a portfolio's strategic asset allocation weights in order to take advantage of short term market opportunities.

Portfolio Rebalancing

The process that involves constantly adjusting the portfolio to meet its strategic asset allocation.

Conservative Portfolio

Portfolios that either have short investment time horizons or have principal perseverance and income generation as the major objectives. These portfolios generally cannot tolerate swings in their value greater than 10%.

Moderate Portfolio

Portfolios that have medium to long term investment time horizons and typically have income and growth, or long term capital growth as the major objectives.

Aggressive Portfolio

Portfolios that have long term time horizons and have the ability and willingness to take on additional risk in order to make above average returns. These portfolios may utilize margin/leverage from time in an effort to increase returns.

Yield Pick Up

This is the additional interest rate an investor receives when selling a lower-yielding bond in exchange for a higher-yielding bond.

Amortizing Bond

A bond that makes payments of both interest and principal at specific intervals until final maturity.

Bullet Payment or Plain Vanilla Bond

A bond that pays interest at periodic intervals and repays principal in a single payment at maturity.

Exchange Traded Funds (ETFs)

A special type of fund that allows efficient diversification by investing in a portfolio of stocks or bonds and which is designed to mimic the performance of a specific index.

Margin

The use of leverage or borrowed funds utilizing securities held in a portfolio as collateral. The intent is to increase the overall returns of the portfolio. However, this can be a very risky undertaking especially in times of extreme volatility.

INVESTMENT STRATEGIES

Capital Preservation

A conservative investment strategy where the main objective is to protect the real value of a portfolio's principal.

Current Income

A conservative investment strategy where a portfolio's main objective is providing current and consistent income generation.

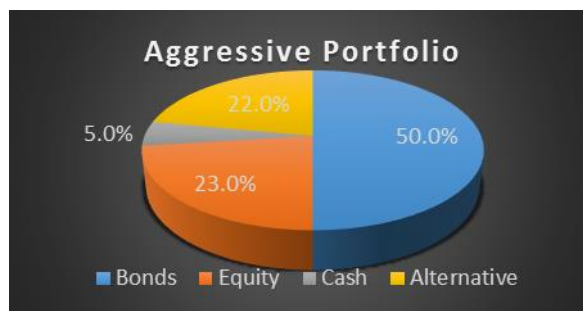
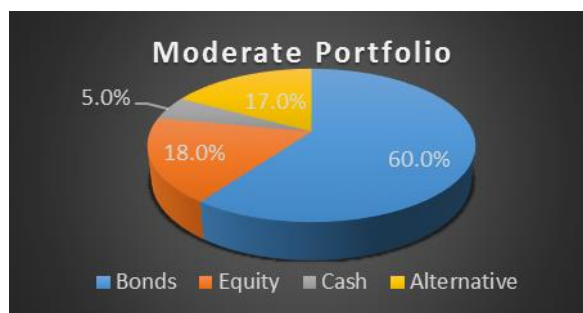
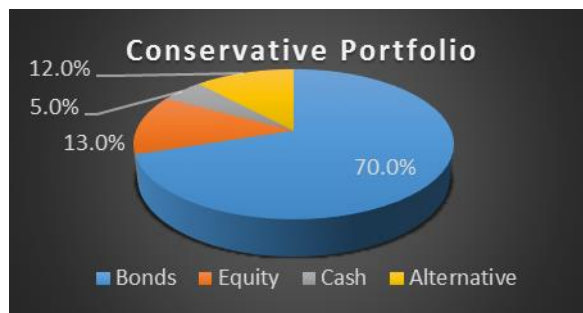
Income and Growth

A moderate investment strategy where the portfolio manager seeks to balance the generation of income for the portfolio with long term capital appreciation.

Long Term Capital Growth

An aggressive investment strategy that is geared towards maximizing the value of a portfolio over the long term.

ACTUAL MODEL PORTFOLIOS



Underweighting an Asset Class

Where a portfolio does not hold a sufficient amount of a particular security when compared to the security's weight in the strategic asset allocation. Underweighting a security may allow the portfolio manager to achieve returns greater than that of the benchmark or model portfolio.

Overweighting an Asset Class

Where a portfolio holds an excess amount of a particular security when compared to the security's weight in the underlying benchmark portfolio. Actively managed portfolios will make a security overweight when doing so will allow the portfolio to achieve excess returns

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