INVESTMENT AND SOVEREIGN RESEARCH October 12, 2023

Caribbean Cement Company Limited

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Executive Summary

Caribbean Cement Company Limited (CCC), a company listed publicly, has been operational since 1952. The principal business activities encompass the production and distribution of Carib Plus Vertua and High-Early (HE) Strength Cement. The company's primary facility and operations are located in Rockfort, Kingston, supplemented by quarry operations in St. Andrew and St. Thomas. CCC manufactures superior quality products utilising 100% local raw materials. CCC is part of the TCL Group, where Cemex, S.A.B. de C.V holds a majority stake.

Over the period from FY 18 to FY 22, CCC has shown a nearly consistent rise in local cement sales, with a compound annual growth rate (CAGR) of 3.9%. Despite this, FY 22 witnessed a decline of 5.3% in local cement sales, totaling approximately 1.02 million tons. However, the company aims to increase its capacity by approximately 300,000 tons or 30%, with a goal of early FY 25 to meet local demand and boost export sales. Both revenue and profit hit record highs at the end of FY 22. The decrease in operating cash flow for FY 22 can be linked to an upsurge in inventory stocks.

At the moment, CCC is trading at around 9.2x its trailing TTM EPS 4.2% premium relative to the harmonic mean of 8.9x observed within the Main Market. When compared to other shares within this market, CCC's shares reveal a relatively modest degree of liquidity, with an average daily volume of about 54K units traded over the preceding year. This translates to a worth of roughly $3 million. Over the past month, CCC's average bid-ask spread has been around 2.7%, suggesting a relatively low implicit cost involved in acquiring shares in this particular stock.

Recommendation: OUTPERFORM

Caribbean Cement Company Limited

Key Financial Data

	YE 2018	YE 2019	YE 2020	YE 2021	YE 2022	CAGR	Q2 2022	Q2 2023	Change
BVPS	7.31	9.76	13.55	18.54	23.54	34.0%	22.13	26.36	19.1%
EPS	2.90	2.21	3.76	5.10	6.33	21.6%	3.57	2.87	-19.6%
Share Price	42.40	83.41	62.81	69.86	60.48	9.3%	64.67	57.01	-11.8%
Main Market	379,791	509,916	395,615	396,156	355,897	-1.6%	384,186	332,035	-13.6%
Abridged Income Statement (in $Billions)									
Revenue	17.6	17.8	20.1	23.8	25.8	10.1%	13.5	14.3	5.6%
Gross Profit	N/A	7.2	9.1	9.8	11.4	N/A	6.1	5.0	-18.3%
EBITDA	5.3	5.9	7.8	8.4	9.3	15.0%	5.0	3.9	-21.9%
Operating Profit	4.2	4.3	6.3	6.9	7.9	17.3%	4.3	3.2	-25.9%
Pre-tax Profit	3.3	2.7	4.4	5.7	7.2	21.8%	4.0	3.1	-23.8%
Profits	2.5	1.9	3.2	4.3	5.4	21.6%	3.0	2.4	-19.6%
Abridged Balance Sheet (in $Billions)									
Non-Current Assets	23.8	23.6	23.0	23.2	23.0	-0.8%	22.9	22.8	-0.5%
Current Assets	3.0	3.5	3.3	4.3	7.1	23.9%	6.5	8.7	34.2%
Total Assets	26.8	27.1	26.3	27.5	30.1	3.0%	29.4	31.5	7.1%
Non-Current Liabilities	15.9	13.8	8.2	3.2	4.0	-29.2%	3.3	3.6	9.1%
Current Liabilities	4.5	5.0	6.6	8.5	6.1	8.0%	7.2	5.4	-24.9%
Total Liabilities	20.4	18.8	14.8	11.7	10.1	-16.1%	10.6	9.1	-14.2%
Debt	15.2	12.3	6.7	1.7	0.7	-52.9%	1.8	0.2	-89.3%
Equity (as reported)	6.2	8.3	11.5	15.8	20.0	34.0%	18.8	22.4	19.1%
Abridged Cash Flow Statement (in $Billions)									
Operating Cash Flow	4.4	4.8	7.0	7.1	4.2	-0.9%	1.6	3.3	100.2%
Investing Cash Flow	(16.7)	(1.3)	(0.8)	(1.7)	(1.3)	-47.1%	(1.0)	(2.5)	139.6%
Financing Cash Flow	11.0	(3.4)	(6.3)	(5.7)	(2.6)	N/A	(0.0)	(0.7)	1446.6%
Other Data In (,000)									
Cement Sold - Local (in tonnes)	877.0	848.1	973.4	1,078.0	1,020.9	3.9%			
Ratios						**Average**			
Gross Profit Margin	N/A	40.7%	45.4%	41.2%	44.0%	42.8%	45.1%	34.9%	-22.7%
EBITDA Margin	30.3%	33.3%	38.9%	35.2%	36.0%	34.7%	37.3%	27.6%	-26.1%
Operating Margin	23.7%	24.2%	31.3%	28.9%	30.4%	27.7%	32.0%	22.4%	-29.8%
Net Profit Margin	14.0%	10.6%	15.9%	18.2%	20.8%	15.9%	22.5%	17.1%	-23.9%
Current Ratio	0.7	0.7	0.5	0.5	1.2	0.7	0.9	1.6	78.7%
Debt-to Equity	2.4	1.5	0.6	0.1	0.0	0.9	0.1	0.0	-91.0%
Days of Sales Outstanding	12.6	11.6	5.9	3.6	4.1	7.6	5.6	5.2	-6.2%
Days of inventory on hand	N/A	68.3	76.2	75.7	112.4	83.1	84.0	96.5	14.9%
Number of days of Payables	N/A	40.9	90.6	90.9	85.7	77.0	75.0	59.0	-21.3%
Cash conversion cycle	N/A	38.9	(8.5)	(11.6)	30.8	12.4	14.6	42.8	192.6%
ROE	32.5%	25.9%	32.2%	31.8%	30.1%	30.5%	25.6%	23.2%	-9.5%
ROA	12.6%	7.0%	12.0%	16.1%	18.7%	13.3%	15.5%	15.7%	1.7%
Dividend Yield	0.0%	0.0%	0.0%	0.0%	2.3%	0.5%	0.0%	0.0%	N/A
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%	23.8%	4.8%	0.0%	0.0%	N/A
P/E	14.5	38.2	16.8	14.3	9.8	18.7	13.3	10.3	-22.4%
P/B	5.7	8.7	4.6	3.9	2.6	5.1	3.0	2.2	-27.3%

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Financial Overview

Income Statement Review

Over the period under review, there has been a consistent rise in revenue, with a CAGR of 10.1%. This culminated in revenues reaching their zenith in FY 23 at $25.8 billion. However, the most recent data indicates a slight deceleration in the growth of revenue, with an increase of $2 billion or 8.4%, despite a 5.3% dip in domestic sales to around 1.02 million tonnes in FY 22. A decline in consumption of the residential housing sector was the reason for the decline.

In terms of EBITDA, there has been a steady improvement across the review period. Specifically, EBITDA witnessed an increase of 10.8% in FY 22 to reach $9.3 billion which is just slightly below the CAGR of 15% noted over the review period.

Profit experienced an uplift by 24% or $1 billion to land at $5.4 billion in FY 22. The surge in profit transcended the CAGR of 21.6% observed over the review period and generally speaking, profits have largely trended upwards during this time span.

For the latest six-month period concluding in June 2023, there was a 5.6% rise in revenue to $14.3 billion. On the other hand, gross profits witnessed a downturn of 18.3%, falling to $5 billion. The growth in revenue and gross profit was hampered by the underperformance in Q1 FY 23, with revenue depreciating by 0.2% and gross profits plummeting by 58.8% to $6.8 billion and $1.3 billion respectively. This increase in direct costs during Q1 FY 23 was attributed to significant maintenance scheduled for January and February 2023. Nevertheless, a more encouraging performance was observed in Q2 FY 23, with an upswing of 11.5% in revenue to $7.5 billion whilst gross profit rose by an impressive 25.6% to $3.7 billion. This substantial surge in gross profit can be ascribed to the cost of sales escalating by a meagre 0.6%, which is notably lower than the growth rate of revenue seen during this period - attributable directly to the maintenance carried out in Q1.

In the latest half-year period concluding in June 2023, there was a considerable dip in operating profits by 25.9%, amounting to $3.2 billion. The first quarter of FY 23 saw an even more substantial decline in operating profits, plummeting by 86.4% to a mere $317.4 million. This decrease was primarily due to the aforementioned surge in cost of sales, which was a result of scheduled maintenance. However, the second quarter of the same financial year showed signs of recovery, with operating profits soaring by 45.6% to $2.9 billion. This helped mitigate some of the losses from the lacklustre performance in Q1 FY 23.

In the latest six-month period ending June 2023, there was a decrease in profits by 19.6% to $2.4 billion due to a drop in earnings in Q1 FY 23 where profits dipped by a significant 74.6% to $289.4 million. Interestingly, the second quarter of FY 23 experienced a boost in profits as the company managed to cut down on debt and reduce exposure to foreign currency, resulting in a net finance income of $4.9 million compared to a net finance expense of $142.5 million during the equivalent period the previous financial year.

Balance Sheet Review

Throughout the assessment period, there was a significant surge in total assets, culminating in a peak of $30.1 billion in FY 22. Moreover, a growth of 9.6% was observed in total assets during FY 22, which surpassed the CAGR recorded during the said period. The material growth in current assets was the primary contributor to the growth in total assets in FY 22. The company's current assets experienced a significant surge of 66% in FY 22, totalling $7.1 billion. This substantial increase was primarily driven by a notable rise in inventories, which climbed 59.2% to reach $2 billion. Meanwhile, over the period of review, there was a consistent trend in the firm's non-current assets, showing no significant changes. Further, in FY 22, there was a slight decrease of 0.8% in these non-current assets, bringing them down to a total value of $23 billion.

Over the assessment period, there has been a notable reduction in total liabilities, with a CAGR of -16.1%, primarily driven by a decrease in non-current liabilities. Furthermore, in FY 22, total liabilities saw a drop of 13.9%. Non-current liabilities have generally seen a steady decline over the evaluation period, with a compounded annual rate of 29.2%. Despite this trend, FY 22 saw non-current liabilities rise by $816.2 million or 25.7%, reaching $4 billion. This increase was primarily due to an escalation in long-term obligations by $608.2 million.

Conversely, current liabilities have generally seen an uptick over the assessment period but fell by 28.6% to $6.1 billion in FY 22. This reduction is mainly attributable to the decrease in other financial commitments and trade payables respectively by $1.5 billion and $1.1 billion. Debt has consistently reduced over the evaluation period at a compounded annual rate of 52.9%. In FY 22 specifically, debt fell sharply by 54.9% to settle at $744 million.

Over the period under review, the company's equity has seen a positive trajectory, amounting to $20 billion. This upward trend in equity was primarily attributed to enhanced profitability, leading to a rise by 27%, equivalent to $4.3 billion, in the latest FY.

In the most recent half-year period ending June 2023, total assets saw an increase of $1.4 billion or 4.5%, reaching a new height of $31.5 billion. This expansion in total assets was primarily fuelled by current assets, which witnessed a surge of 22% or $1.6 billion, escalating to $8.7 billion. The upswing in current assets can be attributed to a substantial rise of $1.9 billion in accounts receivables from affiliated entities, taking the total to approximately $2 billion. This reflects a USD 12.7 million deposit investment account in CEMEX Innovation Holdings Limited.

In the most recent six-month period, total liabilities experienced a downward trend, decreasing by 10.3% or $1 billion, landing at $9.1 billion. This reduction was fuelled largely by a significant 11% reduction in current liabilities, which dropped by $674.1 million to tally at $5.4 billion. This fall in current liabilities can be mainly attributed to a substantial decrease in trade payables that dipped by $789 million or 23.9%, culminating at $2.5 billion at the close of the recent six-month period.

Over the recent half-year period, CCC's equity has seen a significant net increase of $2.4 billion, which represents an upswing of 11.9%, reaching a total of $22.4 billion. This substantial rise is primarily due to the notable growth in accumulated gains which surged by $2.4 billion or 31%, totalling $10.3 billion over the same six-month period.

Cash Flow Statement Review

Over the period under review, there has been a predominant increase in cash flow from operating activities. Nonetheless, in FY 22, there was a significant downturn in operating cash flow, with a drop of $2.9 billion or 40.5%, reducing it to $4.2 billion. The primary reason for this fall in operating cash flow can be attributed to the adverse effects of the rise in inventories, which has led to material changes in working capital during FY 22.

The cash flow utilised in investment activities has predominantly been consistent throughout the review period. A more recent observation during FY 22 showed a reduction of $381.8 million or 22.6%, bringing it down to $1.3 billion. This decrease is largely attributed to the scaled-down expenditure on PP&E additions, which was $1.3 billion in FY 22, compared with $1.7 billion in the previous financial year.

Financing activity cash flow saw a reduction of 54.8%, or $3.1 billion, in FY 22, bringing it to $2.6 billion. This reduction is largely attributed to the absence of long-term debt repayments, which had previously totalled $4.4 billion in the preceding financial year. The primary allocations for this cash flow in FY 22 were towards redeeming preference shares and dividend payments, with amounts of $1.8 billion and $1.3 billion respectively. Meanwhile, projections for FY 23 anticipate an escalated outflow for dividends estimated at $1.6 billion based on recent dividend declaration.

Operating cash flow witnessed a remarkable surge of $1.7 billion or 100.2%, climbing to $3.3 billion in the most recent 6-month span. The substantial increase can be primarily attributed to an inflow from working capital changes, which amounted to $472.3 million in the latest half-year period, compared with a significant outflow of $2.5 billion during the corresponding period in the previous financial year.

The cash flow expended in investment activities witnessed a substantial increase by 139.6% in the preceding six-month span, mounting to $2.5 billion. This escalation is attributed to a surge in owed amounts from affiliated entities, amounting to roughly $2 billion (FY 21: $605.3 million). These owed sums from affiliated entities incorporate a deposit investment account of J$2.0 billion (US$12.7 million) held by CEMEX Innovation Holding Limited, which accrues interest at an annualised rate equating to the Western Asset USD Institutional Liquid Reserves Fund rate plus an additional 30 basis points calculated daily over a standard year of 360 days.

In the most recent half-year period, there was a significant rise in the cash flow utilised in financing activities, amounting to approximately $700 million. This represents an increase of roughly $623.5 million. The primary driver of this escalation was the repayment of long-term debt, which amounted to $608.2 million.

Ratios Review

CCC reported a significant lift in its operating profit margin to 30.4% in FY 22, marking an improvement of 1.55 percentage points compared to the previous financial year. Concurrently, the company's net profit margin also saw a sizeable increase, reaching 20.8%, an upswing of 2.63 percentage points from the preceding financial year. The superior performance of the net profit margin compared to the operating profit margin can be attributed to reduced net finance costs and currency exchange losses.

The current ratio of the company reached a peak during the review period, hitting 1.2x at the close of FY 22. This upturn resulted from a combination of decreased current liabilities and bolstered current asset holdings. The current ratio status demonstrates that CCC is well-equipped to fulfil its imminent liabilities.

The Debt-to-Equity ratio dropped to almost negligible levels by the end of FY 22, as equity continued on an improving trend while debt levels persistently moved lower.

ROE remained relatively stable throughout the review period, with an average of 30.5%, ending FY 22 at 30.1%. A DuPont analysis indicates that the primary cause for the decrease in ROE by 1.73 percentage points in FY 22 was largely due to reduced financial leverage within CCC.

During the latest six-month period, there was a decline in Gross, EBTIDA, Operating and Net profit margins compared to the same duration from the preceding financial year. This reduction in margins was due to scheduled annual maintenance during Q1 of FY 23 that affected efficiency. Hence, we perceive the low ratios in the latest six-month period as temporary.

By the conclusion of June 2023, CCC's current ratio surged by 78.7% year-on-year to reach 1.6x. The escalation in this ratio was attributed to an increase in current assets coupled with a reduction in current liabilities - factors that were previously highlighted. The marked enhancement of a current ratio well above 1x signifies that CCC is well-positioned to cater for impending liabilities.

By the close of Q2 FY 22, CCC's debt had dwindled to levels that were almost negligible, resulting in an almost nil debt-to-equity ratio. Consequently, the company is virtually guaranteed its ability to meet its debt obligations. On another front, CCC has the potentiality to utilise operating cash flows and leverage for capacity expansion.

As of June 2023, there was a rise in the cash conversion cycle which reached 43 days - a significant increase of 192.6% compared to the corresponding period from the previous financial year. This upturn was primarily due to an escalation in days of inventory on hand and a decrease in days of payables outstanding. Given existing demand for CCC's products, we consider inventory levels as prudent and beneficial for meeting supply requirements.

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Forecast and Valuation

We arrived at our price target of $63.37 utilising the Discounted Free Cash Flow to Equity (FCFE) model. In contrast, applying the FCFE to two further scenarios generated our best and worst-case price targets of $78.49 and $50.04, respectively. The primary variations between these scenarios lie in the forecast for revenue growth and gross margins for Q3 FY 23 onwards. Under our most favourable scenario, we presume that CCC sustains a revenue increase 20% higher than its long-term pace whilst keeping gross profit margins roughly 10% over average levels. Conversely, under our least favourable scenario, we anticipate a substantial drop in both revenue growth and gross profit margin below their long-term pace. Lastly, for our baseline scenario, we expect revenue and gross profit margins to align with its historical norm.

	Price Target	Implied Upside/(Downside)
Upper	78.49	▲ 58.8%
Base	63.37	▲ 28.2%
Lower	50.04	▲ 1.2%

The primary danger to our valuation projection is a significant downturn in the sentiment towards both the stock market and CCC from its current levels. Our perception of adverse sentiment regarding CCC is derived from its P/E and P/B ratios which are significantly trending downwards. Moreover, a similar pattern has been observed in the Main Market, suggesting that the problem is systemic due to the prevailing economic climate.

Chart 1 portrays a notable decline in the P/B ratio of CCC over a period of time. In May 2019, CCC's P/B ratio escalated to approximately 9.5x. Post this peak, there has been a rapid descent with the recent five-year average settling at 4.8x. The present P/B ratio is at 1.9x, the lowest since the calendar year 2016.

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Chart 2 clearly illustrates a significant reduction in the P/E ratio of CCC over time. The P/E ratio of CCC has shown considerable fluctuations. The current trailing P/E is approximately 9.2x, significantly beneath the 5-year historical mean of around 19.8x. The diagram depicts a downward trajectory in the P/E ratio of CCC, presently at levels previously witnessed in the calendar year 2016.

Chart 3 illustrates a significant decrease in the P/B ratio of the Main Market, plummeting sharply from over 2x in the calendar year 2019 to approximately 1x at present. The five-year, three-year, and one-year average P/B ratios display a pattern of declining averages, indicating an ongoing downward trend for P/B. The market experienced a steep drop in P/B due to the COVID-19 sell-off, reaching about 1.3x early in the calendar year 2020. However, after a rapid recovery, it has since reduced considerably. The current P/B of around 1x is on par with levels last seen in the calendar year 2016. The rapid increase in policy rates commencing in October 2021 has contributed to driving down multiples across the market. It's worth mentioning that the decline in P/B ratios commenced substantially prior to the hikes in interest rates and the negative effects of COVID-19. This illustrates a degree of unwarranted optimism in the market that had begun to be corrected before these significant occurrences took place.

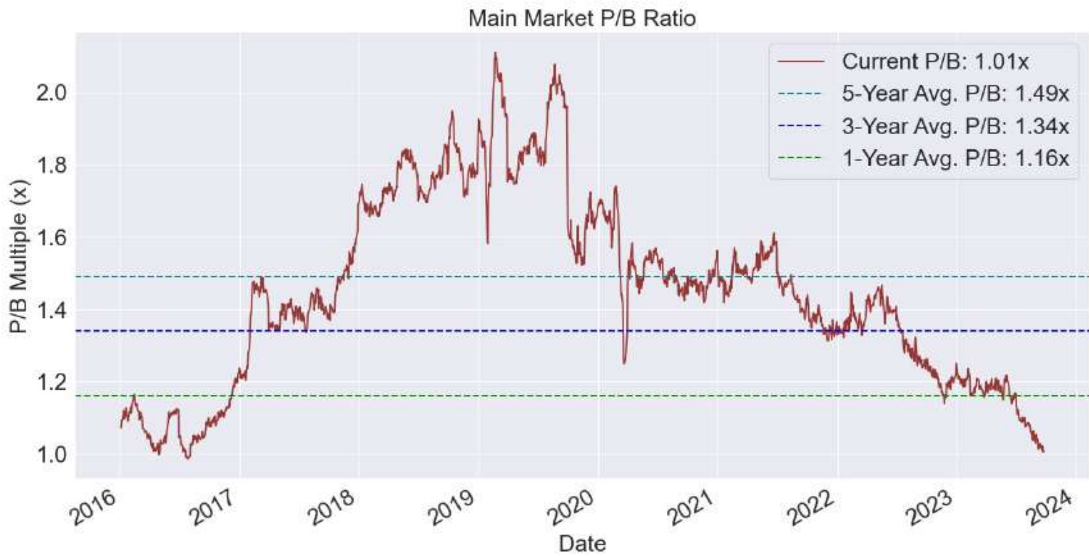

Chart 4 illustrates a lower performance by CCC in relation to the Main Market year-to-date (YTD), indicating a decline of roughly 18%, compared to the 12.2% decrease of the Main Market. In the second quarter of financial year 23, CCC saw an impressive rise in earnings of 48.6%. Despite this, the stock has since lagged behind. The depreciation may be due to investor's negative response towards earnings for the first half of FY 22, which were down by 19.6%

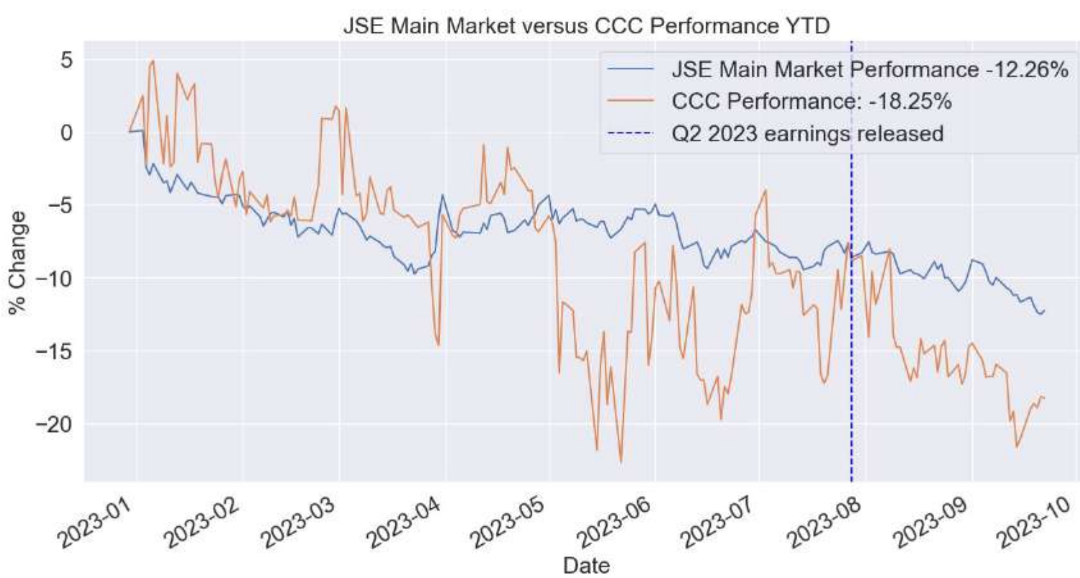

Chart 5 (see below) offers a detailed analysis of the monthly and annual progressions of CCC, demonstrating a wide range of performance. The stock experienced its most significant fall, dropping by 65.64%, in the year 2012 and attained its peak with an impressive rise of 689.6% in the year 2015.

Currently, the stock is set to experience its second consecutive year of decline, an uncommon occurrence for this particular stock. Interestingly, there is no clear correlation between earnings growth and stock price appreciation as exhibited by robust gains of 96.7% in the calendar year 2019 despite a decrease in profits by 23.6% to $1.9 billion.

The bid-offer spread for CCC, as shown in **Chart 6** (below), currently stands at roughly 2%, a decrease from last year's average of 3.3%. The previous month's bid-offer spread was recorded at a rate of 2.7%, suggesting that the implicit trading cost for the company shares is relatively low. Although there are occasional surges in bid-offer spread levels, sometimes exceeding 12%, typically investors can execute trades with minimal implicit costs.

Chart 7 provides bar graph representations of the mean daily trading value processed on CCC from the calendar year 2018 up to the calendar year 2023. The pinnacle of activity was noted in the calendar year 2019, with a mean daily value surpassing $13.6 million. In contrast, in the ongoing YTD for the calendar year 2023, the equity's mean daily trading value has plummeted markedly to $2.1 million, drastically below the levels witnessed in calendar year 2019. This descending trend is substantially beneath that of wider market activity. During January and August of the calendar year 2019, transactions on the Main Market amounted to approximately $59.2 billion in value, compared strikingly to a much reduced $22.9 billion during an identical period in calendar year 2023 - indicating a reduction of 61.3%.

Outlook

CCC has announced a dividend of approximately $1.8976 per share payable on October 6, 2023 a significant increase of 26.2% compared to the previous year. Although it is premature to identify a trend in the company's dividend payments, this second consecutive year of dividends is certainly encouraging for investors. Given the current average stock price of CCC at $54.78 YTD, this translates into a dividend yield of 3.5%. The 12-month trailing earnings per share (EPS) of $5.62 would yield a dividend payout ratio of 33.8%, based on the latest dividend announcement. As such, considering our expectations of increased earnings and operating cash flow, alongside reduced debt repayments from CCC, there is potential for an enhancement in the payout ratio. Nevertheless, near-term decisions regarding the dividend payout ratio must be weighed against the necessary capital expenditure for capacity expansion.

In both the near and far-reaching future, CCC is projected to benefit from a combination of debt reduction and increased production capacity. As of Q2 FY 23, CCC's debt is virtually non-existent, setting the stage for amplified profits through the remainder of FY 23 and beyond due to diminished interest payments. Moreover, this decrease in debt levels will mitigate CCC's exposure to foreign exchange fluctuations, thus positively influencing future earnings growth.

The company's plans for amplifying its capacity by 30%, equivalent to 300K tonnes, is forecast to boost the potential for revenue advancement. This would enable the firm to bolster its ability to satisfy local demand for cement and enhance its export capacity. The projected expenditure of the expansion is set at $40 million and will contribute towards diminishing CCC's carbon footprint. The new capacity is slated to commence operations in early 2025. The firm's prevailing operational cash flow and reserves are likely adequate to finance these expansion plans. In case debt is utilised for capital expenditure, CCC's existing cash flow and financial position should suffice for fulfilling the necessary debt servicing commitments.

On the other hand, our positive outlook is mitigated by the relatively high interest rate environment, which holds potential to adversely affect demand for construction. Some of the effects of which were felt in FY 22. Moreover, the current state of high inflation could potentially detrimentally influence expenditure on commercial and residential properties. Beyond this, an escalation in interest rates could intensify the existing negative perception surrounding publicly traded shares.

Recommendation

We are upgrading our recommendation on CCC to OUTPERFORM currently, as it is trading beneath our minimum price target. This recommendation takes into account the steady earnings, operational cash flow, resilience of the balance sheet and share liquidity of CCC. The firm has demonstrated regular revenue growth throughout the assessment period and during the most recent half-year period. Profits have largely seen an upward trend throughout this same period. In parallel, the company's debt and overall liabilities have seen a significant reduction during the assessment period. On the contrary, CCC's equity position has seen a considerable improvement leading to a noteworthy enhancement in its solvency.

In the short term, CCC's revenue and earnings may decline due to prevailing macroeconomic circumstances. Nevertheless, we hold a bullish view for the long haul, given the robustness of CCC's balance sheet, cash flows and development strategies. Moreover, the dividend distributed by CCC may see a considerable rise in the medium term despite envisaged capital expenditures - a testament to its strong operational cash flow and diminished debt obligations. Further bolstering this outlook is approximately $2 billion worth of company investments as of the end of Q2 FY 23, which are poised to mitigate some capital investment expenses.

Our baseline estimate suggests that earnings are set to rise by 18.6% for FY 24 in comparison to FY 22, culminating in a final profit of approximately $6.4 billion. Given the present price of CCC, we anticipate this will lead to a P/E ratio of about 6.6x. It is worth highlighting that CCC last exchanged hands at these levels during the calendar year of 2015.

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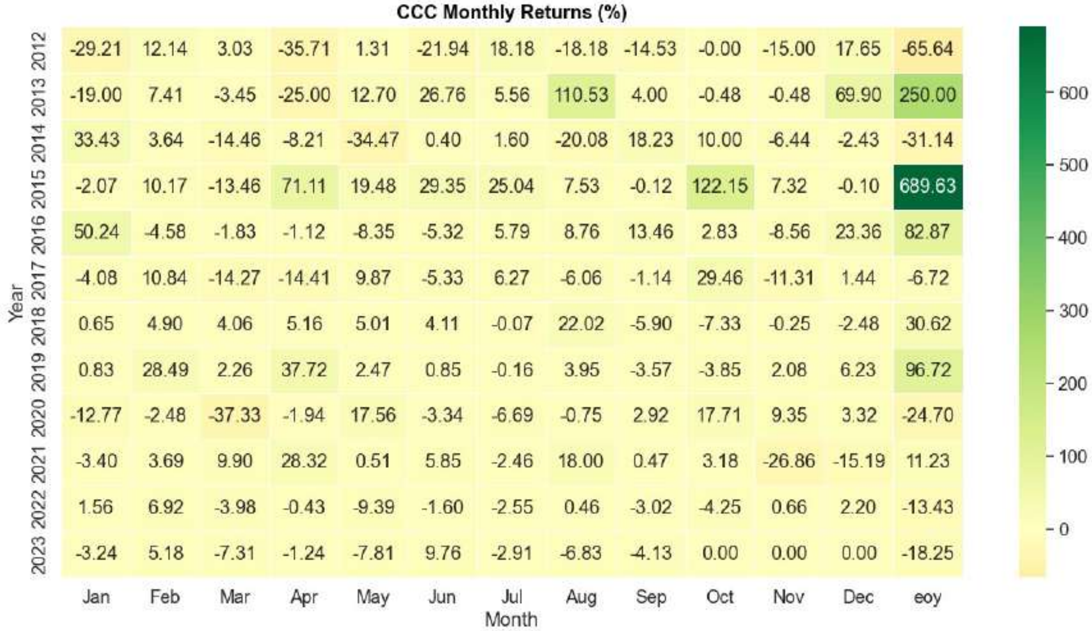
Chart 5



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	eoy
2012	-29.21	12.14	3.03	-35.71	1.31	-21.94	18.18	-18.18	-14.53	-0.00	-15.00	17.65	-65.64
2013	-19.00	7.41	-3.45	-25.00	12.70	26.76	5.56	110.53	4.00	-0.48	-0.48	69.90	250.00
2014	33.43	3.64	-14.46	-8.21	-34.47	0.40	1.60	-20.08	18.23	10.00	-6.44	-2.43	-31.14
2015	-2.07	10.17	-13.46	71.11	19.48	29.35	25.04	7.53	-0.12	122.15	7.32	-0.10	689.63
2016	50.24	-4.58	-1.83	-1.12	-8.35	-5.32	5.79	8.76	13.46	2.83	-8.56	23.36	82.87
2017	-4.08	10.84	-14.27	-14.41	9.87	-5.33	6.27	-6.06	-1.14	29.46	-11.31	1.44	-6.72
2018	0.65	4.90	4.06	5.16	5.01	4.11	-0.07	22.02	-5.90	-7.33	-0.25	-2.48	30.62
2019	0.83	28.49	2.26	37.72	2.47	0.85	-0.16	3.95	-3.57	-3.85	2.08	6.23	96.72
2020	-12.77	-2.48	-37.33	-1.94	17.56	-3.34	-6.69	-0.75	2.92	17.71	9.35	3.32	-24.70
2021	-3.40	3.69	9.90	28.32	0.51	5.85	-2.46	18.00	0.47	3.18	-26.86	-15.19	11.23
2022	1.56	6.92	-3.98	-0.43	-9.39	-1.60	-2.55	0.46	-3.02	-4.25	0.66	2.20	-13.43
2023	-3.24	5.18	-7.31	-1.24	-7.81	9.76	-2.91	-6.83	-4.13	0.00	0.00	0.00	-18.25

Chart 6

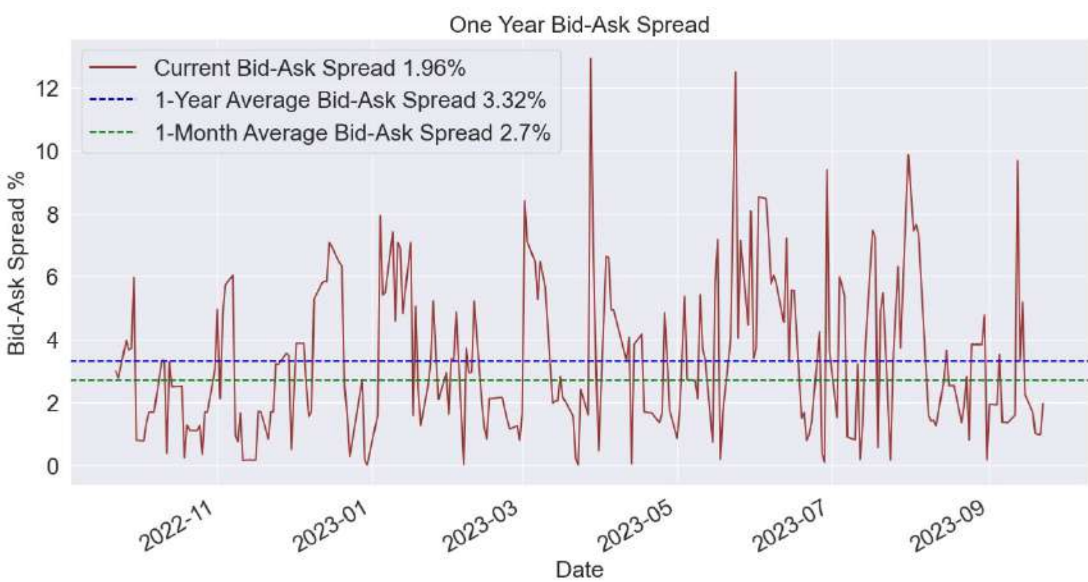
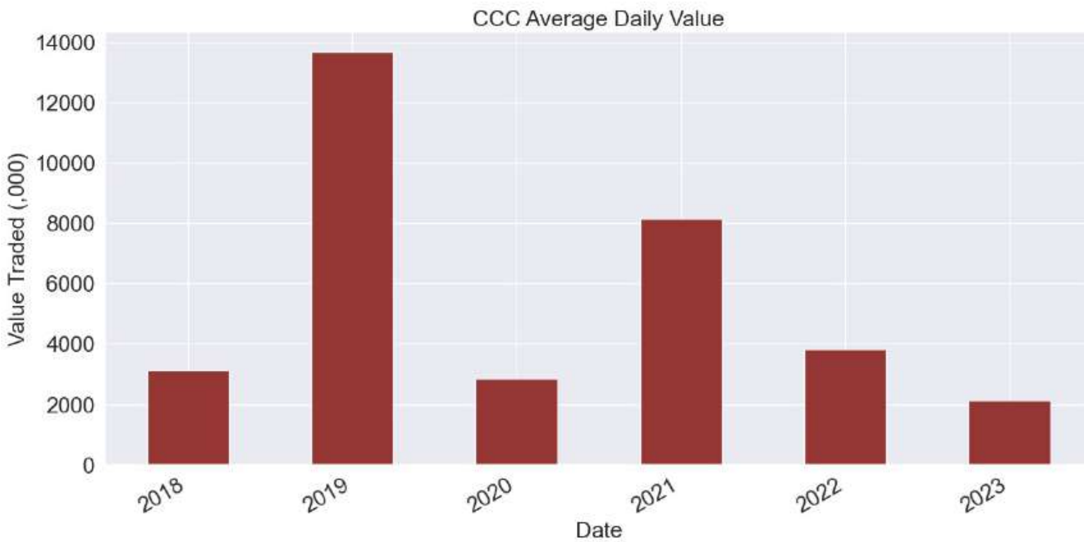


Chart 7



Source: http://www.Jamstockex.com, JMMB Investment & Research, Bloomberg, Various Company Financial Statements

APPENDIX

IMPORTANT DISCLOSURES

ABSTRACT—As a part of our new Portfolio Strategy we are recommending strict adherence to the following Portfolio Allocation **DEFINITIONS/RECOMMENDATIONS**.

PLEASE NOTE THAT NO INDIVIDUAL ASSET IN YOUR PORTFOLIO SHOULD HAVE A WEIGHTING GREATER THAN 5% UNLESS OTHERWISE RECOMMENDED BY YOUR PORTFOLIO MANAGER OR A SPECIFIC JMMB RESEARCH REPORT. CONSEQUENTLY THE FOLLOWING **DEFINITIONS** ARE PROVIDED FOR CLARITY.

OUTPERFORM/OVERWEIGHT/BUY—EXPOSURE TO THIS ASSET SHOULD BE UP TO 10% OF YOUR TOTAL PORTFOLIO HELD AT JMMB

MARKETPERFORM/HOLD/MARKETWEIGHT—EXPOSURE TO THE ASSET SHOULD BE EQUAL TO 5% OF YOUR TOTAL PORTFOLIO HELD AT JMMB.

UNDERPERFORM/UNDERWEIGHT— ADJUST EXPOSURE IN YOUR PORTFOLIO HELD AT JMMB TO BETWEEN 2.5% AND 4.9% FOR THIS PARTICULAR ASSET

STRONGLY UNDERPERFORM/STRONGLY UNDERWEIGHT—REDUCE EXPOSURE TO THIS ASSET TO BELOW 2.5% OF YOUR TOTAL PORTFOLIO HELD AT JMMB

SELL—REDUCE EXPOSURE IN YOUR PORTFOLIO TO ZERO (0%).

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