INVESTMENT AND SOVEREIGN RESEARCH *October 2023*

Jamaica Stock Exchange Limited

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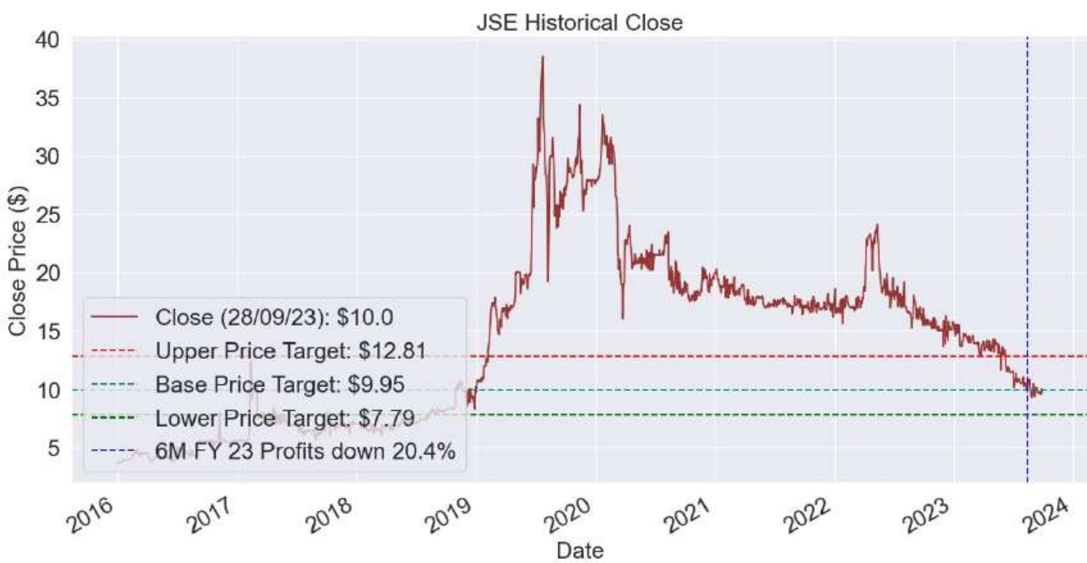
Executive Summary

The Jamaica Stock Exchange Limited (JSE), a corporation based in Jamaica, has its headquarters situated at 40 Harbour Street Kingston. The fundamental roles of the JSE involve directing and managing the operations of the Jamaican Stock Exchange, as well as facilitating its growth. Moreover, it offers a platform designed for effective trading of securities. The JSE owns a direct subsidiary, the Jamaica Central Securities Depository Limited (JCSD). The JCSD Trustee Services, an offshoot of JCSD, delivers services related to trustee custodianship and other associated functions.

The JSE's income is composed of two primary sources: Cess Income and Fee Income. Cess Income, while a significant component, is subject to fluctuation. It stems from a fee of 35 basis points applied to all transactions on the Stock Exchange. Fee Income, on the other hand, provides a substantial and consistent revenue generator, with key contributors being Registrar, Trustee and Annual Listing fees. Over the review period (FY 18 - FY 22), the company has showcased robust financial health marked by high profit margins, optimum liquidity levels, low solvency ratios and healthy cash flows.

Currently, the JSE's trailing TTM EPS valuation stands at approximately 15.6x, significantly below its average P/E of 25.2x over the last three years. Compared to other stocks in the same market segment, JSE's shares exhibit a fairly moderate level of liquidity, with an average daily trading volume of nearly 81.5K units throughout the previous year, equating to an approximate value of $1.1 million. In terms of transaction costs, the average bid-ask spread for JSE over the last month has been around 2.8%, indicating a relatively modest implicit cost associated with purchasing shares in this particular stock.

Recommendation: UNDERWEIGHT



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Key Financial Data

	YE 2018	YE 2019	YE 2020	YE 2021	YE 2022	CAGR	Q2 2022	Q2 2023	% ▲
BVPS	1.60	2.10	2.19	2.70	3.17	18.6%	2.78	3.36	20.7%
EPS	0.59	0.74	0.58	0.71	0.72	5.0%	0.40	0.32	-20.4%
Dividend Per Share	0.30	0.40	0.52	0.27	0.44	9.8%	0.28	0.13	-53.5%
JSE Close Price	10.26	27.58	20.01	17.77	15.55	11.0%	19.56	11.50	-41.2%
Main Market Index	379,791	509,916	395,615	396,156	355,897	-1.6%	384,186	332,035	-13.6%
Abridged Income Statement ($M)									
Cess Income	494.7	697.3	380.0	469.5	477.5	-0.9%	269.2	189.1	-29.8%
Fee Income	808.1	1,045.1	1,215.1	1,339.7	1,544.2	17.6%	786.8	863.7	9.8%
Revenue	1,390.8	1,874.4	1,711.4	1,927.7	2,161.5	11.7%	1,132.7	1,135.0	0.2%
Operating Profit	592.5	803.1	618.5	741.0	762.6	6.5%	418.4	336.2	-19.6%
Net Profit	413.1	519.9	406.9	497.3	503.2	5.1%	279.7	222.6	-20.4%
Abridged Balance Sheet ($M)									
PP&E	491.2	591.0	679.5	870.0	1,110.9	22.6%	890.1	1,127.7	26.7%
Non-current Assets	787.6	1,082.5	1,155.1	1,352.6	1,714.0	21.5%	1,365.6	1,804.3	32.1%
Cash & Cash Equivalents	455.3	427.3	440.6	534.3	431.2	-1.4%	444.5	455.2	2.4%
Current Assets	724.2	723.1	714.9	880.8	893.5	5.4%	1,089.7	1,179.7	8.3%
Total Assets	1,511.8	1,805.6	1,869.9	2,233.4	2,607.5	14.6%	2,455.3	2,984.0	21.5%
Total Equity	1,125.4	1,470.3	1,534.4	1,891.8	2,223.1	18.6%	1,952.9	2,357.8	20.7%
Current Liabilities	332.3	231.5	229.8	234.7	220.5	-9.7%	408.4	461.5	13.0%
Non-current Liabilities	54.2	103.9	105.7	106.9	163.9	31.9%	94.0	164.8	75.3%
Total Liabilities	386.5	335.4	335.5	341.6	384.4	-0.1%	502.4	626.3	24.6%
Abridged Cash Flow Statement ($M)									
Cash (used in)/provided by operating activities	458.4	452.0	405.7	443.8	495.9	2.0%	449.9	401.3	-10.8%
Cash (used in)/provided by investing activities	(151.5)	(306.4)	(22.3)	(156.9)	(225.8)	10.5%	(210.4)	(367.4)	74.6%
Cash (used in)/provided by financing activities	(210.0)	(280.5)	(364.7)	(191.4)	(305.0)	9.8%	(192.8)	(89.8)	-53.4%
Ratios						**Average**			
Cash Ratio	1.4	1.8	1.9	2.3	2.0	1.9	1.1	1.0	-9.4%
Current Ratio	2.2	3.1	3.1	3.8	4.1	3.2	2.7	2.6	-4.2%
Efficiency Ratio	58.8%	58.3%	66.4%	64.1%	66.1%	62.8%	63.1%	72.8%	15.5%
Financial Leverage	1.33	1.28	1.22	1.20	1.18	1.2	1.26	1.26	0.4%
Operating Margin	42.6%	42.8%	36.1%	38.4%	35.3%	39.1%	36.94%	29.62%	-19.8%
Net Profit Margin	29.7%	27.7%	23.8%	25.8%	23.3%	26.1%	24.70%	19.61%	-20.6%
ROE	39.8%	40.1%	27.1%	29.0%	24.5%	32.1%	32.91%	20.71%	-37.1%
ROA	29.9%	31.3%	22.1%	24.2%	20.8%	25.7%	25.92%	16.42%	-36.7%
P/E	18.5	37.7	35.2	27.1	22.1	28.1	24.51	19.01	-22.4%
P/B	7.1	13.3	9.3	7.1	5.0	8.4	7.36	3.60	-51.1%
Dividend Payout Ratio	50.8%	54.0%	89.6%	38.5%	60.6%	58.7%	68.94%	40.33%	-41.5%
Dividend Yield	3.9%	1.8%	2.4%	1.5%	2.5%	2.4%	1.34%	0.98%	-26.9%

Financial Overview

Income Statement Review

In FY 22, the company experienced a revenue expansion of 12.1%, primarily due to an escalation in one of its key sources of income. The primary catalyst for this rise in revenue was the earnings from fees. Fee income, in particular, saw a surge of 15.3%, amounting to $1.5 billion, which was the main factor behind the overall increase in revenue. The registrar fees income, a key component of fee income, witnessed a substantial hike of 28.9% to $307 million, thereby driving this growth significantly. Conversely, cess income saw a modest rise of just 1.7% to $477.5 million in FY 22, owing to a slump in trading volume during the calendar year 2022. However, owing to a rise in cess charges to 35 basis points in January 2022, there was a slight enhancement in cess revenue.

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The primary revenue stream for the Company remains Fee Income, constituting 71.4% of the total revenue in FY 22. A consistent upward trajectory has been noticeable within Fee Income throughout the review period, primarily fuelled by Trustee, Registrar and Annual Listing fees. The Trustee Fee exhibited a CAGR of 13.1% during the review period. In contrast, in FY 22 there was a slight decrease of 1.8%, taking it to $506.8 million. On the other hand, Registrar Fees saw an increase of 28.9%, reaching $307 million in FY 22 - although this rate was slower than the CAGR of 35.4% seen over the review period. Furthermore, an increase in Annual Listing Fees was observed at a faster pace of 25.1%, in FY 22 compared to its five-year CAGR of 18.8%.

The FY 22 profits saw a marginal rise of 1.2% to reach $503.2 million, yet this remained below the apex of $519.9 million achieved in FY 19. The growth in profits was stymied due to a surge in operating costs by 15.7%, hitting $1.4 billion in FY 22. This escalation in operating expense mainly stemmed from an upswing in personnel expenditure and advertising and promotional expenses, rising by 11.7% and 59.3% to reach $632.5 million and $125.6 million respectively. The hike in personnel costs was an outcome of the JSE amending its personnel and remuneration schemes to facilitate expansion and enhance customer service delivery. Concurrently, the rise in advertising and promotional outlay was intended to bolster revenue growth.

The increase in revenue for the latest half-year period was marginal, at only 0.2%, reaching a total of $1.1 billion. This surge was principally due to a considerable 9.8% rise in fee income, which reached $863.7 million for the same period. However, growth in revenue was hindered by a significant reduction in cess income, plummeting by 29.8% to $189.1 million during the most recent six months. This downturn in cess income was primarily felt in Q1 of FY 23, experiencing a drastic fall of 44.2% to $72.3 million. A decrease in market activity is to blame for this downturn, with trading volume dropping by an alarming 43.2% to roughly $11.3 billion within the first quarter.

In the latest 6-month period, the operating profit experienced a significant decrease of 19.6%, settling at $336.2 million. This downturn can be attributed to a notable rise in operating costs by 15.7%, amounting to $826.8 million in the same period. The escalation was mainly driven by an increase in personnel expenses by 18.4% or $59.9 million, which totalled $386.3 million over the last half-yearly period.

Balance Sheet Review

Over the course of the review period, there has been a steady rise in total assets, with a notable increase of 16.8% in FY 22 to $2.6 billion. The primary driver for this growth can be attributed to non-current assets. The company has demonstrated a continuous expansion in its non-current assets throughout the period that was reviewed, achieving a CAGR of 26.7%. In FY 22, PP&E and Intangible Assets emerged as the key contributors within this asset category, making up 42.6% and 7.6% of the total assets respectively. It should be noted that intangible assets are mostly associated with computer software.

The increase in current assets has been somewhat modest compared to non-current assets, with a mere rise of 1.4% in FY 22, reaching a total of $893.5 million. Key components within the current assets are repurchase agreements, trade and other receivables along with cash and cash equivalents, valued at $234.4 million, $299 million and $196.8 million respectively at the end of FY 22. These constituents of current assets represent 28% of the total assets held by JSE as of the conclusion of FY 22.

Total equity has seen a consistent rise, evidenced by a CAGR of 18.6%, albeit slowing slightly to 17.5% in FY 22. Despite distributing dividends at an average rate of 58.7% throughout the evaluation period, the growth in equity has been maintained due to regular profitability and an uptick in the property revaluation reserve, which saw a rise of 24.4% to reach $488 million by the end of FY 22. Concurrently, in FY 22 there was a substantial increment of 21.7% within the revenue reserve, reaching $1.4 billion as a consequence of the profitability reported in that financial year.

Over the review period, total liabilities showed a CAGR of 0.1%, with a significant rise of 12.5% in FY 22, reaching $384.4 million. The growth in total liabilities was somewhat offset by a decrease in current liabilities, which exhibited a compounded annual decrease rate of 9.7%. Moreover, current liabilities witnessed a reduction of 6% in FY 22. This fall in current liabilities is the result of the elimination of $21.4 million income tax payable. On the contrary, non-current liabilities saw an upward movement by 53.3% in FY 22 to stand at $163.9 million. This increase can be directly attributed to the transfer of previously mentioned income tax payable to deferred tax liabilities.

Over the latest six-month period, there has been a substantial rise of 14.4% or $376.5 million in total assets, reaching a valuation of $3 billion. This surge is principally attributed to the elevation in current assets which rose by 32% or $286.2 million within the same period. The upswing in current assets primarily stems from a growth in the certificates of deposit value by $178.7 million, culminating at a total of $293.6 million.

In the latest six-month period, total liabilities saw a significant surge of 62.9%, reaching a sum of $626.3 million. This marked increase was primarily due to the rise in current liabilities, influenced by contract liabilities, which witnessed a growth of $229.5 million, culminating at $259.4 million. It is noteworthy that the escalation in contractual obligations tends to peak in Q1, gradually decreasing throughout the remainder of the FY. This pattern can be attributed to customer-related contractual obligations, which lessen as the company fulfils its commitments over the course of the financial year.

Over the most recent 6-month period, there was an escalation of 6.1% in equity, culminating at $2.4 billion. This rise was predominantly propelled by revenue reserves which experienced a surge of $134.6 million due to the preservation of earnings within the same 6-month period.

Cash Flow Review

In FY 22, there was an upturn of 11.7% in cash generated from operating activities, reaching a high point for the review period at $495.9 million. This surge in operational cash flow primarily stemmed from a contraction in trade and other receivables coupled with a rise in payables and accruals.

Similarly, in the financial year 22, there was a substantial escalation of 43.9% in cash expended in investment activities, reaching $225.8 million. This rise can be primarily attributed to the procurement of intangible assets totalling $105.5 million and the acquisition of PP&E which also demanded an outlay of $119.5 million.

The usage of cash in financing activities saw a significant surge of 59.4% to $305 million in FY 22. This rise can be attributed exclusively to dividend payments, which were pegged at $305 million in the same financial year. However, despite marking a noteworthy improvement compared to the previous financial year, it still falls short of the highest level reached of $364.7 million in FY 20.

Cash generated from operations witnessed a decrease of 19.1%, amounting to $401.3 million in the recently concluded 6M period. The primary contributor to this reduction was a drop in profitability during the recent 6M timeframe. Moreover, operational cash flow prior to alterations in working capital also experienced a downward shift of 18.1%, falling to $365.6 million.

Investment activity-driven cash outflows saw a substantial rise of 62.7% to $367.4 million in the most recent half-year period. This was largely triggered by an investment in securities, which amounted to $161.8 million in the same period. Furthermore, the firm disbursed $79.9 million and $81.6 million towards repurchase agreements and the procurement of intangible assets respectively.

Cash flow involved in financing activities saw a significant reduction of 70.6%, totalling $89.8 million (FY 21: $192.8 million), primarily as a result of lower dividend disbursements during the period. The most recent semi-annual dividend was marked at $0.128 per share, in contrast to the previous financial year's figure of $0.275 per share for the equivalent timeframe.

Ratios Review

The firm's liquidity situation is strong, demonstrated by persistently high metrics throughout the period under review. In particular, the cash ratio was 2x at the conclusion of FY 22, with an average of 1.9x during the review period. In addition, the current ratio was consistently above 2x during the review period and ended FY 22 at a substantial 4.1x.

The efficiency ratio of the company has seen an increase over the previous 3 years under the period of examination when compared to FY 18 and FY 19. This has primarily resulted from a faster growth rate in total expenses in comparison to revenue growth during FY 20 and FY 22.

Throughout the period under review, the corporation's financial leverage has been on a consistent downward trajectory, reaching a low of 1.18x in FY 22 (FY 21: 1.20x). This is primarily due to the fact that the corporation's business activities are chiefly financed through equity. At the close of FY 22, the company had an equity value of $2.2 billion and total liabilities amounting to $384.4 million.

The Company has consistently demonstrated strong returns on both equity and assets, achieving averages of 32.1% and 25.7%, respectively, during the period under review. Even though the net profit margin remained sizeable throughout this period, it did see a slight drop to 23.3% in FY 22 (FY 21: 25.8%). The Company's financial standing is solid due to its debt-free status and considerable liquidity, coupled with reliable revenue streams. Additionally, the Company's P/E and P/B ratios have been considerably higher than most firms within the financial sector, possibly attributed to its unique positioning in the industry.

At a relatively moderate 15.6x, the firm's P/E ratio is currently below its historical levels, potentially as a result of a notably restrained market mood and the JSE's recent underperformance over the last half-year compared to the preceding year. Profits for the company have not yet reached the peak seen in FY 19. Nevertheless, the sustained high ROE and ROA, when compared with other financial institutions, could be the reason why investors attribute higher P/E and P/B ratios to the firm.

The firm's cash and current ratios have experienced a slight reduction at the close of Q2 FY 23, standing at 1x and 2.6x respectively. Despite this, both ratios continue to demonstrate robust liquidity within the JSE's financial statement, indicating that the organisation's capacity to fulfil short-term liabilities remains unimpeded.

There has been a noteworthy rise in the firm's efficiency ratio by 9.8 percentage points as of Q2 FY 23, reaching 72.8% compared to the same period in the preceding financial year. This surge can be attributed to a mix of subdued revenue expansion whilst operating expenses surged by 15.7% within the latest six-month period.

Simultaneously, there has been a reduction in the company's operating and net profit margins by 7.3 and 5.1 percentage points respectively, landing at 29.6% and 19.6% within the latest six-month term. Although these figures remain considerably above many other financial institutions, they are substantially below typical levels for the JSE throughout the review period.Concurrently, both dividend payout ratio and dividend yield of the company have decreased to 40.3% and 0.98% respectively within the latest six-month cycle. This drop in both is primarily attributed to a decrease in dividends paid out within this most recent six-month span.

Forecast and Valuation

Our $9.95 price target was established through the application of the FCFE model. Further scrutiny using the same model in two different scenarios provided an upper and lower price estimate of $12.81 and $7.79, respectively. These varied outcomes are chiefly due to anticipated changes in trading activity and fee income growth during the latter half of FY 23 and beyond.

	Price Target	Implied Upside/(Downside)
Upper	12.81	▲ 28.1%
Base	9.95	▼-0.5%
Lower	7.79	▼-22.1%

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The primary risk connected with our valuation estimate is a marked decline in both stock market sentiment and attitudes towards the JSE from their present levels. Our understanding of negative sentiment towards JSE arises from its P/E and P/B ratios, which are noticeably trending downwards. Furthermore, an analogous trend has been noticed among Main Market Financial Companies, implying that this issue is systemic, arising from the current economic environment.

As illustrated in **Chart 1**, there is a discernible decrease in the Company's P/B ratio over time. In July 2019, JSE's P/B ratio surged to approximately 22.5x. Following this peak, there was a swift decline with both recent five-year and one-year averages settling at 8.6x and 4.3x respectively. The current P/B ratio stands at approximately 3x, representing its lowest point since the calendar year 2016.

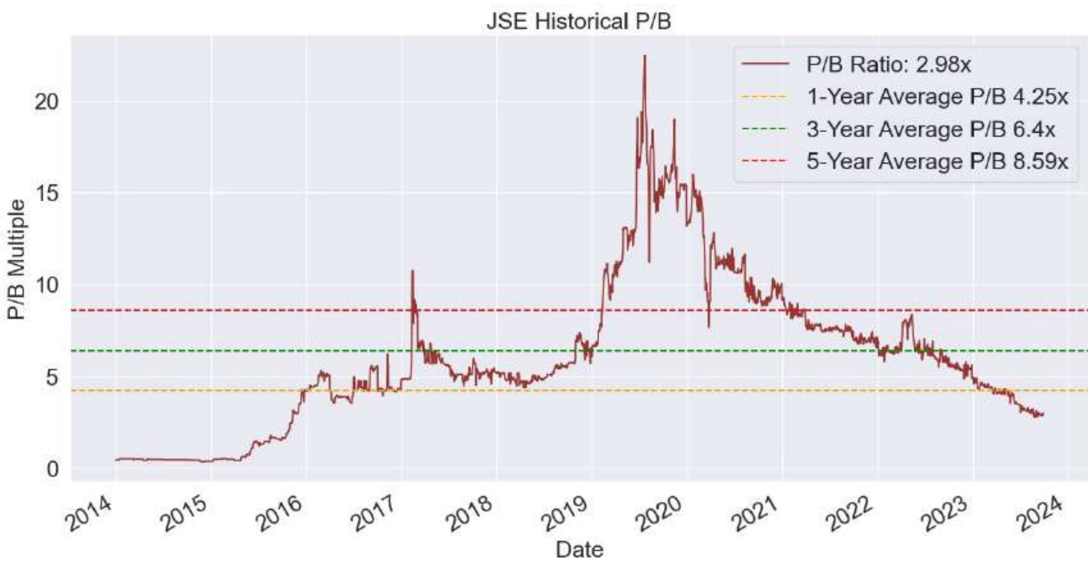

Chart 2 demonstrates a substantial decrease in the P/E ratio of the JSE over time. The JSE's P/E ratio has experienced considerable variations. The current trailing P/E stands at an estimated 15.6x, notably below the historical average of about 27.3x over the past five years. The chart shows a declining trend in the JSE's P/E ratio, currently at levels last seen in the calendar year 2018.

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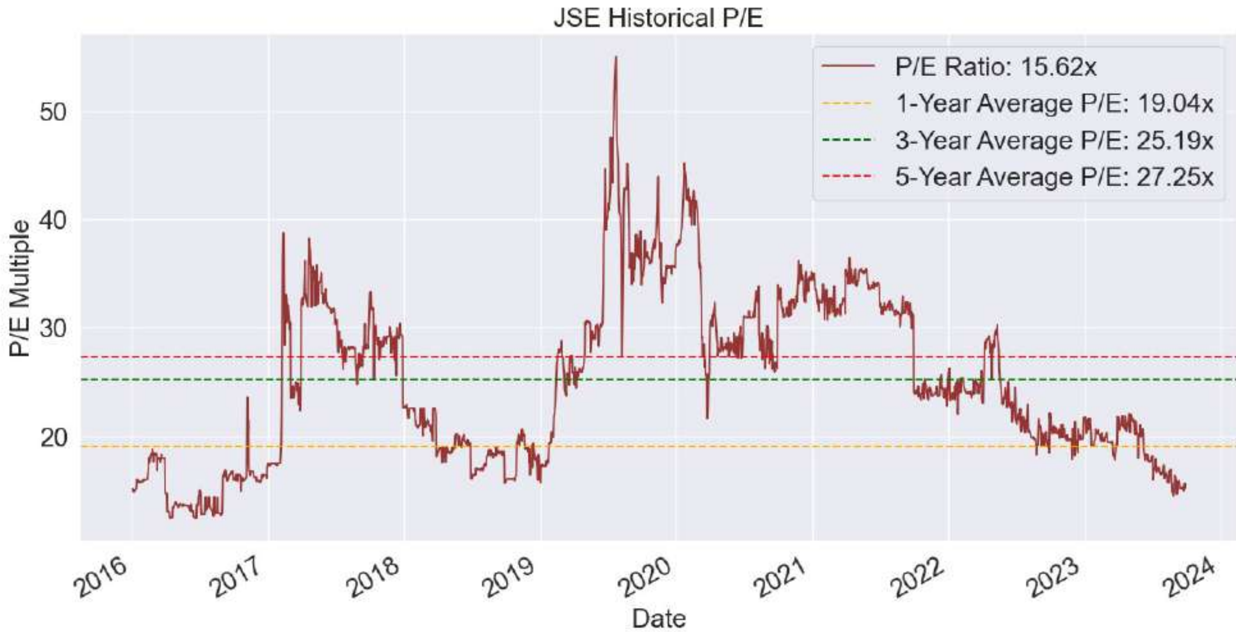

Chart 3 shows a considerable decrease in the P/B ratio of financial companies, dropping drastically from over 1.9x in the calendar year 2019 to roughly 1x currently. The five-year, three-year, and one-year average P/B ratios demonstrate a pattern of receding averages, pointing to a continuous downward trend for P/B. Owing to the COVID-19 sell-off, financial companies saw a sharp fall in P/B, hitting about 1.1x early in the calendar year 2020. However, following a swift recovery, it has considerably diminished since then. The current P/B of around 1x is at par with levels last observed in the calendar year 2016. The swift escalation in policy rates starting from October 2021 has played a part in reducing multiples across the market. It's of note that the decrease in P/B ratios began substantially before interest rate hikes and COVID-19's negative impacts took place. Additionally, the group's P/B ratio was showing signs of recovery early on in FY22. This highlights an element of unjustified optimism within the market that had already started to be corrected before these significant events occurred.

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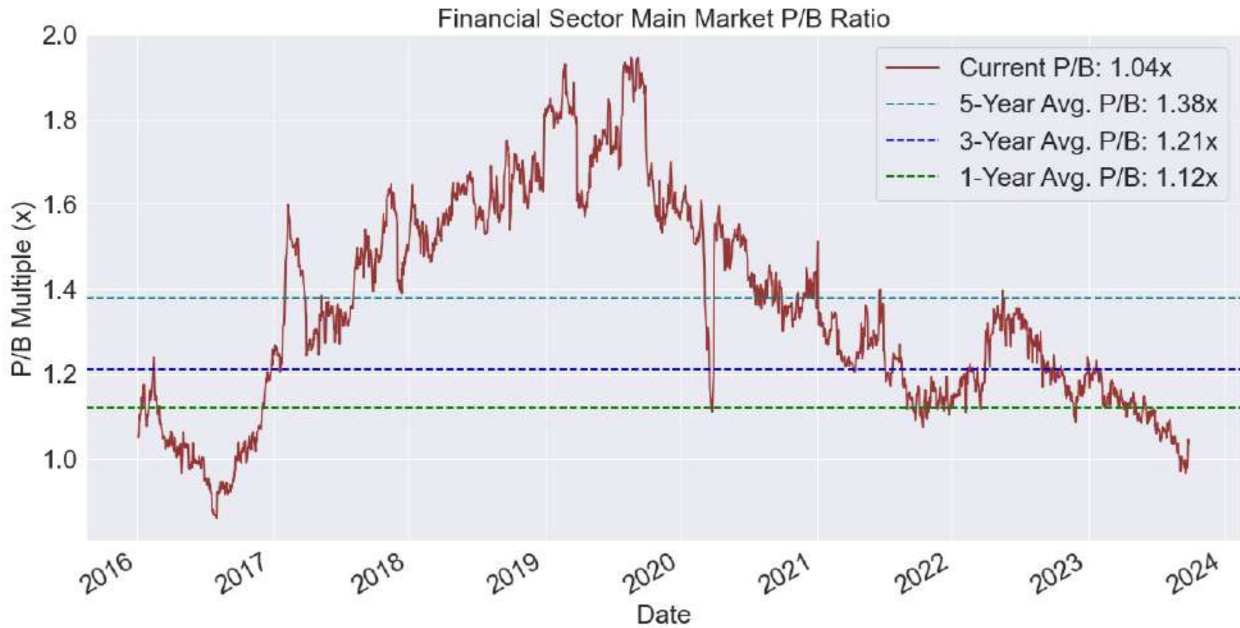

The subpar YTD performance of JSE's stock (refer to **chart 4**) could be reasonably attributed to JSE's profitability performance during the last half-year period. A considerable proportion of the company's financial indicators, such as the efficiency ratio, net profit margin, and dividend yield, saw substantial reductions compared to the equivalent period in FY 22. To see an enhancement in the majority of these metrics, a significant surge in cess income would be needed, which would predominantly necessitate an increase in trading activity.

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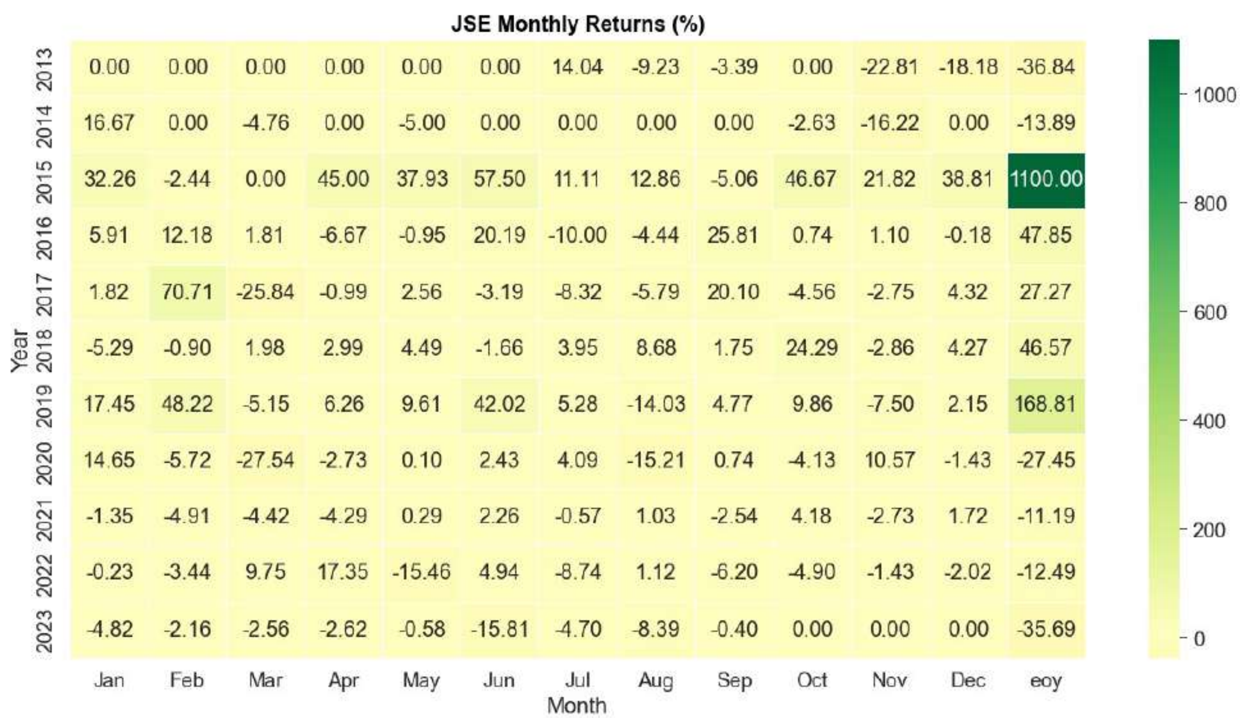
Chart 5 provides an intricate examination of the monthly and annual trajectories of the JSE, showcasing a broad spectrum of performance. The stock encountered its most substantial decline, plummeting by 36.8%, during 2013. It reached its zenith with a remarkable surge of 1,100% in 2015. Presently, the stock is on track for its fourth successive year of depreciation. Interestingly, even though earnings rose in FY 21 and FY 22, the stock's value contracted during those years. This might be due to the substantial rises in the stock value between calendar year 2015 and calendar year 2019, which factored in anticipated increments in earnings growth that did not come to fruition.



As depicted in Chart 6, the current bid-offer spread for the JSE stands approximately at 2.8%, representing a decline from the previous year's mean of 3.6%. The bid-offer spread recorded in the month prior was at a rate of 4.51%, indicating a slight recent uptick in the implicit trading cost for company shares. Although there are sporadic spikes in bid-offer spread levels, occasionally surpassing 15%, investors typically face only moderate implicit transaction costs.

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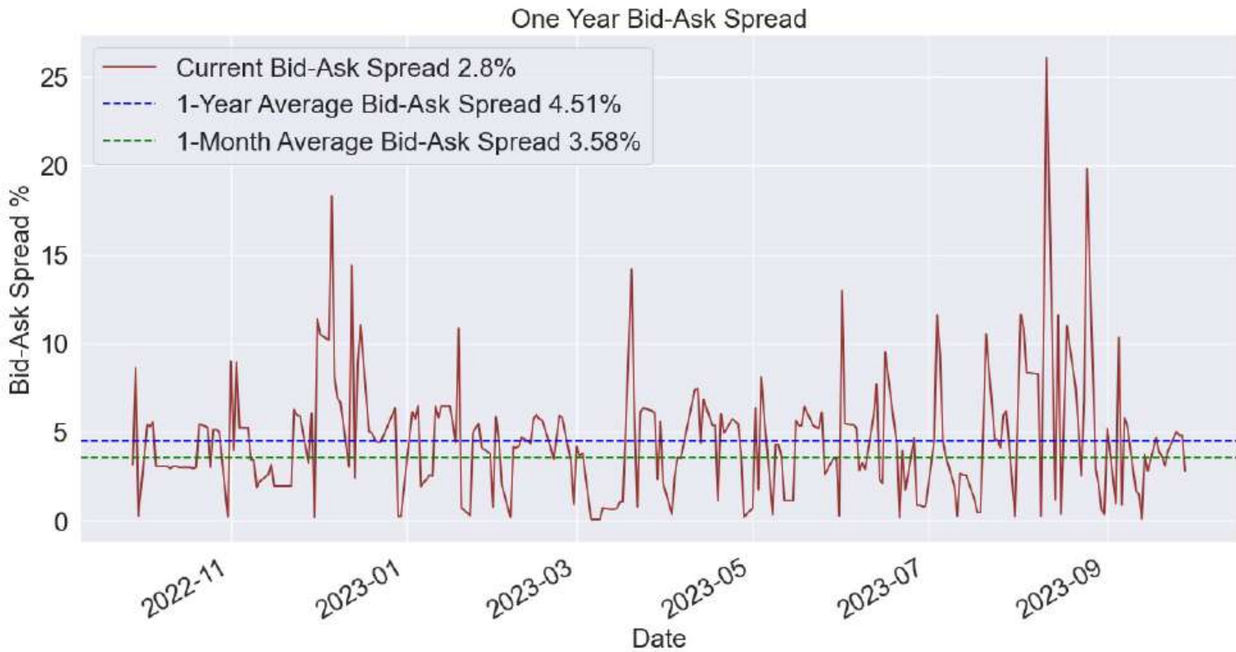

Chart 7 presents bar graph illustrations of the average daily transaction value processed on the JSE from the calendar year 2018 through to the calendar year 2023. The peak of activity was marked in FY 22, with an average daily value exceeding $5.1 million. Conversely, in the ongoing YTD for the calendar year 2023, the stock's average daily trading value has sharply declined to $1.3 million, significantly lower than the levels observed in FY 22. This downward trend is considerably below that of broader market activity. Between January and August of the calendar year 2019, trades on the Main Market totalled roughly $59.2 billion in value, starkly contrasting with a greatly diminished $22.9 billion over an equivalent period in calendar year 2023 - signifying a reduction of 61.3%.

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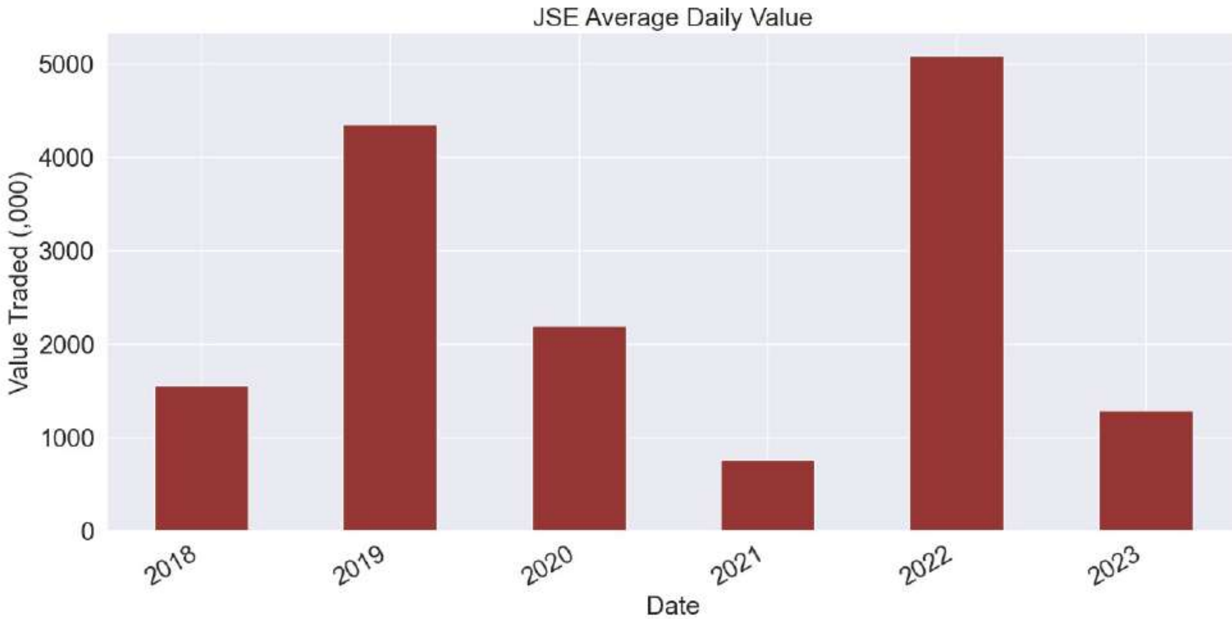

Outlook

During the assessment period, Fee Income, a crucial source of revenue, demonstrated a deceleration in the first half of FY 23. We anticipate a continued deceleration in Trustee fees, a key component of Fee Income, therefore this trend of diminishing Fee Income growth may endure into the second half of FY 23 and beyond.

Moreover, Cess income has consistently underperformed relative to figures from FY 19 due to trading levels which are substantially lower than those recorded in FY 19. Additionally, the first half of FY 23 saw Cess income decrease by 29.8%. The lack of growth in trading activity is a significant hurdle for revenue and profit expansion. Consequently, the Company's capacity to maintain growth will hinge on its ability to effectively launch new services and products that can stimulate an uptick in market trading activity or diversify its revenue streams further.

To that end the JSE has several initiatives planned for 2023 to 2024 aimed at boosting market participation. These include improving the visual appeal and user experience of the Online Trading Platform, Short Selling, Direct Market Access (DMA) Solution - phase 2, Data Commercialisation and Trading of Government Bonds (in collaboration with the Bank of Jamaica). These initiatives offer prospects for long-term growth at the Company

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Key Risks to Our Price Target

Our analysis suggests a rise in Fee Income for FY 22 and subsequent years, albeit at a less rapid pace than the review period. The predominant risk factor in this prospect is Cess Income, showcasing notable instability and acting as an essential revenue component. A significant fraction of the value transacted on the exchange originates from substantial institutional transactions; any inability to execute these trades could potentially lead to a discrepancy from our predicted profits. Moreover, trustee fees experienced a decline in FY 22 - given its prominent contribution to the total fee income, this could potentially cause revenue expansion to fall short of our forecasts.

Recommendation:

Our scrutiny of the JSE discloses a robust financial status, demonstrated by favourable liquidity, solvency, and activity ratios. Nevertheless, our main reservation lies in the current valuation of the stock relative to its prevailing stock price. According to this appraisal, we are maintaining our recommendation to an **UNDERWEIGHT** rating on JSE as it is presently trading at par with the base case price target. Despite a standstill in cess income, JSE has managed to uphold a stable financial position via an escalation in fee income.

The company has substantially enhanced revenue during the examination period and in the immediate past half-year period, albeit at a decelerated rate. However, profit growth has proven elusive peaking in FY 19. Concurrently, equity has seen a steady increment over the assessment period compared to total liabilities which have remained unaltered. This has led to an ongoing improvement in JSE's solvency from an already potent level.

In the short term, market activity may curtail JSE's revenue and earnings. Nonetheless, we harbour an optimistic view for the long term, considering JSE's sturdy balance sheet, cash flows and growth plans for 2023 onwards.

Our baseline projection indicates that earnings are poised to ascend by 15% for FY 24 compared to FY 22 resulting in an ultimate profit of roughly $579 million. Given the current price of JSE, we predict this will result in a P/E ratio of approximately 12.1x. It is important to note that these levels last occurred when JSE traded back in 2016.

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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