INVESTMENT AND SOVEREIGN RESEARCH March-18-2024

Caribbean Producers (Jamaica) Limited

PLEASE SEE IMPORTANT DISCLOSURES & COPYRIGHT INFRINGEMENT IN THE APPENDIX

Executive Summary

Incorporated in April 1994 by Mark Hart and Thomas Tyler, Caribbean Producers (Jamaica) Limited (CPJ) serves as a supplier of consumer goods aimed at the hospitality industry. The primary business activities of the enterprise encompasses the wholesale and distribution of food and beverages, provision of non-food supplies, along with producing and distributing fresh juices and meats. On 20 July 2011, CPJ made its debut on the Junior Market, and subsequently moved to the Main Market in July 2021.

In the financial year ending June 2023, the Company registered a revenue growth of 18.9%, marking a high for the period under review. Despite this, there was a downturn in profits by 23.2% during the same term, concluding at USD 5.8 million. In tandem, there was a rise in equity by 24.9%, standing at USD 28.9 million, whilst cash inflow from operational activities showed positive signs of improvement, culminating to USD 1.9 million.

CPJ is presently trading at a trailing twelve-month (TTM) earnings per share (EPS) of 11.6x, which below the average of its peer group of 12.7x. In relation to the current trading volumes of other listed companies, CPJ's stock exhibits a modest level of liquidity, with an average daily value of $1.7 million traded over the past year. In the last month, CPJ has seen an average bid-ask spread of 1.3%, signifying a relatively low implicit cost associated with trading its shares.

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Abridged Financials & Ratios

	YE 2019	YE 2020	YE 2021	YE 2022	YE 2023	CAGR	Q2 2023	Q2 2024	Change
BVPS	2.62	2.28	2.11	3.19	4.06	11.62%	3.66	4.54	23.8%
EPS	(0.14)	(0.56)	(0.33)	1.08	0.87	N/A	0.48	0.47	-2.4%
Close Price	4.80	2.37	4.35	14.11	10.95	22.90%	11.75	9.00	-23.4%
Main Market Index	467,896	383,756	425,564	384,186	332,035	-8.22%	355,897	325,700	-8.5%
Income Statement (US$ Millions)									
Revenue	109.62	91.70	58.18	119.96	142.58	6.79%	71.38	74.29	4.1%
Gross Profit	26.22	20.77	14.75	34.84	38.98	10.42%	21.41	22.32	4.2%
Selling & Admin. Expense	22.86	19.27	12.14	18.24	24.68	1.93%	13.15	14.15	7.6%
Operating Profit	0.39	(3.14)	(0.34)	12.41	10.26	126.15%	6.18	5.93	-4.1%
Profits Attributable to Shareholders	(1.17)	(4.07)	(2.26)	7.51	5.76	N/A	3.35	3.28	-2.1%
Abridged Balance Sheet (US$ Millions)									
Cash & Cash Equivalents	4.21	6.05	4.20	3.92	5.46	6.72%	8.01	8.25	3.1%
Inventory	31.87	24.11	21.43	40.16	38.91	5.12%	35.37	36.72	3.8%
Accounts Receivable	15.89	8.39	15.39	18.49	19.42	5.14%	21.10	20.76	-1.6%
Current Assets	51.97	38.55	41.03	62.56	63.79	5.26%	64.47	65.73	2.0%
Non-Current Assets	15.50	22.01	25.30	25.89	26.32	14.15%	24.60	29.77	21.0%
Total Assets	67.47	60.56	66.33	88.46	90.11	7.50%	89.08	95.50	7.2%
Current Liabilities	27.20	16.76	20.32	46.75	28.12	0.84%	27.06	29.07	7.4%
Non-Current Liabilities	18.16	26.03	30.76	15.66	29.70	13.09%	32.51	30.82	-5.2%
Total Liabilities	45.36	42.79	51.08	62.42	57.83	6.26%	59.57	59.89	0.5%
Debt	29.77	34.30	39.47	42.24	46.27	11.66%	45.40	49.99	10.1%
Equity	21.97	17.91	15.64	23.15	28.91	7.10%	26.50	32.20	21.5%
Abridged Cash Flow Statement (US$ Millions)									
CFO	(0.12)	6.94	0.52	(1.03)	1.90	N/A	1.57	4.64	195.1%
CFI	(5.03)	(1.00)	(2.05)	(2.96)	(1.83)	-22.34%	(0.73)	(4.09)	458.6%
CFF	5.32	(3.15)	(1.63)	3.74	1.57	-26.23%	3.22	2.23	-30.8%
Ratios						**Average**			**Change**
Gross Profit Margin	23.92%	22.65%	25.35%	29.05%	27.34%	25.66%	30.00%	30.05%	0.2%
Operating Margin	0.36%	-3.43%	-0.58%	10.35%	7.19%	2.98%	8.66%	7.98%	-7.9%
Net Profit Margin	-1.07%	-4.44%	-3.89%	6.26%	4.04%	0.48%	4.69%	4.42%	-5.9%
Debt-to-Equity	1.35	1.92	2.52	1.82	1.60	1.71	1.71	1.55	-9.4%
Current Ratio	1.91	2.30	2.02	1.34	2.27	2.05	2.38	2.26	-5.1%
Days of Sales Outstanding	52	48	75	52	49	54	59	53	-10.4%
Days of Inventory on Hand	126	144	191	132	139	142	117	125	6.9%
Number of Days of Payables	52	69	90	53	52	63	40	34	-14.7%
Cash Conversion Cycle	126	123	176	130	136	138	135	143	5.8%
ROE	-5.14%	-20.40%	-13.50%	38.71%	22.14%	5.18%	23.78%	19.41%	-18.4%
ROA	-1.86%	-6.35%	-3.57%	9.70%	6.46%	1.35%	6.75%	6.17%	-8.5%
P/E	(33.19)	(4.22)	(13.15)	13.02	12.53	(0.98)	14.52	10.44	-28.1%
P/B	1.83	1.04	2.06	4.42	2.69	2.31	3.21	1.98	-38.1%

Financial Overview

Income Statement Review

Over the review period, revenue demonstrated a CAGR of 6.8%, reaching a record of USD 142.6 million. Revenue fell to a low of USD 58.2 million in FYE June 2021, primarily due to a decline in demand caused by the COVID-19 pandemic. More recently, revenue experienced a 18.9% increase in FYE June 2023, driven by growth in the hospitality retail sectors, as evidenced by a 16.4% and 30.3% increase in cost of sales within these sectors, respectively.

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Meanwhile, Operating profit exhibited a CAGR of 126.2% over the review period, however it declined by 17.4% in FYE June 2023 to USD 10.3 million. The decline in the most recent financial year was due to by the Company's selling and administrative expense increasing by 35.3% to USD 24.7 million. The increase in selling and administrative expense was due to increased staff costs which increased by USD 1.9 million or 21.3% to USD 10.6 million in FYE June 2023.

Finance costs increased by 14.8% to a review period peak of USD 3.4 million in FYE June 2023. The increased financing costs are a result of financing obtained to assist with the restructuring of the balance sheet, through a US$13 million bond raise used to retire related party debts. Additionally, there were also increases in finance charges relating to lease liabilities, as the Company negotiated new leases with its landlords.

Ultimately, the Company experienced a USD 1.7 million or 23.2% decline in to USD 5.8 million in FYE June 2023. This decline was due in part to the settlement of a GCT tax dispute of approximately USD 1.6 million.

Revenue witnessed a growth of 4.1% in the 6M ending December 2023, amounting to USD 74.3 million. In the same period, gross profit also rose by 4.2% to USD 22.3 million. The growth of gross profit in the 6M ending December 2023 was held back by a slight drop of 0.5% in Q1 FYE June 2024, which can be attributed to variations in global commodity prices . Nevertheless, strategic procurement practices led to an increase in gross profit by a significant 8.6% in Q2 FYE June 2024 .

During the 6M concluding in December 2023, CPJ's sales and administrative expenses rose by 7.6%, reaching USD 14.1 million. In parallel, the firm's operating profit experienced a downturn of 4.1% to settle at USD 5.9 million in the same period. This was chiefly attributed to a notable contraction of operating profit by 17.7% in Q1 FYE June 2024. Nevertheless, a bounce back of operating profit by 8.6% in Q2 FYE June 2024 mitigated the overall decrease in operating profit.

During the 6M period ending in December 2023, CPJ's Profits Attributable to Shareholders faced a decline of 2.1%, settling at USD 3.3 million. The primary contributing factor to this downturn was a steep fall in earnings of 22.6% during Q1 of the financial year ending June 2024, which brought earnings down to USD 1.3 million. Nevertheless, there was a turnaround in Q2 FYE June 2024, with Profits Attributable to Shareholders witnessing an upswing of 17.6% to reach USD 2 million. This improvement helped in offsetting the losses encountered during the six months ended December 2023.

Balance Sheet Review

The primary constituents of total assets at FYE June 2023 were inventories and accounts receivable. In the FYE June 2023, accounts receivable made up 21.5% of total assets, an elevation from the previous financial year's figure of 20.9%. Inventory, which is the most substantial contributor to total assets, represented 43.2% of total assets at the conclusion of FYE June 2023, a decrease from the prior financial year's figure of 45.4%. The reduction in inventory for FYE June 2023 facilitated enhancements in operational cash flow.

During the analysis period, there was a consistent climb in debt levels, growing at a CAGR of 11.7%. In the most recent financial year, there was a slight slowdown in this growth, with the rate falling to 9.6%. A major driver of this upswing in the FYE June 2023 was a striking increase in long-term borrowings by 566%, or USD 12.6 million, taking the total to USD 14.8 million. Concurrently, we observed reductions in current liabilities due to the retirement of related party loans that were formerly classified as current in the preceding year.

CPJ exhibited a "V" shaped recovery in its equity value, touching a low of USD 15.6 million in the financial year ending June 2021 and subsequently rebounding to reach a high of USD 28.9 million in the financial year ending June 2023. This recovery was facilitated by a substantial, though relatively reduced profit reported by the company for the financial year ending June 2023, resulting in a net increase of 24.9% in its equity value.

In the 6M period concluding in December 2023, total assets saw an uptick of 6%, reaching a value of USD 95.5 million. The predominant driver of this growth was the substantial rise of 13.1% in non-current assets, which amounted to USD 29.8 million by the end of the period. This surge in non-current assets can be largely attributed to a significant increase of 26.2% in PP&E, reflecting the firm's ongoing investments. Concurrently, there was a slight improvement in current assets due to a decrease of 5.6% in inventory levels during the same 6M timeframe.

During the 6M period concluding in December 2023, total liabilities witnessed a rise by 3.6%, reaching USD 59.9 million. This surge was propelled by the expansion in current and non-current liabilities, which grew approximately by 3.4% and 3.8% respectively. The escalation in current liabilities largely stemmed from a substantial rise of 130.4% in bank overdraft, which reached USD 3.1 million during the same time frame.

The company witnessed a rise of 11.3% in its equity to USD 32.2 million during the 6M period concluded in December 2023. This significant growth can be attributed to the impressive profitability achieved during the same 6M timeframe, which ended in December 2023.

Cash Flow Statement Review

Cash flow from operating activities exhibited volatility throughout the review period, with its peak at USD 6.9 million in FYE June 2020. In the most recent financial year cash flow from operating activities improved by USD 2.9 million to USD 1.9 million. This inflow mainly resulted from a decrease in inventory, which involved a net inflow of USD 1.2 million. However, cash flow from operating activities before changes in working capital marginally declined by 8.7% to USD 15.1 million.

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During the evaluation period, CPJ has persistently recorded cash outflow used in investing activities (CFI). The CFI outflow reached its zenith at USD 5 million in FYE June 2019, primarily owing to additional PP&E acquisition valued at USD 5 million. This cost was largely due to the construction of a new 56,000 square feet warehouse. More recently in FYE June 2023 cash flow used in investing activities declined by 38.2% to USD 1.8 million. This reduction resulted from a significant decrease in new investments in PP&E, dropping from USD 3 million at the close of the financial year in June 2022 to USD 1.8 million at the financial year end in June 2023.

Cash flow provided by financing activities reached its zenith in FYE June 2020 at USD 5.3 million and exhibited volatility throughout the review period. More recently in FYE June 2023 cash flow from financing activities declined by 57.9% to USD 1.6 million. The decline was a consequence of the repayment of several notes. Nonetheless the company was a net receiver of borrowings in FYE June 2023. Historically, the main factors influencing cash inflows and outflows from financing activities for the Company have been the receipt and repayment of debt.

In the 6M duration concluding in December 2023, the firm experienced a substantial increase in cash inflow from operating activities (CFO), which rose to USD 4.6 million. This represents a significant growth of 195.1% compared to the same period of the preceding financial year. The primary reason for this escalation was a decrease in outflow required to lessen accounts payable, which fell from USD 7.3 million in the 6M period finishing December 2022 to USD 2 million in the most recent 6M term. Concurrently, CFO prior to adjustments for working capital experienced only a marginal drop of 1.3%, standing at USD 8 million in the 6M term ending December 2023.

The company reported a 458.6% increase in cash outflows related to investment activities, reaching USD 4.1 million. This significant rise was mainly attributable to an outflow of USD 4.1 million due to enhancements made to Property, Plant & Equipment (PP&E) as well as intangible assets during the six-month period concluding December 2023.

Ratios Review

In the financial year ending June 2022, the company saw a peak in its gross profit margin at 29.1%. This was followed by a reduction of 1.7 percentage points, bringing it down to 27.3% by the end of the financial year in June 2023. Despite this fall, it's worth noting that the gross profit margin remains relatively high compared to its average of around 25.7% over the review period. Similar trends were observed in CPJ's operating and net profit margins, which also decreased from their levels as of FYE June 2022 to FYE June 2023.

The firm's current ratio saw a significant rise of 69.5%, reaching a peak of 2.3x at the end of the financial year in June 2023. This was chiefly due to a decrease in current liabilities, even as current assets experienced slight growth. The drop in current liabilities can be traced back to related party loans that were previously categorised as current, but have now been fully paid off. The established current ratio of 2.3x indicates that the company is well-placed to meet its short-term obligations.

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There was a noteworthy improvement in CPJ's inventory turnover, moving up from a low of 1.9x in the financial year ending June 2021. However, it did see a slight decline relative to the financial year ending June 2022. This led to an increase in inventory days on hand by a modest 5.5%, equating to 139 days. The increase in inventory days on hand, together with better revenue performance and anticipated demand surge as well as potential logistical constraints, is viewed as being advantageous overall. Additionally, the current inventory days on hand is lower than the average during the review period which stood at approximately 142 days.

The enterprise has succeeded in decreasing the days of outstanding sales to 49 days, down from 52 days, whilst experiencing a substantial growth in revenue for the FYE June 2023. This was largely attributed to the company's ability to control the escalation in average receivables despite the significant rise in revenue. This suggests that the company is effectively managing its credit risk linked to receivables, which we interpret as a positive sign. It is noteworthy that the current outstanding sales days are lower than the average of 54 days during the review period and represent the lowest point during this timeframe.

The debt-to-equity ratio has shown a consistent improvement, declining from a high of 2.5x at the conclusion of FYE June 2021, to 1.6x at the close of FYE June 2023. This enhancement was chiefly attributable to an increase in equity of 84.9% to USD 28.9 million from the end of the financial year in June 2021 to its conclusion in June 2023.

In the FYE June 2023, a decrease of 16.6 and 3.3 percentage points was observed in the company's ROAE and ROAA respectively. A DuPont analysis indicates that the main elements contributing to the Company's fall in ROAE were a reduction in its net profit margin, with a slight contraction in financial leverage also playing a role.

CPJ has refrained from issuing dividends since the FYE of June 2018, a decision that may be traced back to the substantial losses suffered by the company in the period between FYE June 2019 and FYE June 2021. It is worth noting that even though sizeable profits were registered for FYE June 2022 and FYE June 2023, there has been no reinstatement of dividend payments. A key observation is the considerable rise in debt alongside a corresponding increase in finance costs, which could pose challenges to the resumption of dividend distributions.

The firm's ratio of debt to equity continued its positive trajectory over the 6M period concluding in December 2023, falling to around 1.6x. This is primarily attributable to the expansion of equity outstripping the escalation in the company's indebtedness. This signals an enhancement in the company's ability to meet its long-term obligations.

The current ratio has maintained relative stability, sitting at 2.3x at the conclusion of the 6M period that ended in December 2023. This level significantly exceeds 1x, suggesting the likelihood of readily available funding to meet near-term liabilities.

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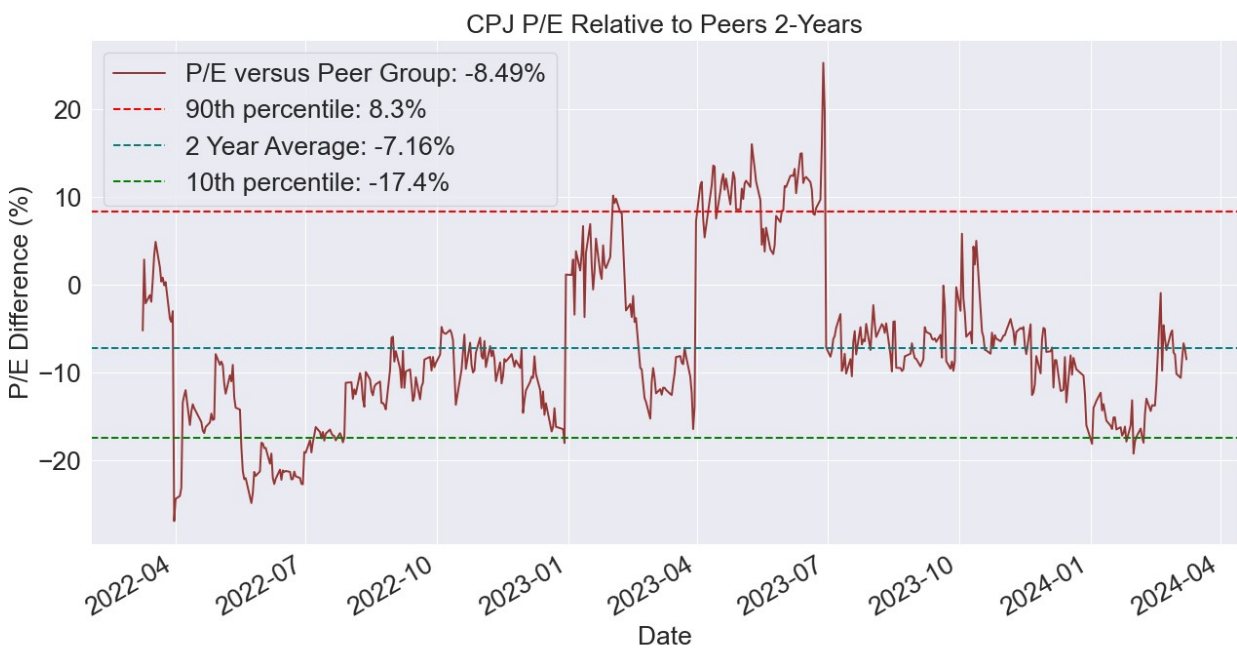
Forecast and Valuation

We've set a price target for CPJ at $10.82, calculated using the P/E multiples of the comparison group applied to our estimated EPS for CPJ in the financial year ending June 2025. This calculation considered the usual disparities often seen between CPJ's valuation and that of its comparison group. Our projection is underpinned by the expectation that investor sentiment towards the comparison group will remain relatively constant. Below are diagrams illustrating how CPJ's P/E ratios have compared to those of its comparison group over the prior two years. **Utilising the 90th and 10th percentile P/E valuation gap, we've determined our upper and lower price objectives, which stand at $12.63 and $9.63 respectively.**

As illustrated in **Chart 1**, over the past two years, CPJ shares traditionally traded at a mean discount of 7.1% in relation to the P/E ratio of its counterparts. This indicates that the current discount of CPJ is approximately consistent with historical trends. The absence of a dividend payment from CPJ for several financial years may partly account for this discount.



As demonstrated by **Chart 2**, the P/B ratio of CPJ has remained largely steady between 1x and 2x from the calendar year 2015 to 2021. Late in the calendar year of 2021, however, CPJ's P/B multiple expanded sharply due to a swift appreciation in stock price. The present P/B ratio of 2.2x is beneath the averages of the previous 1,3 and 5 years, suggesting that CPJ's shares could be undervalued. Nevertheless, considering that throughout most of its history, the stock has traded at a P/B below 2x, the current P/B could reflect a reversion to its long-term average. Over the past year, it is noteworthy that CPJ's P/B ratio has predominantly been contracting.

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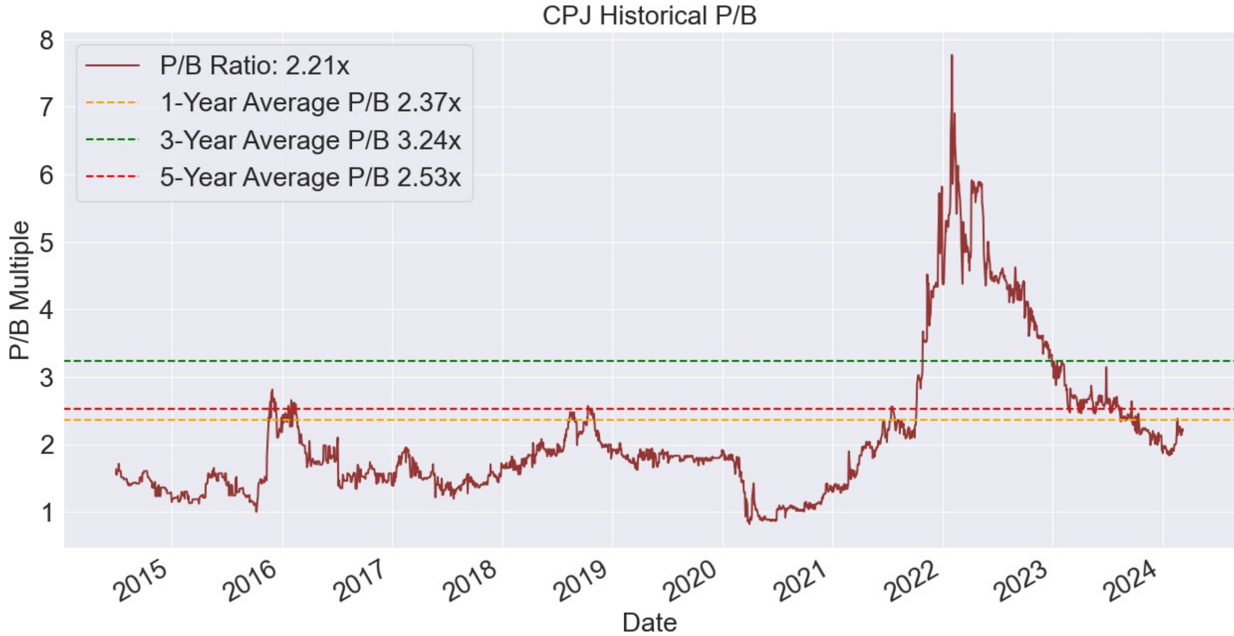
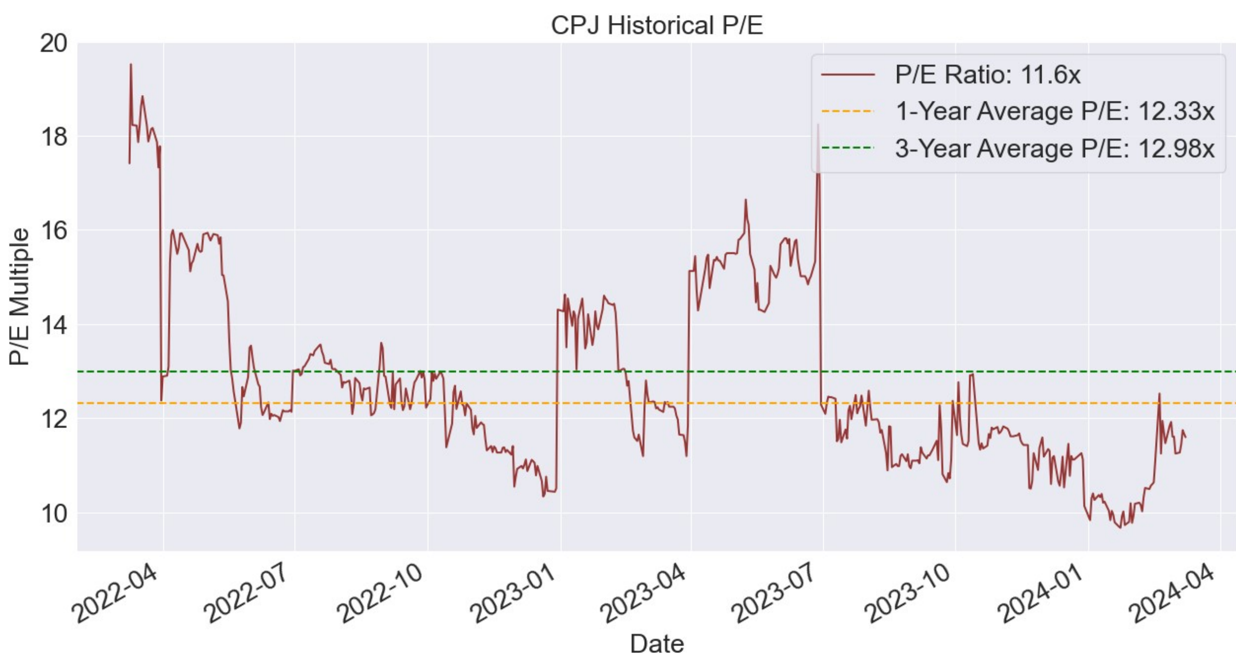


Over the preceding two years, CPJ's P/E ratio has been predominantly on a downward trend since hitting a peak of around 20x illustrated in **Chart 3** below. Consequently, CPJ is presently trading at roughly 11.6x, which is below its one and three-year average P/E ratios of 12.3x and 13x, respectively. While the most recent financial year witnessed a general decline in CPJ's P/E ratio, it managed to bounce back from its low point of less than 10x recorded in January 2024.



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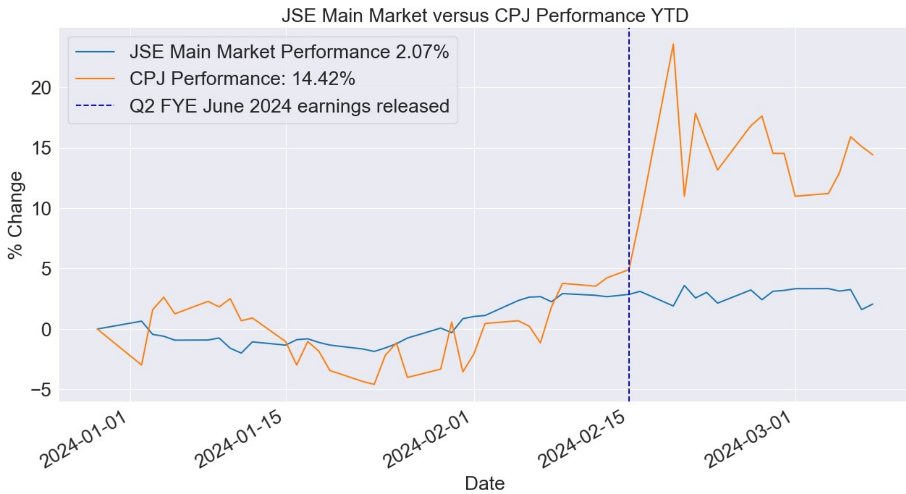

As depicted in **Chart 4**, the performance of CPJ's shares has significantly outstripped that of the Main Market YTD, marking an increase of 14.4%; a stark contrast to the Main Market's meagre 2.1% rise over the same timeframe. Despite this, there has been a downturn from CPJ's peak YTD performance, which stood at approximately 23.6%. The most recent earnings disclosure, which revealed a profit increase of 17.6% to USD 2 million, was met with investor enthusiasm. This positive sentiment has played a crucial role in bolstering CPJ's YTD performance in share value.

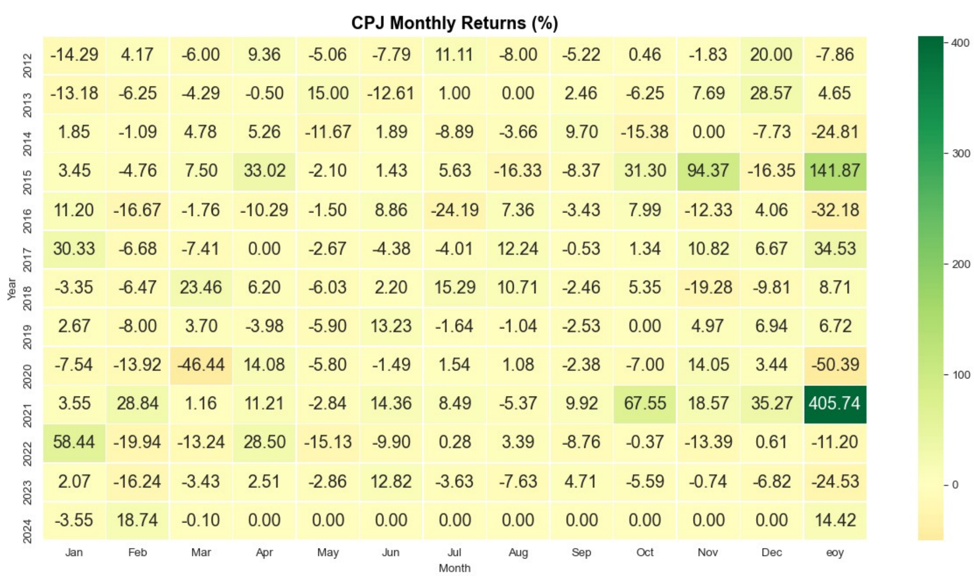

Chart 5 shows the monthly and annual performance of CPJ going back several years. The chart reveals that in calendar year 2021 CPJ experienced spectacular stock price appreciation of 405%. Previous to this strong performance CPJ experienced its worst calendar year performance of about 50.4% in calendar year 2020.

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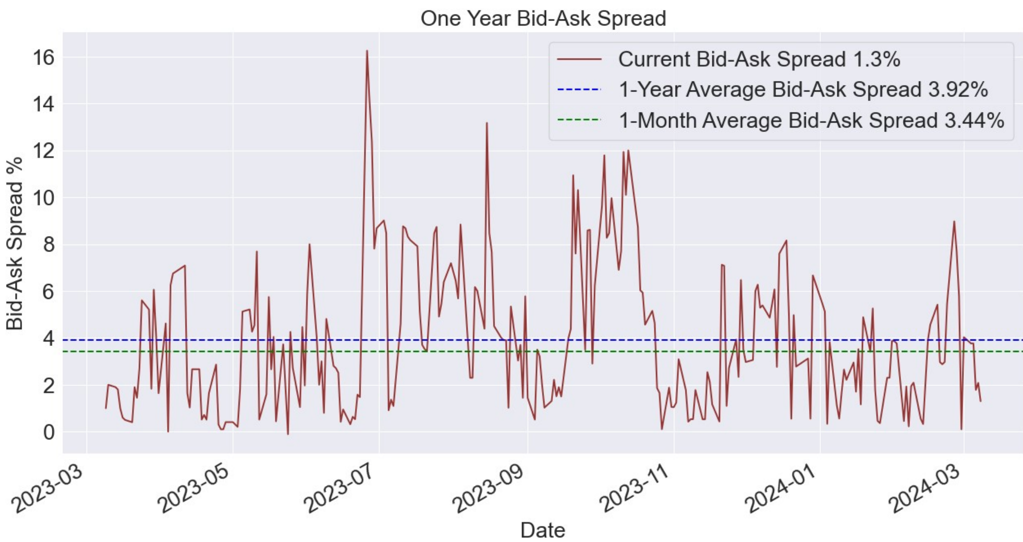

Chart 6 below indicates CPJ recently finished trading with a bid-ask spread of 1.3%, significantly below the past financial year's average of 3.9%. The current bid-ask spread suggests a relatively minimal implicit cost for purchasing CPJ shares. However, the previous year's average bid-ask spread was 3.4%, suggesting a moderate implicit cost for acquiring shares. Notably, there have been substantial increases in bid-ask spreads over the past financial year, with an apex of over 16% and frequent surges exceeding 8%.

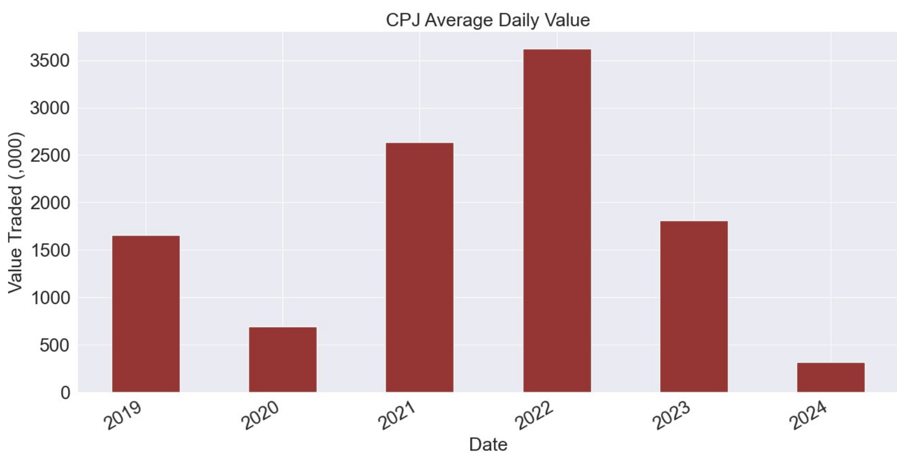

Chart 7 delineates the mean daily value transacted annually of CPJ's shares from 2019 to the present. The peak activity was witnessed in the calendar year 2022, with a daily average stock transaction amounting to $3.6 million. Following that, there has been a subsequent downturn in the traded value throughout calendar year 2023, which further dipped in calendar year 2024. YTD, the average trade value has been approximately $312.7 thousand, indicating a material decline in the liquidity of the stock.

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Large Cap. Consumer Staples						
Ticker	**Market Cap($B)**	**P/E**	**P/B**	**ROA**	**ROE**	**2023 Dividend Yield**
JBG	39.85	7.09	1.15	6.30%	17.61%	2.56%
WISYNCO	79.58	15.35	3.32	17.04%	23.45%	2.54%
SALF	4.09	22.33	3.85	15.16%	17.65%	3.52%
SEP	65.67	17.42	2.19	3.94%	13.09%	2.38%
CPJ	11.00	11.60	2.21	6.17%	19.41%	0.00%
Mean	40.04	12.67	2.14	9.72%	18.24%	2.20%

Outlook

The firm is introducing various strategies to support growth in revenue and profits, such as the deployment of new software for enhancing customer service. Moreover, it is anticipated that the organisation will conclude a USD 3 million investment in 2024 to broaden its manufacturing plant, which is predicted to assist in meeting the increasing supply needs of its hospitality and retail clients. .

The St. Lucian division is projected to enhance the company's standing in the retail sector through the imminent opening of a new outlet. Additionally, this new establishment is anticipated to provide stability to the revenue stream in this segment, which typically experiences seasonal fluctuations due to the inherent nature of the hospitality industry in St. Lucia. Moreover, the firm plans to invest in three trucks to substitute older vehicles within its fleet, thereby offering increased capacity for goods distribution within the hospitality sector. St. Lucia is predicted to experience a robust summer in 2024 due to a surge in air travel, hosting ICC cricket world cup matches, a more extensive St. Lucia Jazz & Arts festival and carnival among other events.

Additionally, the company's investment in solar energy, approximated at USD 1 million, is predicted to result in a reduction of energy costs by over 35%.

There's a potential risk to the operational activities of the firm due to potential logistical challenges that could lead to delivery delays or increased costs associated with procurement. Notwithstanding, the firm intends to maintain suitable stock levels to avoid both oversupply and stock-out situations. This is apparent from the company's rise in days of inventory on hand which has been addressed earlier.

In the medium to long-term perspective, an increase in the number of hotel accommodations in Jamaica could serve as a catalyst for boosting hospitality sales. The concomitant expansion of product offerings signals a promising trajectory for sustained growth in the long run.

FY	Q1	Q2	Q3	Q4	YE
2025	0.15E	0.33E	0.24E	0.08E	0.92E
2024	0.18	0.28	0.19E	0.09E	0.74E

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	Price Target	Implied Upside/(Downside)
Upper	12.63	26.81%
Base	10.82	8.63%
Lower	9.63	-3.31%

Recommendation

We advise a **MARKETWEIGHT** rating on CPJ at this time. The shares are trading marginally below our base price target at present, and there exists a considerable potential for upside to our higher price target. This recommendation takes into account the company's enhanced revenue and considerably improved profitability over the evaluation period. Moreover, CPJ has demonstrated an enhanced solvency position with significant improvements in its equity base. Notably, the company's cash flow from operating activities prior to changes in working capital showed significant improvements in FYE June 2022 and FYE June 2023.

A rise in inventory days on hand could bolster the company's prospects for medium to long-term revenue growth. However, the firm must effectively manage the risk of inventory spoilage.

We forecast earnings growth of 13.3% for FYE 2025 compared with FYE June 2023. While we anticipate revenue growth to be the primary driver of this increase, we predict that rising finance costs will limit profit growth at the company. **Assuming a static share price, our projections suggest a forward P/E ratio of 10.9x based on predicted EPS figures for FYE June 2025.**

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/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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