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JMMB's Portfolio Management Services

CLIENT PORTFOLIO RECOMMENDATIONS

GLOBAL REVIEW AND OUTLOOK

- On June 23rd UK citizens went to the polls to vote on whether or not the United Kingdom would remain a part of the European Union (EU), the results were a 52% to 48% in favour of exiting the EU. This was a significant market event and is expected to have long term global implications as UK is the 3rd largest economy in the Eurozone and the 6th largest in the world. This will undoubtedly impact growth and trading opportunities globally and for the UK specifically. We have already seen some level of volatility as the pound sterling has been fluctuating against most other major trading currencies. As is customary, in times of uncertainty flight to quality i.e. purchasing US treasuries or buying gold is the expected strategy as investors will seek to reduce exposure to any risky assets in their portfolios. Holding short dated securities will then be the prescribed course of actions for JMMB clients as we expect an upward pressure on interest rates in the short to medium term. The exit process will take at minimum two (2) years to be completed and until then market participants should expect to see some level of volatility to remain in the market.

LOCAL REVIEW AND OUTLOOK

- The PNP-administration had announced they would end the tax holiday afforded to entities who listed on the Junior Market while the eventual winners, the JLP, had stated that it would extend the benefit. As such, market participants entered a wait-and-see mode as the election was too close to call in the build-up. With the JLP coming out the winners and reiterating their promise to extend the Junior Market tax break, activity picked back up. In January 2016, the Main Market Index closed at 160,349.29 points and then declined over the next three months, falling to 150,039.18 in April 2016. The tide has shifted and the Index has appreciated in both May and June but remains lower than its value at the close of January 2016.
- The first half of the year saw inflation levels at -1.4% compared to 0.6% at the same point last year. This deflationary trend however is not expected to persist as continued increases in oil prices on the global market (WTI crude oil prices have increased by 47.2% from end-February to May 17) and the increase in (imposition of) SCT on fuel products is expected to push the inflation rate in the months ahead. Consequently, the deflation trend is expected to abate over the next quarter or so. The expectation is that inflation should fall within the range of 4% - 6% at the end of the fiscal year.
- At end-June 2016 the 12-month depreciation rate for the domestic currency was 8.0% which was relatively flat compared to the previous month. The domestic currency decreased by 3.6% during the quarter ending June 2016 which was an increase relative to the quarters ending March 2016 (1.4%), December 2015 (1.1%) and June 2015 (1.7%). During the June quarter, the monthly depreciation rate averaged approximately 1%. In May, the central bank maintained a relatively passive stance in the currency market and as such intervened minimally while institutions and investors positioned themselves to invest in the Goldman Sachs bond. These factors contributed largely to the decline in the value of the local currency in the quarter ended June 2016. Despite market activities in the last quarter economic fundamentals are sound and pace of depreciation is expected to be moderate for the rest of the year.
- The general trend in Treasury bill yields over the last two (2) years has been downward with small upward adjustments, at times, month-over-month. At end-June, yields on the 6-month and 3-month were 6.01% and 5.86% which were 80.4 basis points (bps) and 62.3 bps lower than in June 2015.

REGIONAL REVIEW AND OUTLOOK

- The past twelve (12) months have been rough for Puerto Rico to say the least as the country failed to make debt repayments to the tune of US\$800M that was due July 1st. Having expressed their budgetary constraints over the preceding months it came as little surprise that they were not able to honour their obligations. In response, the US President Barack Obama signed Puerto Rico Oversight, Management and Economic Stability Act (PROMESA) on June 30th. PROMESA is in no way a bailout as the United States does not intend to provide monetary support to Puerto Rico to meet its fiscal obligations. What the act does is to allow the creation of an oversight board that will supervise any debt restructuring and negotiations with creditors. It also provides temporary protection from any legal actions from creditors and introduces pro-growth reforms such as the ability to lower the minimum-wage requirements for workers under 25. While Puerto Rico is some way away from safety and the nature of any potential restructuring are still unknown, this is a step in the right direction.

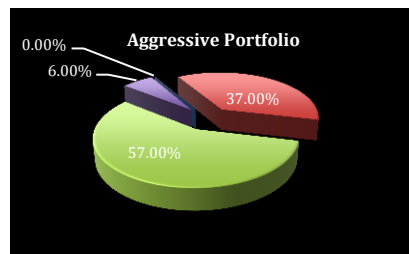
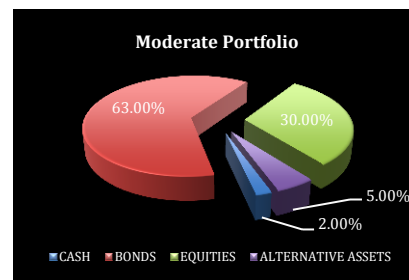
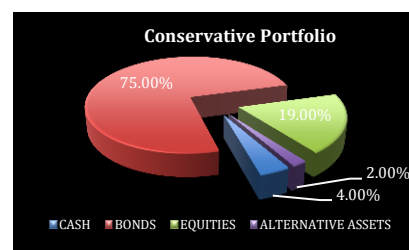


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Market Pulse

INDEX/ITEM	LEVEL/PRICE	TREND
JSE Main	174,814.69	↑
JSE JNR	2083.69	↑
ALL TTSE	1,799.31	↓
S&P 500	2,152.43	↑
BOJ 90 DAY T-BILL	5.86%	↓
T&T REPO RATE	4.75%	↑
T&T DEBT/GDP	58.25%	↑
GOJ DEBT/GDP	126%	↓
US\$:T&T\$	\$6.67	↑
US\$:J\$	\$126.55	↑
OIL (PER BARREL)	US\$45.17	↑
GOLD (PER OUNCE)	US\$1,341.05	↑

JMMB's Strategic Asset Allocation Guidelines



EQUITY REVIEW

The Jamaican equity market registered a strong performance in 2015 growing by 97% on its way to being ranked as the #1 global equity exchange. Some of the key drivers to this performance were:

- falling interest rates that drove investors and portfolio managers to seek more attractive returns
- slow pace of depreciation in the JMD due to increased business and consumer confidence in the outlook for Jamaica's economy given adherence to the IMF test
- historically low level of inflation

The market has cooled off in the first half of the year with modest appreciation in the major indices. Notwithstanding there are several companies trading above their intrinsic values.

Clients are therefore presented with an opportunity to review their portfolios as some of the companies may be trading above their intrinsic values. In such a case, the portfolio should then be rebalanced by taking gains on the companies that have significantly exceeded their target prices.

Taking gains on these assets may not be a reflection on the company's prospect but simply prudent portfolio management as the proceeds from the sale may be used to take positions in other companies that are more attractively priced. The options of repositioning into other asset classes or investing in a diversified equity fund such as the JMMB Income and Growth fund are also at the client's disposal. The entire process should be guided by the client's risk and return objectives.

Please see a list of companies below that have exceeded their target prices significantly and that warrant a serious look for profit taking at this time:

COMPANY NAME	SYMBOL	MARKET PRICE	TARGET PRICE	% ABOVE TARGET PRICE
Paramount Trading Limited	PTL	\$11.00	\$4.56	141%
Sagicor Life Jamaica Limited	SJ	\$23.05	\$10.07	129%
Knutsford Express Limited	KEX	\$14.70	\$6.08	142%
Lasco Distributors	LASD	\$6.05	\$1.83	231%
Berger Paints	BRG	\$4.50	\$2.25	100%
Access Financial Services	AFS	\$17.40	\$10.34	68%
Ttech Limited		\$4.00	\$2.41	66%
Proven Investments Limited	PIL	\$0.17	\$0.12	38%
Caribbean Cement Company Limited	CCC	\$22.20	\$4.48	396%
CAC 2000 Limited		\$6.40	\$4.30	49%

Target price is based on most recent fundamental assessment of the respective company's intrinsic value.

Despite the Jamaican Main and Junior Stock Exchanges strong performances over the last twelve (12) months there remain great examples of companies that are undervalued and have the potential to deliver long term value for investment portfolios. Therefore, these stocks could be considered as candidates that the funds realized from selling those above could be channelled into. 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.

Scotia Group Jamaica Limited (SGJ)

- Strong market share of deposits and loans in Jamaica
- Excellent dividend policy and dividend yield relative to current fixed income rates
- Diversified business operations include commercial banking, insurance and investments

Carreras (CAR)

- Market leader in the distribution of tobacco related products in Jamaica
- Strong profitability despite susceptibility to "sin tax" measures by GOJ
- Excellent dividend policy and dividend yield relative to current fixed income rates

National Commercial Bank Jamaica Limited (NCBJ)

- Market leader in area of deposits and loans in Jamaica
- Seeking to expand its operations regionally
- Good dividend policy and dividend yield relative to current fixed income rates

Jamaica Producers Group (JPG)

- Diversified conglomerate with local and international manufacturing and distribution operations
- Low valuation dynamics relative to industry and market peers



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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.

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 seven (7) 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	\$18.80	3.49%	6.42%
Income and Growth	Equity	\$11.71	15.60%	41.72%
Optimum Capital	Real Estate	\$23.94	11.58%	24.36%
JMD Bond Fund	Fixed income	\$10.7683	3.79%	6.87%
JMD Real Value Fund	Mutual Funds	\$10.7484	2.84%	5.36%
JMD Income Distribution	Fixed Income	\$10.0336	0.83%	1.89%
USD Income Distribution	Fixed Income	\$1.0030	4.51%	2.12%

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.



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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.

FIXED INCOME INVESTING STRATEGY

Portfolio diversification continues to be our main emphasis, seeking exposure on the short end of the yield curve and building out laddered portfolio is the prescribed strategy for fixed income securities. With continued increase in US interest rates, the UK's exit from the EU (BREXIT) and the slowdown in China's economy sustained levels of volatility is expected to continue throughout the Emerging Markets. Hence, our bias is still skewed towards building out laddered portfolios to include high quality issuers. As outlined above, it would be extremely prudent as well to ensure that these fixed income portfolios have a relatively short duration as this will help reduce portfolio volatility as prices adjust. This should be within the context of what is appropriate given the client's risk and return objectives.

Bond	Coupon Rate	Indicative Price	Indicative yield	Recommendation
Govt. of Jamaica 2019	8.00%	\$109.75	4.45%	BUY
Petroleum Company of Trinidad and Tobago 2019	9.75%	\$111.25	5.74%	HOLD/MARKET WEIGHT
Jamaica Energy Partners Amortised Bond 2019	10.25%	\$107.50	6.80%	BUY
Govt. of Jamaica Amortised Bond 2021B	8.50%	\$112.00	5.85%	BUY
Sagicor Finance Ltd 2022	8.875%	\$113.50	6.18%	HOLD/MARKET WEIGHT
Govt. of Trinidad 2024	4.375%	\$107.50	3.24%	BUY
Govt. of Dominican Republic 2024	5.875%	\$109.00	4.49%	BUY
Nat Road Operating & Constructing Co. (NROCC) 2024	9.375%	\$118.50	6.47%	BUY
Govt. of Jamaica 2025	7.625%	\$116.00	5.36%	BUY
Air Jamaica 2027	8.125%	\$107.50	7.12%	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.

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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.

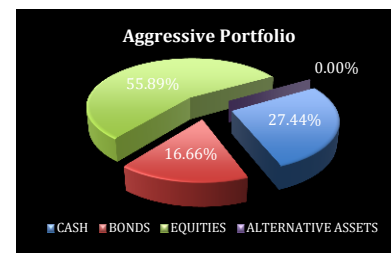
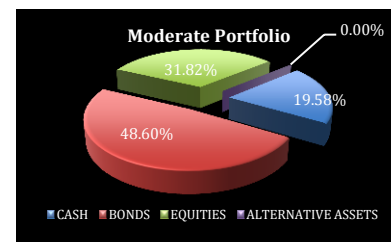
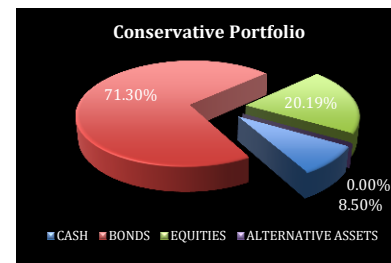
Income and Growth

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