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JMMB's Portfolio Management Services CLIENT PORTFOLIO RECOMMENDATIONS

GLOBAL REVIEW AND OUTLOOK

The market's reaction to the recently concluded US general election is not in keeping with expectations. The US stock market has been growing and the dollar has strengthened while long-term interest rates have increased. The US Federal Reserve Bank (Fed) in December increased its policy rate by 25 basis points to 0.5%. Based on consensus forecast the US economy is expected to expand by 1.5% in 2016 and 2.2% in 2017. The rate of economic expansion in the Euro Zone (EZ) is expected at around 1.6% in 2016, supported mainly by the performance of Germany (1.8%) and Spain (3.1%). It is envisaged that the region will grow by 1.3% in 2017, influenced by the impact of Brexit and the uncertainty in France and Italy, countries facing electoral processes in the short term.

LOCAL REVIEW AND OUTLOOK













- At end-November the 12 month depreciation rate of the JMD vis-à-vis the USD was 7.6%. The domestic currency strengthened marginally relative to the previous month but was 2.4% higher than the similar period in 2015. Of Note, there was a marginal decline in the pace of the depreciation rate in Q3:16 relative to the previous two quarters. In Q3:16 the domestic currency lost 1.5% of its value against the USD, which compares favourably to declines of 1.7% and 2.6% in Q1:16 and Q2:16, respectively. The 12-month depreciation rate at the end of September was 7.7% relative to 5.7% for the corresponding period in 2015.
- It is our view that pace of depreciation of the JMD will moderate in Q4:16. This view takes into account continued intervention by the central bank and the collaborative effort of the financial sector to help stymie volatility in the currency market. The pace of depreciation however could accelerate if person's outlook on the currency and GOJ management of the economy changes to negative. We however assign a low probability to these events occurring singularly or simultaneously.
- Low commodity prices and favorable weather conditions are having a positive effect on the domestic inflation rate. Relative to the month of October, the inflation rate in November increased by 0.4%.

- The inflation rate year-to-date was 1.4% while the point-to-point inflation was 1.7% and the fiscal year-to-date inflation was 2.8%. Inflation is rising, albeit at a slow pace. The likely factors to drive upward adjustments in prices are the pass-through effect of increase in electricity cost and depreciation of the domestic currency. It is envisaged however that the pace of adjustment will be tempered by overall low global commodity prices and moderate depreciation. Inflation for calendar year 2016 and FY 2016 are likely to fall below the forecast range of 4% - 6%.
- During most of 2016 Treasury bill (T-bill) yields have shown a general downward trend. T-bill yields in November. Yields on the 3- and 6- month instruments were 5.70% and 6.20%, respectively. There was a marked shift in November as yields on the 3- and 6-month instrument increase relative to the previous month by 1 and 37 basis points (bps), respectively. Compare to the similar period in 2015, yield on the 3-month instrument declined by 45 bps. However yield on the 6-month instrument increased by 10 bps, which marks the first time since September 2014 that there has been an increase in yield relative to 12 month priors.

REGIONAL REVIEW AND OUTLOOK

The outlook for Latin America (LA) is mixed and the capital markets across the region have shown a downward trend over the last two months. Real output is expected to contract in 2016 due to slowdown in commodity-dependent economies such as Venezuela (-10.3%); Brazil (-3.3%), Ecuador (-2.0%), Argentina (-2.0%), and Trinidad and Tobago (-2.6%). Notwithstanding, the fortunes of these economies, commodity dependent countries in Central America and the Caribbean such as Jamaica and the Dominica Republic have benefited from low commodity prices, particular hydrocarbons, which has helped to lift output while influencing low levels of inflation. It is anticipated that real output in Latin America will expand by around 2.1%, with Venezuela (-3.2%) being the only economy to remain in recession.

Market Pulse

INDEX/ITEM	LEVEL/PRICE	TREND
JSE Main	188,914.07	
JSE JNR	2,594.85	
ALL TTSE	1,206.16	
S&P 500	2,249.26	
BOJ 90 DAY T-BILL	5.70%	
T&T REPO RATE	4.75%	
T&T DEBT/GDP	54.10%	
GOJ DEBT/GDP	125%	
US\$:T&T\$	\$6.75	
US\$:J\$	\$128.34	
OIL (PER BARREL)	US\$53.77	
GOLD (PER OUNCE)	US\$1,163.60	

The equity market has been positive for the 2016 with the main JSE index increasing by 24.9% calendar year to date coming on the heels of a strong 2015. For portfolios that have seen significant increase in value, this presents an ideal opportunity to take gains and rebalance their portfolios. 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.

As the economy improves there are some sectors, such as manufacturing and financial services, that will improve along with the economy and will provide great options in 2017 heading into 2018. In building out and managing an equity portfolio it is important to look at companies that have a diversified business model and/or provide consistent cash flows and also look for the presence of significant cross ownerships. 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.

Despite the Jamaican Main and Junior Stock Exchanges strong performances over the last twelve (12) months there remain great examples of companies that are either undervalued or based on their business models 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 or 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) - \$35.01

- 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) - \$66.11

- 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) - \$49.66

- 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

Lasco Financial Services (LASF) - \$3.19

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

Dolphin Cove (DCOVE) - \$15.00

- Company earns majority of its revenue in USD thus providing a hedge for currency devaluation
- Great upside potential over the medium to long term

Access Financial Services (AFS) - \$22.00

- Excellent dividend policy and dividend yield relative to current fixed income rates
- Strong market share in micro-financing

Major Market Updates

- Eppley Limited and Proven Investments Limited recently issued 8.25% year preferences shares
- Montego Bay Ice Company Limited to be delisted as a public company
- AMG Packaging seek to undertake 5-1 sub-division

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	\$19.16	5.44%	5.44%
Income and Growth	Equity	\$12.76	26.00%	25.88%
Optimum Capital	Real Estate	\$25.17	17.34%	17.28%
JMD Bond Fund	Fixed income	\$10.9437	5.48%	5.50%
JMD Real Value Fund	Mutual Funds	\$10.9348	4.62%	4.63%
JMD Income Distribution	Fixed Income	\$10.0732	2.81%	2.80%
USD Income Distribution	Fixed Income	\$0.9879	3.72%	3.52%

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.

FIXED INCOME INVESTMENT STRATEGY

Donald Trump's November 8th election victory, coupled with the US Federal Reserve's decision to increase short term interest rates resulted in continued volatility in the global markets. In fact, this has been the theme 2016 and is expected to continue into 2017. US equity markets continue to rally coming off Donald Trump's victory in the US presidential elections, while Emerging Market Bonds have taken a hit due to rising US Treasury yields. Given the sustained uncertainty in the fixed income market our bias remains skewed towards building out laddered portfolios to include high quality issuers. In light of current market conditions it is prudent to ensure that these fixed income portfolios have a relatively short duration as this will help reduce portfolio volatility as prices adjust. Shorter duration bonds are generally less sensitive to price changes hence providing greater portfolio stability than longer dated assets. High credit quality bonds with diversified business models should also be able to weather the storm of global volatility. This of course 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
Petroleum Company of Trinidad and Tobago 2019	9.75%	\$111.50	5.02%	HOLD/MARKET WEIGHT
Govt. of Jamaica Amortised Bond 2021B	8.50%	\$112.75	5.49%	BUY
Sagicor Finance Ltd 2022	8.875%	\$116.50	5.43%	HOLD/MARKET WEIGHT
Govt. of Trinidad 2024	4.375%	\$102.25	4.01%	BUY
Govt. of Dominican Republic 2024	5.875%	\$102.00	5.54%	BUY
Nat Road Operating & Constructing Co. (NROCC) 2024	9.375%	\$121.00	5.99%	BUY
Govt. of Jamaica 2025	7.625%	\$116.75	5.17%	BUY
Air Jamaica 2027	8.125%	\$110.00	6.78%	BUY
Govt. of Jamaica 2028	6.625%	\$112.50	5.27%	BUY
Govt. of Jamaica 2036	8.50%	\$119.00	6.72%	BUY
Govt. of Jamaica 2039	8.00%	\$114.00	6.77%	BUY

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

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

DISCRETIONARY PORTFOLIO MANAGEMENT

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

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

Plan 1

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

Plan 2

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

Below you will find the year to date performance of the various discretionary plans (both plan 1 and plans 2) as at the end of July.

JMMB Graduate	Nov-16	Sep - Nov 2016	Actual Returns Apr 1, 2015- November 30 2016 (Net of Management Fees)	Projected Long Term Return Per Annum
Short Term Conservative Graduate Fund	0.00%	1.24%	8.15%	7.40%
Medium Term Conservative Graduate Fund	0.14%	1.48%	10.82%	8.50%
Long Term Conservative Graduate Fund	0.29%	1.71%	13.36%	11.90%
Short Term Moderate Graduate Fund	0.14%	1.47%	10.52%	7.70%
Medium Term Moderate Graduate Fund	0.28%	1.68%	12.75%	8.60%
Long Term Moderate Graduate Fund	0.41%	1.90%	15.19%	11.90%
Short Term Aggressive Graduate Fund	0.27%	1.68%	12.53%	7.90%
Medium Term Aggressive Graduate Fund	0.41%	1.89%	14.77%	8.80%
Long Term Aggressive Graduate Fund	0.53%	2.09%	17.14%	11.90%

JMMB Wealth Builder	Nov-16	Sep - Nov 2016	Actual Returns Apr 1, 2015- November 30 2016 (Net of Management Fees)	Projected Long Term Return Per Annum
Short Term Conservative Wealth Builder Fund	-0.04%	1.17%	7.62%	7.30%
Medium Term Conservative Wealth Builder Fund	0.18%	1.52%	10.68%	8.40%
Long Term Conservative Wealth Builder Fund	0.38%	1.84%	13.59%	11.80%
Short Term Moderate Wealth Builder Fund	0.10%	1.40%	9.45%	7.50%
Medium Term Moderate Wealth Builder Fund	0.31%	1.73%	12.82%	8.60%
Long Term Moderate Wealth Builder Fund	0.50%	2.03%	15.48%	11.80%
Short Term Aggressive Wealth Builder Fund	0.24%	1.61%	11.28%	7.80%
Medium Term Aggressive Wealth Builder Fund	0.44%	1.94%	15.11%	8.70%
Long Term Aggressive Wealth Builder Fund	0.62%	2.22%	19.01%	11.80%

JMMB RATING SYSTEM GUIDE

Buy Recommendation

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

Buy for Income Only

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

Hold

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

Speculative Buy

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

Underweight

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

Overweight

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

Neutral

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

Sell Recommendation

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

PORTFOLIO MANAGEMENT BASICS

Investment Policy Statement (IPS)

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

Strategic Asset Allocation

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

Tactical Asset Allocation

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

Portfolio Rebalancing

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

Conservative Portfolio

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

Moderate Portfolio

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

Aggressive Portfolio

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

Yield Pick Up

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

Amortizing Bond

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

Bullet Payment or Plain Vanilla Bond

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

Exchange Traded Funds (ETFs)

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

Margin

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

INVESTMENT STRATEGIES

Capital Preservation

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

Current Income

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

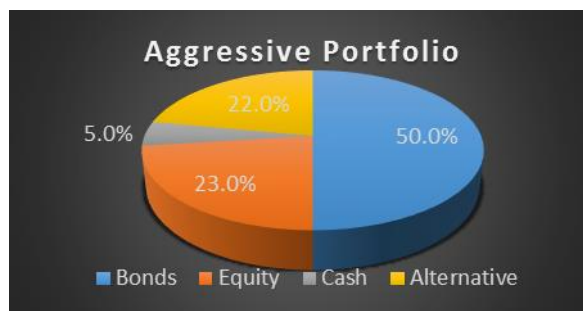
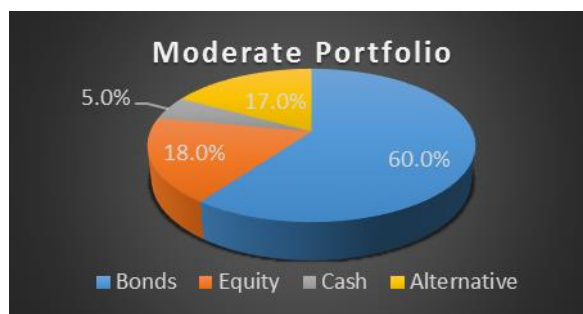
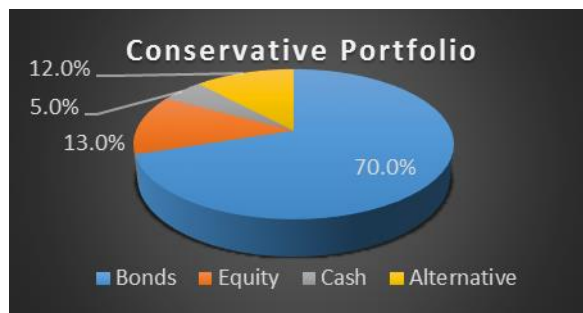
Income and Growth

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

Long Term Capital Growth

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

ACTUAL MODEL PORTFOLIOS



Underweighting an Asset Class

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

Overweighting an Asset Class

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

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