



Sagicor

SELECTFUNDS

**March 2020 Quarterly Report**

**Sagicor Select Funds**

Manufacturing & Distribution Fund



YOUR SHARE OF  
**WEALTH**

## DIRECTORS REPORT

On behalf of the Board of Directors of Sagicor Select Funds Limited, we are pleased to report on the performance of the Manufacturing and Distribution Select Fund (SELECTMD) for the Quarter ended March 2020. SELECTMD was listed on the JSE in December 2019. The Net Asset Value for the Fund is J\$2,853 million.

### OVERVIEW

#### Macro-Economic

The Jamaican economy started 2020 with positive momentum from 2019, with most macro-economic indicators remaining on a favourable path. This included low external current account deficits, comfortable levels of foreign currency reserves, low interest rate environment and all-time low unemployment of 7.2%. The strengthening in economic fundamentals, along with the favourable external environment, resulted in Jamaica's upgraded ratings from Fitch and S&P. The upgrade reflected the expectation that Jamaica will continue to make progress in reducing government debt towards more sustainable levels.

Although GDP growth has been low, the growth prospects were improving. The growth trajectory was to be supported by the tax measures announced at the GOJ's Budget presentation in March. The reduction in GCT, by 1.5 percentage points to 15.0%, was to encourage greater spending by the household. The increase disposable income was to stimulate aggregate demand and was to be complemented by the tax reduction to firms, as well as, low interest rates environment.

However, the onset of Corona Virus has brought considerable risk to economic activity. The measures employed to limit the impact of the virus is expected to temporarily halt economic growth and fiscal progress in Jamaica. Specifically, it is

expected that the pandemic-related decline in tourism and other sectors will have a negative impact on the wider economy and the performance of listed companies.

Given the anticipated impact, S&P revised their outlook for Jamaica to negative from stable.

To mitigate the impact, several initiatives were announced by the Government of Jamaica to support the spending power of consumers initially. These were in addition to actions of the BOJ to facilitate the smooth functioning of aspect of the financial market. These initiatives should assist in stabilizing the macro-economy until the pandemic subsides.



## Sector

In the latest report from the Statistical Institute of Jamaica (STATIN), real GDP for the calendar year 2019 grew by 0.9% relative to 2018, reflecting higher output from most industries. The industries recording the highest increases were Manufacturing, Finance & Insurance Services, Electricity & Water Supply and Hotels & Restaurants.

The Manufacturing industry, growth stemmed from higher output in food & beverage processing; as well as higher production of petroleum products, and paper, printing & publishing.

## Market

Though the economic condition was supportive of growth, the market performance reflected the anticipated adverse economic outcome and the effect on listed companies. During the quarter the equity market declined by 26%. The decline was most significant during the month of March as

the market adjusted to the potential impact of the Corona Virus. The market fell 21% in March alone.

Additionally, the market was partly affected by the IPO of Transjamaican Highway Limited, as investors prepared to participate in the new infrastructure asset. Consequently, the market recorded mild declines as some investors reduced their long position in several stocks for this new investment opportunity.

Particularly during March 2020, only four companies on the main market recorded increases in price, evidenced by an advance to decline ratio of 4:37. Similarly for the quarter only 3 companies recorded positive performance (see table below). This performance is reflective of the expected economic impact of the global pandemic and the likely negative impact on the financial performance of listed companies. In March 2020, Jamaica announced its first imported case of COVID-19, and thereafter the government started to implement measures to reduce the spread.

## TOP TEN PERFORMERS (MARCH 2019)

Top 10 Performer: JSE Combined Index			
	Close Price (\$)		
Security	31-Dec-19	31-Mar-20	% Change
PULS**	1.50	3.24	115.7%
138SL	4.24	5.65	33.3%
PBS	0.65	0.77	18.5%
PJX	7.20	7.30	1.4%
MTL	32.21	32.21	0.0%
SCIUSD	0.13	0.13	0.0%
PAL	2,900.00	2,789.00	-3.8%
SML	5.96	5.67	-4.8%
MDS	6.87	6.52	-5.1%
KPREIT	6.63	6.20	-6.4%

Top 10 Performer: Manufacturing Companies			
	Close Price (\$)		
Security	31-Dec-19	31-Mar-20	% Change
MDS	6.87	6.52	-5%
LASD	3.22	2.98	-7%
SEPROD	50.98	45.67	-10%
BPOW	4.54	4.00	-12%
PTL	2.24	1.94	-13%
HONEYBUN	7.23	6.18	-15%
SALF	33.62	28.37	-16%
GK	69.43	58.54	-16%
PURITY	1.66	1.35	-19%
CAR	8.16	6.61	-19%

\*\* Adjusted for Stock Split in March 2020

## OUTLOOK

The outlook is characterized by severe human and economic cost relating to the COVID-19 pandemic. Investors have reacted to the heightened uncertainty by applying a higher risk premium to financial assets, primarily for equities. This condition is expected to persist over the near-term, as the Government implements measures to slow the spread of the virus locally. The return to normal times is largely predicated on discovery of a vaccine to stop COVID-19.

Consequently, the earnings growth rate for most companies is expected to slow in the near term as economic activities decelerate. However, given the relative strength gained from the economic reform over the past 5 years, the local economy should be able to rebound at a faster pace. This should be favorable for stock price performance over the medium to long term.

## FINANCIAL PERFORMANCE

The Manufacturing & Distribution Select Fund recorded a net loss of J\$1,091 million for quarter one of FY2020.

The total income of negative \$1,080 million was largely attributable to unrealized loss in the value of investments. The fund holds securities listed on the JSE, which declined by a total of \$1,099 million. This was reflective of overall market conditions that prevailed during the quarter. The fund benefitted from cash income from dividends and interest of J\$18.8 million and J\$0.8 million, respectively.

Total expenses for Q1 of FY 2020 were J\$10.8 million. The majority of the expenses were related to legal & professional fees, management fee, and transaction costs. The transaction costs were associated with:

- **purchasing additional securities for the funds – FTNA and LUMBER**
- **as well as increasing the volume of stocks previously held to improve tracking of the index.**

At the end of March 2020, the total assets amounted to J\$2,861 million. This comprised Financial Assets held by the fund J\$2,743 million (96%) cash and cash equivalent of \$113 million (4%) and receivables of J\$5 million (0%).

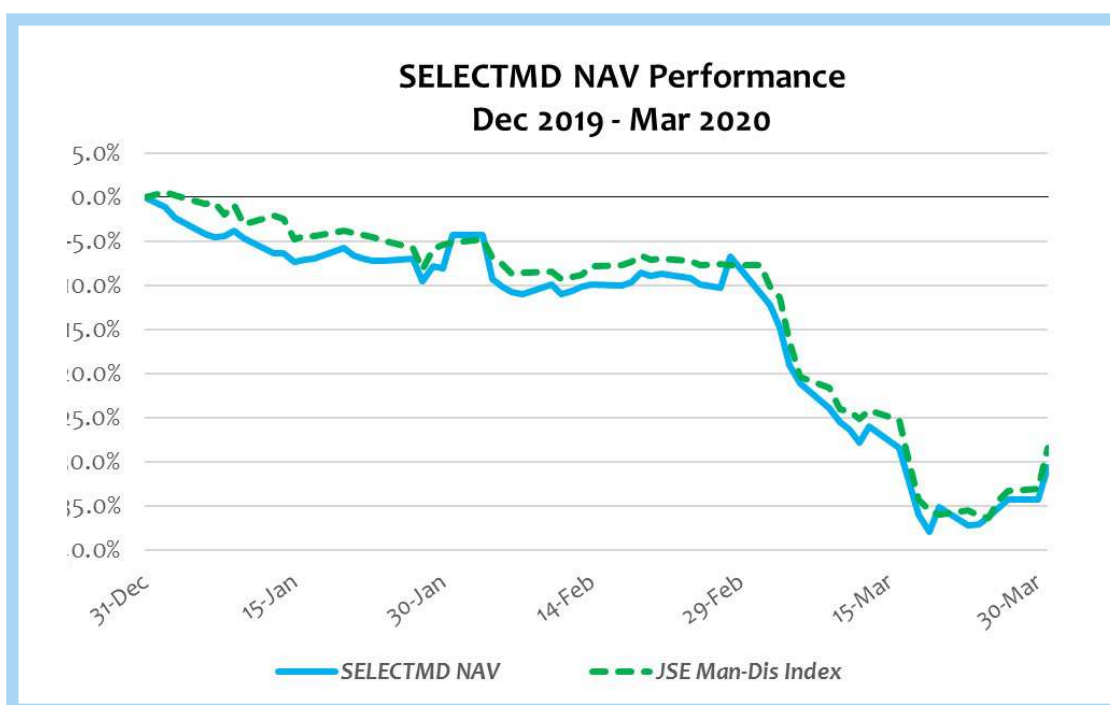
The assets were financed by equity of \$2,853 million and liabilities of J\$8 million. The equity value reflected the proceeds from the IPO in December of J\$3,783 million, retained earnings amounting to J\$160 million and Net deficit of J\$1,091.

## INVESTMENT OBJECTIVE

The Manufacturing & Distribution Select Fund seeks to track the investment results of an index composed of Jamaican equities in the manufacturing & distribution sector. The fund and the index are comprised of publicly traded manufacturing and distribution stocks that are listed on the JSE.

## PERFORMANCE

KEY FACTS	
Net Assets as of Mar 31, 2020 ('000)	2,853,104
Listing Date	18-Dec-19
Asset Class	Equity
Benchmark Index	JSE Manufacturing & Distribution Index
JSE Ticker	SELECTMD
Shares Outstanding	3,816,612,000
Number of Holdings March 31, 2020	25
Bid Price as of Mar 31, 2020	0.61
Expense Ratio	0.38%
Mgmt Fees	0.35%



**PORTFOLIO INFORMATION – CLASS C SHARE: SELECTMD**

TICKER	STOCKS	INDEX WEIGHTING	PORTFOLIO WEIGHTING	Q1 PRICE CHANGE
GK	GRACEKENNEDY LTD.	16.7%	16.2%	-20.6%
WISYNCO	WISYNCO GROUP LIMITED	15.6%	15.6%	-38.6%
CCC	CARIBBEAN CEMENT CO.	11.3%	11.0%	-46.0%
JBG	JAMAICA BROILERS GROUP	10.1%	10.0%	-29.2%
SEP	SEPROD LIMITED	10.0%	9.8%	-3.9%
CAR	CARRERAS LTD	9.5%	12.2%	-17.3%
JP	JAMAICA PRODUCERS GROUP	7.7%	5.0%	-17.6%
LASM	LASCO MANUFACTURING LIMITED	3.8%	3.7%	-30.4%
LASD	LASCO DISTRIBUTORS LIMITED	3.0%	2.6%	-12.6%
FTNA	FONTANA LIMITED	1.8%	1.8%	-30.8%
DTL	DERRIMON TRADING COMPANY LTD	1.2%	1.6%	-43.2%
INDIES	INDIES PHARMA JAMAICA LIMITED	1.0%	1.0%	-26.9%
HONBUN	HONEY BUN LIMITED	0.9%	0.9%	-6.9%
SALF	SALADA FOODS JA.	0.9%	0.0%	-17.1%
PTL	PARAMOUNT TRADING (JAMAICA) LTD	0.9%	0.0%	-7.1%
JAMT	JAMAICAN TEAS LIMITED	0.8%	0.8%	-34.6%
CPJ	CARIBBEAN PRODUCERS JAMAICA	0.7%	0.9%	-52.9%
BRG	BERGER PAINTS LTD.	0.7%	0.7%	-39.2%
BPOW	BLUE POWER GROUP LIMITED	0.6%	0.0%	-8.5%
MDS	MEDICAL DISPOSABLES & SUPPLIES LTD	0.5%	0.0%	-3.0%
SOS	STATIONERY & OFFICE SUPPLIES LIMITED	0.5%	0.0%	-40.9%
FOSRICH	FOSRICH COMPANY LIMITED	0.4%	0.4%	-35.6%
CAC	CAC 2000 LIMITED	0.4%	0.4%	-23.1%
KREMI	CARIBBEAN CREAM LIMITED	0.2%	0.0%	-35.0%
LUMBER	LUMBER DEPOT LIMITED	0.2%	0.1%	-26.3%
AMG	AMG PACKAGING & PAPER COMPANY LTD	0.2%	0.2%	-25.7%
CFF	CARIBBEAN FLAVOURS & FRAGRANCES LTD	0.2%	0.2%	-48.0%
JETCON	JETCON CORPORATION LIMITED	0.2%	0.0%	-40.5%
EFRESH	EVERYTHING FRESH LIMITED	0.1%	0.2%	-49.2%
PURITY	CONSOLIDATED BAKERIES (JAMAICA) LTD	0.1%	0.0%	-25.7%
MAILPAC	MAILPAC GROUP LIMITED	0.0%	1.2%	-19.5%

# FINANCIAL STATEMENTS

Sagicor Select Funds Limited SELECTMD		
Statement of Financial Position		
as at March 31, 2020	March 2020	December 2019
(Expressed in thousands of Jamaica dollars)	Unaudited	Audited
<b>Assets</b>		
Cash and Cash Equivalents	113,007	243,021
Financial assets at fair value through profit or loss	2,742,812	3,721,950
Receivables	5,156	970
Withholding tax recoverable	-	83
	<b>2,860,975</b>	<b>3,966,024</b>
<b>Financed by:</b>		
Capital account	3,783,443	3,783,443
Retained Earnings	160,544	-
Net (Loss)/Profit	(1,090,883)	160,544
	<b>2,853,104</b>	<b>3,943,987</b>
<b>Liabilities</b>		
Other Liability	7,871	22,037
	<b>7,871</b>	<b>22,037</b>
	<b>2,860,975</b>	<b>3,966,024</b>
<b>Net asset value per stock unit (\$)</b>	<b>0.75</b>	<b>1.03</b>



Colin Steele Chairman



Janene Shaw Director

## FINANCIAL STATEMENTS

Sagicor Select Funds Limited SELECTMD Income Statement for the three-months ended March 2020 (Expressed in thousands of Jamaica dollars)	March 2020 Year-to-date Unaudited	December 2019 Full Year Audited
<b>Income</b>		
Net investment income	(1,080,107)	200,557
Fees and other income	18	220
<b>Total revenue</b>	<b>(1,080,089)</b>	<b>200,777</b>
<b>Expenses</b>		
Administration expenses	10,794	40,233
<b>Total expenses</b>	<b>10,794</b>	<b>40,233</b>
<b>NET (LOSS)/PROFIT</b>	<b>(1,090,883)</b>	<b>160,544</b>
<b>Issued shares ('000)</b>	<b>3,816,612</b>	<b>3,816,612</b>
<b>EPS</b>	<b>(0.29)</b>	<b>0.10</b>



## FINANCIAL STATEMENTS

Sagicor Select Funds Limited SELECTMD Statement of Cash Flows for the three-months ended March 2020 (Expressed in thousands of Jamaica dollars)	March 2020 Year-to-date Unaudited	December 2019 Full Year Audited
<b>Cash Flows from Operating Activities</b>		
Net (Loss)/Profit for the period	(1,090,883)	160,544
Adjustments for:		
<b>Items not affecting cash:</b>		
Adjustments for non-cash items, interest and dividends	1,081,768	(8,316)
Changes in other operating assets and liabilities	(134,706)	(3,699,790)
Dividend received	13,807	12,551
<b>Net cash used in operating activities</b>	<b>(130,014)</b>	<b>(3,535,011)</b>
 Changes in operating assets and liabilities:		
Sale of ordinary shares	-	3,783,443
Loans proceeds	-	1,760,000
Loan repayment	-	(1,760,000)
Costs associated with ordinary shares issued	-	(5,411)
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>3,778,032</b>
 Increase in cash and cash equivalents	(130,014)	243,021
Cash and cash equivalents at beginning of year	243,021	
<b>Cash and Cash Equivalents at End of Year</b>	<b>113,007</b>	<b>243,021</b>
<b>Comprising:</b>		
Balances with Banks	13,007	43,021
Securities purchased under resale agreements	100,000	200,000
	<b>113,007</b>	<b>243,021</b>

## FINANCIAL STATEMENTS

**Sagicor Select Funds Limited SELECTMD**  
**Statement of change in Shareholders' Net Equity**  
**for the three-months ended March 2020**  
 (Expressed in thousands of Jamaica dollars)

	Share Capital	Retained Earnings	Total
Audited:			
Balance as at January 1, 2019	-	-	-
Shares Issued and fully paid	3,783,443		3,783,443
Total Comprehensive Income		160,544	160,544
Balance as at December 31, 2019	<u>3,783,443</u>	<u>160,544</u>	<u>3,943,987</u>
Unaudited:			
Balance as at January 1, 2020	3,783,443	160,544	3,943,987
Total Comprehensive Income	-	(1,090,883)	(1,090,883)
Dividend		-	-
Balance as at March 31, 2020	<u>3,783,443</u>	<u>(930,338)</u>	<u>2,853,105</u>

Kindly note there were no transactions nor account balances for March 31, 2019.

# FINANCIAL STATEMENTS

## Notes to the Financial Statement

### 1. Identification

The Company was incorporated on the 11th of January 2019 as a public company, for the primary purpose of trading in securities listed on recognized exchanges. The Financial Select Fund is a close-ended non-diversified investment fund.

The Company entered into a management agreement with SIJL to act as Fund Manager.

### 2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Entity's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note.

#### **Standards, interpretations and amendments to published standards effective in the current year**

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Entity has assessed the relevance of all such new standards, interpretations and amendments and has put into effect the following:

- IFRS 9, 'Financial Instruments', became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

#### **(i) Classification of financial assets**

The Entity classifies its investments based on both the Entity's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed, and performance is evaluated on a fair value basis. The Entity is primarily focused on fair value information and uses that information to assess the assets' performance and to make decision. The Entity has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Entity's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash

## FINANCIAL STATEMENTS

flows is only incidental to achieving the Entity's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

### (ii) Recognition, derecognition and measurement

Regular purchases and sales of investments are recognized on the trade date – the date on which the Entity commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognized when the rights to received cash flows from the investments have expired or the Entity has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other net changes in fair value of financial assets at fair value through profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognized in the statement of comprehensive income within dividend income when the Entity's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognized in the statement of comprehensive income within interest income based on the effective interest rate.

### Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly trading securities) is based on quoted market prices at the statement of position date. The quoted market price used for financial assets held by the Entity is the current bid price. If the market for a financial

asset is not active (and for unlisted securities), the Entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### (iii) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from investment in securities purchased under agreements to resell, Government of Jamaica securities, quoted and unquoted equities and other investment services provided in the ordinary course of the Fund's activities. Revenue is recognised as follows:

#### Dividend income

Dividend income is recognised when the right to receive payment is established.

#### Interest income and interest from financial assets at fair value through profit or loss

Interest is recognised on a time-proportionate basis using the effective interest method. Interest income includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss includes interest from debt securities.

#### Gain or loss on sale of investment

Gain or loss on the disposal or maturity of investment, is determined by comparing sale proceeds with the carrying amount of the investment. This amount is recognised in income or expenditure.

#### Fair value gains or losses on investments

Fair value gains or losses on investments are recognized when there is a change in the fair value of investments from one period to the next.

## TOP TEN SHAREHOLDINGS

### For Sagicor Select Funds Limited - Manufacturing & Distribution

As at March 31, 2020

Primary Account Holder	Joint Holder(s)	Volume	Percentage
1. JCSD TRUSTEE SERVICES LTD - SIGMA EQUITY		2,187,086,904	57.3044%
	Client total ownership	2,187,086,904	57.3044%
2. SAGICOR POOLED EQUITY FUND		400,000,000.	10.4805%
	Client total ownership	400,000,000	10.4805%
3. JCSD TRUSTEE SERVICES LTD - SIGMA DIVERSIFIED INVESTOR		233,066,308	6.1066%
	Client total ownership	233,066,308	6.1066%
4. JCSD TRUSTEE SERVICES LTD - SIGMA GLOBAL VENTURE		215,000,000	5.6333%
	Client total ownership	215,000,000	5.6333%
5. ADVANTAGE GENERAL INSURANCE COMPANY		100,000,000	2.6201%
	Client total ownership	100,000,000	2.6201%
6. JCSD TRUSTEE SERVICES LTD. A/C #76579-02		85,000,000	2.2271%
	Client total ownership	85,000,000	2.2271%
7. DENNIS, LLOYD H.	IAN A. IVES	13,843,263	0.3627%
	Client total ownership	13,843,263	0.3627%
8. GORDON, DONALD R.		13,000,000	0.3406%
	Client total ownership	13,000,000	0.3406%
9. VERITAT NOMINEES LIMITED		5,000,000	0.1310%
	Client total ownership	5,000,000	0.1310%
10. ALEXANDER, BRUCE N.		5,000,000	0.1310%
	Client total ownership	5,000,000	0.1310%
<b>Total Issued Capital</b>		<b>3,816,612,000</b>	
<b>Total Units Owned by Top 10 Shareholders</b>		<b>3,256,996,475</b>	
<b>Total Percentage Owned by Top 10 Shareholders</b>		<b>85.3374%</b>	

## DIRECTORS AND THEIR CONNECTED PARTIES

### For Sagikor Select Funds Limited - Manufacturing & Distribution

As at March 31, 2020

Director	Primary Name Joint Holder (s)	Relationship	Volume	Percentage
<b>Omar Brown</b>	Omar Brown	Self	0.0	0.0000
		Director Holdings	0.0	0.0000
	Polliana Brown	Connected Party	0.0	0.0000
		Combined Holdings	0.0	0.0000
<b>Faith Vincent</b>	Faith Vincent	Self	-	-
		Director Holdings	-	-
		Connected Party	-	-
		Combined Holdings	-	-
<b>Kevin Donaldson</b>	Kevin Donaldson	Self	1,000,000	0.0003
		Director Holdings	1,000,000	0.0003
	Romona Donaldson	Connected Party	50,000	0.0013
	Khalil Donaldson	Connected Party	50,000	0.0013
	Combined Holdings	1,100,000	0.0003	
<b>Colin Steele</b>	Colin Steele	Self	0.0	0.0000
		Director Holdings	0.0	0.0000
		Connected Party	0.0	0.0000
		Combined Holdings	0.0	0.0000
<b>Janene Shaw</b>	Janene Shaw	Self	0.0	0.0000
		Director Holdings	0.0	0.0000
		Connected Party	0.0	0.0000
		Combined Holdings	0.0	0.0000
<b>Daniella Silvera</b>	Daniella Silvera	Self	0.0	0.0000
		Director Holdings	0.0	0.0000
		Connected Party	0.0	0.0000
		Combined Holdings	0.0	0.0000
<b>Warren Chin</b>	Warren Chin	Self	1,747,000	0.0005
		Director Holdings	1,747,000	0.0005
	Sheray Chin	Connected Party	-	0.0000
		Combined Holdings	1,747,000	0.0005
<b>Issued Shares</b>			<b>3,816,612,000</b>	
<b>Combined Key Member's Holdings</b>			<b>2,847,000</b>	<b>0.7459</b>