

# **QWI INVESTMENTS LIMITED**

## **REPORT OF DIRECTORS**

### **FOR THE QUARTER ENDED DECEMBER 2019**

The directors of QWI Investments Limited (QWI) present the first quarter report to the end of December 2019. This is the first quarterly report since the successful Initial Public Offering (IPO) and listing on the Jamaica Stock Exchange (JSE) on 30 September.

We sold 900 million shares in the IPO to over 4,800 new shareholders at an average price of \$1.32 and raised \$1.2 billion that increased the issued capital of the company to \$1.6 billion. QWI's net asset value (NAV) as at the end of the September quarter was \$1.37 per share and fell to \$1.30 at the end of December. The decline in the NAV is due to a fall in value of some of the stocks in the portfolio, cost associated with the IPO and fees associated with the acquisition of additional shares acquired in the local and overseas markets since the IPO.

#### **Market trends in quarter**

During the December quarter, stock market trends in Jamaica were unfavourable. The main JSE Index fell by 1.2% in the quarter, the junior market index declined by 5.2 % and the JSE Combined Index lost 1.5%.

Overseas market trends were more favourable with the USA's S&P 500 index increasing by 8.5% and the MSCI World Index, QWI's benchmark index, increasing by 8.6 % during the quarter.

#### **Financial Results for Quarter**

For the first quarter, your company realised gains on sales of investments exceeding \$18 million and the Company's USA share portfolio produced almost \$6 million of unrealised gains, while dividend income earned amounted to almost J\$8m, representing an annualised yield of approximately 1.8 % on the average stock market investment held by the Company.

The above gains were offset by unrealised losses on the Jamaican portfolio of almost \$117 million. Our holding of Access Financial Services shares that were acquired for \$32 each in September, continues to trade around this level and accounts for 76 percent of the unrealized losses in the quarter. The share price of Access declined from \$45 per share at the end of September to \$34.47 at the end of the quarter. Without the loss on the Access shares, the portfolio would have declined by less than one percent.

The directors believe that the prospects for its investment in Access remain promising and that the value of our holding in this company will increase in the future.

The Company's main expenses in the period were management fees paid to Jamaican Teas Ltd and interest expense on the company's borrowings.

#### **Statement of Financial Position**

The company ended the quarter with equity capital of \$1.79 billion down from \$1.87 billion at the end of September and holds investments in local and overseas stocks amounting to \$1.96 billion. Funds borrowed and used in the investment activity amounts to \$234 million.

# **QWI INVESTMENTS LIMITED**

## **Investment Portfolio**

The company's portfolio is currently largely weighted towards the JSE, which the directors believe provide attractive investment returns in the near future.

**As at the end of the quarter, the top 10 JSE listed holdings are as follows:**

<b>Holding</b>	<b>Qty</b>	<b>Value - J\$</b>
Access Financial Services	8,465,775	291,818,701
NCB Financial Group	706,068	138,842,408
Wisynco	5,293,000	123,360,892
Caribbean Cement	1,200,000	100,091,554
JMMB Group	2,039,336	94,929,402
General Accident Insurance	11,545,542	81,973,348
Seprod Limited	1,542,253	78,624,735
Pan Jamaican	750,000	75,657,213
Grace Kennedy	1,065,550	69,886,878
Barita Investments	952,933	68,953,887

## **Overseas Investments**

By the end of the quarter, the company invested over US\$2 million in USA listed equities including positions in many leading information technology and drug companies, retailers, defense contractors, payment processors and home builders. The investments in the USA market provides diversification for the portfolio.

The initial investment results from our USA investments have been encouraging with positive performance to date.

**As at the end of the quarter, the top 10 USA listed holdings in which we are building positions are listed below:**

<b>Holding</b>	<b>Qty</b>	<b>Value - US\$</b>
Home Depot	500	109,190
Alibaba Group	500	106,050
Quidel Corp	1,200	90,036
T-Mobile USA	1,250	98,025
Ingersoll Rand PLC	600	79,752
Lockheed Martin Corp	200	77,876
Visa Inc	400	75,160
Northrup Grumman Corp	200	68,794
Target Corporation	500	64,105
Bristol-Myers Squibb Co	1,000	63,850

# **QWI INVESTMENTS LIMITED**

## **Outlook**

The company continues to monitor macro-economic conditions both locally and overseas and seeks out investments that meet our criteria of providing above average returns. We are looking favourably at territories such as Trinidad and Guyana where we believe opportunities exist for medium to long term investment gains.

## **QWI Share Price**

The Directors have taken note of the fact that the price of QWI's shares on the Stock Exchange at the end of December 2019 was \$1.05 per share, significantly lower than the Net Asset Value per share of \$1.30 as well as far below the IPO price of \$1.35 at which most shareholders bought their shares. The tendency of the Company's shares to trade at a 20% discount to the shares net asset value of course represents a good opportunity for shareholders buying QWI shares today to improve their returns over the longer term in anticipation of the future growth in our NAV per share, and a narrowing of the discount between our share price and NAV per share.

## **Developments after the year end**

Most of the IPO proceeds have now been invested. The Company plans to grow the investment portfolio further with new investments locally and overseas.

We look forward to the future with confidence and extend our warmest welcome to all our new shareholders. We thank you for the confidence you have placed in us as we work to meet your expectations.

Yours Truly



John Jackson  
Chairman



John Mahfood  
Director

30 January 2020

# QWI INVESTMENTS LIMITED

## Unaudited Statement of financial position as at 31 December 2019

	As at 31 December 2019	As at 30 September 2019-Audited
Quoted Investments-local	1,674,377,646	1,363,147,675
Quoted Investments - overseas	266,078,602	0
Due from brokers and other receivables	116,150,681	1,195,251,919
Cash and bank	<u>18,484,290</u>	<u>156,077</u>
Total assets	<u>2,075,091,219</u>	<u>2,558,555,671</u>
Current liabilities and accrued expenses	9,676,507	367,835,066
Deferred tax	53,855,166	81,515,871
Bank overdraft	0	49,714,743
Margin Loans	<u>234,324,845</u>	<u>186,274,851</u>
Total Liabilities	<u>297,856,518</u>	<u>687,340,531</u>
<b>Net assets</b>	<u><b>\$1,777,234,701</b></u>	<u><b>\$1,871,215,140</b></u>
Share Capital	1,623,112,948	1,622,613,930
Retained earnings	<u>154,121,753</u>	<u>248,601,210</u>
<b>Total equity</b>	<u><b>\$1,777,234,701</b></u>	<u><b>\$1,871,215,140</b></u>

These financial statements were approved for issue by the Board of Directors on  
30 January 2020 and signed on its behalf by :



John Jackson  
Director



John Mahfood  
Director

# QWI INVESTMENTS LIMITED

## Unaudited statement of profit or loss for period ended 31 December 2019

	Quarter ended 31 Dec 2019	Period to 30 Sept 2019
Dividend income	7,649,827	4,990,384
(Losses)/Gains from investment activities	<u>(113,777,149)</u>	<u>389,502,394</u>
	<u>(106,127,322)</u>	<u>394,492,778</u>
Administrative and other expenses	9,143,534	51,074,474
Interest expense	<u>5,719,996</u>	<u>12,552,665</u>
<b>(Loss)/Profit before taxation</b>	(120,990,852)	330,865,639
Taxation Credit/(Charge)	<u>26,511,395</u>	<u>(82,264,429)</u>
<b>(Loss)/Profit for the period being total comprehensive income</b>	<u>(\$94,479,457)</u>	<u>248,601,210</u>
(Loss)/Earnings per share	(0.07)	0.53

# QWI INVESTMENTS LIMITED

## Unaudited Statement of Cash Flows for the period ended 31 December 2019

	Quarter ended 31-Dec-19	Period to 30-Sep-19
(Loss)/Income after taxation	(94,479,457)	248,601,210
Taxation	(26,511,395)	82,264,429
Net unrealised investment losses/(gains)	111,085,479	(376,243,456)
Share capital	499,018	1,622,613,930
Accounts payable/Loans	<u>(361,823,308)</u>	<u>603,425,675</u>
	<u>(371,229,663)</u>	<u>2,180,661,788</u>
Net (Purchases)/Sales of Quoted Investments	(688,394,052)	(973,645,281)
Taxation paid /other	(1,149,310)	(11,608,511)
Accounts receivable	<u>1,079,101,238</u>	<u>(1,195,251,919)</u>
	<u>389,557,876</u>	<u>2,180,505,711</u>
Increase/(Decrease) in cash and bank balances	18,328,213	156,077
Cash and bank balances-beginning of period	156,077	0
Cash and bank balances-ending of period	<u>\$18,484,290</u>	<u>156,077</u>

# **QWI INVESTMENTS LIMITED**

## **Unaudited Statement of Changes in Equity for the period ended 31 December 2019**

	<b>Share Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
Total equity as at 30 Sept 2019	1,622,613,930	248,601,210	1,871,215,140
Adjustment to IPO expenses	499,018	-	499,018
Total comprehensive (loss)	<u>                    </u>	<u>(94,479,457)</u>	<u>(94,479,457)</u>
Total equity as at 31 Dec 2019	<u><u>1,623,112,948</u></u>	<u><u>154,121,753</u></u>	<u><u>1,777,234,701</u></u>

# **QWI INVESTMENTS LIMITED**

## **Notes to the Financial Statements**

### **1. Identification**

QWI Investments Limited (the Company) was incorporated on 18 December 2018 and commenced operations on Jan 1 2019. The company is domiciled in Jamaica. Its registered office is situated at 2 Bell Road, Kingston 11, Jamaica WI. The Company is listed on the Jamaica Stock Exchange.

The company is a 34% subsidiary of the Jamaican Teas Limited Group of Companies.

The principal activity is holding and managing investments in quoted securities. The company's affairs are administered by Jamaican Teas Limited pursuant to a long term Administration Services Agreement. The company's income for the period was mainly realised and unrealised gains from investment activities.

### **2. Basis of Preparation**

The financial statements are prepared in compliance with International Financial Reporting Standards, the provisions of the Jamaican Companies Act and the accounting policies as more fully described in the Companies audited financial statements ended 30 September 2019.

### **3. Investments**

All investments comprise quoted equities valued at fair value through the profit and loss account (FVTPL).

### **4. Accounts Receivable**

Accounts receivable primarily at 30 September 2019 represents the proceeds from the Initial Public Offering (IPO) undertaken by the Company in Sept 2019 and not received at 30 Sept 2019. This receivable was collected in full in October 2019.

### **5. Investment activities**

Investment activities during the quarter ended 31 Dec 2019 comprised:

Realised gains - Jamaica	15,541,638
Realised gains - USA	2,947,088
Unrealised losses - Jamaica	(116,950,435)
Unrealised gains - USA	5,864,956
Unrealised currency translation losses	(21,191,635)
Interest income	<u>11,239</u>
Total	<u><u>\$(113,777,149)</u></u>

### **6. Loan**

A loan of \$2 million received from Jamaican Teas Limited at an interest rate of 8.5 per cent pa. was repaid in the quarter ended 31 December 2019



**Notes to the Financial Statements****7. Overdraft**

As at 31 December 2019 the company's assets were charged in the sum of \$110,597,416 in favour of Bank of Nova Scotia Jamaica Limited. The assets charged comprised listed shares owned by the Company and were pledged to secure an overdraft facility of \$50,000,000 at an interest rate of 8.5% per annum.

**8. Taxation**

Taxation for the period to date comprises:

Income tax withheld at 15% on dividend income	1,149,310
Deferred taxation	<u>(27,660,705)</u>
Total	<u>\$(26,511,395)</u>

**9. Share Capital**

Authorised:

Unlimited ordinary shares at no par value

Issued and fully paid:

1,365,000,000 ordinary shares at no par value	<u>\$1,623,112,948</u>
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**10. Net Assets per share**

The net assets per share as at 31 December 2019 was \$1.30 per share and was derived by dividing the net assets of the company of \$1,777,234,701 by the 1,365,000,000 shares issued and outstanding as at 31 December 2019.

**11. Earnings per share**

The earnings per share for the period to date was computed using the weighted average number of issued shares of 1,365,000,000 shares for the quarter.

**12. Administrative and other Expenses**

Administrative and other expenses for the quarter comprised:

Management fees	4,583,781
Directors Fees	1,560,000
Other	<u>2,999,753</u>
Total	<u>\$ 9,143,534</u>

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