

# **QWI INVESTMENTS LIMITED**

## **REPORT OF DIRECTORS**

### **FOR THE QUARTER ENDED 31 MARCH 2020**

The Directors of QWI Investments Limited (QWI) present our report for the second quarter and half year ended 31 March 2020.

During the Company's second quarter equities markets globally suffered steep declines and high volatility as the world witnessed the most wide-ranging impact that the Coronavirus has had on individuals, businesses and the investment markets.

During the March quarter, stock market trends in Jamaica were very unfavourable. The main JSE Index fell by 25.6 percent, the Junior Market index declined by 31 percent and the JSE Combined Index lost 26 percent. This overall performance was characterised by moderate declines up to the end of February, followed by a steep collapse during March, then some modest recovery to end the period. The JSE main market index collapsed 29 percent between the end of February and 25th of March and the junior market was down 30 percent to the low on March 18th.

The US markets also suffered a steep decline in the Month as well although the market started to enjoy some recovery ahead of the month end.

Overseas market trends were also unfavourable with the USA's S&P 500 index decreasing by 20.0% and the MSCI World Index, QWI's benchmark index decreasing by 21.7 % during the quarter.

The bulk of QWI Investments (QWI) portfolio is invested in the Jamaican and US stock markets. Accordingly, the sharp drop in prices in those markets negatively affected the value of the portfolio and QWI's net asset value (NAV) per share fell 26.9 percent to \$0.95 at the end of March from \$1.30 at the end of the December 2019 quarter

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

For the second quarter, your company realised gains on sales of investments exceeding \$13 million. Almost \$3 million of these realised gains arose from the Company's USA share portfolio while dividend income earned amounted to almost J\$6 million. There was a \$5m foreign exchange translation gain in the quarter.

The above gains were offset by unrealised losses on the Jamaican portfolio of \$493 million and almost \$50 million on the overseas portfolios.

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

#### **Financial Results for Year to Date**

For the year to date, your company realised gains on sales of investments exceeding \$31 million. The Company's USA share portfolio produced almost \$6 million of these realised gains, while dividend income earned amounted to almost J\$14 million. Year to date the annualised dividend yield has averaged approximately 1.0 % of the average stock market investments held by the Company. There was a \$16m foreign exchange translation loss in the half year.

## **QWI INVESTMENTS LIMITED**

The above gains were offset by unrealised losses on the Jamaican portfolio of almost \$610 million and almost \$44 million on the overseas portfolios.

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 \$1.29 billion down from \$1.87 billion at the end of September 2019 and holds investments in local and overseas stocks amounting to \$1.41 billion. Funds borrowed and used for in our investment activities amounted to \$133 million, down from \$234 million on 31 December 2019.

### **Investment Portfolio**

The company's portfolio is currently largely weighted towards the JSE, which the directors believe will still 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>Shares held</b>	<b>Value - J\$</b>
Access Financial Services	8,490,244	211,869,505
NCB Financial Group	706,068	105,382,149
JMMB Group	2,039,336	77,506,121
Scotia Group	1,647,182	76,944,658
Seprod Limited	1,542,253	70,438,124
Grace Kennedy	1,006,550	58,924,476
General Accident Insurance Company	11,752,326	58,909,921
Pan Jamaican	697,400	54,049,253
Jamaica Producers Group	2,500,000	53,335,910
Wisynco	3,670,208	51,633,741

### **Overseas Investments**

At the end of the quarter, the company held over US\$2 million in equities listed in the USA and Trinidad and Tobago including positions in several leading information technology and drug companies, retailers, defense contractors and payment processors. The investments in the USA market provide diversification to the portfolio.

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

# QWI INVESTMENTS LIMITED

Holding	Shares held	Value - US\$
Alibaba Group	500	97,240
Lockheed Martin Corp	200	67,790
Visa Inc	400	64,448
Ingersoll Rand /Trane Tech	529/600	62,673
Northrup Grumman Corp	200	60,510
Bristol-Myers Squibb Co	1,000	55,740
Microsoft Corp	340	53,621
Mastercard Inc	215	51,935
Apple Inc	200	50,858
Amazon	25	48,743

In addition the Company continues to hold other USA listed securities for short term trading purposes.

## Outlook

Since the end of the quarter many stock markets have shown some improvement in their previously negative price trend. In Jamaica the main JSE index rose by 4.6% in the first 15 days of April, the junior market index rose 13.1% and the JSE Combined index rose 5.2%. Overseas the S & P 500 rose 8.2% and the MSCI ACWI rose 5.6%.QWI has benefitted from this with an increase in our NAV from \$0.95 at 31 March 2020 to \$0.99 at 17 April 2020.

Longer term the trend in many securities prices will be heavily influenced by the continuing economic impact of COVID-19 and the ability of countries to recover from the current disruption to business.

In the meantime the Company has continued to reduce its borrowings and is continuing to reposition its portfolio including holding of liquid funds to position us for future developments.

Yours Truly



John Jackson  
Chairman



John Mahfood  
Director

23 April 2020

# QWI INVESTMENTS LIMITED

## Unaudited Statement of financial position as at 31 March 2020

		31 March 2020- Unaudited	31 March 2019-Audited	30 September 2019-Audited
	Note			
Quoted Investments-local	3	1,176,920,735	436,522,184	1,363,147,675
Quoted Investments - overseas	3	235,571,491	0	0
Due from brokers /other receivables	4	56,941,863	0	1,195,251,919
Cash and bank		<u>11,209</u>	<u>24,776,366</u>	<u>156,077</u>
<b>Total assets</b>		<u>1,469,445,298</u>	<u>461,298,550</u>	<u>2,558,555,671</u>
Current liabilities and accrued expenses		6,020,480	1,541,923	367,835,066
Deferred tax		0	2,262,063	81,515,871
Bank overdraft	7	34,603,906	0	49,714,743
Margin and other Loans	6	<u>133,519,628</u>	<u>5,708,374</u>	<u>186,274,851</u>
<b>Total Liabilities</b>		<u>174,144,014</u>	<u>9,512,360</u>	<u>687,340,531</u>
<b>Net assets</b>		<u>\$1,295,301,284</u>	<u>451,786,190</u>	<u>\$1,871,215,140</u>
Share Capital	9	1,623,112,948	445,000,000	1,622,613,930
Retained earnings		<u>(327,811,664)</u>	<u>6,786,190</u>	<u>248,601,210</u>
<b>Total equity</b>		<u>\$1,295,301,284</u>	<u>451,786,190</u>	<u>\$1,871,215,140</u>

These financial statements were approved for issue by the Board of Directors on 23 April 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 March 2020

	Quarter ended 31 March 2020	Quarter ended 31 March 2019	Half year to 31 March 2020
Dividend and interest income	7,768,200	0	15,418,027
(Losses)/Gains from investment activities	<u>(524,389,809)</u>	<u>12,418,082</u>	<u>(638,166,871)</u>
	<u>(516,621,609)</u>	<u>12,418,082</u>	<u>(622,748,844)</u>
Administrative and other expenses	11,960,697	3,342,350	21,104,231
Interest expense	<u>6,074,130</u>	<u>27,479</u>	<u>11,794,213</u>
<b>(Loss)/Profit before taxation</b>	(534,656,436)	9,048,253	(655,647,288)
Taxation Credit/(Charge)	<u>52,726,595</u>	<u>(2,262,063)</u>	<u>79,237,990</u>
<b>(Loss)/Profit for the period being total comprehensive income</b>	<u>\$(481,929,841)</u>	<u>6,786,190</u>	<u>(576,409,298)</u>
<b>(Loss)/Profit per share</b>	(0.35)	0.02	(0.42)

# QWI INVESTMENTS LIMITED

## Unaudited Statement of Cash Flows for the period ended 31 March 2020

	Quarter ended 31 March 2020	Quarter ended 31 March 2019	Period to 31 March 2020
(Loss)/Profit after taxation	(481,929,841)	6,786,190	(576,409,298)
Taxation	(52,726,595)	2,262,063	(79,237,990)
Net unrealised investment losses/(gains)	542,842,699	(12,026,876)	653,928,177
Share capital	0	445,000,000	499,018
Current liabilities/Loans	<u>(104,461,244)</u>	<u>7,250,297</u>	<u>(404,569,809)</u>
	<u>(96,274,981)</u>	<u>449,271,674</u>	<u>(405,789,902)</u>
Net (Purchases) of Quoted Investments	(14,882,254)	(424,495,308)	(764,991,046)
Taxation paid	(1,128,570)	0	(2,277,882)
Other Receivables/Due from brokers	<u>59,208,818</u>	<u>0</u>	<u>1,138,310,056</u>
	<u>43,197,994</u>	<u>(424,495,308)</u>	<u>371,041,128</u>
Increase/(Decrease) in cash and bank balances	<u>(53,076,987)</u>	<u>24,776,366</u>	<u>(34,748,774)</u>
Cash and bank balances- beginning of period	18,484,290	0	156,077
Bank (Overdraft)/balance- ending of period	<u>\$(34,592,697)</u>	<u>24,776,366</u>	<u>(34,592,697)</u>

# QWI INVESTMENTS LIMITED

## Unaudited Statement of Changes in Equity for the period ended 31 March 2020

	Share Capital	Retained Earnings	Total
Total equity as at 1 January 2019	0	0	0
Issue of shares	445,000,000	-	445,000,000
Total comprehensive (loss)	<u>                    </u>	<u>6,786,190</u>	<u>6,786,190</u>
Total equity at 31 March 2019	<u>\$445,000,000</u>	<u>6,786,190</u>	<u>51,786,190</u>
Total equity 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>(576,409,298)</u>	<u>(576,409,298)</u>
Total equity at 31 March 2020	<u>\$ 1,623,112,948</u>	<u>(327,811,664)</u>	<u>1,295,301,284</u>

# QWI INVESTMENTS LIMITED

## Notes to the Financial Statements

### 1. Identification

QWI Investments Limited (the Company) was incorporated on 18 December 2018. 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.

As at 31 March 2020 the company was a 34.38 % 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 at 30 September 2019 represents the proceeds from the Initial Public Offering (IPO) undertaken by the Company in September 2019 and not received at 30 September 2019. This receivable was collected in full in October 2019.

### 5. Investment activities

Investment activities during the quarter and half year ended 31 March 2020 comprised:

	Second quarter	Half Year
Realised gains - Jamaica	10,208,545	25,750,183
Realised gains - Overseas	2,936,304	5,883,393
Unrealised currency translation (gains) /losses	5,319,365	(15,872,270)
Unrealised losses - Jamaica	(493,400,705)	(610,351,140)
Unrealised losses - Overseas	(49,441,994)	(43,577,764)
Total	\$ (524,389,809)	(638,166,871)

### 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.

# QWI INVESTMENTS LIMITED

## Notes to the Financial Statements

### 7. Overdraft

As at 31 March 2020 the company's assets were charged in the sum of \$171,970,032 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 half year to 31 March 2020 comprises:

Income tax withheld at source on dividend income	2,277,882
Deferred taxation	<u>(81,515,872)</u>
Total	<u>\$ (79,237,990)</u>

### 9. Share Capital

Authorised:

Unlimited ordinary shares at no par value

Issued and fully paid:

At 31 March 2019:

445,000,000 ordinary shares at no par value	<u>\$445,000,000</u>
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At 31 March 2020:

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 March 2020 was \$0.95 per share (31 March 2019-\$1.015) and was derived by dividing the net assets of the company of \$1,295,301,284 (2019 - \$451,786,190) by the 1,365,000,000 shares issued and outstanding as at 31 March 2020 (2019 -445,000,000).

### 11. Earnings per share

The earnings per share for the reporting periods were computed using the weighted average number of issued shares of 1,365,000,000 shares for each quarter (2019-445,000,000)

# QWI INVESTMENTS LIMITED

## Notes to the Financial Statements

### 12. Administrative and other Expenses

Administrative and other expenses for the quarter and half year to 31 March 2020 comprised:

	Quarter	Half Year
Management fees	5,336,401	9,920,182
Directors Fees	1,560,000	3,120,000
Other	<u>5,064,296</u>	<u>8,064,049</u>
Total	<u>\$ 11,960,697</u>	<u>21,104,231</u>