



**Report For The Second Quarter  
Ending March 2022**

*Building Wealth for our Investors*

# DIRECTORS' REPORT

**QWI Investments generated profitable results during the March quarter and the half year, from growth in investments in the Jamaican, Trinidad and Tobago and USA markets. The increased revenues in our first quarter was not maintained at the same pace in the second, partly due to the effect of the war in Ukraine and turbulence in the USA market.**

The quarter ended on a positive note despite wide-ranging challenges including, higher inflation and fear of the damage on asset values from higher interest rates globally, which resulted in a contraction in many stock markets. Consequently, the US Market in which a part of QWI portfolio is invested, declined and pulled down some of our investments.

The local market remained relatively strong with the Junior Market performing well, while the Main Market lagged but started reflecting the price movements of a few stocks reporting positive news. Some of our local holdings enjoyed excellent gains, while others, though not at their peak were still higher than the start of the fiscal year. It should be noted that the performance of the portfolio will vary from one quarter to the next, depending on a number of factors and may or may not be fully reflective of the outturn for the full financial year.

## MARKET BACKDROP

The chart below shows the movement in the market indices of the main markets in which QWI participates:

	JSE Index		S&P 500	MSCI	QWI
	Main Market	Junior Market		ACWI	NAV
At 30 September 2021	414,890	3,296	4,303	714	\$1.35
At 31 December 2021	396,115	3,428	4,766	755	\$1.40
At 31 March 2022 before dividend	391,232	4,223	4,530	712	\$1.43
At March 2022 after dividend					\$1.39
% Change in Quarter before dividend	-1.2	23.2	-5.0	-5.7	2.1
% Change in Half Year before dividend	-5.7	28.1	5.3	-0.4	5.9

# RESULTS FOR THE QUARTER

For the second quarter, QWI reported profit before tax of \$50.7 million compared to \$112.6 million in the year ago quarter. Our Net Asset Value per share increased 2.1 percent in the period before taking into account dividend of 3.5 cents declared in March 2022 and paid in early April. This growth in the value of the Company's investments occurred despite a slight downturn in the JSE Main Market.

The dividend of 3.5 cents paid in April, if repeated in September, is equivalent to a yield of nearly 9 percent per annum based on the quoted closing price of 79 cents at the end of September 2021.

Based on the decision to pay out approximately 20 to 25 percent of profit annually, both the payout and yield could increase further, if the positive profit trend continues.

During the quarter, the Company realized gains of almost \$10 million, mainly in the Jamaican stock market. However, not all the markets in which the portfolio is invested contributed capital gains in the period.

The Jamaican portfolio produced \$113.7 million of unrealized gains versus \$127.4 million in the year ago quarter. This 10 percent reduction in investment gains primarily reflects the lower price performance of some leading Jamaican stocks in the portfolio.

The performance of the Company's USA investment portfolio was a notable weakness this quarter and resulted in unrealized losses of almost \$53 million. Much of the loss occurred in January 2022 and arose

from a sharp fall in many of the large cap technology companies in which the company holds investments.

The tech decline in January was a direct result of the realization among investors that interest rates in the USA will be significantly higher into 2023. As interest rates rise, the multiples investors are willing to pay for future earnings decline, which is exacerbated in technology companies where the multiples on future earnings are the highest in the USA stock market.

In February, in response to the less favourable prospects for a number of our investments, as well as the uncertainties brought about by the conflict in Ukraine in addition to rising inflation rates globally, QWI's Investment Committee sold approximately 23 percent of the USA portfolio. The sales proceeds were partially applied to reducing the Company's margin loans and the balance is being held at our brokers pending reinvestment.

In addition to the net investment gains of \$70 million in the quarter, there was an unrealized exchange gain of \$6.6 million compared to a loss of \$1 million in the year ago period.

Dividend income amounted to \$5.5 million, down from \$7.2 million.

Administration costs were significantly higher at \$25 million versus \$13 million. Much of this increase represents accruals for management fees payable to the Company's Investment Committee. In the prior period, no management fees were incurred for the services of the Investment Committee, due to the performance not meeting the formula established for payment.

# RESULTS FOR THE HALF YEAR

For the half year, QWI reported profit before tax of \$154 million, down from \$228.6 million in the year ago period. Our Net Asset Value per share, before taking account of the dividend declared in March 2022, increased 5.9 percent over the six months.

During the period, the Company realized gains of almost \$37 million, mainly in the Jamaican stock market, and similar to the quarter, not all our investments benefitted from capital gains in the period.

The Jamaican portfolio produced unrealized gains of \$156.8 million versus \$191.6 million a year ago. The 18 percent decline in investment gains were due to the lower price performance of some leading Jamaican stocks in the portfolio.

The performance of the Company's USA investment portfolio resulted in unrealized losses of near \$10 million during the period. In addition to our investment gains which totalled \$184 million, there was an unrealized exchange gain of \$24 million compared to a loss of \$12 million in the year ago period.

Dividend income amounted to \$18.1 million, up from \$17.5 million.

Administration costs were significantly higher at \$57 million versus \$24 million for the reasons already mentioned.

The Company ended the quarter with equity capital of \$1.901 billion, up from \$1.827 billion at the end of September 2021. At the end of the quarter, the Company held US\$2.5 million in equities listed in the USA, including positions in several leading information technology, semiconductor and drug companies, retailers and companies involved in home building, aerospace and construction.

QWI's total investments in local and overseas stocks amounted to \$2.3 billion, of which 78 percent of the Investment Portfolio was represented by stocks listed on the Jamaican market. The vast majority of the balance was invested in the US market.

The Company continued to utilize a limited amount of borrowed funds in its investment activities. At the end of the period, total borrowings amounted to \$335 million compared with \$416 million in September 2021.



# TOP 10 LISTED HOLDINGS

**QWI's Top 10 Listed Jamaican and USA Holdings as at 31 March, are depicted respectively below:**

Jamaican Holdings	Shares Held	Value - J\$
Grace Kennedy	1,899,546	197,315,341
Caribbean Producers	13,011,828	191,794,345
Access Financial	8,500,000	176,672,500
JMMB Group	3,220,356	143,949,913
Dolphin Cove	4,400,166	117,418,430
Caribbean Cement	1,400,000	104,888,000
General Accident	15,032,119	89,441,108
Radio Jamaica	28,087,261	75,554,732
Jamaican Teas	20,000,000	73,600,000
Lumber Depot	20,083,269	70,893,940

USA Holdings	Shares Held	Value - US\$
Alphabet Inc.	60	167,113
United Rentals Inc.	400	142,084
Nvidia Corporation	500	136,430
Apple Inc.	700	122,227
Meta Platforms Inc.	500	121,330
Northrop Grumman Corp.	250	111,805
Lockheed Martin Corp.	250	110,350
Boeing Company	500	95,750
Adobe Inc.	200	91,124
Home Depot Inc.	300	89,779

**QWI's 10 largest JSE listed holdings represent 69 percent of our local quoted investments.**

In the last 12 months, the Company's increased its exposure to Jamaican tourism related businesses and reduced its holdings in financial services sector companies.

**QWI's 10 largest USA listed holdings represent 48 percent of our quoted investments.**

In addition, the Company's continue to hold other USA listed securities for short term trading purposes.



# OUTLOOK

The Company's portfolio is reviewed on an ongoing basis with changes as the Investment Committee believes will be advantageous to QWI.

The sharp increases in inflation and interest rates now taking place could impact the prices of investments and securities negatively over the next two years.

Indications are that our holdings will continue to perform well over the balance of the fiscal year and we remain cautiously optimistic. It is worth noting that in Jamaica we are still seeing a number of companies reporting good results and raising additional share capital. So far, investors are responding well to these developments and the current trend appears to be positive. While the Junior Market has led the improvement in the local market and more price gains are expected from that market, there are emerging signs that the JSE Main market could rebound sometime during this year.

We note that signs of economic improvement are evident, with one indicator being reports by the Statistical Institute of Jamaica (STATIN), that as of January 2022, the number of persons employed is at the second highest level since the downturn in January 2020. The current unemployment rate at 6.2 percent is reported as being the lowest level on record.

The tourism market is also continuing to recover and other sectors that were badly affected by the pandemic locally, are enjoying better days. The USA market-place seems set to be challenging for the rest of 2022 and we will continue to watch developments in Ukraine.

The Company's last Annual General Meeting (AGM) scheduled for March 2021 had to be adjourned without conducting any business. This was a result of the COVID-19 restrictions on public meetings in effect at that time.

This AGM will be reconvened soon and will be immediately followed with another to consider QWI's 2021 results. We look forward to your participation at both meetings



John Jackson -Chairman



John Mahfood -Director

29 April 2022

# Unaudited Statement of Financial Position

	March 2022	March 2021	(Audited) September 2021
Quoted Investments - local	1,805,957,128	1,452,589,473	1,707,256,370
Quoted Investments - overseas	460,430,467	509,534,363	571,404,468
Deferred Tax asset	-	(525,485)	-
Due from brokers & other receivables	128,727,302	5,468,152	27,530,640
Cash and bank	<u>11,992,283</u>	<u>511,968</u>	<u>6,861,530</u>
<b>Total assets</b>	<b><u>2,407,107,180</u></b>	<b><u>1,967,578,471</u></b>	<b><u>2,313,053,008</u></b>
Current liabilities and accruals	88,009,832	5,295,327	16,568,073
Deferred tax liability	82,301,247		52,884,123
Margin Loans	<u>335,694,565</u>	<u>313,812,760</u>	<u>416,444,565</u>
<b>Total Liabilities</b>	<b><u>506,005,644</u></b>	<b><u>319,108,087</u></b>	<b><u>485,896,761</u></b>
<b>Net assets</b>	<b><u>\$1,901,101,536</u></b>	<b><u>1,648,470,384</u></b>	<b><u>1,827,156,217</u></b>
Share Capital	1,623,476,540	1,623,476,540	1,623,576,540
Retained earnings	<u>277,624,996</u>	<u>24,993,844</u>	<u>203,679,707</u>
<b>Total equity</b>	<b><u>\$1,901,101,536</u></b>	<b><u>1,648,470,384</u></b>	<b><u>1,827,156,247</u></b>
<b>Net Assets per share</b>	<b><u>\$1.39</u></b>	<b><u>\$1.21</u></b>	<b><u>\$1.34</u></b>

These financial statements were approved by the Board of Directors on 29 April 2022 and signed on its behalf by:



John Jackson - Chairman



John Mahfood - Director

# Unaudited Statement of Profit or Loss

	Quarter ended	Quarter ended	Half Year ended	Half Year ended
	March 2022	March 2021	March 2022	March 2021
Gains from investments	70,601,065	126,852,796	184,002,081	259,281,880
Unrealised currency gain/(loss)	6,618,430	(754,184)	24,011,155	(11,488,059)
Dividend and interest income	<u>5,544,626</u>	<u>7,184,899</u>	<u>18,135,954</u>	<u>17,540,180</u>
	<u>82,764,121</u>	<u>133,283,511</u>	<u>226,149,190</u>	<u>265,334,001</u>
Administrative and other expenses	24,575,905	13,053,546	56,894,688	23,676,475
Interest expense	<u>7,460,629</u>	<u>7,649,025</u>	<u>15,218,886</u>	<u>13,048,082</u>
	<u>32,036,533</u>	<u>20,702,571</u>	<u>72,113,574</u>	<u>36,724,557</u>
<b>Profit before taxation</b>	50,727,588	112,580,940	154,035,616	228,609,444
Taxation Charge	<u>(12,044,191)</u>	<u>(33,604,101)</u>	<u>(32,315,327)</u>	<u>(57,893,410)</u>
<b>Profit for the period being total comprehensive income</b>	<u>\$38,683,397</u>	<u>78,976,839</u>	<u>121,720,289</u>	<u>170,716,034</u>
<b>Earnings per share</b>	<u>\$0.03</u>	<u>0.06</u>	<u>0.09</u>	<u>0.13</u>



# Unaudited Statement of Cash Flows

	Half Year ended March 2022	Half Year ended March 2021	Year ended September 2021
Income after taxation	121,720,289	170,716,034	349,765,629
Taxation	32,315,327	57,893,410	112,002,504
Net unrealised investment (gains) /losses	(146,401,332)	(213,483,325)	(410,967,132)
Accounts payable/Loans	<u>(9,308,241)</u>	<u>111,047,871</u>	<u>221,067,729</u>
	<u>(1,673,957)</u>	<u>126,173,990</u>	<u>271,868,730</u>
Net Sales /(Purchases) of Investments	158,674,575	(119,619,934)	(238,673,129)
Taxation paid /Dividends declared	(50,673,203)	(2,709,968)	(939,463)
Due from brokers/ receivable	<u>(101,196,662)</u>	<u>(4,376,874)</u>	<u>(26,439,362)</u>
	<u>6,804,710</u>	<u>(126,706,776)</u>	<u>(266,051,954)</u>
Increase/(Decrease) in net bank balances	5,130,753	(532,786)	5,816,776
Cash and bank balances - beginning of period	<u>6,861,530</u>	<u>1,044,754</u>	<u>1,044,754</u>
Cash and bank balances - ending of period	<u>\$11,992,283</u>	<u>511,968</u>	<u>6,861,530</u>

# Unaudited Statement of Changes in Shareholders' Equity

	Share Capital/ Capital Reserve	Retained Earnings	Total
Total equity at 30 September 2020	1,623,112,948	(145,722,330)	1,477,390,618
Total comprehensive (loss)	<u>363,592</u>	<u>170,716,034</u>	<u>171,079,626</u>
Total equity at 31 March 2021	<u>\$1,623,476,540</u>	<u>24,993,844</u>	<u>1,648,470,384</u>
Total equity at 30 September 2021	1,623,476,540	203,679,707	1,827,156,247
Dividends declared		(47,750,000)	(47,750,000)
Total comprehensive income	-	<u>121,720,289</u>	<u>121,720,289</u>
Total equity at 31 March 2022	<u>\$1,623,476,540</u>	<u>277,624,996</u>	<u>1,901,101,536</u>

# 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 W.I. The Company is listed on the Jamaica Stock Exchange.

As at 31 March 2022, the Company was 44.34 percent (2021 – 40.61%) owned by member companies 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 2021.

## 3. Investments

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

## 4. Investment activities

	Quarter ended March 2022	Quarter ended March 2021	Half Year to March 2022	Half Year to March 2021
Realised gains - Jamaica	7,620,872	(10,620,843)	30,091,108	(10,608,461)
Realised gains - Overseas	2,159,642	21,878,963	7,509,631	56,407,016
Unrealised gains- Jamaica	113,713,205	127,442,214	156,825,289	191,563,803
Unrealised (losses) - Overseas	<u>(52,892,654)</u>	<u>(11,847,538)</u>	<u>(10,423,957)</u>	<u>21,919,522</u>
<b>Total</b>	<u>70,601,075</u>	<u>126,852,796</u>	<u>184,002,081</u>	<u>259,281,880</u>

# Notes to the Financial Statements

## 5. Overdrafts

At 31 March 2022, certain of the Company's assets were charged in the sum of \$116,105,340 in favour of Bank of Nova Scotia Jamaica Limited. The assets charged, comprised specific 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. No amounts were outstanding under this overdraft facility as at 31 March 2022.

At 31 March 2022, certain of the Company's assets were also charged in the sum of \$200,000,000 in favour of Sagikor Bank Jamaica Limited. The assets charged, comprised certain listed shares owned by the Company and were pledged to secure an overdraft facility of \$100,000,000 at an interest rate of 8.5% per annum. No amount was outstanding under this overdraft facility at 31 March 2022.

## 6. Taxation

Taxation for the six months to 31 March comprises:

	<b>2022</b>	<b>2021</b>
Income tax withheld at source on dividend income	2,898,204	2,548,214
Deferred taxation	<u>29,417,123</u>	<u>55,345,196</u>
<b>Total</b>	<b><u>\$32,315,327</u></b>	<b><u>57,893,410</u></b>

## 7. Share Capital

Authorised: Unlimited ordinary shares at no par value

## 8. Net Assets per share

The net assets per share as at 31 March 2022 were \$ 1.39 (31 December 2021-\$1.40) and this was derived by dividing the net assets of the company of \$ 1,901,101,536 (2021 - \$1,910,192,997) by the 1,365,000,015 shares issued and outstanding as at 31 March 2022 (2021 - 1,365,000,015).

## 9. Earnings per share

The earnings per share for the reporting periods were computed using the weighted average number of issued shares of 1,365,000,015 shares.



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