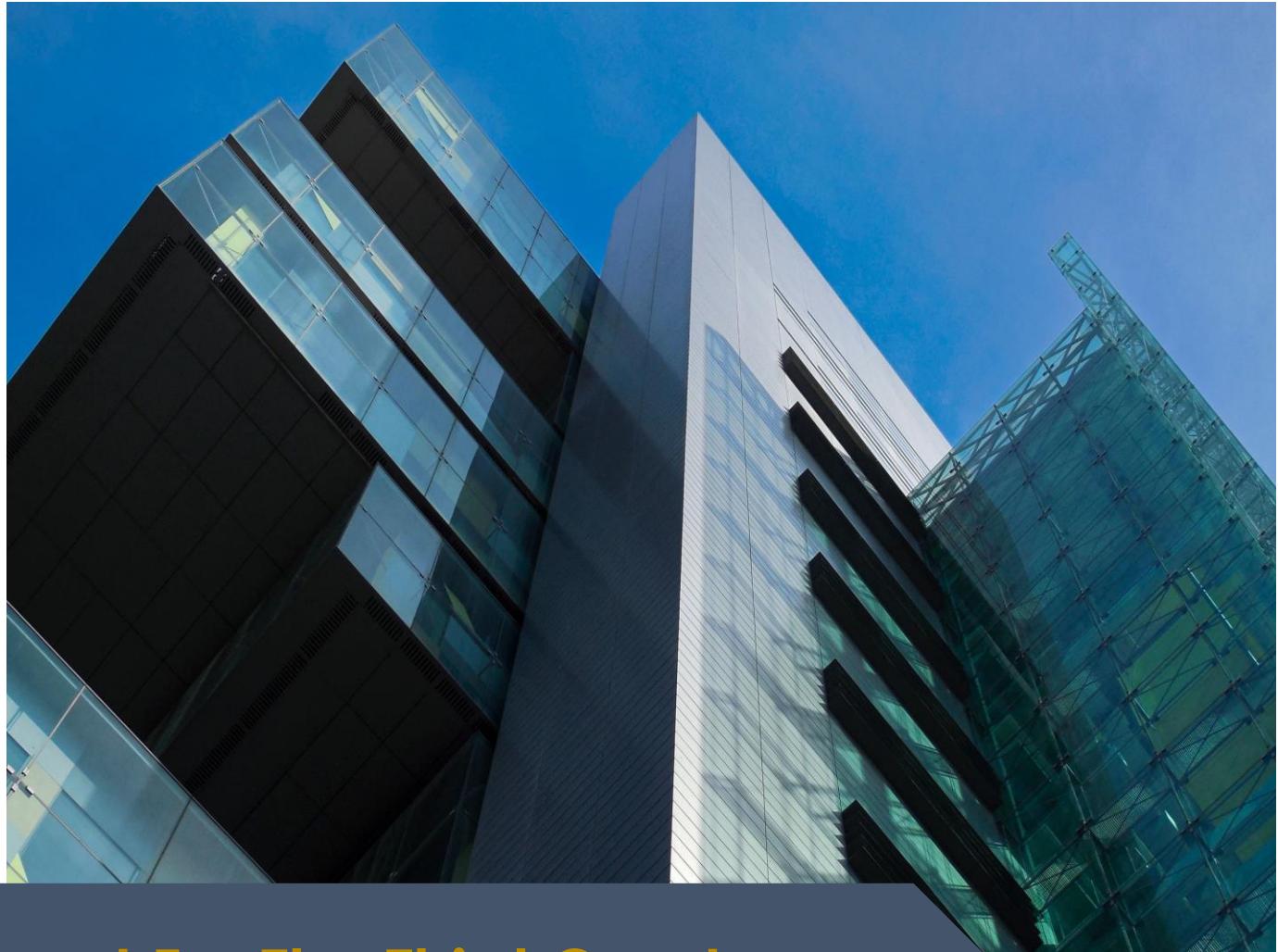




INVESTMENTS



**Report For The Third Quarter
Ending June 2022**

Building Wealth for our Investors

DIRECTORS' REPORT

QWI Investments (QWI), as an investment company invests in stocks and shares locally and overseas. Markets typically move through peaks and troughs and there is evidence that Q2 is not likely to be the most profitable period; but markets tend to rebound after the summer.

During the June quarter, some stocks that performed well in the first two quarters pulled back as investors seemed to have capitalized on profits accumulated earlier. In the case of the US, the market was negatively impacted by concerns about inflation and rising interest rates. Locally, a number of stocks that performed creditably in the first 6 months retreated because of profit-taking during the quarter.

We are of the view that the situation is temporary and the results of the companies will improve and positively impact the prices of the stocks, to the benefit of QWI's assets.

QWI recorded profits before tax for the nine months to June 2022, of \$6.9 million compared with almost \$443 million in the corresponding period a year ago.

The Company reported a net loss of \$110.6 million in the third quarter ended June 2022, a \$274 million reversal from the \$163 million in net income for the corresponding quarter in 2021. This reversal was due to a downturn in the US stock market and to a lesser extent, the Jamaican market.

MARKET BACKDROP

Market conditions, during the quarter and the fiscal year to date, have generally been less favourable than the prior year and the first quarter of the current fiscal year, which has resulted in significant unrealized losses in the portfolio, partially due to seasonal factors as well as the impact of higher interest rates.

The movements in the indices of the markets in which we are mostly invested have been as follows:

Quarters Ending	Main Market	JSE INDEX	S&P 500	MSCI ACWI	QWI NAV
Junior Market	Combined				
September 2021	414,890	3,296	417,203	4,303	714
December 2021	396,115	3,428	401,130	4,766	755
March 2022	391,232	4,223	403,781	4,530	712
June 2022	384,185	4,349	398,329	3,785	597
% Change 3rd Quarter	-1.8	3.0	-1.3	-16.4	-16.1
% Change 9 Months	-7.4	31.9	-6.7	-12.3	-16.4
					-5.7
					-2.2

During the quarter, overseas stock markets declined sharply. The Main Market in Jamaica continued the slow downturn seen in the first half while the sharp upturn in the junior market decelerated significantly.

THIRD QUARTER RESULTS

QWI's Jamaican investments, which now represent 83 percent of the Company's portfolio, produced \$38 million in unrealized losses and \$6 million in realized losses in the quarter. The latter resulted from the realignment of some of the stocks in the portfolio.

The Net Asset Value (NAV) of the Company's shares declined 5.7 percent from \$1.39 in March 2022 to \$1.31 at the end of June 2022. The relative underperformance against the Jamaican indices reflects QWI's exposure to the US market, which experienced a sharp decline in the June quarter.

The Company recorded \$93.6 million in unrealized losses in its overseas portfolio and an additional \$13.8 million in realized losses. Unrealized exchange gains totalled \$10 million versus \$11 million a year ago.

Administration costs fell to almost \$7 million (2021 - \$12.9 million), primarily due to the reversal of certain investment management costs accrued in the first half of the year.

The Company's tax accrual was reversed in the period, resulting in a credit comprised mainly of write-backs for deferred tax accrued in the first half versus deferred tax provisions of almost \$51 million a year ago.

YEAR TO DATE RESULTS

The Net Asset Value (NAV) of the Company's shares fell 2 percent from \$1.34 at the end of September 2021 to \$1.31 at the end of June 2022. The NAV was reduced by the dividend of 3.5 cents per share declared in March and paid in April 2022. After adjusting for the dividend payment, the NAV actually increased 0.5 cents or 0.3 percent in the year to date. This performance compares favourably with the 7 percent decline in the main JSE index and the 12 percent drop in the S&P 500.

QWI's Jamaican portfolio produced \$118 million in unrealized gains in the year to date. Unrealized losses of \$104 million in the overseas portfolio offset much of the gain in Jamaican portfolio. Net total investment gain (realized and unrealized) for the year to date was \$31 million versus \$477 million in the prior year.

Unrealized exchange gains amounted to \$34 million versus a \$0.4 million loss a year ago. Administration costs were \$64 million compared with \$37 million in 2021, due in the main to accruals for higher investment management expenses this year.

The Company benefitted from a tax credit of \$4 million, arising from the write-back of provisions for deferred tax made in prior periods versus a tax charge of \$108 million a year ago.

STATEMENT OF FINANCIAL POSITION

QWI ended the period with equity capital of \$1.79 billion, down from \$1.83 billion at the end of September 2021, resulting from the \$47 million dividend payment in the period to date, offset by the profit reported.

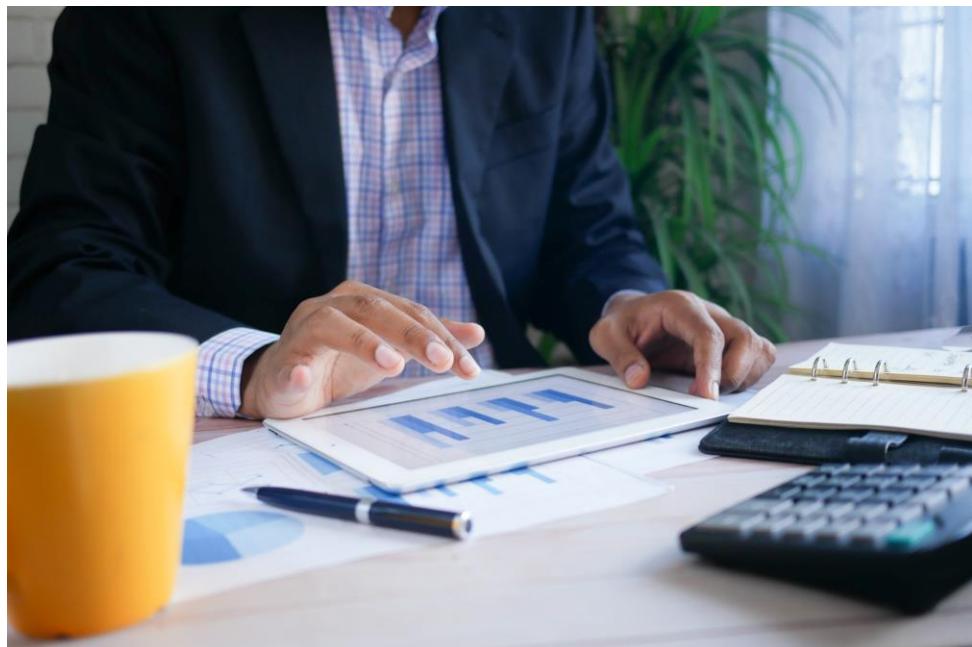
At the end of the quarter, the Company had reduced to US\$2.4 million its holdings of equities listed in the USA and Trinidad and Tobago.

The portfolio still includes positions in several leading information technology companies, retailers, aerospace and services companies.

Investments in local and overseas stocks amounted to \$2.1 billion, with 83 percent represented by Jamaican listed stocks and the majority of the balance invested in the US market.

The Company is holding approximately \$159 million in balances at its banks and brokers that is available either for future investment or to reduce outstanding loans.

Borrowings at 30 June 2022 amounted to \$361 million compared to \$416 million at September 2021.



TOP 10 LISTED HOLDINGS

QWI's Top 10 Listed Jamaican and USA Holdings as at 30 June 2022

Jamaican Holdings	Shares Held	J\$ Value	USA Holdings	Shares Held	US\$ Value
GraceKennedy	1,899,546	195,673,740	Alphabet	60	130,919
Access Financial Services	8,500,000	194,650,000	Northrop Grumman	250	119,642
Caribbean Producers	13,011,828	183,466,775	Lockheed Martin	250	107,490
JMMB Group	3,220,356	141,663,460	United Rentals	400	97,164
Caribbean Cement	1,400,000	94,003,000	Meta	600	96,750
General Accident Insurance	15,032,119	90,568,517	Apple	700	95,704
Stationery and Office Supplies	7,006,672	88,459,234	Home Depot	300	82,281
Dolphin Cove	4,400,166	76,364,881	Nvidia	500	75,795
Radio Jamaica Group	28,087,261	67,268,990	Adobe	200	73,212
Lumber Depot	20,083,269	64,768,543	Boeing Co	500	68,360

QWI's 10 largest JSE listed holdings represent 70 percent of our local quoted investments.

QWI's 10 largest USA listed holdings represent 49 percent of our quoted investments.



OUTLOOK

The Company's Investment Committee actively monitors the investment portfolio and the markets in which we operate.

We are encouraged by a number of positive developments in the Jamaican economy, namely the continued rebound in visitor arrivals and the improved profit results being posted by several companies compared to 2021.

The Company is optimistic about the prospects for almost all of its largest Jamaican holdings.

Noteworthy also, is that while QWI's overseas investments have incurred unrealized losses of \$104 million up to June 2022, this portfolio contributed over \$44 million in gains in 2020 and a further \$132 million in 2021.



John Jackson
Chairman



John Mahfood
Director

21 July 2022

The Company's Annual General Meeting (AGM) held on 19 July 2022, was preceded by an Extraordinary General Meeting (EGM), where shareholders approved resolutions to effect:

- changes to QWI's Articles of Incorporation to permit future AGMs and EGMs to be conducted virtually and for reports to shareholders to be distributed electronically; and
- changes to the way in which the Company's Investment Committee is remunerated.



Unaudited Statement of Financial Position

	(Audited)		
	June 2022	June 2021	September 2021
Quoted Investments-local	1,710,053,543	1,662,573,798	1,707,256,370
Quoted Investments - overseas	361,132,124	602,700,661	571,404,468
Due from brokers and other receivables	131,508,114	6,303,655	27,530,640
Cash and bank	<u>27,165,239</u>	<u>3,580,194</u>	<u>6,861,530</u>
Total assets	<u>2,229,859,020</u>	<u>2,275,158,308</u>	<u>2,313,053,008</u>
Current liabilities and accruals	33,517,085	7,031,755	16,568,073
Deferred Tax	44,385,800	48,715,476	52,884,123
Margin Loans - Net	<u>361,450,019</u>	<u>407,231,374</u>	<u>416,444,565</u>
Total Liabilities	<u>439,352,904</u>	<u>462,744,095</u>	<u>485,896,761</u>
Net assets	<u>\$1,790,506,116</u>	<u>1,812,179,703</u>	<u>1,827,156,217</u>
Share Capital	1,623,476,540	1,623,476,540	1,623,576,540
Retained earnings	<u>167,029,576</u>	<u>188,703,163</u>	<u>203,679,707</u>
Total equity	<u>\$1,790,506,116</u>	<u>1,812,179,703</u>	<u>1,827,156,247</u>
Net Assets per Share (Note 8)	<u>\$1.31</u>	<u>\$1.33</u>	<u>\$1.34</u>

These financial statements were approved for issue by the Board of Directors on 21 July 2022 and signed on its behalf by:



John Jackson
Chairman



John Mahfood
Director

Unaudited Statement of Profit or Loss

	Quarter Ending	Nine Months Ending		
	June 2022	June 2021	June 2022	June 2021
(Losses)/gains from investments (Note 4)	(152,569,935)	217,700,236	31,432,136	476,982,117
Unrealised currency gain/(loss)	10,298,939	11,099,726	34,310,094	(388,333)
Dividend and interest income	<u>10,005,337</u>	<u>6,428,673</u>	<u>28,141,291</u>	<u>23,968,852</u>
	<u>(132,265,659)</u>	<u>235,228,635</u>	<u>93,883,521</u>	<u>500,562,636</u>
Administrative and other expenses	6,991,192	12,933,300	63,885,880	36,937,832
Interest expense	<u>7,852,321</u>	<u>7,930,752</u>	<u>23,071,207</u>	<u>20,978,833</u>
(Loss)/Profit before taxation	(147,109,172)	214,364,583	6,926,434	442,645,971
Taxation credit/(charge) (Note 6)	<u>36,513,631</u>	<u>(50,655,125)</u>	<u>4,198,304</u>	<u>(108,220,478)</u>
(Loss)/Profit for the period				
being total comprehensive loss/ income	<u><u>\$110,595,541</u></u>	<u><u>163,709,458</u></u>	<u><u>11,124,738</u></u>	<u><u>334,425,493</u></u>
Basic (Loss)/Earnings per share (Note 9)	<u><u>\$0.08</u></u>	<u><u>\$0.12</u></u>	<u><u>\$0.01</u></u>	<u><u>\$0.25</u></u>

Unaudited Statement of Cash Flows

	Nine Months Ending	Year Ending	
	June 2022	June 2021	September 2021
Income after taxation	11,124,738	334,425,493	349,765,629
Taxation	(4,198,304)	108,220,478	112,002,504
Net unrealised investment (gains)	(13,962,225)	(409,694,623)	(410,967,132)
Accounts payable/Margin Loans	<u>(38,045,534)</u>	<u>254,158,394</u>	<u>221,067,729</u>
	<u>(45,081,325)</u>	<u>287,109,742</u>	<u>271,868,730</u>
Net Sales /(Purchases) of Quoted Investments	221,437,396	(274,676,490)	(238,673,129)
Taxation paid /other	(4,300,019)	(4,685,435)	(939,463)
Dividends paid	(47,774,869)	-	-
Due from brokers and Accounts receivable	<u>(103,977,474)</u>	<u>(5,212,377)</u>	<u>(26,439,362)</u>
	<u>65,385,034</u>	<u>(284,574,302)</u>	<u>(266,051,954)</u>
Increase/(decrease) in cash and bank balances	20,303,709	2,535,440	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>\$27,165,239</u>	<u>3,580,194</u>	<u>6,861,530</u>

Unaudited Statement of Changes in Shareholders' Equity

	Share Capital	Retained Earnings	Total
Total equity at 30 September 2020	1,623,112,948	(145,722,330)	1,477,390,618
Total comprehensive income	<u>363,592</u>	<u>334,425,493</u>	<u>334,789,085</u>
Total equity at 30 June 2021	<u>\$1,623,476,540</u>	<u>188,703,163</u>	<u>1,812,179,703</u>
Total equity at 30 September 2021	<u>1,623,476,540</u>	<u>203,679,707</u>	<u>1,827,156,247</u>
Dividends paid		(47,774,869)	(47,774,869)
Total comprehensive income		<u>11,124,738</u>	<u>11,124,738</u>
Total equity at 30 June 2022	<u>\$1,623,476,540</u>	<u>167,029,576</u>	<u>1,790,506,116</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 30 June 2022, the Company was 44.34 percent (2021- 40.61 percent) 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 realized and unrealized 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

Investment activities during the period ended 30 June 2022 comprised:

	Quarter Ending		Nine Months Ending	
	June 2022	June 2021	June 2022	June 2021
Realised (losses)/gains - Jamaica	(6,336,328)	11,145,042	23,754,780	536,581
Realised (losses)/gains - Overseas	(13,794,500)	10,343,896	(6,284,869)	66,750,913
Unrealised (losses)/ gains -Jamaica	(38,775,843)	144,881,183	118,049,446	336,444,985
Unrealised (losses)/gains - Overseas	<u>(93,663,264)</u>	<u>51,330,115</u>	<u>(104,087,221)</u>	<u>73,249,638</u>
Total	<u>(152,569,935)</u>	<u>217,700,236</u>	<u>31,432,136</u>	<u>476,982,117</u>

Notes to the Financial Statements

5. Overdraft

As at 30 June 2022, the Company's assets were charged in the sum of \$114,020,872 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 percent per annum. No amounts were outstanding under this overdraft facility as at 30 June 2022.

As at 30 June 2022, the Company's assets were charged in the sum of \$200,000,000 in favour of Sagicor Bank Jamaica Limited. The assets charged, comprised 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 percent per annum. No amounts were outstanding under this overdraft facility as at 30 June 2022.

6. Taxation

Taxation for the nine months to 30 June comprises:

	2022	2021
Income tax withheld at source on dividend income	4,300,020	4,685,292
Deferred taxation (credit)/charge	<u>(8,498,324)</u>	<u>103,535,186</u>
Total	<u><u>\$(4,198,304)</u></u>	<u><u>108,220,478</u></u>

7. Share Capital

Authorised: Unlimited ordinary shares at no par value

Issued and fully paid: 1,365,000,000 1,365,000,000

8. Net Asset Value (NAV) per share

The Net Asset Value per share as at 30 June 2022 was \$ 1.31 (30 June 2021 - \$1.33) and this was derived by dividing the net assets of the company of \$ 1,790,506,116 (2021 - \$1,812,179,703) by the 1,365,000,015 shares issued and outstanding as at 30 June 2022 (2020 - 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.



Building Wealth for our Investors

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