

Government Records Better than Budgeted Fiscal Deficit for May 2020

The Central Government Summary Accounts for May 2020 was released on Tuesday, June 30, 2020, showing better than anticipated revenues for the April to May period and expenditures in line with the budget. As a result, the fiscal balance performed better than budgeted. The better than budgeted revenues were due to a jump in Non-Tax Revenue of J\$2.0 billion or 24.0% and higher than expected tax revenues of J\$1.7 billion. The jump in Non-Tax Revenue was attributed to higher than anticipated miscellaneous revenues, while the increase in Tax Revenue was attributed to the overperformance in local Special Consumption Tax, Pay as You Earn and Education Tax. Expenditures (above the line) were generally in line with budget and underperformed only marginally by 0.6% or J\$605.9 million. The revenue and expenditure performance resulted in a two-month fiscal deficit of J\$22.5 billion, better than the projected fiscal deficit of J\$26.8 billion. The primary balance, excluding interest payments, for the April to May period was a deficit of J\$5.7 billion, better than the projected deficit of J\$9.9 billion.

As economic activities slowly rebound in the country, based on the continued relaxation of lockdown measures by the government, we anticipate that revenues may continue to perform better than budgeted. However, this is under the caveats of no second wave and that the current coronavirus outbreak is largely contained. Within that context, the Bank of Jamaica, Planning Institute of Jamaica and international agencies expect that economic activities will pick up in the country going into 2021, which bodes well for the government's revenue collections.

Currency Markets

International Currency Market

Currency	3-Jul	26-Jun	DoD % Δ	WoW % Δ	YTD % Δ	YoY % Δ
EUR: USD	1.125	1.122	0.08%	0.26%	0.31%	-0.27%
GBP: USD	1.248	1.230	0.12%	1.19%	-5.84%	-0.72%
USD: CAD	1.355	1.370	-0.13%	-1.03%	4.29%	3.74%
USD: JPY	107.510	107.220	0.01%	0.27%	-1.01%	-0.28%

Local Foreign Currency Market

Currency	3-Jul	2-Jul	26-Jun	DoD % Δ	WoW % Δ	YTD % Δ
USD:JMD	142.20	140.63	140.00	1.12%	1.57%	7.27%
GBP:JMD	179.57	180.25	177.52	-0.38%	1.15%	4.6%
CAD:JMD	106.32	103.64	106.00	2.59%	0.30%	6.2%

Global Interest Rates

Rates	3-Jul	26-Jun	DoD Δ bps	WoW Δ bps	YTD Δ bps	YoY Δ bps
10 Year US Treasury Bond	0.67%	0.64%	-1.00	3.00	-125.00	-128.00
10 Year UK Gilt	0.19%	0.17%	0.00	2.00	-63.00	-50.00
GOJ 2025 Global Bond	4.74%	5.09%	-23.00	-35.00	89.00	18.00
5 Year US Treasury Bond	0.30%	0.30%	-1.00	0.00	-139.00	-143.00
5 Year UK Gilt	-0.04%	-0.04%	1.00	0.00	-64.00	-53.00

Week in Review: June 29 – July 3, 2020

Local Equity Market

BEST AND WORST PERFORMERS

ADVANCERS		DECLINERS	
PULS	23.99%	LASM	-18.99%
MAILPAC	22.16%	JETCON	-15.45%
CFF	17.26%	PBS	-13.41%

JSE Main Market activity (excluding preference shares) resulted from trading in 44 stocks of which 16 advanced, 23 declined and 5 traded firm. Market volume (excluding preference shares) amounted to 76,998,116 units valued at over \$655,552,740. JSE Junior Market activity (excluding preference shares) resulted from trading in 36 stocks of which 14 advanced, 21 declined and 1 traded firm. Market volume (excluding preference shares) amounted to 69,452,509 units valued at over \$175,548,015.

Global Equity Indices

Index	31-Dec	26-Jun	3-Jul	WoW % Δ	YTD % Δ	YoY % Δ
S&P 500	3,230.65	3,009.05	3,130.01	4.02%	-3.12%	4.48%
Euro Stoxx 50	3,745.15	3,204.17	3,294.38	2.82%	-12.04%	-6.95%
MXWD Index	565.24	515.81	532.50	3.24%	-5.79%	0.26%
JSE Main Market Index	509,916.44	380,156.43	378,603.79	-0.41%	-25.75%	-19.38%
JSE Junior Market Index	3,348.97	2,584.29	2,539.19	-1.75%	-24.18%	-18.06%
JSE Combined Index	505,253.98	377,576.68	375,664.33	-0.51%	-25.65%	-19.29%

Upcoming Week: July 6 – July 10, 2020

Country	Report	Period	Forecast	Prior
US	Initial Jobless Claims	4-Jul	--	1,430,000
US	MBA Mortgage Applications	3-Jul	--	-1.80%
CA	Unemployment Rate	Jun	12.50%	13.70%
CA	Net Change in Employment	Jun	550,000	289,600
CA	Housing Starts	Jun	185,000	193,500
JN	Core Machine Orders MoM	May	-3.20%	-12.00%
JN	PPI YoY	Jun	-2.00%	-2.70%

LOCAL STOCK RECOMMENDATIONS

COMPANY NAME	PRICE MOVEMENTS	STATISTICS	COMPANY VITALS	INDUSTRY VITALS	RATIONALE
July 3, 2020					
JMMB Group Ltd (JMMBGL)	<p>Current Price \$31.43</p> <p>52 Week High \$55.07</p> <p>53 Week Low \$30.72</p> <p>WoW % -4.74%</p> <p>YTD % -32.48%</p>	<p>EPS \$2.48</p> <p>BVPS \$26.29</p> <p>T12M Div. \$0.49</p> <p>Div. Yield % 1.56%</p>	<p>ROE 9.44%</p> <p>P/E 12.66</p> <p>P/B 1.20</p>	<p>ROE 16.00%</p> <p>P/E 14.35</p> <p>P/B 1.48</p>	<p>JMMBGL is one of Jamaica's largest financial services corporations, entering the market in 1992 as the first Money Market Brokerage firm. The holding company, JMMB Group Limited, was formed as a parent to house the group of companies. To date, the JMMB Group Ltd. has extended its reach across the Caribbean, including the Dominican Republic and Trinidad and Tobago. The Group has over 316,000 clients and continues to grow steadily. We believe that in addition to its core businesses, key strategic partnerships such as the 22.2% stake in Sagcor Financial Corporation allows JMMBGL to achieve further diversification and increase profitability.</p>
BUY					
Access Financial Services Ltd (AFS)	<p>Current Price \$24.00</p> <p>52 Week High \$47.95</p> <p>53 Week Low \$17.65</p> <p>WoW % 11.30%</p> <p>YTD % -30.38%</p>	<p>EPS \$1.20</p> <p>BVPS \$7.91</p> <p>T12M Div. \$0.49</p> <p>Div. Yield % 2.04%</p>	<p>ROE 15.19%</p> <p>P/E 19.98</p> <p>P/B 3.03</p>	<p>ROE 24.16%</p> <p>P/E 42.98</p> <p>P/B 2.35</p>	<p>AFS has experienced fluctuating results over the last four years, which has translated into less than steady growth in net profits. Due to the microfinance industry's importance in meeting the needs of the "unbanked", the industry has been in the focus of the government in recent times and is expected to face new regulations in the near term. Among others, the Microcredit Act tabled in parliament in 2019, is expected to curb the "excessive interest rates" being charged by microlenders. However, this and other regulations could likely make the industry less attractive and may ultimately lead to a slowing of funding flows to the vital MSMEs. The current coronavirus pandemic is another major downside risk that is already leading to a curtailment of economic activity in Jamaica. As AFS' loan portfolio is heavily skewed towards personal loans, we project that the company will struggle to grow its loan portfolio over the short to medium term due to the expected decline in loan demand and that its provision for credit losses will increase as its borrowers' creditworthiness becomes impaired.</p>
SELL					
Caribbean Producers Jamaica Ltd (CPJ)	<p>Current Price \$2.39</p> <p>52 Week High \$5.30</p> <p>53 Week Low \$2.00</p> <p>WoW % 1.92%</p> <p>YTD % -54.02%</p>	<p>EPS (\$0.02)</p> <p>BVPS \$2.72</p> <p>T12M Div. \$0.00</p> <p>Div. Yield % 0.00%</p>	<p>ROE -0.77%</p> <p>P/E -113.95</p> <p>P/B 0.88</p>	<p>ROE 16.84%</p> <p>P/E 16.91</p> <p>P/B 2.71</p>	<p>CPJ is a leading foodservice supplier to the hospitality sector in Jamaica, with over 25 years of experience. Over the years, the Company has focused on generating operational efficiencies in order to remain competitive in a fast-changing industry and where the cost structure of the business is such that its gross and profit margins are extremely low. The knock-on effect of the low margins is that the Company does not have the flexibility to absorb cost shocks before generating losses. Over the years, CPJ has tried to diversify its business to serve clients in the wider hospitality and retail sectors, however, its revenues are still dominated by its transactions within the tourism industry. As a result, with the current virtual shuttering of hotels and the limits placed on others in the hospitality sector, such as bars and restaurants, and supermarkets, our projection is that over the short to medium term CPJ's profitability is likely to be significantly impaired.</p>
SELL					
Wigton Windfarm Ltd (WIG)	<p>Current Price \$0.79</p> <p>52 Week High \$1.15</p> <p>53 Week Low \$0.50</p> <p>WoW % -2.39%</p> <p>YTD % -19.19%</p>	<p>EPS \$0.05</p> <p>BVPS \$0.31</p> <p>T12M Div. \$0.00</p> <p>Div. Yield % 0.00%</p>	<p>ROE 15.00%</p> <p>P/E 16.87</p> <p>P/B 2.53</p>	<p>ROE 6.95%</p> <p>P/E 16.49</p> <p>P/B 1.61</p>	<p>We believe that Wigton Windfarm provides an advantage for investors in three main ways. The first is diversification, as it is an alternative energy investment which becomes more crucial in the midst of global warming. The second is an increase in medium to long term value driven by profitability. The third is liquidity as the availability of shares is wide and allows a tidy entry into or exit out of the investment. Wigton Windfarm has potential competition from MPC Caribbean and New Fortress Energy but they together form an ecosystem which is needed to move the Caribbean away from its reliance on Fossil Fuels, the 2nd most expensive item on Jamaica's import bill.</p>
HOLD					













Disclaimer: All information contained herein is obtained by JN Fund Managers Limited's (JNFM's) Global Investment Research Unit from sources believed to be accurate and reliable. All opinions expressed are based on the Research Analyst's judgment as of the date of the report. As such, no warranty is made, expressed or implied by JN Fund Managers Limited in any form whatsoever as to the accuracy, timeliness or completeness of information contained in this report. JN Fund Managers Limited is therefore not liable for any actions taken in reliance on information contained herein.

JN Fund Managers' Global Investment Research Unit does not provide investment advice that considers the circumstances and objectives of the parties who receive this report. It is therefore recommended that before making any investment decision, investors seek the advice of a JN Fund Managers' Investment Advisor.

This report does not represent an offer to buy or sell, or solicitation of an offer to buy or sell the securities mentioned. Past performance is not necessarily an indication of future performance. Estimates of future performance are based on assumptions that may not be realized. Additional information not available in this research report may be available upon request.

JN Fund Managers Limited is a multifaceted organization with, investment banking, investment management, fund administration and brokerage business lines. JN Fund Managers Limited may therefore conduct investment banking or other business activities with some of the companies and countries covered by the Company's Global Investment Research Unit.

LOCAL STOCK RECOMMENDATIONS

COMPANY NAME	PRICE MOVEMENTS	STATISTICS	COMPANY VITALS	INDUSTRY VITALS	RATIONALE		
July 3, 2020							
Jamaica Broilers Group Ltd (JBG)	Current Price	\$28.67	EPS	\$1.75	 ROE 13.10%  P/E 16.34  P/B 2.14	ROE 13.99% P/E 26.08 P/B 3.42	Having been in operation for over sixty years, JBG has grown into an iconic brand in Jamaica and now has an increasing presence in the region. The Company's Jamaican operations continue to have a significant impact in the local marketplace through its Best Dressed Chicken and H-Pro divisions. However, the local market is mature with growth expected to be low in the medium term. With operations already firmly set in Haiti, JBG moved further to cement a stronghold and presence along the supply chain in the US with its recent acquisitions. In our view, these acquisitions and other inorganic initiatives are expected to be the catalyst for JBG's growth going forward.
	52 Week High	\$43.63	BVPS	\$13.39			
	53 Week Low	\$21.00	T12M Div.	\$0.57			
	WoW %	-1.16%	Div. Yield %	1.99%			
BUY	YTD %	-29.91%					
Wisynco Ltd (WISYNCO)	Current Price	\$17.79	EPS	\$0.81	 ROE 23.69%  P/E 22.03  P/B 5.22	ROE 13.99% P/E 26.08 P/B 3.42	Wisynco's customers typically include restaurants, supermarkets retail and whole-sale outlets, schools and other food service outlets. As a result of the social distancing orders being enforced by the Government to curb the spread of the virus, the operations of the Company's customers base have been severely disrupted. We acknowledge, however, that the Company's strong brand presence in the food manufacturing and distribution sector, strong balance sheet and distribution network will go a far way to ensure that Wisynco remain resilient over the long-term. We believe that the Management's experience in distribution and the Company's investment in Innovation will be huge drivers of equity return over time. Notwithstanding, over the short to medium term (up to three years) Wisynco's profitability will be challenged as over 95% of the Company's revenues are generated locally and local consumer demand has declined and likely to remain subdued over the short to medium term. In our scenario, the Company is projected to return to pre-COVID state in the FY 2024/FY 2025.
	52 Week High	\$30.00	BVPS	\$3.41			
	53 Week Low	\$11.50	T12M Div.	\$0.19			
	WoW %	-2.83%	Div. Yield %	1.07%			
HOLD	YTD %	-23.65%					
Seprod Ltd (SEP)	Current Price	\$51.99	EPS	\$1.84	 ROE 8.63%  P/E 28.30  P/B 2.44	ROE 13.99% P/E 26.08 P/B 3.42	With the onset of COVID-19, restaurants, supermarkets, bakeries and corner shops in communities have been forced to operate within restricted parameters or have completely shuttered. The restrictions being placed on some of Seprod's key customer groups are likely to lead to a depression in the consumption of the company's products, notwithstanding, that most of what Seprod manufactures and distributes are 'necessity items. Our estimate is that Seprod's revenues will contract by ~14% in FY 2020. As thousands of Jamaicans have lost their jobs, unemployment will likely increase in the short to medium term. Even in cases where jobs are retained, some employers have looked to salary cuts in keeping employees. With the expected reduction in income it is likely that the support for the company's "normal goods" will be low.
	52 Week High	\$70.00	BVPS	\$21.30			
	53 Week Low	\$30.00	T12M Div.	\$1.00			
	WoW %	-1.65%	Div. Yield %	1.92%			
HOLD	YTD %	1.99%					

Disclaimer: All information contained herein is obtained by JN Fund Managers Limited's (JNFM's) Global Investment Research Unit from sources believed to be accurate and reliable. All opinions expressed are based on the Research Analyst's judgment as of the date of the report. As such, no warranty is made, expressed or implied by JN Fund Managers Limited in any form whatsoever as to the accuracy, timeliness or completeness of information contained in this report. JN Fund Managers Limited is therefore not liable for any actions taken in reliance on information contained herein.

JN Fund Managers' Global Investment Research Unit does not provide investment advice that considers the circumstances and objectives of the parties who receive this report. It is therefore recommended that before making any investment decision, investors seek the advice of a JN Fund Managers' Investment Advisor.

This report does not represent an offer to buy or sell, or solicitation of an offer to buy or sell the securities mentioned. Past performance is not necessarily an indication of future performance. Estimates of future performance are based on assumptions that may not be realized. Additional information not available in this research report may be available upon request.

JN Fund Managers Limited is a multifaceted organization with, investment banking, investment management, fund administration and brokerage business lines. JN Fund Managers Limited may therefore conduct investment banking or other business activities with some of the companies and countries covered by the Company's Global Investment Research Unit.



Mutual Funds

JN MUTUAL FUNDS

July 2, 2020



A member of the Group

JN Mutual Funds	NAV Price	12 Months Growth Rate	YTD Growth Rate	Yield (Estimated Yearly Income)
Global Diversified Income	J\$13.6793	-1.19%	6.32%	2.15%
Global Equity	J\$14.3766	-9.71%	-20.49%	0.00%
Global Fixed Income	J\$12.3413	5.45%	2.99%	4.67%
Global Money Market (US\$)	US\$10.4336	2.82%	1.65%	3.69%
Global Fixed Income (US\$)	US\$10.2961	0.49%	-0.39%	5.20%
Local Money Market	J\$10.8196	3.18%	1.71%	3.58%

	Global Money Market Fund	Local Money Market Fund	Global Fixed Income Funds	Global Diversified Income Fund	Global Equity Fund
Objective	To preserve capital whilst providing US dollar (US\$) money market returns	To preserve capital whilst providing Jamaican Dollar (J\$) money market returns	To achieve an attractive total return through capital injection and income growth. This is offered through two separate Funds: (i) A Jamaican dollar (J\$) and (ii) A US dollar (US\$) fund.	To provide long-term investment growth through exposure to a diversified range of asset classes.	To provide long-term capital growth and risk diversification.
Strategy	To invest in local and global money market instruments for safety, liquidity and yield.	To invest in local and global money market instruments for safety and liquidity and yield	To invest in regional, sovereign debt securities, local and international corporate bonds.	To invest in fixed income, high dividend yielding stocks, REITs and structured products	To invest in the shares of local and international companies which offer strong growth possibilities and consistent income

With a suite of six investment portfolios, each with a distinct financial profile, JN Mutual Funds offers a premium opportunity for investors to align their personal financial strategy with their goals, time horizons and risk profile.

Contact us

Kingston & St. Andrew

Rashidi Thomas - 876-279-7018 rashidit@jngroup.com

Paul Penn – 876-564-8276 pennp@jngroup.com

Peta-Gay Walker- 876-588-8886 pmiller@jngroup.com

Kimberly Savage – 876-307-9461 ksavage@jngroup.com

Tamara Honeyghan - 876-557-0082 tamarah@jngroup.com

Mandeville

Horace Walters – 876-487-9267 waltersh@jngroup.com

Disclaimer: All information contained herein is obtained by JN Fund Managers Limited's Global Investment Research Unit from sources believed to be accurate and reliable. All opinions expressed are based on the Research Analyst's judgment as of the date of the report. As such, no warranty is made, expressed or implied by JN Fund Managers Limited in any form whatsoever as to the accuracy, timeliness or completeness of information contained in this report. JN Fund Managers Limited is therefore not liable for any actions taken in reliance on information contained herein.

JN Fund Managers Limited's Global Investment Research Unit does not provide investment advice that considers the circumstances and objectives of the parties who receive this report. It is therefore recommended that before making any investment decision, investors seek the advice of a JN Fund Managers Limited Investment Advisor.

This report does not represent an offer to buy or sell, or solicitation of an offer to buy or sell the securities mentioned. Past performance is not necessarily an indication of future performance. Estimates of future performance are based on assumptions that may not be realized. Additional information not available in this research report may be available upon request.

JN Fund Managers Limited is a multifaceted organization with, investment banking, investment management, fund administration and brokerage business lines. JN Fund Managers Limited may therefore conduct investment banking or other business activities with some of the companies and countries covered by the Company's Global Investment Research Unit.

JN Fund Managers Limited may invest in and trade the securities covered in this report for its own proprietary account and/or on behalf of its clients. JN Fund Managers Limited's trading activity in these securities may be contrary to the recommendation(s) indicated in this report .