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For February's edition of our monthly Investor Forum, Mayberry CEO, Gary Peart (2nd right) along with Prime Asset Management's CEO, Rezworth Burchenson and Financial Analyst Keith Collister joined here by Mayberry Director and discussion moderator, Sushil Jain discussed the 2017 trends and outlook for the stock market.

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MARCH 2017

CEO CORNER

Jamaica's Growth for 2016-2017

Since the start of 2016, Jamaica's economy has grown significantly and is projected to grow further at an even faster rate for 2017.

The country is proceeding through its recovery, and the last four consecutive years have shown positive results in various sectors of the economy. According to Minister of Finance and Public Service, the Hon Audley Shaw, "unemployment continues to decline, inflation is at historic lows, and interest rates are trending down, supported by prudent fiscal and monetary policies". Fiscal targets and net reserve targets are also ahead for 2016, while private sector confidence continues to develop by means of increases in issuing loans to the productive sectors.

There has been an upward movement of the key macroeconomic indicators such as consumer prices, which rose by only 1.7 per cent between 2015 and December 2016, subsequent to thve benefits from low oil and other commodity prices, strong increase in local production, not to mention the fiscal policy that helps to contain excess demand in the economy. Other factors of improvement include: the real GDP, which increased from 1.2 per cent in 2015 to 1.7 per cent as of the first half of the fiscal year 2016-2017, unemployment, whose rate dropped to 12.9 per cent in 2016 from 13.1 per cent in 2015 and higher levels of private sector confidence as well as lower interest rates.

Though, as a developing country, our economy is on the rise and is expected to continue its improving efforts, it is highlighted that there are a number of government infrastructural investment initiatives that have been executed. Some to consider are: the expansion in the hotel industry of about 3,300 hotel rooms developed in 2016; road expansion on Marcus Garvey Drive and the Nelson Mandela highway; divestment of the Kingston Container Terminal (KCT) to Kingston Freeport Terminal Limited (KFTL) as well as the development of an international cargo transhipment hub on the south coast.

Investment growth has increased within the business consumer confidence sector and as a country we are positioned to see stronger economic prospects on the horizon. Presently, we should endeavour to take advantage of this momentum and increase investments in infrastructure and our people. This is crucial to accelerating the sustainable economic growth required to end poverty as well as enhancing the wellbeing of our country.

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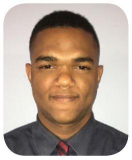

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Respect the future by trying not to predict it

Richard Deane
Global Fixed Income Strategist

What if I told you that the trick to investing is not to predict the future, but to respect the future? Prepare with likely contingencies. He who has the superior preparation will have the superior returns over the long run; trying to predict the next outcome would be an error.Trying to plan for possible outcomes over a long period of time would be correct.

If I told you in August 2014 that the Jamaican Stock Exchange (JSE) was going to be the world's best performing stock market in 2015, would you have believed me then? Why should you have believed me when at that point the stock market was plummeting and people were trying to sell their stocks? But what if I had told you in 2014 to maintain a certain percentage of your investments in stocks because the prices could rise in the near future and that as the price falls, it would bring down your average cost over time by buying more stocks, so as to reduce any possible decline in 2015 – would you have taken my advice?

The reality is that no one knew in 2014 what was going to happen in 2015, but the correct thing to do wasn't to predict 2015; it was to prepare for the likelihood of further depreciation in the prices (reducing average cost) or for an increase in prices (maintain portfolio allocation to equity).

Here is some advice to respecting the future:

- ***Draw a financial roadmap***
  The great Chinese General Sun Tzu explained that "Strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat". Constantly worrying about next year's net profit for a company or the next Federal Reserve meeting is the wrong way to go about investing. One needs to sit down and plan what will be your mode of action for the long term by clearly outlining your goals.

- ***Evaluate your comfort zone in taking on risk***
  It makes no logical sense to wade out into the deep waters of risky investments if you are not certain how comfortable you are in taking risk. Evaluate your willingness to do so and also your financial ability to take any such risks.

- ***Consider an appropriate mix of investments***
  The best way to respect the future is to diversify your portfolio. Market conditions that cause one asset category to do well often cause another asset category to underperform. By investing in more than one asset category, losses could be reduced and your portfolio's overall investment returns will have a smoother ride.

Investing is often times seen as a gamble, but it really doesn't have to be. If given the due consideration, forecasts can become a science and preparations can be made to take advantage of the highs and lows of the market. The ever evolving global marketplace almost ensures that conditions will always be volatile, so rather than predicting, try to take the approach of planning and at the very least your returns will be measured.

COMPANY ANALYSIS

Company Analysis: Berger Paints Jamaica Limited (BRG)

BERGER

Executive Summary

Berger Paints Jamaica Limited (BRG) is the largest paint-manufacturing entity in Jamaica. It is a part of the Asian Paints Group, which ranks among the top ten decorative coatings companies in the world. The Asian Paints Group operates in 19 countries and has 26 paint manufacturing facilities across the world, servicing consumers in over 65 countries.

BRG has been operating in Jamaica since 1953. In 1992, the company became a publicly listed on the Jamaica Stock Exchange (JSE) and since then, has been providing innovative, cutting-edge paint products and services, based on the company's long held ethos of delivering lasting beauty and protection to homes and institutions across Jamaica. Backed by a strong technical support team, BRG has conducted extensive research to develop paint products specifically for the Caribbean environment. Such research has led to brands including Berger 303 Flat Emulsion and 404 Gloss Oil Everglow to become brand leaders in their respective brand categories.

The company holds the distinction of being the first regional company in the paint sector to achieve the International Standards Organization (ISO) Quality Mark certification in 2002. In 2006, the company attained the ISO Environmental Management Standard.

Between 2012 and 2016, BRG has had increasing revenues with a compounded annual growth rate (CAGR) of 7.43 per cent. Net Profit also grew from $34.08 million to $55.12 million over the five year period.

Economic Overview

Jamaica is considered an upper middle income country by the World Bank and has the largest population in the English speaking Caribbean. Despite this, Jamaica has struggled to grow its economy since the turn of the century. Additionally, the country is plagued by a high debt to GDP ratio which, was at March 2017, was 120 per cent of GDP. External shocks such as elevated oil prices and the 2008 financial crisis have exasperated the country's economic woes. Over the last 30 years, the economy expanded by an average of 1.79 per cent a year, making Jamaica one of the slowest growing developing countries in the world, according to the International Monetary Fund (IMF). To stabilise the economy, reduce debt and unlock growth, the Government of Jamaica (GOJ) embarked on a comprehensive programme of reforms, which has garnered national and international support. The economic reform programme has produced robust results: the country's credit rating has improved, and Jamaican bonds are trading at a premium in international markets. Total government debt represented 122 per cent of GDP by the end of fiscal year 2015/16. In addition, inflation moved from 16.08 per cent in 2008 to 1.7 per cent in 2016. The government has also managed to keep the primary balance at an average of 7.5 per cent of GDP (financial years (FY) 2013/14 – 2015/16). This was possible, in part due to a healthy Net International Reserves (NIR), which moved from US$1,304 million in FY 2013/14 to US$2,427 million in FY 2015/16. Finally, the unemployment rate was 12.9 per cent for the third quarter of 2016 compared to 13.8 per cent and 13.1 per cent for the third quarters of 2015 and 2014 respectively. This was against the backdrop of a strong surge in the labour force.

Market Overview

The construction industry is used as a proxy to estimate the demand in the paint industry. Jamaica's property market continues to expand moderately at 0.5 per cent for the year 2016, according to the Planning Institute of Jamaica (PIOJ). This growth is set to continue for 2017, driven by an increase in the construction of hotels on the island. Ministry of Tourism, Hon Edmund Bartlett, indicated that 15,000 new hotel rooms are slated to be built over the next five years.

Company Background

BRG was founded in 1760 by German chemist Lewis Berger. Berger had perfected the manufacturing process for Prussian Blue, one of the most important pigments of that period. This achievement marked the arrival of Berger Paints as a modern paint manufacturing company. Berger International Private Limited, which is the international parent company of Berger Paints Jamaica, is a part of the Asian Paints Group, which ranks among the top ten decorative coatings companies in the world. The Asian Paints group operates in 19 countries and has 26 paint manufacturing facilities in the world servicing consumers in over 65 countries.

Since 1953, BRG has been providing innovative, cutting-edge paint products and services, based on the company's long held ethos of delivering lasting beauty and protection to homes and institutions across Jamaica. BRG remains the largest paint-manufacturing entity in the English-speaking Caribbean, with 95 per cent of the company's products manufactured locally. Backed by a strong technical support team, BRG has conducted extensive research to develop paint products specifically for the Caribbean environment.

BRG holds the distinction of being the first regional company in the paint sector to achieve the International Standards Organization (ISO) 9001:2000 Quality Mark certification in 2002. In 2006, the company attained the ISO 14001:2004 Environmental Management Standard. In 1992, BRG became a publicly listed on the JSE, recording some 6,000 local shareholders. BRG is also the industry leader in the decorative paint market with a 50 per cent market share. The company's success is attributed to its strong and competent team of employees, 60 per cent of whom have served for more than 10 years.

S.W.O.T Summary

- STRENGTHS

  BRG is a part of an international conglomerate that ranks among the top ten paint producers worldwide. This has afforded the company the opportunity to tap into the expertise of international partners.

  Expanding construction industry. This is driven by the construction of new homes, hotel rooms and hotels.

  BRG also invests heavily in research, which has allowed them to introduce innovative new products to the market which has kept the company as a market leader.

  50 per cent market share in decorative paints market and 40 per cent market share in overall paint market.

Company Analysis: Berger Paints Jamaica Limited (BRG)

WEAKNESSES

The market for paint in Jamaica is dependent upon the construction industry. In return, the health of the construction industry is linked to the performance of the tourism sector, which is exposed to volatility and external shocks to the world economy.

Unlike its competitors, BRG does not have its own retail outlets. Instead, the company relies on other retailers to carry its products

OPPORTUNITIES

Continued growth in the construction industry provides new opportunity for growth.

The planned logistics hub and the construction activity that will accompany the development of the hub, promise to provide a boost to the local construction industry, which also provides new opportunities for growth for the company.

THREATS

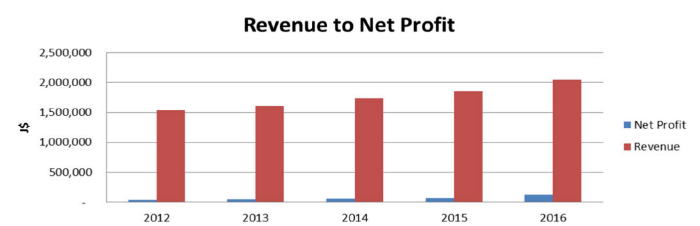
Volatility in commodities market, mainly titanium.

Heavy reliance on import of raw material, which is 49 per cent of cost of goods.

Operational Analysis

Berger Historical Profit and Loss

	February 2017	January 2017	Change
91 Days Treasury Bills Avg. Yield (%)	5.923	5.618	0.305
182 Days Treasury Bills Avg. Yield (%)	6.118	6.271	-0.153
Exchange Rate (US$:J$)	128.07	128.58	-0.51
Net International Reserves (NIR) (US$M)	2,615.26	2,469.43	145.84



The company has had increasing revenues over the past five years, moving from $1.54 billion in 2012 to $2.05 billion in 2016 with a CAGR of 7.41 per cent. Revenues have increased by 11 per cent for the most recent FY from $1.85 billion in 2015 to $2.05 billion in 2016. Operational expenses has also increased year on year, since 2012 and has CAGR rate of 6.34 per cent, almost the same rate as that of the revenues. As such, profit before net finance costs and taxation also trended upwards, increasing by a CAGR of 29.38 per cent over the five year period. Year over year, profit before net finance costs and taxation increased by 80 per cent from $79.16 million for the FY 2015 to $142.84 million for the FY 2016. Over the five years, the net profit has grown by a CAGR of 38.37 per cent, with the year over year growth for the most recent FY being 82 per cent, resulting in net profit of $55.12 million for the FY 2016. BRG's earnings per share (EPS) has improved steadily over the five year period from $0.16 in 2012 to $0.57 in 2016, an 83 per cent growth. For the 9 months ended December 2016, revenues were up 14 per cent from the same quarter of 2015, closing at $1.91 billion. While profit from operation increased by 107 per cent at the end of the third quarter totalling $320.13 million (2015: $154.5 million). The twelve month EPS was $1.22, while the 9 months EPS amounted to $1.17.

Expenses	2012 '000	2013 '000	2014 '000	2015 '000	2016 '000	Change 2015/16	CAGR
Raw Material and consumables used	760,813	782,202	870,231	882,161	988,493	12.1%	6.76%
Changes in inventories of finished goods and work in progress	-15,826	1,926	-23,785	-839	-35,042	4076.6%	21.98%
Manufacturing Expenses	83,709	89,085	94,879	97,600	109,726	12.4%	7.00%
Depreciation	22,290	18,215	20,034	21,557	29,323	36.0%	7.10%
Employee Benefits and expense	414,459	408,672	408,170	449,526	475,357	5.7%	3.49%
Other operating Expenses	227,540	262,774	292,868	331,537	341,212	2.9%	10.66%
Total	1,492,985	1,562,874	1,662,397	1,781,542	1,909,069	7.2%	6.34%

BRG's operating expenses have increased steadily over the past 5 years and peaked at $1.91 billion for the FY 2016. Raw material and consumables used increased by 12.1 per cent from $882.16 million for FY 2015 to $988.49 million for FY 2016, while the CAGR was 6.76 per cent, starting at $760.81 million for FY 2012 and ending at $988.49 million for FY 2016. Employee benefits have fluctuated over the five year period from FY 2012 to FY 2016. Employee benefits reached a high of $475.36 million in FY 2016 from a low of $408.17 million in FY 2014 and $414.46 million in 2012 FY, a CAGR was 3.49 per cent. Changes in inventories and finished goods saw a significant decrease from FY 2012 to FY 2016. Changes in inventories and finished goods moved from $15.83 million in FY 2012 and $35.04 million in FY 2016, the CAGR for this line item was 21.98 per cent. The company saw a steady increase in its manufacturing expenses, increasing by a CAGR of 7.0 per cent over the five year period from $83.71 million in the FY 2012 to $109.73 million for FY 2016. For the FY 2016, manufacturing expenses was $109.73 million up 12.4 per cent from the $97.60 million recorded in FY 2015. Finally, other operating expenses increased by 2.9 per cent from $331.54 million in FY 2015 to $341.21 million in FY 2016.It also had a CAGR of 10.66 per cent.

Balance Sheet	Mar.2012 '000	Mar.2013 '000	Mar.2014 '000	Mar.2015 '000	Mar.2016 '000
Non-Current Assets					
Property, plant and equipment	130,762	126,993	140,331	179,556	214,122
Post-employment benefit assets	121,670	119,874	42,466	129,756	128,133
Deferred tax assets	-	2,612	27,186	7,649	16,592
Total Non-Current Assets	**252,432**	**249,479**	**209,983**	**316,961**	**358,847**
Current Assets					
Current Assets					
Inventories	249,235	265,319	363,510	335,707	337,993
Due from fellow subsidiaries	2,416	3,558	190	4,047	7,511
Trade & other Receivables	219,132	216,507	269,232	309,348	325,365
Investment Security	-	30,270	541	562	-
Cash and bank balances	93,509	130,521	40,781	91,604	138,722
Total Current Assets	**564,292**	**646,175**	**674,254**	**741,268**	**809,591**
Total Assets	**816,724**	**895,654**	**884,237**	**1,058,229**	**1,168,438**
Current Liabilities					
Due to immediate parent company*	8,845	9,513	17,370	10,500	10,967
Due to fellow subsidiaries*	608	4,987	4,230	5,570	6,834
Dividends Payable	13,154	13,719	14,575	15,168	15,968
Provisions	12,873	14,859	13,306	16,606	18,301
Trade and otherPayables	175,793	235,431	230,621	283,616	285,850
Taxation payable	8,837	3,573	9,500	7,439	10,476
Total Current Liabilities	220,110	282,082	289,602	338,899	348,396
Working Capital	**344,182**	**364,093**	**384,652**	**402,369**	**461,195**
Stockholders' Equity					
Share capital	141,793	141,793	141,793	141,793	141,793
Revaluation reserves	42,666	44,545	44,695	44,845	44,995
Revenue reserves	296,796	300,658	242,243	385,857	482,214
Retained earnings					
Total Shareholders' Equity	**481,255**	**486,996**	**428,731**	**572,495**	**669,002**
Non-controlling Interest					
Non-Current Liabilities					
Post employment benefits	111,117	126,576	165,904	146,835	151,040
Long term liabilities					
Deferred tax liabilities	4,242	-	-	-	-
Total Non-Current Liabilities	**115,359**	**126,576**	**165,904**	**146,835**	**151,040**
Total Liabilities	**335,469**	**408,658**	**455,506**	**485,734**	**499,436**
Total Equity and Liabilities	**816,724**	**895,654**	**884,237**	**1,058,229**	**1,168,438**

COMPANY ANALYSIS

BERGER

Company Analysis: Berger Paints Jamaica Limited (BRG)

Balance Sheet Analysis

The non-current assets increased from $252.43 million in 2012 to $358.85 million in 2016 with 59.6 per cent of the amount attributable to property, plant and equipment and 35 per cent in post-employment benefit assets. While property, plant and equipment and post-employment benefit assets accounted for 18.3 per cent and 11 per cent of total assets respectively.

Current assets increased from $564.29 million in 2012 to $809.59 million in 2016 representing a CAGR of 7.49 per cent. Trade and other receivables and inventories accounted for the majority of current assets, amounting to $325.37 million and $337.99 million respectively as at March 31, 2016. Trade and other receivables and inventories represented 28.9 per cent and 27.8 per cent respectively of total assets. Cash and cash equivalents amounted to $138.72 million for the FY 2016, representing 11.9 per cent of total assets.

Consequently, the company has increased its total assets from $816.72 million in the FY 2012 to $1.17 billion in the FY 2016, representing a CAGR of 7.43 per cent. For the most recent quarter ended December 2016, total assets were $1.49 billion, an increase of 8 per cent compared to the $1.38 billion recorded last year.

Total stockholders' equity increased from $481.26 million in 2012 to $669 million in 2016, representing a CAGR of 6.81 per cent. This resulted in a book value of $2.67 for the FY 2016. Revenue reserved represented 72.07 per cent of the total equity while the remaining was represented by shared capital and revaluation of reserves. Current liabilities grew at a CAGR of 9.62 per cent from $220.11 million in 2012 to $348.40 million in 2016. Of the $348.4 million, 82.04 per cent was attributable to trade and other payables. Total stockholders' equity as at December 31, 2016 closed at $876.67 million, a 33 per cent increase from $657.04 million for the corresponding period last year. This resulted in a book value of $4.09 compared to the value of $3.07 as at December 31, 2015.

RATIO ANALYSIS

Profitability Ratios

Profitability Ratios	2012	2013	2014	2015	2016
Operating Profit Margin	3.3%	3.5%	4.7%	4.3%	7.0%
Pretax Margin	3.2%	3.5%	4.6%	4.3%	6.9%
Net Profit margin	2.2%	2.6%	3.2%	3.6%	6.0%
Operating Return on Assets	6.0%	6.6%	9.1%	8.2%	12.8%
Return on Assets	2.7%	3.2%	4.1%	4.5%	7.2%
Return on Total Capital	6.9%	8.5%	11.5%	12.9%	19.2%
Return on Equity	7.0%	8.7%	12.0%	13.4%	19.8%

The operating profit margin for the five year period has been trending upwards, from 3.3 per cent in 2012 to 7 per cent in 2016.Therefore, the company has been able to lower the amount spent on production cost and boost profitability over the period. BRG had a pre-tax margin of 6.9 per cent in 2016, up from 3.2 per cent in 2012. This resulted in an improvement in the company's net profit margin over the period from 2.2 per cent in 2012 to 6.0 per cent in 2016.

BRG's return on assets (ROA) has increased significantly from 2.7 per cent in 2012 to 7.2 per cent in 2016. This trend was also present in the company's return on capital (2012:6.9 per cent; 2016:19.2 per cent), return on equity (2012:7.0 per cent; 2016:19.8 per cent) and operating return on assets which increased from 6 per cent in 2012 to 12.8 per cent in 2016.

Liquidity Ratios

Liquidity Ratios	2012	2013	2014	2015	2016
Current Ratio	2.56	2.29	2.33	2.19	2.32
Quick Ratio	1.82	1.11	1.20	0.91	1.15
Cash Ratio	0.42	0.46	0.14	0.27	0.40

The company's current ratio has decreased slightly over the five year period. The current ratio moved from 2.56 times in 2012 to 2.32 times in 2016, which means that BRG's ability to meet its short term obligation has declined slightly. The marginal decrease in the quick ratio also corroborated this finding. BRG's cash ratio declined marginally over the period from 0.42 times in 2012 to 0.40 times in 2016, which suggests that the company is only marginally able to meet its current liabilities from cash on hand.

Activity Ratios

Activity Ratios	2012	2013	2014	2015	2016
Receivables Turnover	6.20	7.38	7.16	6.41	6.46
Days of Sales O/S	58.85	49.44	51.01	56.97	56.49
Inventory Turnover	3.55	3.39	2.78	2.69	2.79
Days of Inventory on hand	102.89	107.54	131.42	135.56	130.61
Payables Turnover	4.34	4.33	4.17	3.55	3.31
# of Days of Payables	84.11	84.39	87.56	102.73	110.14
Total Assets Turnover	1.82	1.88	1.95	1.91	1.84
Fixed Asset Turnover	6.11	6.41	7.57	7.04	6.07
Working Capital Turnover	4.59	4.54	4.64	4.71	4.75
Cash Conversion Ratio	77.63	72.59	94.87	89.79	76.96

Since the FY 2012, the company saw a slight increase in asset turnover and receivables turnover. The reducing asset turnover indicates that the company is not as efficient in using total assets to generate revenue currently, relative to the year prior. While the increasing receivable turnover indicates that the company is taking a slightly longer period to collect monies owed to them relative to in prior years. The high volume of inventory is due to a new service level initiative, which enables the company to meet consumer demand throughout the year. According to BRG, the new initiative which brought service levels up to 95 per cent. Fixed assets turnover peaked at 7.57 times in 2014 before trending down to 6.07 times in 2016. This decrease can be attributed to an increase in fixed assets such as energy saving equipment and equipment for the production plant as indicated by the company.

Solvency Ratios

Solvency Ratios	2012	2013	2014	2015	2016
Debt-to-Equity	0.02	0.03	0.05	0.03	0.03
Debt-to-Capital	0.01	0.02	0.02	0.02	0.02
Debt-to-Assets	0.01	0.02	0.02	0.02	0.02
Financial Leverage	1.70	1.84	2.06	1.85	1.75

BERGER

Company Analysis: Berger Paints Jamaica Limited (BRG)

BRG has had no significant debt on its books over the five year period. Debt to equity, capital and asset ratios has all averaged between 0.02-0.03 times over the period. The company has a leverage ratio averaging 1.40 times over the five year period with a peak of 2.06 times in 2014.

Projections

BRG's performance year to date has shown an increase in revenues of 14 percent and a 107 per cent improvement in profit from operations. The operating profit and net profit margins for the nine months ended December 31, 2016 was 16.73 per cent and 13.09 per cent respectively. This performance indicates that the company is benefitting from previous investments that improved processes, lowered energy costs, increased efficiency via plant & machinery upgrades and flat raw material costs. These investments, along with positive economic indicators should bode well for the company.

As Jamaica emerges from economic stagnation, and macroeconomic indicators continue to trend positively, the company should see an increase in business activity. Revenue from sales is projected to increase, driven by an expansion in the construction industry. Data from The Planning Institute of Jamaica (PIOJ) for the review period October to December 2016, estimated that construction grew by 0.8 per cent. This was due to a an increase in building construction, led by new housing starts which totalled 1780 units (2015: 403 units), and the building out of office space to facilitate expansion of Business Processing Outsourcing (BPO). The expansion in the business processing sector is also adding to the expansion in construction as the cabinet approved several multimillion-dollar contracts for expansion of the sector and for infrastructural work across the island according to Jamaica Information Service (JIS). Additionally, the National Works Agency (NWA) disbursed a total of $5.19 billion compared to 1.79 billion in the corresponding quarter of 2015.

Prime Minister, the Most Honourable Andrew Holness, also signalled that that the government will be instituting major reforms in the residential housing market in the hopes that a construction boom will drive economic growth. Additionally, there are multiple construction projects which have been planned and implemented by the private and public sectors. These include the National Housing Trust (NHT) collaborating with private sector partners to build 10,000 housing units over the next 4 years and private developers, such as Gore, WIHCON, Select Homes and World Homes committing to providing approximately 4,000 homes. Also, the Minister of Tourism, the Honourable Edmund Bartlett, reported that the island tourism sector should add 15,000 new hotel rooms over the next 5 years.

BRG continues to be the most dominant player in the decorative paints market and is continuing to increase its market share. The growth in the company's market share should have a positive impact on revenues and profit margin. The company is aiming to achieve this through, "novel sales & marketing initiatives and continued focus on product availability & service levels," according to the company. However, paint production is tied to the cost of titanium which accounts for 49 per cent of raw material cost. While BRG benefitted from flat titanium cost for 2016, the price of titanium is expected to pick up in 2017 due to increase global demand. This is expected to temper the growth in BRG's operating profit margin. Therefore, expenses are expected to increase as raw material cost increases and as BRG expands to capitalise on the growth opportunities that are expected for the FY 2017/2018. Notwithstanding, BRG's continued investment in new efficient and power generation should help to temper the growth in expenses.

Against this background, in the next twelve months from December 2016, revenue is projected to increase 13 per cent, given the expected expansion in the construction industry and the current marketing campaign targeted at increasing market share. Operating profit margin is expected to average 13 per cent for the projected period, which compares to the twelve months trailing average of 13.5 per cent and 7 per cent for the FY 2016. It is consistent with the investment in equipment to increase efficiency which should continue to pay off into 2017. Consequently, operating profit is expected to increase by 9 per cent, while net profit is expected to increase by 8 per cent for said period.

For the FY end 2017, BRG's earnings per share (EPS) is projected at $1.21 (2016: $0.57), whilst the 12 months projected EPS is $1.33. The stock is trading at around $12.60 as at March 08, 2017 and is projected at $13.25 for the next twelve months using a P/E of 10 times. As such, the stock is recommended as a HOLD at this time.

Conclusion:

BRG continues to be a leader in the paint industry in Jamaica and in the Caribbean. This dominance is expected to continue as the company looks to expand its operation, innovate and increase revenue year over year. This is due to BRG's strong international connections, its commitment to innovation and a positive economic outlook for Jamaica, being driven by a booming construction and tourism sector. The continued growth in the construction sector and the planned logistics hub provides further expansion opportunity for the company. On the other hand, the company is facing significant threat as alternatives to paint become more popular. In addition, the company is exposed to the risks and volatility in international markets which pose a threat to tourism and construction in Jamaica.

As of March 07, the price of a BRG share was $12.49, after starting the year at $5.80 per share. At current prices and the potential earnings based on projections, the company is recommended as a BUY for the short term.

Local Stock Market: still on the rise

In 2016, the Jamaica Stock Exchange (JSE) achieved its growth of above 90 per cent, while the performance level for 2017 is foreseen to be well achieved within the emerging market. This enhances investor confidence to seek prospective opportunities in the local stock market. February's Investor Forum was dictated to a panel discussion on the outlook for the Stock Market for 2017.

The evening's discussion, moderated by Mayberry Director, Sushil Jain, was led by experts in equity investing, Rezworth Burchenson, Managing Director of Prime Asset Management, Gary Peart, Mayberry CEO and Financial Analyst, Keith Collister. The panellists agreed that the stock market's upward trend should continue for this year. They urged investors to continue looking to the stock market for opportunities as it represents a vehicle for growth both on a micro and a macro level.

In Peart's presentation, he highlighted the history of how a stable foreign exchange rate can positively impact the tendency of people to invest more. He further explained that while interest rates were effectively at about 6.5 per cent, before ultimately going up, but still has remained relatively low and comparatively stable since. "We believe the base has been set for sustained growth of about two per cent, and that if we get to sustain it at two per cent for two three years, we believe the stock market will show additional growth" he concluded.

Burchenson, stressed that the importance of assessing how the market has performed. While he would encourage investors to invest in stocks at this time, as he believes that equities is the best asset to invest over the long term, "persons may want to expect returns in 2017-2018 trending upward in comparison to the growth of the local stock market in 2015-16". He then pointed out that the country's economic recovery appears to be well in progress after the GDP growth accelerated for a fourth consecutive year in 2016.

Financial Analyst, Collister, reminded the audience that his forecast for the stock market 2015-2016 was poised for success in 2015. Collister, while avoiding selected picks, estimated that the JSE Combined Index should increase between 30 and 50 per cent over the next two years. Despite a major issue that Jamaica faces, which is crime, "everything else seems to be lining up for Jamaica, and once we do something about that we will definitely have a higher rate of growth" he said.

When urged to suggest which stocks were poised for a first rate performance for 2017, the panellists pointed to those with the strong key macroeconomic indicators. Among the companies appearing in the top ten on the list prepared by Mayberry's Research Department, were Berger Paints Jamaica Ltd, Caribbean Cement Company Ltd, Caribbean Flavour & Fragrances Ltd and Carreras Ltd.

In closing, the local stock market has shown robust performances for the last 3 years, and if the economic indicators remain on trend, it is expected to continue to produce strong gains for investors. Even greater news for Jamaicans is the fact that a healthy stock market is usually a sign of a strong performing economy, and ultimately we would all like to see that as a result.

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FORUM HIGHLIGHTS
FOR FEBRUARY 2017

Mayberry Executive Chairman, Christopher Berry and CEO, Gary Peart, engage Stephen Facey (2nd right) and Paul Hanworth (far left) both of Pan Jamaica Investment Trust in a light moment before the evening's presentation.

Sushil Jain, the evening's moderator, introduces the guest panellists as they look on.

The audience reacts to a comment made by Sushil in his introduction

Keith Collister responds to an audience question during the Q&A segment

Rezworth Burchenson giving his opening remarks on the stock market outlook for 2017

Winston Wong, Mayberry Investment Advisor and host for the evening, gives his opening remarks.

ECONOMIC HIGHLIGHTS

ECONOMIC HIGHLIGHTS FOR FEBRUARY 2017

	February 2017	January 2017	Change
91 Days Treasury Bills Avg. Yield (%)	5.923	5.618	0.305
182 Days Treasury Bills Avg. Yield (%)	6.118	6.271	-0.153
Exchange Rate (US$:J$)	128.07	128.58	-0.51
Net International Reserves (NIR) (US$M)	2,615.26	2,469.43	145.84

Net International Reserves

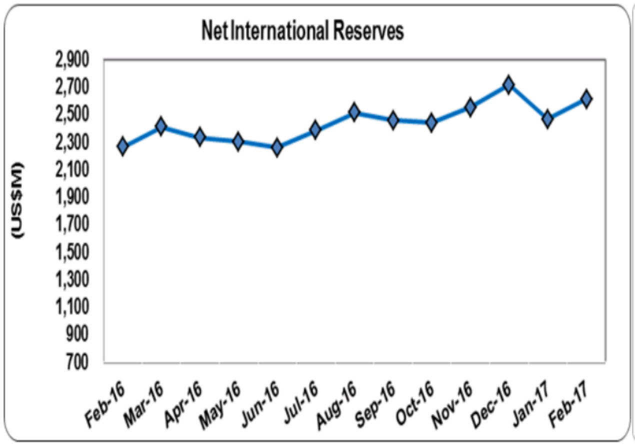
Jamaica's Net International Reserves (NIR) totalled US$2,615.26 million as at February 2017, reflecting an increase of US$145.84 million relative to the US$2,469.43 million reported as at the end of January 2017.

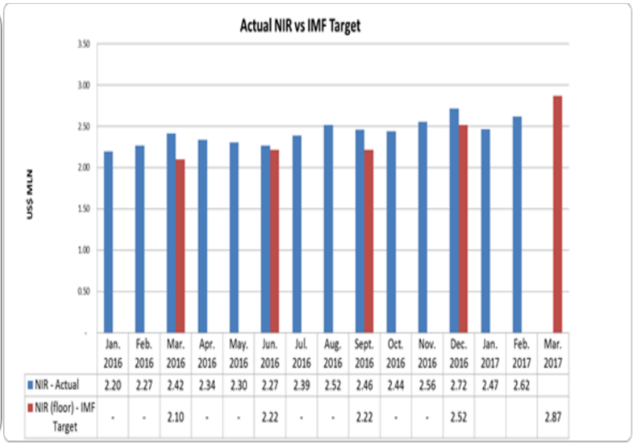
Changes in the NIR resulted from an increase in foreign assets of US$143.82 million to total US$3,191.28 million. Currency and deposits contributed the most to the growth in foreign assets. This as currency and deposits as at February 2017 totalled US$2,888.17 million, reflecting a growth of US$147.27 million compared to US$2,740.90 million booked as at January 2016. Foreign liabilities for February 2017 reflected a slight decline of US$2.02 million to total US$576.01 million. The decrease stemmed from a reduction in liabilities to the IMF. Liabilities to the IMF, which accounted for 96.1 per cent of total foreign liabilities, declined to a total of US$553.51 million as at the end of February 2017 relative to US$555.53 million recorded in January 2017.

At its current value, the NIR is US$345.5 million more than its total of US$2,269.76 million at the end of February 2016.

The current reserve is able to support approximately 37.23 weeks of goods imports or 21.59 weeks of goods and services imports.

The country seems on track to meeting the March 2017 NIR target as per the Extended Fund Facility (EFF) with the International Monetary Fund (IMF). This as the value of the NIR at the end of February 2017 is US$2,615.26 million below the March 2017 target of US$2,871.67.





Jamaica Monthly Equity Market Report for February 2017

Advance Decline Ratio: Positive
Advancers: 26 **Decliners**: 2
Traded Firm: 4

Advance Decline Ratio: Positive
Advancers: 20 **Decliners**: 9
Traded Firm: 1

Major Winners (Main & Junior)		
Stock	**Increase**	**Closing Price**
Main Event Entertainment Group Limited	139%	$4.77
Jamaica Stock Exchange Limited	70.71%	$9.56
Caribbean Flavours and Fragrances Limited	58.11%	$15.02
Major Losers (Main & Junior)		
Stock	**Decrease**	**Closing Price**
IronRock Insurance Company Limited	-17.29%	$3.30
Lasco Manufacturers Company Limited	-11.67%	$4.54
Jamaica Teas Company Limited	-9.59%	$8.30

Total Shares Traded (Main): 107.45 million units
Total value (Main): Approx. $1,534.27 million

Volume Leaders (Main)		
Stock	**Units Traded**	**Market Volume**
Cable & Wireless Jamaica Limited	21,689,742	20.19%
XFUND	9,931,020	7.18%
Jamaica Stock Exchange	7,715,881	9.24%

BUY HOLD SELL

Caribbean Cream Limited (KREMI)

For the Nine Months ended November 30, 2016

BUY

• The company recorded an 8 per cent growth in revenue totalling $885.63 million, up $67.24 million from the $818.39 million recorded in the prior year. KREMI noted, "the growth within this quarter was less than expected due to unseasonable rainfall throughout the island which depressed ice cream sales, resulting in only a 5 per cent increase in Q3".

• Costs of sales amounted to $541.57 million, a growth of 9 per cent when compared to the $494.91 million reported last year. According to KREMI the growth is attributed to, "the adoption of a new maintenance process of the company's plant & equipment and higher costs on main raw material ingredients". Consequently, gross profit rose 6 per cent or $20.59 million to $344.06 million, up from the $323.47 million for the corresponding period in 2015.

• Selling & distribution expense rose 2 per cent to $35.99 million (2015: $35.16 million). KREMI indicated that the key drivers behind the increase were, "marketing expenditure which included the launch of our new Coffee Rum Cream in Pints & Quarts". Administrative expenses climbed 10 per cent to close the nine month period at $168.12 million (2015: $153.24 million). The growth, according to KREMI, was due to, "salary increases given to the staff".

• KREMI recorded interest income of $3.76 million (2015: $619,877) over the nine months period. Finance costs incurred for the period amounted to $8.71 million, down 36 per cent compared to last year's $13.56 million reported.

• As such, profit before taxation increased from $123.75 million to $136.77 million, a growth of 11 per cent. There were no tax charges for the period relative to $56.587 in the prior year's period. Hence net profit attributable to shareholders amounted to $136.77 million compared to $123.69 million last year. Consequently, earnings per share (EPS) amounted to $0.36 (2015FY: $0.33), while the EPS for the quarter totalled $0.05 relative to $0.10 for the corresponding quarter in 2015. The twelve months trailing EPS is $0.47.

GraceKennedy Limited (GK)

For the Financial Year ended December 30, 2016

HOLD

• Revenue totalled $88.27 billion for the financial year 2016 (2015: $79.74 billion), a year over year increase of 11 per cent, while Revenue for the fourth quarter of 2016 totalled $21.62 billion compared to the $20 billion reported in the 4th quarter 2015 results, an 8 per cent increase year over year. The biggest contributor to the group's overall revenue for 2016 was the income from the food trading segment, which contributed a total of $69.07 billion (FY 2015: $62.93 billion), an increase of 10 per cent relative to FY 2015.

• Among the other segments contributing to revenue, banking & Investments increased 11 per cent to total $5.62 billion. Revenue from insurance amounted to $6.37 billion, an increase of 8 per cent, while money services brought in $7.85 billion, a 19 per cent improvement relative to the FY 2015 results.

• Total expenses amounted to $84.69 billion relative to $76.95 billion the year prior, a 10 per cent growth. Other income rose 52 per cent to total $2.38 billion (FY 2015: $1.57 billion) due to gain on disposal of investment, which amounted to $610.57 million for 2016 relative to $9.18 million in 2015. As such, profit from operations amounted to $5.97 billion, a 37 per cent improvement year over year from $4.36 billion in FY 2015.

• Interest income from non-financial services rose 10 per cent to total $372.28 million compared to $339.15 million reported the prior FY. Interest expenses from non-financial services amounted to $676.86 million versus $715.7 million in FY 2015, a 5 per cent reduction.

• Share of results of associated companies increased by 40 per cent amounting to $441.15 million, compared to $316.19 million reported in FY 2015.

• Pre-tax profits totalled improved 42 per cent to approximately $6.1 billion, relative to pre-tax profit of $4.3 billion booked in FY 2015. GK incurred taxation expenses amounting to approximately $1.57 billion compared to $1.27 billion in FY 2015. Consequently, net profit increased by 50 per cent to $4.53 billion for FY 2016, from the $3.03 billion booked for FY 2015.

• Net profits attributable to shareholders amounted to $4 billion for FY 2016 compared to $2.8 billion for the prior year showing a 45 per cent increase. Net profits increased by 11 per cent for the 4th quarter 2016 results totalling $835.37 million compared to $752.97 million reported in the comparable 2015 period.

• Earnings per share for FY 2016 amounted to $4.03 (FY 2015:$2.77) and $0.70 for the fourth quarter (2015:$0.72). The number of shares used in our calculations is 994,886,892 units.

Salada Foods Jamaica Limited (SALF)

For the Three Months Ended December 30, 2016

SELL

• SALF's turnover increased by 3.5 per cent to $195.27 million relative to the $188.63 million recorded in the comparable period the prior year. The company noted that, "this resulted from a 42.9 per cent increase in domestic sales". Cost of sales increased by 2.03 per cent to $132.49 million (2015: $129.85 million) for the period in review.

• Consequently, gross profit grew by 6.81 per cent or $4.01 million to $62.79 million compared to $58.78 million reported in the 2015 comparable period.

• Other operating income increased by 141.19 per cent to $849,000, while administrative expenses declined by 2.5 per cent, to $29.34 million due to, "lower staff costs". Selling and promotional expenses increased by 7.15 per cent to $13.57 million due to the company's "increase in spend on promotional activities to support the Jamaica Mountain Peak brands".

• As a result, operating profit amounted to $20.73 million, an increase of 26.54 per cent compared to $16.38 million that was reported for the comparative period the year prior. The company also reported net finance income of $3.24 million (2015: $1.71 million).

• Net profit before taxation for the quarter amounted to $23.91 million (2015: $18.09 million), an increase of 32.53 per cent or $5.88 million. SALF stated that "increased sales, improved margins and gains on investments positively impacted the net profit position. Improved margins were attributed to improved efficiencies and the mix of products sold". Once tax is considered, net profit for the period amounted to $17.30 million relative to $13.48 million the year prior representing a 28.33 per cent increase.

• Net profit attributable to stockholders totalled $18.12 million year-to-date and compares to $15.30 million recorded in 2015.

• Earnings per stock unit for the period amounted to $0.17 (2015: $0.15) and the twelve month trailing EPS $0.74. The amount of shares used in this calculation was 103,883,290 units.

Rating System

BUY: We believe the stock is attractively valued. The company has sound or improving fundamentals that should allow it to outperform the broader market. We anticipate that the stock will outperform the market over the next 12 months. The risk factors to achieving price targets are minimal.

HOLD: We believe the stock is fairly valued at the current price. The company may have issues affecting fundamentals that could take some time to resolve. Alternatively, company fundamentals may be sound, but this is fully reflected in the current stock price. The risk factors to achieving price targets are moderate. Some volatility is expected. In addition, technically, it may be difficult to attain additional volume of the stock(s) at current price.

SELL: We believe the stock is overpriced relative to the soundness of the company's fundamentals and long-term prospects.

SPECULATIVE BUY: We believe the prospect for capital appreciation exists, however, there is some level of uncertainty in revenue growth.

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