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For May's edition of our monthly Investor Forum, our guest speaker, Katia Denise Henry, Attorney-at-Law and Estate Planning Consultant, advised our audience on the fundamentals of Estate Planning.

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JUNE 2017

CEO CORNER

The Importance of Stock Markets

The presence of the stock market is a potential gateway blanketing the globe, giving companies a lucrative opportunity to raise capital by offering shares for sale. In return, it allows investors to take part in the financial achievements of the companies, earning money through dividends that the shares pay out by selling the valued stocks at a profit, or capital gain. The stock market can have a profound impact on an economy as it plays an essential role in the growth of the industry and commerce of the country. As such, the industry and the investors of the country keep track on the activities of the stock market.

The stock market can be the primary source for any company seeking to raise funds for business expansions or developing a new business venture. If a company wants to raise capital for its business, it can issue shares of the company that is essentially a share ownership of the company. Firstly, the company is required to get listed to a stock exchange in order for them to issue their shares and receive capital; meeting a certain criteria for them to issue stocks and go public. The stock exchange supports the growth of the market and builds wealth by leveraging growth in various sectors of the universal economy, resulting in a profit even if some stocks lose value.

Notably, if it were not for the stock exchange, financiers would find it challenging to look for investors, and buyers would go on the wrong path in doing business of unlicensed financial products with no oversight. The stock market's activity can have a direct effect that impacts a nation's economy in numerous ways. Whether stocks fall or rise influences the consumers' confidence. This leads back to how the stock exchange plays an integral part in a society's social and fiscal structure. Furthermore, its objective in any economy is to maximise return on an investor's savings that might otherwise languish in bank accounts that are stagnant with low investment returns.

The condition of the stock market has a consequential impact, affecting how much money is being deposited back into the economy and how much confidence consumers have in the solidity of their revenue. I urge investors to exhaust the possibilities of their income, once they have a risk appetite to invest in the stock market. It is a highly recommended way to achieve your financial goals. ■

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A Unique Way to Preserve Your Wealth: Bond Laddering

Diana Watson-Chong
Executive Investment Advisor

Money is plentiful to those who understand the simple laws which govern its acquisition. – George S. Clason

Bonds are a method of debt investing used to finance various levels of government and private companies.

A bond is an 'IOU' or 'promise to pay'. It is a financial instrument whereby the issuer of the bond (borrower) borrows money (the principal or face amount) from the investor (lender) for a specified period (the life of the bond), and promises to repay, with interest, at maturity.

Typically, the cash flows on a bond are structured such that the principal is repaid at maturity in one payment. The interest payments are made at fixed intervals during the life of the bond (e.g. every six months). The amount of interest payments received by the investor each year is expressed as a percentage of the principal, and is called the coupon.

Bond laddering, therefore, is a portfolio strategy and model for investing in fixed income that involves purchasing multiple bonds, each with different maturity dates, in order to achieve the following goals:

-Decrease your investment rate risk by holding short-term and long-term bonds, thereby spreading risk along the interest rate curve. If rates are rising as one bond matures, the funds can be re-invested into higher yields.

-Decrease re-investment risk: as one bond in the ladder matures, the cash is re-invested, but it only represents a portion of the total portfolio. Even if prevailing rates at the time of re-investment are lower than the previous bond, the smaller amount of reinvestment dollar mitigates the risk of investing a lot of cash at a low return.

-Maintain steady cash flows to encourage regular saving for investors looking for an income-producing portfolio.

Bond laddering tends to decrease the overall risk of a fixed-income portfolio. The one downside is that the potential for outsized returns compared to the relevant index is limited because the investor is holding a diversified portfolio with varying maturation dates. The investor who uses this strategy is therefore placing safety of principal and income above growth. ■

COMPANY ANALYSIS

Derrimon Trading Company Limited (DTL)

DERRIMON TRADING CO. LTD.

Executive Summary

Derrimon Trading Company Limited (DTL) is one of Jamaica's leading distributors of dry and frozen bulk commodities. The company has managed to grow and diversify its business through the growth of its retail division. The strategic 49 per cent acquisition of shares of Caribbean Flavours and Fragrances Limited (CFF) in August 2014 and a further 26.02 per cent in March 2017 will continue to contribute significantly to the company's financial out-turn. The company continues to remain confident about the investment and sees it as long term.

For the financial year (FY) ended December 31, 2016, DTL's income declined by 2 per cent, to end the year at $6.18 billion compared to $6.29 billion for 2015. For the fourth quarter of 2016, trading income grew by 6 per cent to close the quarter at $1.78 billion compared to $1.70 billion in 2015. Cost of sales also declined by 4 per cent, amounting to $5.24 billion for the period (2015: $5.46 billion). As a result, gross profit amounted to $934.48 million relative to $833.33 million for the year prior, an increase of 12 per cent. Rental from warehouse space amounted to $18.67 million relative to $6.39 billion in 2015. Total operating expenses were $739.41 million for the period, representing an increase of 5 per cent on the $702.29 million recorded in the prior year. Administrative expense totalled $561.46 million, a 4 per cent increase when compared to the $538.26 million in 2015, while selling and distribution expenses recorded an 8 per cent increase for the period, totalling $177.95 million (2015: $164.03 million). Finance cost surged 57 per cent to total $136.62 million for the period relative to $87.08 million in 2015, while share of profit in associated companies increased to $38.19 million, 6 per cent more than $35.95 million in 2015.

Consequently, profit before taxation grew by 32 per cent and ended the period at $116.11 million for the year compared to $88.13 million in 2015. Given DTL's Junior Market Tax Holiday benefit, profit before taxation was the same as net profit. For the fourth quarter, net profit grew by 106 per cent to close the quarter at $40.12 million relative to $19.44 million for the same period in 2015. Earnings per share (EPS) closed the period at $0.43 (2015: $0.32), while the EPS for the fourth quarter amounted to $0.15 (2015:$0.07). The total number of shares used in the computation was 273,336,067 units.

Economic and Market 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 120 per cent of GDP as at March 2017. 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 year over year. All these factors contribute to why Jamaica is considered as 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 program of reforms which has garnered national and international support. The economic reform program has produced significant result. The country's credit rating has improved and Jamaican bonds trade 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 (FY2013/14 – FY2015/16). This was possible, in part, due to a healthy Net International Reserves (NIR), which moved from US$1,304 million (FY 2013/14) to US$2,427 million (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 background of a strong growth in the labour force.

DTL continues to be negatively impacted by the depreciation of the dollar, as it imports majority of its supplies from the overseas market. The Food and Beverage industry has a low barrier of entry and the company's market position is based on providing good value to customers. Therefore the company cannot always increase prices to match inflation. Nevertheless, the company continues to expand and increase its market share in the Food and Beverage industry.

Company Background

DTL listed on the Junior Market of the Jamaica Stock Exchange (JSE) in 2013. Its main areas of business are retail and distribution. The company's retail arm, branded as Sampar's, sells a wide variety of consumer goods at economical prices. The distribution division continues to grow its portfolio and began distribution for chilled beverages manufactured by Jamaica Beverages Limited, which manufactures beverages such as Fruta and Juiciful.

COMPANY ANALYSIS
Derrimon Trading Company Limited (DTL)

DERRIMON TRADING CO. LTD.

The company recently acquired an additional 26.02 per cent of shares in CFF in March 2017, which has increased its holdings to in that company to 75.02 per cent. This comes as the company continues to diversify its revenue stream and ensure that strategies are in place to maximise growth and financial results.

SWOT

Strengths
- Strategic partnership with several manufacturing companies both locally and overseas.
- Diversified and strong investment portfolio.

Weaknesses
- Susceptible to depreciation of the Jamaican Dollar (JMD).
- Susceptible to deteriorating economies in which their suppliers exist.

Opportunities
- Potential to increase market share in both its retail and distribution division.
- Ability to create synergistic value with its subsidiary (CFF).

Threats
- Low Barrier of entry for the distribution industry.

Company Background

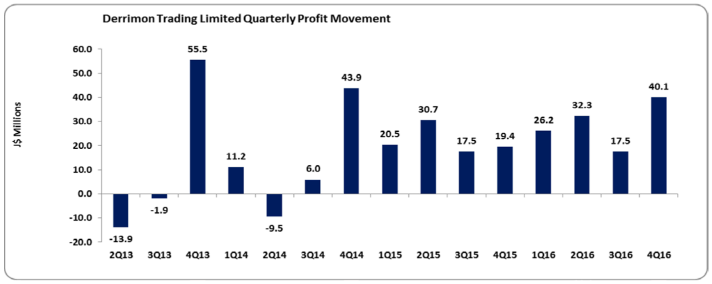
DTL Historical Profit and Loss

Income Statement	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2014/2015 Change $'000	%	CAGR
Revenue								
Trading income	4,761,309	5,255,523	5,609,597	6,293,998	6,176,928	(117,071)	-2%	7%
Less cost of sales	(4,349,307)	(4,694,562)	(4,983,192)	(5,460,667)	(5,242,449)	218,218	-4%	5%
Gross profit	**412,002**	**560,961**	**626,406**	**833,331**	**934,479**	101,148	12%	23%
Other Income	35,864	39,370	48,324	8,220	19,474	11,254	137%	-14%
Total Revenue	**447,865**	**600,331**	**674,730**	**841,552**	**953,953**	112,401	13%	21%
Administrative	303,922	384,086	471,893	538,262	561,460	23,199	4%	17%
Selling & distribution	99,103	115,433	113,751	164,025	177,952	13,928	8%	16%
Total Operating Expenses	**403,025**	**499,520**	**585,644**	**702,286**	**739,412**	37,126	5%	16%
Operating profit before finance costs	**44,840**	**100,812**	**89,086**	**139,265**	**214,540**	75,275	54%	48%
Share of Profit in associated			**8,116**	**35,950**	**38,187**	2,237	6%	
Finance costs	(19,518)	(29,319)	(45,595)	(87,084)	(136,621)	(49,536)	57%	63%
Profit before taxation	**25,322**	**71,493**	**51,607**	**88,130**	**116,107**	27,976	32%	46%
Taxation	(9,527)	(21,565)				-		
Net profit	**15,795**	**49,927**	**51,607**	**88,130**	**116,107**	27,976	32%	65%
Revaluation of fixed assets, net of tax	17,584	-	-	-		-		
Reversal of deferred taxation	-	**14,376**	-	-		-		
Total comprehensive income	**33,379**	**64,303**	**51,607**	**88,130**	**116,107**	27,976	32%	37%

The company has had increasing total revenues over the past five years, moving from $5.26 billion in 2012 to $6.18 billion in 2016 with a compounded annual growth rate (CAGR) of 7 per cent. Revenues have increased by 21 per cent for the most recent FY from $841.55 million in FY 2015 to $953.95 million in FY 2016. Cost of sales has declined year over year by $218.22 million, a 2 per cent decrease, since 2012 and has a CAGR rate of 5 per cent, 2 per cent less than the rate as that of the revenues.

Administrative expenses continue to increase year over year at a CAGR of 17 per cent, moving from 303.92 million in FY 2012 to 561.46 million in FY 2016 as the company continues to increase its operations. Selling and distribution expenses also increased over the last five years with a CAGR of 16 per cent, moving from $99.10 million in FY 2012 to $177.95 million in FY 2016.

As such, profit before taxation trended upwards and increased by a CAGR of 46 per cent over the five year period. Year over year this also increased by 32 per cent to $88.13 million for the FY 2016. The company continues to benefit from the tax holiday it receives for the first five year after listing on the JSE's Junior Market. Over the five years, the net profit has grown by a CAGR of 37 per cent, with the year over year growth for the most recent FY by 32 per cent. EPS closed FY 2016 at $0.43 (FY2015: $0.32).



DTL has seen consistent profits each quarter since 2015 and has been increasing its revenue streams through continued investments and expansion of its divisions.

BALANCE SHEET

Honey Bun Balance Sheet Statement as at Sep 30, 2016	FY2012	FY2013	FY2014	FY2015	FY2016	%CHANGE
NON-CURRENT ASSETS						
Property, plant and equipment	183,156,292	190,403,117	296,611,652	278,775,252	343,924,732	23%
Investments	34,175,999	4,151,679	25,343,421	28,291,806	39,494,528	40%
Intangible Assets	4,936,654	8,680,500	5,662,195	1,902,611	1,800,549	-5%
	222,268,945	**203,235,296**	**327,617,268**	**308,969,669**	**385,219,809**	25%
CURRENT ASSETS						
Inventory	27,600,573	33,735,814	38,411,875	45,419,998	49,629,962	9%
Receivables	55,827,979	78,086,936	69,183,563	68,880,502	77,412,216	12%
Taxation recoverable	112,493	112,493	112,493	112,493	112,493	0%
Cash and cash equivalents	23,950,653	77,667,022	21,331,039	64,017,625	73,263,386	14%
	107,491,698	**189,602,265**	**129,038,970**	**178,430,618**	**200,418,057**	12%
Total Assets	**329,760,643**	**392,837,561**	**456,656,238**	**487,400,287**	**585,637,866**	20%
CURRENT LIABILITIES:						
Payables	40,066,133	74,591,530	74,650,703	68,398,911	71,172,561	4%
Taxation					3,959,304	
Dividends Payable						
Bank overdraft	2,560,089	13,533,304	16,138,286	0	1,246,209	
Current portion of long-term loans	3,714,276	3,714,276	10,097,387	8,464,618	6,051,314	-29%
	46,340,498	**91,839,110**	**100,886,376**	**76,863,529**	**82,429,388**	7%
SHAREHOLDERS EQUITY						
Shareholders' equity						
Share capital	46,514,770	46,514,770	46,514,770	46,514,770	46,514,770	0%
capital reserves	71,829,608	71,942,983	70,948,972	72,759,535	60,372,566	-17%
Retained earnings	151,766,278	172,945,485	191,532,847	248,387,774	364,386,136	47%
	270,110,656	**291,403,238**	**308,996,589**	**367,662,079**	**471,273,472**	28%
NON-CURRENT LIABILITY						
Long term loans	13,309,489	9,595,213	46,773,273	42,874,679	7,832,468	-82%
Deferred tax liability					24,102,538	
	13,309,489	**9,595,213**	**46,773,273**	**42,874,679**	**31,935,006**	-26%
TOTAL EQUITY AND LIABILITY	**329,760,643**	**392,837,561**	**456,656,238**	**487,400,287**	**585,637,866**	20%

COMPANY ANALYSIS

Derrimon Trading Company Limited (DTL)

DERRIMON
TRADING CO. LTD.

Balance Sheet Analysis

The non-current assets increased from $136.34 million in FY 2012, to $385.95 million in FY 2016. The non-current asset category comprises mostly 46 per cent of property plant and equipment, which has increased by 10 per cent year over year, and 50 per cent investments in associates, which increased by $33.78 million to close the year at $194.60 million. Current assets increased from $1.17 billion in FY 2015 to $1.88 billion in FY 2016, representing a 60 per cent increase. Inventories accounted for a significant portion of current assets (48 per cent) and continue to increase year over year, moving from $588.29 million in FY 2015 to $905.82 million in FY 2016. The company also reported GCT recoverable of $680.66 million, which contributed to 36 per cent of the current assets reported, and this marked the first time this item appeared on the company's balance sheet. Consequently, the company has increased its total assets from $1.51 billion in FY 2015 to $2.26 billion in FY 2016.

Total stockholder's equity increased by $116.11 million, moving from $448.36 million in FY 2015 to $564.47 million in FY 2016. This resulted in a book value of $2.07 for the FY 2016. Retained earnings constituted the majority of shareholder equity, closing the FY 2016 at $366.31 million, a 46 per cent year over year change (FY 2015: $250.20 million).

Current liabilities increased by $460 million in FY 2016 to close at $1.03 billion in FY 2016 (FY 2015: $567.20 million). DTL continues to increase its working capital; as a result, liabilities increased at a slower rate in comparison to assets. Non-current assets ended the period at $615.60 million and consisted only of borrowings.

Cash Flow Analysis

CASH FLOW	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Net cash provided by/(used in) operating activities	28,876	(161,762)	(235,669)	33,030	(288,284)
Net cash used in investment activities	(11,616)	(45,930)	(146,199)	(28,429)	(42,920)
Net cash provided by financing activities	(26,190)	194,383	380,312	5,968	372,195

The company's net outflow provided from operating activities was $288.28 million for FY 2016 compared to an inflow totalling $33.03 million reported in FY 2015. The company also had an outflow from investing activities of $42.92 million in FY 2016, a 51 per cent increase from the prior year's outflow of $28.43 million in FY 2015. There was a cash inflow of $372.19 million, the highest cash inflow recorded in the last 5 years.

Ratios

Ratios	2012FY	2013 FY	2014 FY	2015 FY	2016 FY
Profitability					
Net Profit Margin	0.33%	0.95%	0.92%	1.40%	1.88%
Gross Profit Margin	8.65%	10.67%	11.17%	13.24%	15.13%
Operating Profit margin	0.94%	1.92%	1.59%	2.21%	3.47%
Return on Equity	18.06%	24.23%	15.46%	21.82%	22.93%
Return on Total Capital	33.27%	36.34%	14.63%	15.75%	17.46%
			Liquidity		
Current Ratio	1.02	1.32	1.13	2.03	1.73
Quick Ratio	0.56	0.67	0.54	1.00	0.78
Cash Ratio	0.09	0.11	0.06	0.14	0.16
			Activity		
Working Captial Turnover	183.67	46.35	32.20	17.00	8.84
Receivables Turnover	17.87	14.72	12.84	12.58	10.41
Days of Sales O/S	20.42	24.79	28.43	29.01	35.05
Days of Inventory on Hand	21.53	28.31	37.65	39.87	52.01
Number of Days of Payables	46.67	48.51	42.02	38.86	43.74
			Solvency		
Financial Leverage	8.37	3.33	4.03	3.40	4.01
Interest Coverage Ratio	2.30	3.44	1.95	1.60	1.57
Total Debt-to-CFO	1.22	-0.66	-1.88	15.68	-3.22
Total Debt-to-Equity	7.37	2.33	3.03	2.40	3.01

Profitability

The company's profitability has been increasing for the last five years. Net profit margin has increased to 1.88 per cent for FY 2016, up from 0.33 per cent in FY 2012. The return on equity and return on total capital has been increasing over the past two years, where they were at a low. Return on total capital has since improved to 15.92 per cent in FY 2015 and 17.46 per cent in FY 2016, while return on equity amounted to 21.82 per cent for the FY 2015 and 22.93 per cent for the FY 2016.

Liquidity

The current ratio has decreased year over year to 1.73 times in FY 2016, down from 2.06 times in FY 2015. This, however, still indicates that the company is able to meet its short-term liabilities. The quick ratio has decreased to 0.78 times, indicating that the company's most liquid assets are not able to cover its current liabilities. Lastly, the cash ratio of 0.16 times indicates that a little over 16 per cent of current liabilities can be covered with cash. This has increased from 0.14 times in FY 2015.

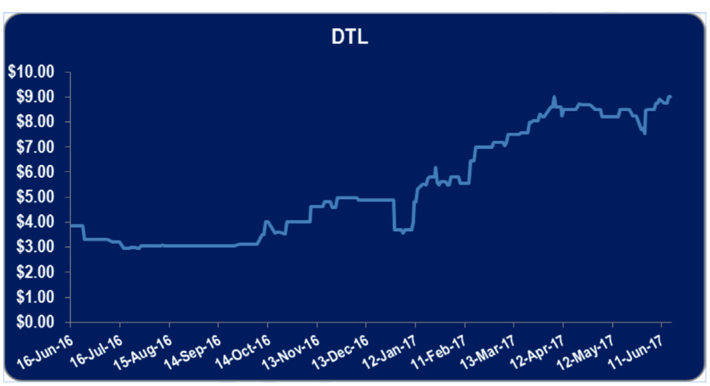
Activity

The working capital turnover for the company has declined from its highest of 183.67 times in FY 2012 to its lowest of 8.84 times at the end of FY 2016. The sharp decline in working capital turnover was due to the company's increased working capital after listing. Receivables turnover has decreased to its lowest in the last 5 years from 17.87 times in 2012 to 110.41 times to close 2016. The company's days of sales outstanding has declined increased from 20 days in 2012 to 35.05 days in FY 2016, indicating that the company's receivables have increase over the last five years. This signifies that there is an increase in receivables collection time between 2012 and 2016 of approximately 15 days. The days of inventory on hand has also increased since FY 2012 from 21.53 days to 52.01 days in FY 2016, indicating that it is taking the company longer to move inventory. Lastly, the number of days of payables has decreased from 46.67 days in FY 2012 to 43.74 days in FY 2016, which implies that it is taking the company a shorter time to pay its suppliers.

Solvency

The financial leverage of the company has declined from 8.37 times in FY 2012 to 3.33 times in FY 2013, the year the company listed on the JSE Junior Market, to now 4.01 times in FY2016. This is mostly as a result of the company raising capital on the stock exchange as well as an increasing amount of retained earnings over the last 5 years. The interest coverage ratio has also declined since 2012 from 2.30 times to 1.57 times in the FY 2016. For the last few years, the company has raised debt for further expansion resulting in a decline in the company's interest coverage ratio. Total debt-to-cfo closed the FY 2016 at -3.22 times, indicating that the company reported a negative cash flow from operations in FY 2016. The total debt-to-equity has declined to 3.01 times since FY 2016, and this reduction followed the company's Initial Public Offering (IPO) in 2013 (FY 2012:7.37 times).

Price History



DTL's share price started the year trading at $5.52, reaching a high of $9.00 in March 2017. As at June 16, 2017, the company closed trading at a price of $8.58, increasing by 55 per cent since the start of 2017.

Consolidated Results for the three months ended March 31, 2017 (includes CFF)

DTL grew its trading income by 3 per cent to end the quarter at $1.53 billion compared to the $1.48 billion for the first quarter of 2017. Other income increased by 119 per cent to close the period at $5.38 million. Cost of sales declined by 1 per cent to $1.25 billion for the period (2016: $1.26 billion). As a result, gross profit amounted to $278.63 million relative to $217.10 million the year prior, an increase of 28 per cent. DTL noted that, "This improvement is a combination of improvement in margins arising from strategies employed within both the distribution & retail segments of the business".

Total operating expenses was $218.11 million for the period, representing an increase of 30 per cent on the $168.34 million recorded in the prior year. Administrative expense totalled $186.81 million, a 37 per cent increase when compared to the $136.23 million in 2016. While selling and distribution expenses recorded a 3 per cent decline for the period, totalling $31.30 million (2016: $32.10 million). The management of DTL has indicated that, "The major factors for this increase were the increased cost for utilities, marketing expenses, staff cost and professional services associated with the acquisition of the further 26 per cent of the shares of Caribbean Flavours and Fragrances Limited as well as the two (2) new acquisitions stated above".

Finance cost increased by 63 per cent to total $24.62 million for the period relative to $15.08 million in 2016. The company indicated that "driven by new loans as well as other bridge financing which was required to facilitate the growth of the Group". Consequently, profit before taxation grew by 14 per cent ending the period at $41.28 million for the quarter compared to $36.13 million in 2016. No taxes were reported for the period, as such, net profit amounted to $41.28 million ($36.13 million). EPS closed the period at $0.15 (2016: $0.13).

Derrimon Trading Company Limited (DTL)

The twelve month trailing EPS amounted to $0.48. The total number of shares used in the computation was 273,336,067 units.

Derrimon Trading Company Limited (DTL) Consolidated Projection

	Derrimon Trading Limited Consolidated		
For The Period	Dec-16	Dec-17	%Change
Revenue			
Trading income	6,176,928	6,671,082	8%
Less cost of sales	(5,242,449)	(5,570,354)	6%
Gross profit	**934,479**	**1,100,729**	18%
Total Revenue	**953,953**	**1,122,249**	18%
Total Operating Expenses	**739,412**	**819,520**	11%
Operating profit before finance costs	**214,540**	**302,728**	41%
Share of Profit in associated	**38,187**		
Net profit	**116,107**	**145,614**	25%

DTL showed an increase in its 3 months revenue for the FY 2017 through increased marketing and sales activities. The acquisition of additional CFF shares, which brought its total holdings to 75.02 per cent, also positively impacted revenues, taking into consideration the consolidated results. Additionally, there were additional expenses directly linked to the acquisition of the additional CFF shares, resulting in a 37 per cent increase year over year in administrative expenses.

For the end of FY 2017, trading income is expected to increase by 8 per cent, using a margin of 83.5 per cent, cost of sales is projected to increase by 6 per cent and as a result, gross profit is expected to decrease by 18 per cent. Total expenses are projected to increase by 11 per cent due mainly to an expected increase in administrative expenses by 13 per cent following a 37 per cent increase in the 1st quarter of the 2017 results. Selling & distribution expenses are expected to increase by 4 per cent. Finance costs are expected to increase by 15 per cent, consistent with new loans recently taken. As a result, profit before taxation projected to increase by 25 per cent. Consequently, a projected EPS of $0.53 is expected for FY 2017, while 12 month projected EPS of $0.55 was also computed.

Conclusion

DTL has improved its financial standing since listing on the JSE's Junior Stock for a majority of the financial ratios. Profitability has been trending upwards and liquidity has also improved. The change in the company's activity ratios have been mixed since its listing and the company is taking longer to dispose of inventory. However it is collecting receivables more quickly and is taking slightly longer to settle its payables. However the impact on the solvency ratios have been mixed: the leverage ratios have improved following the company's listing, the debt service ratios have declined as the company for the last few years has raised debt for further expansion. Overall, the company has been improving its profitability and liquidity. The company's diversity in its revenue structure has also been helping to both protect against risk and increase profitability. Using the 12 month projected earnings and current price to earnings ratio of 20.20 times (relative to a Junior Market average of 23.21 times), the company's price is projected at $11.11 over the next 12 months. DTL closed trading at $8.58 on June 16, 2017. Against the company's performance over the past few years and its expectation of further growth, we currently recommend this company as a **BUY** for the medium term.

FORUM HIGHLIGHTS
FOR MAY 2017

Mayberry Investments, Anika Jengelley, Assistant VP of Marketing shares a moment with Katia Denis Henry, the evening's speaker, ahead of her presentation. She spoke on the fundamentals of estate planning.

Mayberry Investment's, Sushil Jain, exchanges views with Ms Henry after her presentation.

Ms Henry during her presentation.

Audience member, Leon Franscique, poses a question to Ms Henry during the evening's Q&A.

Mayberry's Investment Advisor, Gavin Roye, presents Ms Henry with a token of our appreciation for her sharing her time with us.

Mayberry's Executive Investment Advisor and host for the evening, Okelia Parredon, shares some lens time with our guest presenter.

ECONOMIC HIGHLIGHTS

ECONOMIC HIGHLIGHTS FOR MAY 2017

	April 2017	May 2017	Change
91 Days Treasury Bills Avg. Yield (%)	5.717	6.654	-0.064
182 Days Treasury Bills Avg. Yield (%)	6.399	6.101	0.-298
Exchange Rate (US$:J$)	128.87	130.13	1.26
Net International Reserves (NIR) (US$M)	2,848.87	2,672.77	-176.10

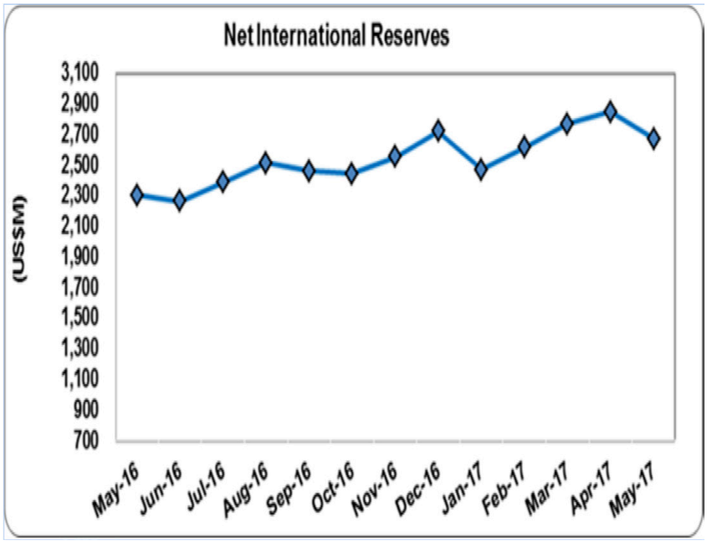
Net International Reserves

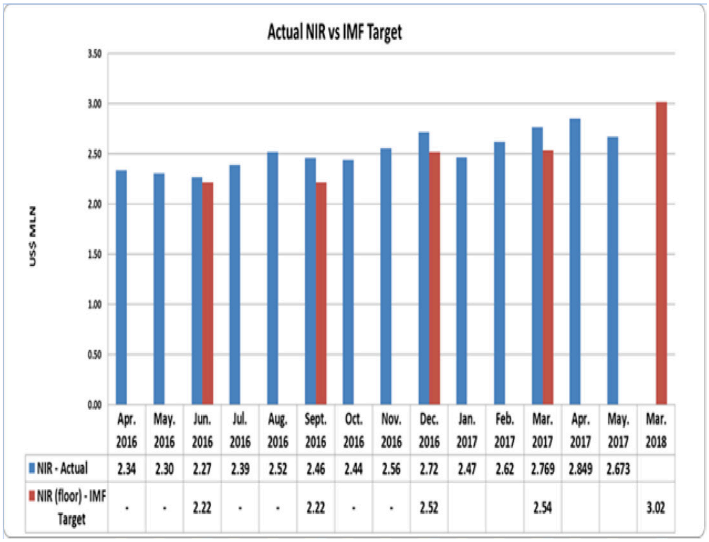
Jamaica's Net International Reserves (NIR) totalled US$2,672.77 million as at May 2017, reflecting a decrease of US$176.10 million relative to the US$2,848.87 million reported as at the end of April 2017.

Changes in the NIR resulted from a decline in foreign assets of US$170.66 million to total US$3,238.72 million. Currency and deposits contributed the most to the decrease in foreign assets. This as currency and deposits as at May 2017 totalled US$2,935.37 million, reflecting a decline of US$170.63 million compared to US$3,106.00 million booked as at April 2017. Foreign liabilities for May 2017 reflected an increase of US$5.44 million to total US$565.95 million. The increase stemmed from a growth in liabilities to the International Monetary Fund (IMF) of US$5.44 million. Liabilities to the IMF, which accounted for 100 per cent of total foreign liabilities, it increased to a total of US$565.95 million as at the end of May 2017 relative to US$560.51 million recorded in April 2017.

At its current value, the NIR is US$368.05 million more than its total of US$2,304.72 million at the end of May 2016.

The current reserve is able to support approximately 36.03 weeks of goods imports or 20.88 weeks of goods and services imports.





The country surpassed the benchmark of US$2.56 billion outlined by the IMF in the 14th review and adjusted agreement under the Extended Fund Facility (EFF). Jamaica and the IMF have entered into a new agreement to support growth and create jobs with the international body citing, "Jamaica has made good progress under the previous IMF – support program". As such, the entity has approved a new US$1.64 billion loan for the country. According to the IMF the loan is, "intended as insurance to support the country's ongoing reform program to tackle poverty, create jobs, and improve living standards". To this end, the NIR target outlined as per the new agreement for the 2017/18 fiscal year is US$3.02 billion.

JAMAICA MONTHLY EQUITY MARKET

ECONOMIC HIGHLIGHTS FOR MAY 2017

Jamaica Monthly Equity Market Report for May 2017

Main JSE Index: 239,129.62 points
Point Movement: 7,710.58 points
Percentage Change: 3.33%

Advance Decline Ratio: Positive
Advancers: 22 **Decliners**: 10
Traded Firm: 2

Junior JSE Index: 3,331.90 points
Point Movement: 75.62 points
Percentage Change: 2.32%

Advance Decline Ratio: Positive
Advancers: 13 **Decliners**: 19
Traded Firm: 2

Major Winners (Main & Junior)		
Stock	**Increase**	**Closing Price**
Eppley Limited	144.90%	$12.00
ISP Finance Services Limited	62.04%	$28.00
Blue Power Group Limited	62.04%	$15.00
Major Losers (Main & Junior)		
Stock	**Decrease**	**Closing Price**
K.L.E Group Limited	-28.37%	$2.02
Key Insurance Company Limited	-22.78%	$3.05
1834 Investments Limited	-20.99%	$1.43

Total Shares Traded (Main): 205,165,198 million units
Total value (Main): Approx. $2.90billion

Volume Leaders (Main)		
Stock	**Units Traded**	**Market Volume**
Radio Jamaica Limited	112,761,528	54.96%
Sagicor Group Jamaica Limited	12,232,060	5.96%
Cable & Wireless Jamaica Limited	10,153,418	4.95%

BUY HOLD SELL

Supreme Ventures Limited

For the three months ended March 2017

BUY

Supreme Ventures Limited (SVL) reported a 20 per cent increase in revenues to total $13.39 billion, up from $11.19 billion in 2016. The group's increase in total revenue was due to increases in the Lottery, Gaming Hospitality and Pin Codes segments and the addition of the Horseracing segment.

Revenues from the company's segments were as follows:

- Lottery - $10.43 billion (2016: $8.83 billion)
- Sports Betting - $156.72 million (2016: $209.44 million)
- Horseracing - $328.2 million (2016: Nil)
- Gaming & Hospitality - $114.13 million (2016: $98.94 million)
- Pin codes - $2.35 billion (2016: $2.01 million)
- Others - $1.93 million (2016: $30.07 million)

Direct expenses increased by 21 per cent, amounting to $12.17 billion (2016: $10.03 billion). As a result, gross profits increased by 6 per cent from $1.16 billion for the first quarter of 2016 to $1.22 billion in 2017.

Operating expenses declined by 12 per cent for the period to $673.54 million relative to $762.94 million in 2016. As such, profit from operations grew year over year to total $548.52 million in contrast to the $393.53 million recorded last year, a 39 per cent improvement.

Interest income declined by 15 per cent to $18.31 million (2016: 21.42 million); while finance costs grew by 2475 per cent to $8.78 million (2016: $341,000). A net foreign exchange loss of $1.4 million was recorded for the period relative to $334,000 million in 2016.

Profit before taxation from continuing operations amounted to $556.62 million in 2017, moving from $414.94 million in 2016. After deducting $140.71 million in taxes (2016: 139.6 million), net profit amounted to $418.34 million, a 52 per cent increase on the $275.34 million recorded in the first three months of 2016. Earnings per share (EPS)totaled $0.158 (2016: $0.104) while the twelve month trailing EPS amounted to $0.50. The number of shares used in our calculations was 2,637,254,926 units.

Grace Kennedy Limited (GK)

For the three months ended March 31, 2017

HOLD

Revenue totalled $23.69 billion for the period (2016: $22.13 billion), a year over year increase of 7 per cent. The biggest contributor to the group's overall revenue for the first quarter was income from the Food Trading segment, which contributed a total of $18.82 billion (2016: $17.82 billion), an increase of 6 per cent relative to the prior year's corresponding period. Management noted, " this segment showed growth in revenue, primarily due to higher sales from our Jamaican foods distribution and supermarket business when compared to the corresponding period of 2016".

Total Expenses amounted to $22.77 billion relative to $21.12 billion booked for the comparable period in 2016, an 8 per cent growth. Other income declined 54 percent to total $456.52 million (FY2016: $991.60 million). GK noted that, "included in other income for the prior year is a gain on the disposal of investments of $606.47 million. A significant portion of this amount related to a non-recurring gain realised on the liquidation of certain non-operating subsidiaries in 2016". As such, profit from operations amounted to $1.38 billion, a 31 per cent decline year over year from the $2 billion booked in March 2016.

Share of results of associated companies increased by 3 per cent amounting to $259.20 million, compared to $251.07 million reported for March 2016.

Pre-tax profits decreased 27 per cent to approximately $1.57 billion, compared to pre-tax profit of $2.16 billion reported for the first quarter of 2016. Consequently, net profits attributable to shareholders amounted to $1.01 billion compared to $1.49 billion a year earlier. Earnings per share for first quarter amounted to $1.01 (2016: $1.50).

Honey Bun (1982) Limited (HONBUN)

For the six months ended March 31, 2017

SELL

Revenue grew by 12 per cent amounting to $680.34 million, up from the $607.26 million reported a year ago. The company had an 18 per cent increase in cost of sales to $383.64 million and consequently, gross profit increased by 5 per cent or $13.19 million year-to-date to $296.71 million. For the quarter, gross profit increased by 9 per cent or $12.42 million to $158.07 million.

The company had other losses totalling $93,163 relative to gains of $3.37 million for the same period the prior financial year (FY). The loss was offset by a 41 per cent or $284,599 increase in finance income to $971,471. Once considered, profit before expenses increased by 3 per cent or $10 million to $297.58 million.

Administrative expenses has increased by 15 per cent to $133.24 million (2015/16: $116.34 million) while selling, distribution & promotion expenses increased by 7 per cent to $73.46 million (2015/16: $68.96 million). As a result, total expenses increased by 12 per cent or $21.40 million to $206.70 million. For the quarter, total expenses increased by 20 per cent to $112.39 million "due to investment in capacity building programmes to facilitate business growth".

The increased expenses resulted in profit from operations declining by 11 per cent from $102.28 million for the period in review prior year to $90.88 million year-to-date. Finance costs declined by 31 per cent to $2.33 million and once considered, profit before taxation has declined by 10 per cent or $10.37 million to $88.55 million for the period in review.

Taxation has increased significantly by $6.97 million or 169 per cent to $11.09 million. Once considered, net profit after taxation amounted to $77.46 million, an 18 per cent decrease relative to the $19.79 million reported in the similar period the prior financial year. For the quarter, net profit after taxation has declined by 20 per cent to $39.57 million.

Consequently, earnings per share (EPS) amounted to $0.16 (2015/16: $0.20) year to date, while the twelve months trailing EPS is $0.26. The number of shares used in this calculation was 471,266,950 shares.

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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