



STRATEGIC MAGAZINE

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TO CONSIDER IN 2023

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EST
2023


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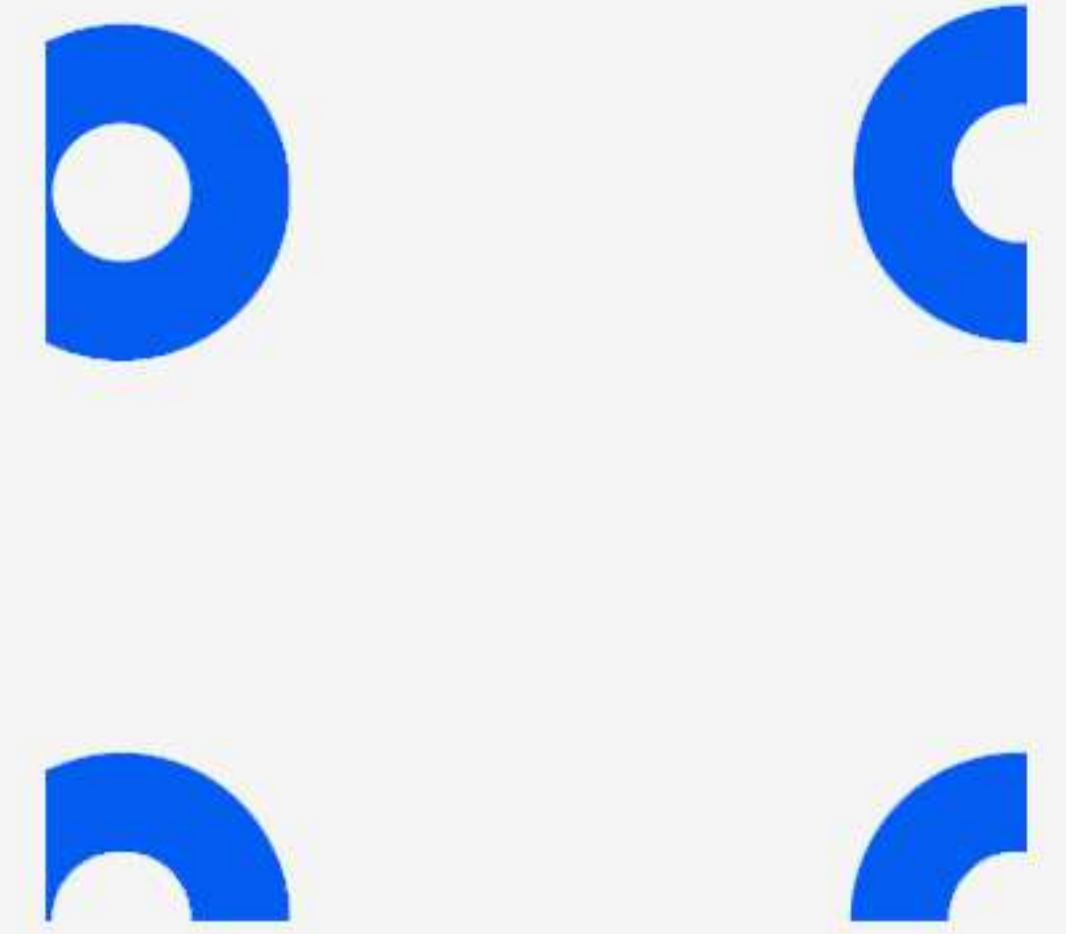


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CEO CORNER



INVESTMENT STRATEGIES TO CONSIDER IN 2023

Defining your investment strategy entails developing a style that is consistent in helping you meet your financial goals. Naturally it is important to first define your investment goals. Consider also the circumstances that surround your investment journey, and from there, take an approach that benefits your portfolio, any of which may be conservative or aggressive. Factors you should consider include age, risk tolerance, capital, and desired returns. Keep in mind that investment strategies are never set in stone. Investors are required to adjust their investments over time according to changes in circumstances.

FLEX YOUR TRADING SKILLS WITH GROWTH INVESTING

Growth investing is suitable for investors with sound trading experience, and a grasp of the fundamentals of equities. This is important as this strategy is accompanied by significant risk. Growth investing gives way to fast-growing industries and sectors; these allow investors to allocate capital to such industries garnering significant annual returns. Now, here comes the risk. Consider that there is the possibility that these companies won't live up to projections and justification for the value of their stock. In such cases, there will be a dramatic revision of their prices.

TRY SOMETHING DIFFERENT WITH SMALL CAP INVESTING

Small cap investing entails buying stocks in smaller companies which can easily grow their profits. After all, small companies are often neglected by potential investors, or pushed to the side in favour of bigger entities that are constantly attracting new investors. This means smaller companies can trade at a discount, up until other investors catch on to the rising interest in them. This investment strategy was employed by billionaire, Warren Buffet, along with value investing, early on in his career.

One downside to going this route is that information on these companies will be harder to come by. While that is an inherent risk of small cap investing, this approach is the reason the Junior Market Stock

Exchange has expanded so quickly in recent years.

VALUE INVESTING

While this strategy overlaps with our previous point, it is the opposite of growth investing. Investors that opt to try value investing choose to invest in companies they perceive as 'undervalued'. This could be for any number of reasons. For one, they may believe the public perception of the company comes down to the economy doing poorly, resulting in panic selling; therefore, creating an opportunity for them to invest in that company.

The reasoning is straightforward: a company's stock may currently sit at \$5, but an investor, based on certain observations, concludes that the stock is (in reality) worth \$50. Should you buy into this company at \$5, you would then stand to turn a profit of \$45, once the price is at its true value.



COMPANY ANALYSIS



COMPANY REVIEW

LASCO Financial Services Limited (LASF) is a licensed non-bank financial services provider whose main activities entail the purchase of foreign currencies through its cambio and the provision of cross-border remittance services, in accordance with licenses issued by the Bank of Jamaica (BOJ). LASF also offers secured and unsecured lending to consumers and businesses as well as collecting bill payments or disbursing cash on behalf of businesses or government entities. The services are offered through an agent network which comprises over 140 locations and includes large groups and several independent business owners.

LASF was recently awarded the top awards for 'Annual Report' and 'Overall Best Performance' and others at the 2020 JSE Best Practices Awards.

OUR THOUGHTS

Given the removal of COVID-19 containment measures, the Jamaican economy has good short- to medium-term prospects. This will keep most industries growing. Short- to medium-term domestic demand will rise with employment. This should bode well for the company as they have expanded services from the remittance and cambio operations into the payment and loans areas as a way to diversify revenue and try to limit the concentration risk they faced from that segment.

As LASF adjusts its business model to strategically manage risks, the company is improving its relevancy with its client base. The company to date experienced an increase in transactions generated. Signs from its performance year to date have signalled management to take steps towards strengthening its collection framework while targeting transformation of the business. Remittance services have been the core driver of revenue for the company and continues to do well amid heightened risk and more stringent processes from remittance partners. Net remittances to the country ballooned during covid and continue to perform well despite a 2.7% dip to US\$249.6 million for November 2022.

The stock currently trades at \$2.82 as at January 27, 2023; above its current valuation of \$3.93 based on projected earnings. The stock also trades at a P/E of 10.95 times; below the Junior Market PE (Harmean) of 15.23 times. As such, the stock is recommended as a BUY at this time.

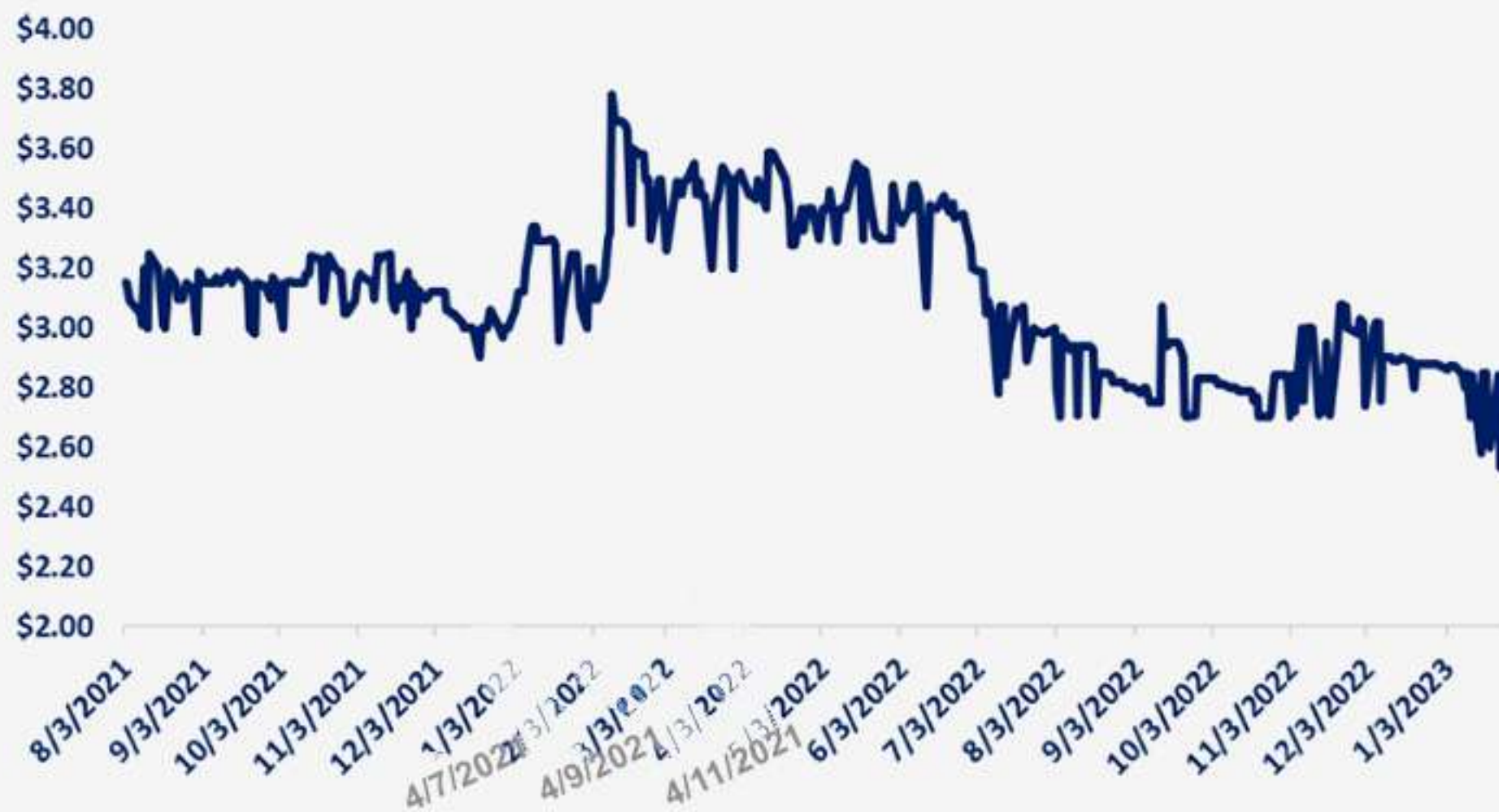
LOCAL ECONOMIC OVERVIEW

The lingering effects of COVID-19 coupled with the Russia-Ukraine war reflect significant uncertainty as the impact and duration of these crises are difficult to estimate at first glance. In the midst of this uncertainty, the Bank of Jamaica (BOJ) alluded to some upward pressure driven by supply chain disruptions and interest rate hikes. However, this is expected to be tempered by a decline in oil prices and weaker consumer spending power, given the expected decline in economic activity.

The Bank of Jamaica (BOJ) on December 20, 2022, announced its decision to maintain its policy rate at 7.00% per annum. This due to its belief that the current monetary policy stance is adequate to keep inflation within the target range. Notably, the bank agreed to continue containing Jamaican dollar liquidity expansion and maintaining relative stability in the foreign exchange market. The bank also noted that while interest rates in the money and capital markets have generally increased in line with the policy rate, some deposit-taking institutions have adjusted their deposit and lending rates marginally and have announced future rate increases. BOJ anticipates more material increases in deposit and lending rates in early 2023.

The latest data from STATIN indicated that the unemployment rate rose to 6.6% in July 2022 from 6.0%, reported in April 2022. The size of the labour force was 1.36 million while the employed labour force totalled 1.27 million. STATIN clarified this movement by saying, "more females were employed mainly in the occupation group 'service workers and shop and market sales workers'."

COMPANY ANALYSIS



LASF PRICE MOVEMENT

LATEST EVENT:

- Lasco Financial Services Limited (LASF) has advised that Mr. Norris Clarke has been promoted to the position of Chief Financial Officer (CFO) effective April 1, 2022.

RECOMMENDATION: BUY

The exchange rate for JMD to USD averaged \$153.69 in December 2022, a \$0.95 decline from the average of \$154.64 recorded for November 2022. Regarding the foreign exchange, BOJ indicated that: “selling US dollars removes Jamaican dollars from the financial system, which causes a premium to be placed on Jamaican dollar liquidity by the participants in the system and reducing demand-induced inflationary pressures”. It was also noted that: “the foreign exchange market has remained relatively stable, reflecting, in part, the actions taken by the bank in response to the higher-than-targeted inflation”.

With regards to inflation, STATIN indicated that the country’s consumer price index for December 2022 decreased by 0.0%, following a 0.4% increase in its index for November 2022.

BOJ notes that inflation expectations continued to fall and the key external drivers of headline inflation, such as grains, fuel and shipping prices, continued to trend downward and broadly in line with the bank’s expectations. Furthermore, the near-term forecast for inflation accounted for lower agricultural prices and a fall in import prices.

LOCAL STOCK MARKET OVERVIEW

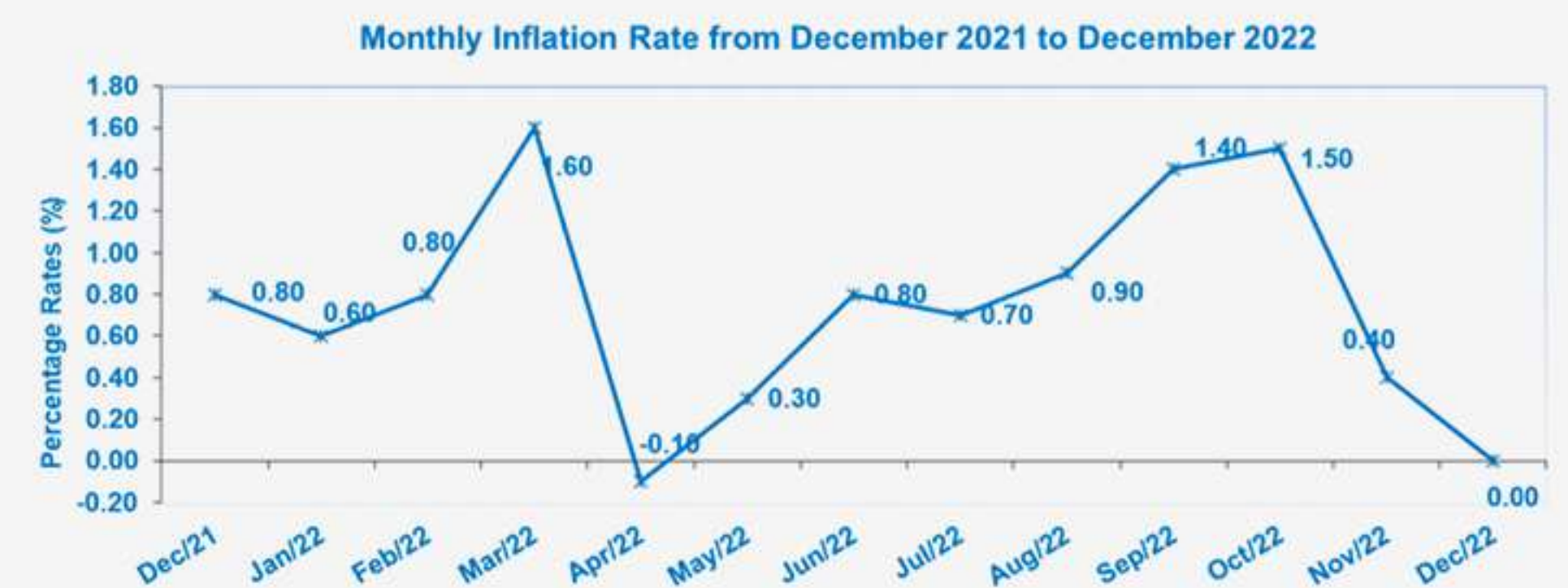
The JSE Junior Market Index has trended downwards by 1.15% year to date, as at January 25, 2023, to 3,940.68 points after opening the year at 3,948.25 points. Also, the Main Market declined 4.44% year to date, to 340,093.16 points as at January 25, 2023, after opening at 356,238.98 points.

GLOBAL ECONOMIC TRENDS

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. Looming recession, cost-of-living crisis, tightening financial conditions in most regions, Russia’s invasion of Ukraine, and the lingering COVID-19 pandemic all have an impact on many countries. The International Monetary Fund (IMF) noted in its World Economic Outlook report for October 2022 that, “global growth is forecast to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023.” As such, the Federal Reserve raised its interest rate to 4.4% as at December 14, 2022.

MONTHLY INFLATION RATE

from December 2021 to December 2022



COMPANY ANALYSIS

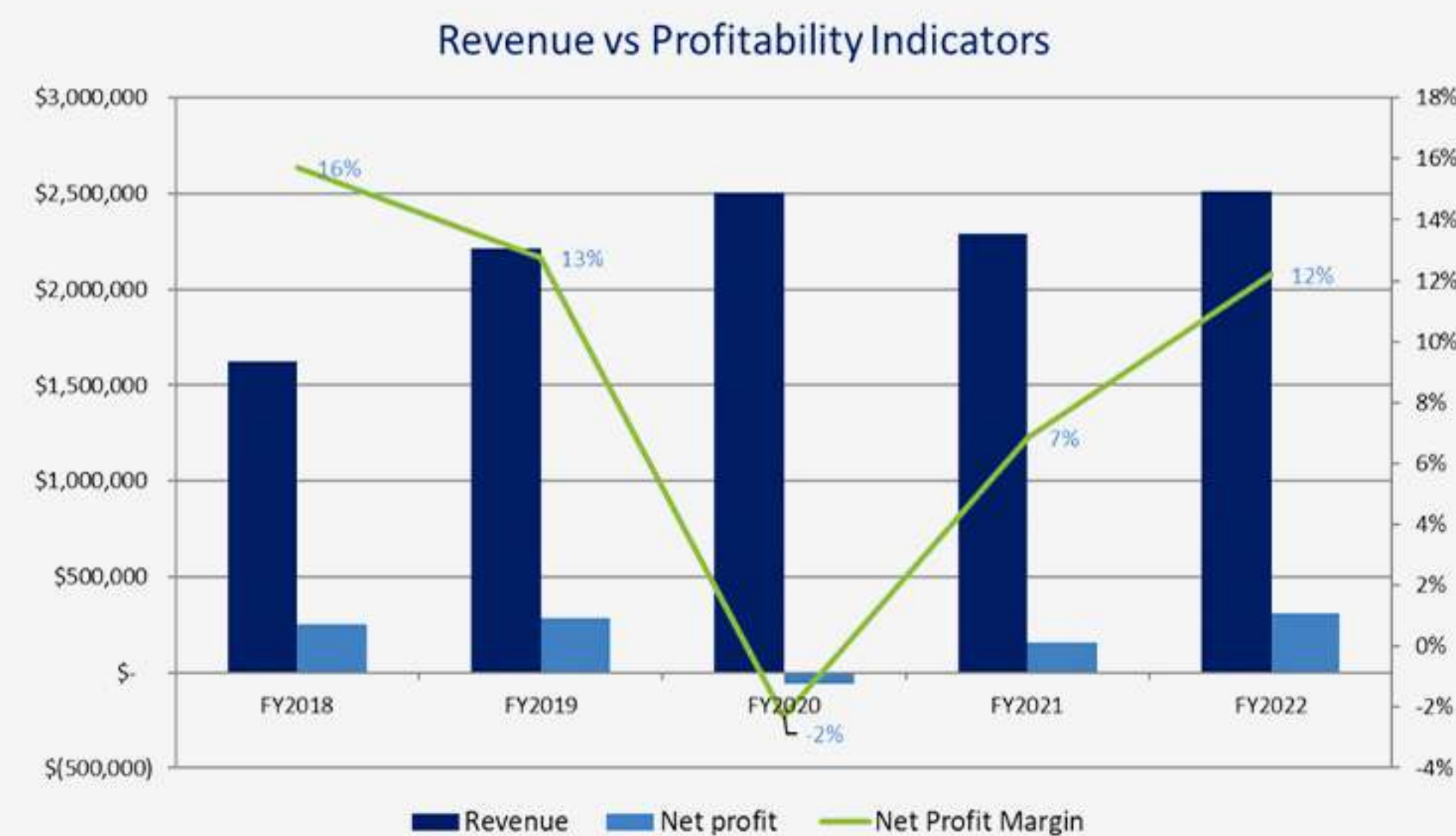


FINANCIAL ANALYSIS INCOME STATEMENT

The company's performance over the past five years reflects an upward trend in revenues with the exception of FY2021, due to the effects of the COVID-19 pandemic. LASF's total income moved from \$1.62 billion reported FY2018 to \$2.51 billion for FY2022, resulting in a compounded annual growth rate (CAGR) of 12%. The growth achieved in 2022, according to LASF was largely due to an increase in their money services revenues, specifically from remittances and cambio services.

Operating expenses totalled \$1.851 billion (2021: \$1.845 billion) for FY2019, increasing by a CAGR of 11% from the \$1.22 billion booked for FY2018. The movement year over year reflected a 0.34% upward movement from 2021, stemming from the company implementing several cost savings measures that enabled them to control costs in accordance with their objectives.

Consequently, over the five years, LASF's profitability increased, before sharply declining in FY2020 as a result of the pandemic. Despite this, net profit grew from \$254.28 million in FY2018 to \$306.45 million for FY2022. Year over year, LASF experienced a 95% growth in profit from \$156.75 million booked in FY2021.



The company's performance for the six months ended September 30, 2022, featured year-over-year growth of 4% for total revenues to close at \$1.12 billion (2021: \$1.08 billion).

Operating expenses during the six months amounted to \$900.10 million, 5% more than the \$856.83 million booked the year prior. Of this, administrative expenses rose by 7% to \$592.15 million compared to \$554.63 million in 2021. Selling and promotional expenses grew marginally by 2% to close at \$307.94 million relative to the \$302.20 million reported in the prior period.

As a result, profitability for the six months period rose 17% to \$156.75 million relative to \$133.59 million posted for the same period last year. Management stated that: "We extended our LASCO Gold Visa debit card pilot to the general public, offering the service through our Remittance agent network and via the LASCO Gold Mobile app. Unbanked customers can benefit greatly from the LASCO Gold Visa debit card (prepaid) as they will be able to load their cards with funds and conduct transactions seamlessly at points of sales and online, including cross border."

Profitability Ratios	FY2018	FY2019	FY2020	FY2021	FY2022
Operating Profit Margin	24.83%	25.57%	9.19%	19.51%	26.27%
Net Profit Margin	15.69%	12.74%	-2.27%	6.84%	12.20%
Return on Average Assets	10.28%	7.74%	-1.45%	3.79%	6.84%
Operating Return on Assets	16.26%	15.54%	5.86%	10.83%	14.72%
Return on Average Total Capital	12.55%	9.04%	-1.70%	4.85%	9.58%
Return on Average Equity	20.14%	19.03%	-3.64%	9.68%	16.75%

Year	FY2018	FY2019	FY2020	FY2021	FY2022
EPS (\$)	0.20	0.22	-0.04	0.12	0.24
LASF P/E (Times)	24.57	20.49	-58.71	21.97	14.66
Junor Market P/E (Harmean)	29.64	23.26	16.48	24.39	20.21
Share Price (\$)	4.88	4.51	2.61	2.69	3.51
Revenue (\$'millions)	1,620.27	2,211.51	2,507.30	2,293.04	2,511.92

COMPANY ANALYSIS



FINANCIAL ANALYSIS BALANCE SHEET

As at September 30, 2022, the company recorded total assets of \$4.43 billion versus \$4.37 billion in 2021, a marginal increase of 1% year over year. Total assets over the past five years moved up from the \$3.39 billion booked in FY2018 to \$4.66 billion in FY2022. The growth year over year was due to the 23% rise in 'receivables' which closed at \$2.02 billion (2021: \$1.64 billion) at the end of the 2022 financial year. Also, 'short-term deposits' closed at \$428.08 million (2021: \$312.76 million). However, the overall movement was tempered by a 9% decline in 'cash and cash equivalent' which amounted to \$961.52 million (2021: \$1.06 billion).

Total shareholders' equity as at March 2022 was \$1.96 billion (2021: \$1.70 billion), which resulted in a book value of \$1.55 (2021: \$1.34). Total shareholders' equity over the past five years rose from the \$1.37 billion reported for FY2018, growing by a CAGR of 9%. Liabilities amounted to \$2.70 billion (2021: \$2.60 billion) in 2022, an increase of 4% year over year. The increase year over year was due to a 92% increase in 'taxation' which closed at \$243.66 million (2021: \$126.85 million).

DEBT ANALYSIS

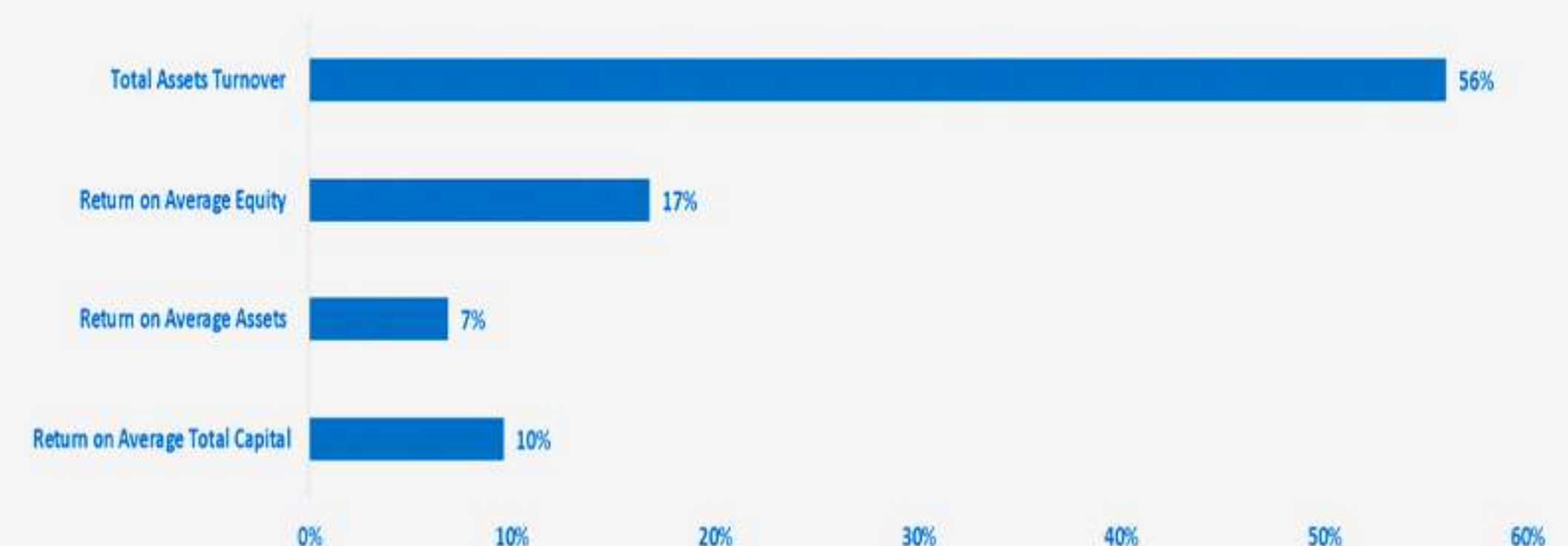
Over the last three years, LASF's debt has declined, moving from \$1.77 billion in 2020 to \$1.28 billion in 2021. As a result, LASF's debt-to-equity ratio was 115% in 2020 and fell to 65% in 2022. Notably, assessment of the company's solvency ratios indicates the company is not highly leveraged. However, since financial year 2022, LASF demonstrated that it would have taken the company less than two years to repay its debt using EBIT. Notably, the company had no debt on its balance sheet between 2015 and 2016.

INDICATIVE DESKTOP CALCULATION OF VALUE

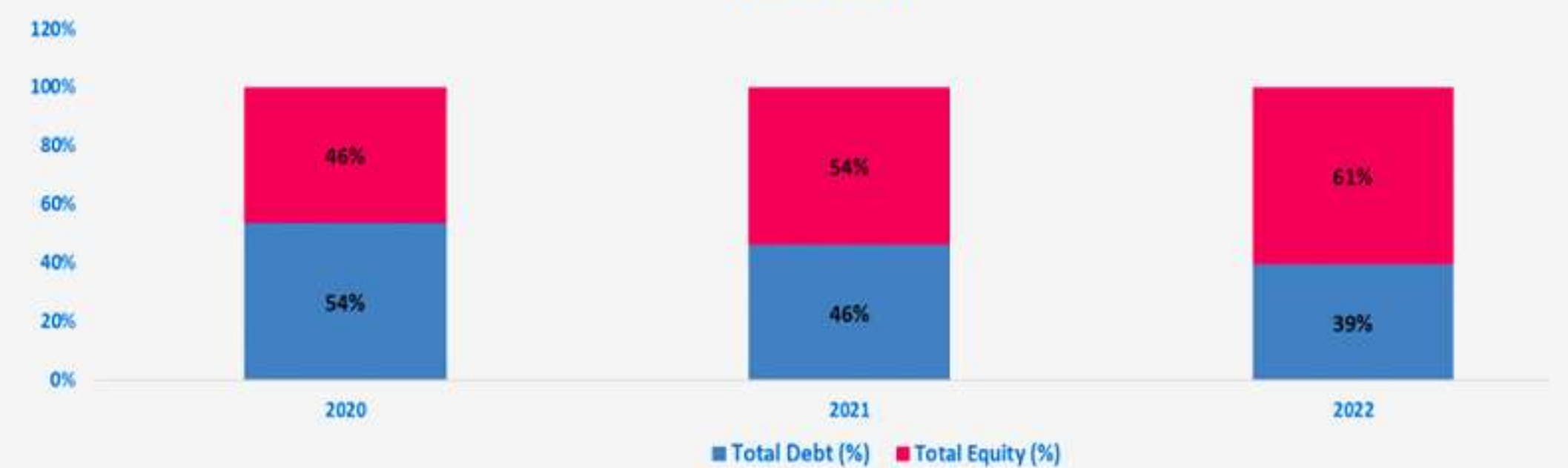
Year to date, LASF's stock price has grown 11% from the start of the year to close at \$2.82 as at January 26, 2023. The stock opened at \$2.55 on January 03, 2023, and traded at a low of \$2.55 on January 03, 2023, and traded at a high of \$2.87 on January 06, 2023. LASF traded at an average monthly volume of 27,620 units for December 2022, compared to the average monthly volume of 61,110 units for the month of November 2022.

In comparison to the Junior Market's total traded volume of 282,740,334 units for the month of December, in which LASF represents 0.01% of the Junior Market's liquidity.

Shareholders' Return for FY2022



Debt to Equity



Year	FY2020	FY2021	FY2022
Debt to EBIT (Times)	7.70	3.25	1.94
Debt to Equity (%)	115%	86%	65%
Debt to Capital (%)	54%	46%	39%
Debt to Assets (%)	45%	34%	27%

	FY2018	FY2019	FY2020	FY2021	FY2022
Shareholder Equity (mil)	1,369,634	1,591,589	1,540,071	1,697,290	1,962,197
Book Value	1.08	1.25	1.21	1.34	1.55

COMPANY ANALYSIS



RECOMMENDATION

The stock last traded at \$2.82 as at January 26, 2023; with a corresponding P/E of 10.95x which is below the Junior Market P/E (Harmean) of 15.23x. As such, the stock is recommended as a BUY at this time.

Valuation Summary- Equity Value Per Share (\$)



LASF's Market Statistics

Market Cap (mil)	\$	3,610,242.19
Price to earnings ratio		10.95
Forward PE ratio		10.34
TTM EPS	\$	0.26
Current Price	\$	2.82
Price to book		1.70
52 week low	\$	2.52
52 week high	\$	3.90
Total Monthly Volume (Dec 2022)		552,400
Net profit FY22 (mil)	\$	306
Projected Net Profit FY23 (mil)	\$	341
Financial Year End		March

Company Name	Market Data			2020 Financial Data			Valuation		
	Price (\$/share)	Market Cap (\$)	EV (\$)	Operating Income (\$M)	EBIT (\$M)	Net Profit (\$M)	EVO I x	EV/EBIT x	PE x
LASF	2.82	3,610,242,187	3,611,021,079	\$ 2,554,879	659,674	329,610	1.41	5.47	10.95
AFS	24.99	6,860,000,902	6,862,264,032	\$ 2,048,683	542,415	391,303	3.35	12.65	17.53
ISP	27.00	2,835,000,000	2,913,001,222	\$ 441,977	82,987	48,267	6.59	35.10	58.74
Median							3.3x	12.7x	17.5x
Average							3.8x	17.7x	29.1x

*Price as at January 26, 2023

ASSUMPTIONS

LASF's indicative value was derived based on projected earnings compared with market comparables. The valuation is calculated using 12 months trailing of each company.

Upon extraction of LASF's financial statements over the past 5 years, we forecast LASF's revenue to increase 3% year on year, attributed to strong contribution from the company's core services with increasing input from the new services to date. In addition, during the second quarter of 2022, LASF extended their LASCO Gold Visa debit card pilot to the general public, offering the service through their remittance agent network and via the LASCO Gold Mobile app, which received favourable feedback from customers. In the coming periods, LASF expects to continue to extract the opportunities from their diversified business lines and build on the new revenue streams to provide continuous value for shareholders.

Expenses are estimated to increase as a result of increased administration costs, selling costs and finance expenses, resulting in an operating profit of \$611.09 million. The company continues to strategically manage its risks in order to make adjustments to its business model and remain relevant to its customer base. Management made further adjustments which will be accelerated throughout the final quarter of its financial year to drive more positive results from the changes undertaken.

Comparable companies are consistent with the Junior Market finance sector provided by Jamaica Stock Exchange (JSE). Lastly, the company is assumed to be a going concern.

MJE

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APPENDIX



APPENDIX 1: FINANCIAL STATEMENT EXTRACTS

Five-Year Profit and Loss Statement

Year	Mar.2018	Mar.2019	Mar.2020	Mar.2021	Mar.2022	Change	Change	5YR CAGR
	\$'000	\$'000	\$'000	\$'000	\$'000	(\$)	(%)	(%)
Trading Income	1,548,248	2,119,138	2,404,437	2,217,952	2,425,222	207,270	9%	12%
Other Income	72,017	92,370	102,867	75,089	86,693	11,604	15%	5%
Total Income	1,620,265	2,211,508	2,507,304	2,293,041	2,511,915	218,874	10%	12%
Admin & other	(624,994)	(880,422)	(1,082,153)	(1,079,790)	(1,104,952)	(25,162)	2%	15%
Selling and promotion	(593,035)	(765,641)	(1,194,837)	(765,820)	(746,987)	18,833	-2%	6%
Operating Expenses	(1,218,029)	(1,646,063)	(2,276,990)	(1,845,610)	(1,851,939)	(6,329)	0%	11%
Profit from Operations	402,236	565,445	230,314	447,431	659,976	212,545	48%	13%
Finance Costs	(66,819)	(168,800)	(208,345)	(187,047)	(166,895)	20,152	-11%	26%
Profit Before Taxation	335,417	396,645	21,969	260,384	493,081	232,697	89%	10%
Taxation	(81,133)	(114,890)	(78,887)	(103,631)	(186,632)	(83,001)	80%	23%
Net Profit	254,284	281,755	(56,918)	156,753	306,449	149,696	95%	5%
EPS	0.20	0.22	-0.04	0.12	0.24			

Five-Year Balance Sheet Statement

Year	Mar.2018	Mar.2019	Mar.2020	Mar.2021	Mar.2022	Change	Change	5YR CAGR
	\$'000	\$'000	\$'000	\$'000	\$'000	(\$)	(%)	(%)
Cash and cash equivalents	366,893	282,811	487,437	1,060,551	961,515	(99,036)	-9%	27%
Short term Deposits	79,255	79,040	235,494	312,760	428,076	115,316	37%	52%
Receivables	1,828,426	2,366,421	1,914,664	1,641,992	2,021,495	379,503	23%	3%
Related Companies	319	347	572	317		(317)	-100%	-100%
Taxation Recoverable	10,235	13,027	13,910	28,338	31,589	3,251	11%	33%
Investment property	118,000	118,000						
Right-of-use assets			190,551	166,753	157,582	(9,171)	-5%	
Deferred tax asset	3,599		96,256	97,384	105,713	8,329	9%	133%
Intangible Assets	842,708	874,804	879,136	866,975	846,246	(20,729)	-2%	0%
Property, plant and equipment	136,666	158,943	145,085	125,471	111,598	(13,873)	-11%	-5%
Total Assets	3,386,101	3,893,393	3,962,905	4,300,541	4,663,814	363,273	8%	8%
Payables	430,956	417,353	242,006	770,532	951,458	180,926	23%	22%
Related Companies	15,331	4,803	17,995	7,616	12,812	5,196	68%	-4%
Bank overdraft	11,108	1,128						-100%
Deferred tax liability		10,620		37,629	9,569	(28,060)	-75%	
Taxation	73,905	79,228	171,954	126,847	243,660	116,813	92%	35%
Lease Liability			217,563	204,582	204,769	187	0%	
Loans	1,485,167	1,788,672	1,773,316	1,456,045	1,279,349	(176,696)	-12%	-4%
Total Liabilities	2,016,467	2,301,804	2,422,834	2,603,251	2,701,617	98,366	4%	8%
Share Capital	95,459	95,459	102,091	102,664	114,536	11,872	12%	5%
Other Reserves	5,661	5,661	4,429	4,322	2,117	(2,205)	-51%	-22%
Retained Earnings	1,268,514	1,490,469	1,433,551	1,590,304	1,845,544	255,240	16%	10%
Total Equity	1,369,634	1,591,589	1,540,071	1,697,290	1,962,197	264,907	16%	9%
Total Liabilities & Equity	3,386,101	3,893,393	3,962,905	4,300,541	4,663,814	363,273	8%	8%

APPENDIX



APPENDIX 2: FINANCIAL STATEMENT EXTRACTS

Five-Year Cash Flow Statement

Year	FY2018	FY2019	FY2020	FY2021	FY2022
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Flow from Operating Activities	(64,214)	(183,793)	507,664	1,148,845	402,155
Cash Flow from Investing Activities	(1,033,982)	(80,642)	(88,112)	(74,389)	(92,568)
Cash Flow from Financing Activities	1,178,155	190,063	(213,902)	(506,531)	(412,800)

Abridged Six Months Profit and Loss Statement

Six Months Ended	Sept. 2021	Sept. 2022	Change	Change
	\$'000	\$'000	(%)	(\$)
Trading Income	1,081,393	1,124,565	4%	43,172
Other Income	63,527	63,319	0%	(208)
Total Income	1,144,920	1,187,884	4%	42,964
Admin & other	(554,633)	(592,151)	7%	(37,518)
Selling and promotion	(302,196)	(307,944)	2%	(5,748)
Operating Expenses	(856,829)	(900,095)	5%	(43,266)
Profit from Operations	288,091	287,789	0%	(302)
Finance Costs	(93,348)	(54,721)	-41%	38,627
Profit Before Taxation	194,743	233,068	20%	38,325
Taxation	(61,152)	(76,316)	25%	(15,164)
Net Profit	133,591	156,752	17%	23,161

Abridged Projected Profit and Loss Statement for the year ended March 2022

Year	Mar.2021	Mar.2022	Change	Change
	\$'000	\$'000	(\$)	(%)
Total Income	2,293,041	2,511,915	218,874	10%
Operating Expenses	(1,079,790)	(1,104,952)	(25,162)	2%
Profit from Operations	447,431	659,976	212,545	48%
Profit Before Taxation	260,384	493,081	232,697	89%
Taxation	(103,631)	(186,632)	(83,001)	80%
Net Profit	156,753	306,449	149,696	95%

APPENDIX



APPENDIX 2: FINANCIAL STATEMENT EXTRACTS

Five-Year Ratio Analysis Table

Year	2018	2019	2020	2021	2022
Solvency					
Debt-to-Equity	1.09	1.12	1.15	0.86	0.65
Debt-to-Capital	0.52	0.53	0.54	0.46	0.39
Debt-to-Assets	0.44	0.46	0.45	0.34	0.27
Profitability					
Operating Profit Margin	24.83%	25.57%	9.19%	19.51%	26.27%
Pre-tax Margin	20.70%	17.94%	0.88%	11.36%	19.63%
Effective Tax Rate	24.19%	28.97%	359.08%	39.80%	37.85%
Net Profit Margin	15.69%	12.74%	-2.27%	6.84%	12.20%
Return on Average Assets	10.28%	7.74%	-1.45%	3.79%	6.84%
Operating Return on Average Assets	16.26%	15.54%	5.86%	10.83%	14.72%
Return on Average Total Capital	12.49%	9.02%	-1.70%	4.85%	9.58%
Return on Average Equity	20.14%	19.03%	-3.64%	9.68%	16.75%

DISCLAIMER

Analyst Certification

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RISK ASSESSMENT



STRENGTHS

- Wide distribution network.
- company maintains a profitable position.
- The Acquisition of the Caymanas operations has diversified the company's revenue.
- Innovation.
- The brand has a reputation for providing a wide range of products at affordable prices.

WEAKNESSES

- Exposure to fluctuations in the exchange rate.

OPPORTUNITIES

- Expansion of remittance division.

THREATS

- Uncertainty in the economy could lead to deterioration in the company's loan quality.
- High competition from other players in the market.



ECONOMIC HIGHLIGHTS FOR JANUARY 2023

	December 2022	January 2023	Change
91 Days Treasury Bills Avg. Yield (%)	8.041	8.089	0.05
182 Days Treasury Bills Avg. Yield (%)	8.176	8.302	0.13
Exchange Rate (US\$: J\$)	153.69	153.95	0.26
Net International Reserves (NIR) (US\$M)	3,976.25	3,865.64	-110.61

Net International Reserves - January 2023

BOJ has reported that Jamaica's Net International Reserves as at January 31, 2023, stood at US\$3,865.64 million, reflecting a decline of US\$110.61 million when compared to the US\$3,976.25 million reported at the end of December 2022.

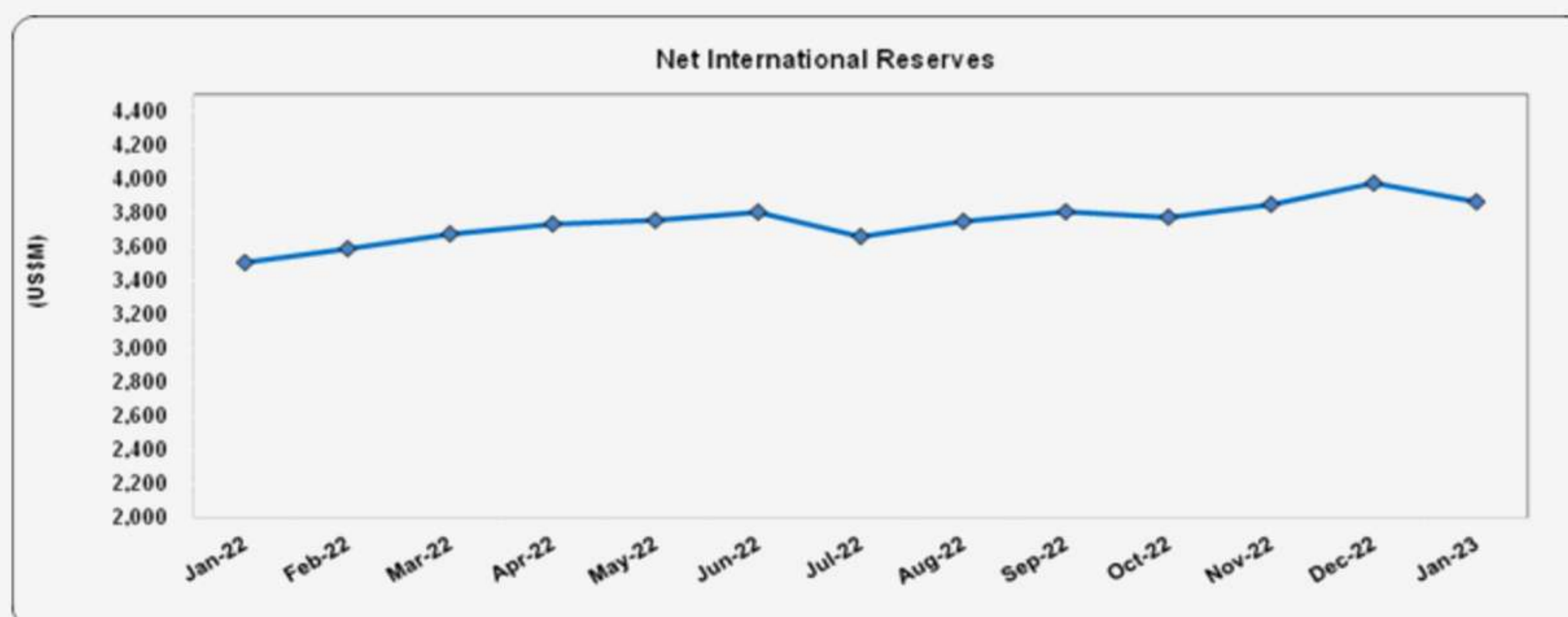
Foreign Assets totalled US\$4,416.47 million, US\$101.32 million less than the US\$4,517.79 million reported in December 2022. 'Currency & deposits' held by the BOJ as at January 31, 2023, totalled US\$2,698.60 million, reflecting a decline of US\$117.72 million compared to the US\$2,816.32 million reported in December 2022.

'Securities' were valued at US\$1,538.27 million; US\$13.10 million more than the US\$1,525.16 million reported at the end of December 2022.

The country's 'special drawing rights & IMF reserve position' rose to US\$179.60 million from the US\$176.31 million reported last month. Liabilities to the IMF increased by US\$9.28 million to US\$550.83 million against the US\$541.54 million reported at the end of December 2022.

At its current value, the nation's international reserve is \$357.98 million, or 10% higher than the \$3,507.66 million held by the BOJ on January 31, 2022. The current NIR supports approximately 36.61 weeks of goods imports and 24.63 weeks of goods and services imports.

The Bank of Jamaica (BOJ) has long said that the preservation of a relatively healthy Net International Reserves balance will allow the country to adequately respond to economic shocks, finance its obligations and address near to medium-term eventualities.



JAMAICA MONTHLY EQUITY MARKET REPORT FOR JANUARY 2023

Main JSE Index: 340,327.33 points
Point Movement: -15,569.31 points
Percentage Change: -4.37%

Advance Decline Ratio: Negative
Advancers: 27 **Decliners:** 35
Traded Firm: 4

Junior JSE Index: 4,058.24 points
Point Movement: 71.80 points
Percentage Change : 1.80%

Advance Decline Ratio: Positive
Advancers: 27 **Decliners:** 19
Traded Firm: 3

Major Winners (Main & Junior)		
Stock	Increase	Closing Price
Palace Amusement Co Ltd	74.16%	\$2,573.62
ISP Finance Services Limited	48.66%	\$26.00
Knutsford Express Services Limited	40.49%	\$12.49
Major Losers (Main & Junior)		
Stock	Decrease	Closing Price
Radio Jamaica Limited	-17.24%	\$1.92
Barita Investments Limited	-16.09%	\$85.00
Sterling Investments Limited USD	-15.02%	\$0.02

Total Shares Traded (Main): 242.18 million units
Total value (Main): Approx. \$2.13 billion

Volume Leaders (Main)		
Stock	Units Traded	Market Volume
Wigton Windfarm Limited	107,137,285	44.24%
Transjamaican Highway Limited	36,306,655	14.99%
Sagicor Select Funds Limited - Financial	16,934,423	6.99%

BUY



FTNA reports 43% increase in first quarter net profit:

- Fontana Limited (FTNA) for the three months ended September 30, 2022, recorded a 26% increase in revenues to total \$1.64 billion compared to \$1.31 billion for the same period in 2021.
- Cost of Sales for the period increased 22% to close at \$1.05 billion, up from \$865.25 million reported the prior comparable period.
- As such, gross profit for the three months amounted to \$558.79 million, a 33% uptick when compared to \$441.3 million recorded last three months. Fontana noted, "Our gross profit margin was 35.8% compared to 33.8% last year, as we continue to recover from the pandemic-related challenges and benefit from improved international freight rates. We also saw a shift in the sales mix, with better growth from higher margin items such as stationery, during our best back-to-school sales season since the start of the pandemic."
- Fontana's administrative expenses rose by 28% for the period, to total \$424.1 million versus \$330.6 million in 2021, while selling and promotion closed the three months at \$40.18 million (2021: \$12.61 million). Management explained, "Staff costs were the main driver, as our operating hours returned to their pre-pandemic norms - which required additional man-hours. In addition, we increased our staffing with the opening of our new warehouse facility. In preparation for our new state-of-the-art point-of-sale system, we encouraged customers to redeem their loyalty points through increased advertising and promotions. Despite this, our operating profit increased by 26.9% to \$124.5 million this quarter."
- As such, operating profit experienced a 27% increase to \$124.51 million relative to \$98.1 million booked in 2021.
- Other income for the three months amounted to \$17.3 million (2021: \$14.79 million).
- Finance cost totalled \$54.23 million, an increase of 5% when compared to the \$51.77 million recorded for the same period last year. FTNA stated, "This was impacted primarily by the loan interest associated with the bond issued in December 2021."
- This resulted in profit before taxation totalling \$87.58 million compared to \$61.13 million recorded in Q1 2021, a 43% year-over-year increase.
- The company incurred no taxation charge for the period (2021: nil).
- Net profit for the three-month period increased 43% to \$87.58 million compared to \$61.13 million booked for the 2021 period.
- Earnings per share (EPS) for the period totalled \$0.07 (2021: \$0.05). The trailing twelve months (TTM) EPS amounts to 0.51. The number of shares used in our calculations amounted to 1,249,374,825 units.

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



SEP reports 32.23% increase in nine months net profit attributable to stockholders:

- Seprod Limited (SEP), for the nine months ended September 30, 2022, revenue totalled \$51.44 billion compared to the \$31.15 billion recorded for the same period of the prior financial year; this represents a 65.13% increase year over year. Revenue for the quarter totalled \$23.64 billion a 108.75% increase relative to \$11.32 billion the prior year. SEP highlighted that, "The results must be taken in the context of the acquisition of A.S Bryden & Sons Holdings Limited (the Bryden Group) in June 2022."
- Cost of Sales rose 65.06% from \$23.03 billion in 2021 to \$38.02 billion for the nine months ended September 30, 2022. Consequently, gross profit increased 65.33% to close at \$13.42 billion (2021: \$8.12 billion), while the second quarter gross profit amounted to \$6.4 billion (2021: \$2.68 billion).
- However, other operating income for the period totalled \$538.69 million relative to \$155.78 million in 2021, a 245.8% increase year over year, while other operating expenses increased by 67.31% to close the nine months period at \$9.15 billion (2021: \$5.47 billion).
- Consequently, operating profit rose by 71.51% to \$4.81 billion (2021: \$2.8 billion) for the nine months ended September 2022. While for the quarter, operating profit grew by 146% to \$1.98 billion (2021: \$804,453).
- Finance costs totalled \$1.3 billion (2021: \$732.87 million), a 77.52% increase when compared to the same period last year. The company reported share of results of joint venture amounting to \$35.64 million relative to \$85.11 million reported in 2021.
- Pre-tax profits climbed by 64.35% to \$3.54 billion in comparison to \$2.16 billion booked in the same period last year. For the quarter, pre-tax profit amounted to \$1.48 billion relative to \$625.48 million booked in 2021.
- Taxation of \$834.92 million was reported for the nine months period relative to \$395.32 million booked in 2021. Consequently, SEP, for the period under review, booked net profit from continuing operations of \$2.71 billion (2021: \$1.76 billion) and loss from discontinued operations closed at \$78.42 million (2021: \$59.76 million). As a result, overall net profit was \$2.63 billion (2021: \$1.7 billion) for the period under review, while for the quarter, net profit closed at \$1.05 billion (2021: \$494.52 million).
- The comprehensive income for the nine months amounted to \$2.51 billion (2021: \$1.83 billion.) For the third quarter, comprehensive income amounted to \$1.06 billion (2021: \$540.05 million).
- Net profit attributable to shareholders of the company amounted to \$2.25 billion increasing 32% from \$1.70 billion reported in 2021. Net profit attributable to shareholders of the company for the quarter was \$771.61 million. (2021: \$494.52 million).

HOLD

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



- Net profit attributable to shareholders of the company amounted to \$2.25 billion increasing 32% from \$1.70 billion reported in 2021. Net profit attributable to shareholders of the company for the quarter was \$771.61 million. (2021: \$494.52 million).

HOLD

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.

SELL



SELECTF reports nine months net loss of \$347.59 million:

- Sagicor Select Fund Financial (SELECTF) for the nine months ended September 30, 2022, reported dividend income of \$64.16 million (2021: \$61.91 million). Interest income closed the nine months period at \$811,000 and relative to \$661,000 last year.
- Net changes in fair value on financial assets at fair value through profit or loss for the nine months amounted to a loss of \$387.72 million compared to a loss of \$155.69 million reported in 2021.
- As a result, the company reported a net investment loss of \$322.74 million relative to a net investment loss of \$93.12 million booked last year.
- Net foreign currency loss and other income amounted to \$12,000 relative to a gain of \$18,000 in 2021.
- Total expenses for the nine months period closed at \$24.83 million (2021: \$33.9 million), while for the quarter, expenses amounted to \$5.77 million (2021: \$12.55 million).
- The company reported no tax charge for the period under review.
- Consequently, net loss closed the nine months period at \$347.59 million relative to a net loss of \$127 million last year. Whereas the quarter net loss amounted to \$149.51 million versus the net loss of \$145.25 million booked last year.
- Loss per share for the period under review amounted to \$0.068 relative to a LPS of \$0.025 in 2021, while for the quarter, SelectF booked LPS of \$0.029 versus an LPS of \$0.028 in 2021. Twelve-months trailing LPS was \$0.072. The number of shares used in this calculation was 5,100,000,000 shares.
- Management stated, "The Financial Select Fund recorded a net loss of J\$347.6 million for the nine months ended September 2022. This represents a fall-off relative to a net loss of J\$127.0 million in corresponding period in 2021. This deterioration was principally resulting from unrealized depreciation of J\$387.7 million in the value of investments as most of the securities in the fund recorded a decrease in prices. Furthermore, this negative performance is expected to transcend with the economic uncertainty globally and rising interest rates."

SELL

We believe the stock is overpriced relatively 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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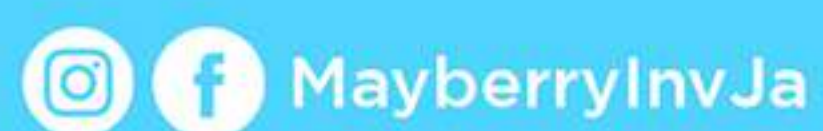
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