

Scotia Premium US Dollar Indexed Fund

Quarterly fund highlights

As of March 31, 2025

Market Review

Local economic indicators displayed mixed signals for the quarter ended March 2025. The Jamaican economy was characterized by a contraction in economic growth, declining inflation, and a decline in stock market activity. According to STATIN, local economic activity contracted by 0.8% for the fourth quarter of 2024, relative the comparable period of 2023. The contraction was primarily driven by the passage of Tropical Storm Rafael and the lingering impact of Hurricane Beryl in July 2024, which most adversely impacted the agricultural sector. For the December 2024 quarter, notable declines were seen in the sectors of Agriculture, Forestry, & Fishing (down 10.6%), Mining & Quarrying (down 2.3%), Hotels & Restaurants (down 0.3%), and Construction (down 2.7%).

As at March 2025, STATIN noted that the point-to-point inflation outturn was 5%, attributed to an increase in 'Food and Non-Alcoholic Beverages' (up 7.4%), 'Housing, Water, Electricity, Gas and Other Fuels' (up 5.1%) and 'Restaurants and Accommodation Services' (up 6.2%). Notably, headline inflation averaged 4.7% during the March quarter, anchoring within the Bank of Jamaica's (BOJ) targeted range of 4% to 6%. Nevertheless, the Bank of Jamaica (BOJ) maintained its policy rate at 6.0% during the March 2025 quarter. The Bank's decision to maintain the policy rate was made within the context of global economic uncertainty as it relates to Jamaica's main trading partners instigated by global trade tensions. At the close of trading on March 31, 2024, the Jamaica Dollar (\$J)/United States Dollar (US\$) pair was \$158.35 to \$1.00. This reflects a year-to-date depreciation of 1.17%. Throughout the March 2025 quarter, the Bank reaffirmed its commitment to supporting the foreign exchange market, supplying inflows of US\$230Mn.

Local stock market activity recorded a boost during the March 2025 quarter. The JSE Combined Index declined by 3.04% to close at 337,336.70 points, while the Junior Market Index declined by 3.52% to close at 3,603.55 points. Overall market activity resulted from trading in 130 stocks of which 52 advanced, 75 declined and 3 traded firm. Market volume during the March 2025 quarter amounted to 2,786,129,083 units valued at over J\$32,159,675,439.39.

Source: Statistical Institute of Jamaica; The Bank of Jamaica; Jamaica Stock Exchange; Planning Institute of Jamaica

Investment team



Arlon Morrison
Portfolio Manager
Scotia Investments

Arlon Morrison is an accomplished investment professional dedicated to enhancing financial literacy in Jamaica and empowering investors to achieve their financial goals. Arlon's career in the industry has spanned over a decade. He previously held the position of Group Investment Research Analyst and Sovereign Risk Analyst at JMMB Group Limited. In this role, he conducted extensive research, analysis, and reporting on local, regional, and international markets. By identifying investment opportunities, threats, and weaknesses, Arlon provided value-added recommendations to support all units under the JMMB Group. Arlon's commitment to excellence extends to his educational achievements, as he holds a First Class Honours BSc. in Economics from the University of the West Indies, Mona, and is also a CFA Charterholder.

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Fund Performance* and Positioning

The Fund had a 3-month net return of 2.57% at the end of Q1 2025, which underperformed the benchmark's return of 3.09%.

Contributors to relative performance included the fund's underweight allocation to USD Government of Jamaica (GOJ) global bonds and an overweight allocation to non-GOJ sovereign bonds and corporates bonds. Jamaican dollar depreciation on non-GOJ sovereign bonds and USD corporate bonds, along with the selection of GOJ/Bank of Jamaica (BOJ) USD, USD Indexed Bonds and cash & cash equivalents also contributed positively. Detractors from the fund's performance versus the benchmark included the selection of USD GOJ global bonds and corporate bonds.

The manager is positioning the fund to maintain liquidity in near-term due to economic uncertainty, capitalizing on opportunities to acquire mispriced securities due to volatility and rebalance money market exposure to capitalize on expectations on JMD securities.

Outlook

Slower rate cuts by the United States (US) Federal Reserve over the remaining calendar year are anticipated given inflation concerns stemming from trade disputes between the US and its trade partners. Locally, inflation is expected by the Bank of Jamaica to remain within its target range over next twelve months and a slowdown in interest rate cuts expected to continue in short-term. The manager also expects moderate JMD depreciation and continued two-way movement in the foreign exchange rate.

*As of March 31, 2025, performance returns for the Scotia Premium US Dollar Indexed Fund are as follows: 1 month: 0.72%, 3 Mos: 2.57%, 6 Mos: 0.89%, YTD: 2.57%, 1Yr: 3.90%, 3 Yrs: 2.95%, 5 Yrs: 5.69%, 10 Yrs: N/A, and since inception (12/21/1992): 5.12%. Performance returns for the SIJL Customized US\$ Indexed Bond Benchmark are as follows: 1 month 0.55%, 3 Mos: 3.09%, 6 Mos: 0.76%, YTD: 3.09%, 1Yr: 8.77%, 3 Yrs: 5.37%, 5 Yrs: 7.68%, 10 Yrs: N/A.

Legal disclaimer

Important information concerning the investment goals, risks, charges and expenses of investing in the mutual funds and unit trusts contained in the Portfolio are contained in the relevant prospectus or offering circular. Investors should carefully consider these before investing. Copies are available from the financial institution where you are buying the portfolio and should be read carefully before investing. Commissions, management fees and expenses all may be associated with investing in mutual funds and unit trusts. Mutual funds and unit trusts are not guaranteed or covered by your local deposit insurance corporation, other government deposit insurer, the Bank of Nova Scotia, or its subsidiaries/affiliates. Their values change frequently, including the amount of income that you may receive (where applicable), and you may not get back the original amount you invested. Information on performance provided herein is subject to variation and is likely to change over time. Past performance may not be repeated and should not be treated as an indicator of future performance. The indicated rates of return are the historical returns including changes in share value and reinvestment of all distributions and do not take into account sales charges or fees, redemptions, distributions or optional charges or income taxes payable by any security holder that would have reduced returns. The foregoing is for informational purposes only and is subject to change without notice. Always consult your professional tax and legal advisors with respect to your particular circumstances. Nothing herein is intended to constitute an offer or solicitation to transact business for products or services in any jurisdiction where such an offer or solicitation would be unlawful. This does not constitute an invitation to purchase or sell shares of the mutual funds or unit trusts. Scotia Funds (formerly Scotiabank Mutual Funds) and Scotia Global Asset Management, are brand names under which the Scotiabank Group of Companies, including Scotiabank & Trust (Cayman) Ltd. and Scotia Investments Jamaica Limited, markets and distributes mutual funds and unit trusts. 1832 Asset Management L.P. is a limited partnership, the general partner of which is wholly owned by Scotiabank and is the Investment Fund Manager for Scotia Funds and Dynamic Funds. Net asset value information of the Scotia Funds can be found on Bloomberg, in the Equities section, and on the Cayman Islands Stock Exchange (CSX), website www.csx.ky under "Scotiabank". Net asset value information of the unit trusts can be found on scotiainvestmentsjm.com. TM Trademark of the Bank of Nova Scotia, used under license.