

# Scotia Premium US Dollar Indexed Fund

## Quarterly fund highlights

As of March 31, 2024

## Market Review

For the March 2024 quarter, Jamaica's key economic variables remained stable. The point-to-point inflation rate as at March 2024 was 5.6%, which was lower than the 6.2% for the February 2024 period and marginally below the Bank of Jamaica's (BOJ) target upper limit of 6%. According to the Statistical Institute of Jamaica (STATIN), the inflation outturn was driven by a downward movement in the 'Food and Non-Alcoholic Beverages' division, primarily due to the decline of agricultural produce prices over the period. The Bank estimates that inflation will likely breach its upper limit over the March 2024 to June 2025 quarters, given the increase in public passenger vehicles fares, higher-than-projected wage adjustments and worsening of supply chain conditions.

Notwithstanding the inflation headwinds, the BOJ held its policy rate at 7.00% during the March 2024 quarter. Of note, the Bank remains committed to stabilizing the foreign exchange market. During the March 2024 quarter, the BOJ intervened in the foreign exchange market supplying a total of US\$208.1M to end users, relative to US\$180.0M in the comparable period of 2023. At the close of trading on March 28, 2023, the Jamaica Dollar (\$J)/United States Dollar (US\$) pair was \$154.70 to \$1.00. This reflects a year-to-date appreciation of 0.16%.

Despite the elevated interest rate environment, during the quarter ended March 2024, there was an uptick in trading activity on the local equities market. The JSE Combined Index advanced by 1.94% to close at 341,247.67 points. This was attributable to both the JSE Main Market and the Junior Market augmenting by 1.93% and 2.39% respectively during the period. Over the March 2024 quarter, market volume traded amounted to 1,756,635,282 units valued at J\$9.69B. This represents a 95.5% jump when compared to the March 2023 quarter that recorded a market volume of 898,381,381 units valued at J\$8.33B. The rise in trading activity is likely due to increased investor confidence that local interest rates have hit their peak.

During 2023, the Jamaican economy recovered to its pre-covid output levels. For the fourth quarter of 2023, STATIN indicated that the Jamaican economy grew by 1.7%, relative to the comparable period of 2022. Both the goods producing, and services industries contributed to the positive development, augmenting by 0.8% and 2.0% respectively. The 'hotels and restaurant' sector drove the gains within the services industries - growing

## Investment team



**Renee Murray**  
Portfolio Manager  
Scotia Investments

Renee Murray is a financial services professional with over nine (9) years' experience in the financial services industry. Renee attended the University of the West Indies, where she graduated with Honours, receiving a Bachelor's Degree in Actuarial Science. Thereafter she pursued and passed seven (7) Actuarial Science exams with the Institute and Faculty of Actuaries. Renee has previously worked as a Senior Portfolio Analyst as well as a Treasury Management Specialist at leading firms in the Jamaican financial industry, working with various Pension Fund and Unit Trust portfolios. Her experience spans portfolio management, investment analysis, as well as treasury management.

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by 8.3%, while for the goods producing industries, mining and quarrying activities surged by 21.5% over the period. Of note, the JAMALCO plant resumed its mining operations during CY2023, relative to be closed in the second half of 2022 due to a fire. Other Industries that recorded notable gains were 'finance and insurance services' (3.6%) and 'electricity and water supply' (5.2%). Overall economic growth for Q4-2023 was stymied by the construction industry and government services which contracted by 3.8% and 0.4% respectively.

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

## Fund Performance\* and Positioning

The Fund had a 3-month net return of 0.74% at the end of Q1 2024, which outperformed its benchmark's return of -0.58%.

Contributors to performance included the fund's underweight allocation and selection of GOJ USD Global Bonds, the currency effect on GOJ USD Global Bonds, the selection of Corporate Bonds and the overweight allocation to cash & equivalents over the period. While detractors from the Fund's performance included the selection of Non-GOJ Sovereign bonds, the currency effect on Non-GOJ Sovereign Bonds and the selection and currency effects on GOJ/BOJ USD & USD-Indexed Bonds

The Fund Managers intend to rebalance the Fixed Income exposure to improve asset quality, rebalance Money Market exposure to capitalize on expectations on JMD securities and maximize tenors on Money Market exposure to lock in current attractive yields.

## Outlook

Interest rates are expected to remain elevated in short-term with the US Federal Reserve expected to cut its policy rate towards the second half of 2024. We expect moderate JMD depreciation, continued two-way movement in the FX rate, an inverted US treasury yield curve in the first half of the year and continued volatility in bond market due to continued resilience in labor market and global geopolitical headwinds.

\*As of March 31, 2024, performance returns for the Scotia Premium US Dollar Indexed Fund are as follows: 1 month: -0.47%, 3 Mos: 0.74%, 6 Mos: 4.88%, YTD: 0.74%, 1 Yr: 7.87%, 3 Yrs: 2.64%, 5 Yrs: 5.69%, 10 Yrs: N/A, and since inception (12/21/1992): 5.27%. Performance returns for the SIJL Customized US\$ Indexed Bond Benchmark are as follows: 1 month -0.28%, 3 Mos: -0.58%, 6 Mos: 4.20%, YTD: -0.67%, 1 Yr: 8.53%, 3 Yrs: 3.99%, 5 Yrs: 7.02%, 10 Yrs: N/A.

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## 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](http://www.csx.ky) under "Scotiabank". Net asset value information of the unit trusts can be found on [scotiainvestmentsjm.com](http://scotiainvestmentsjm.com). <sup>TM</sup> Trademark of the Bank of Nova Scotia, used under license.