

Scotia Premium Short-Term Income Fund (JMD)

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 2.16% at the end of Q1 2024, which outperformed its benchmark's return of 0.60%.

Contributors to the positive performance included the fund's overweight allocation to money market securities and overweight allocation and selection of corporate bonds. The outperformance was also attributable to the fund's underweight allocation to GOJ variable rate local bonds and an overweight allocation to BOJ Certificates of Deposits. However, the Fund's overweight allocation to GOJ local bonds detracted from its performance over the period.

The Fund's position at the end of the quarter saw increased exposure to short duration corporate bonds, Bank of Jamaica securities and extended tenure for investment in money market securities to lock in higher rates.

Outlook

The BOJ has eased the pace of interest rate increases and local interest rates are expected to remain elevated for the first half of the year. Moreover, the BOJ is expected to maintain its restrictive policy rate for the first half of the year as inflation continues to trend to the top of its target range, with the possibility of reduction in rates over the next 12 to 18 months.

*As of March 31, 2024, performance returns for the Scotia Premium Short-Term Income Fund (JMD) are as follows: 1 month: 0.97%, 3 Mos: 2.16%, 6 Mos: 4.26%, YTD: 2.16%, 1 Yr: 8.14%, 3 Yrs: N/A, 5 Yrs: N/A, 10 Yrs: N/A, and since inception (11/15/2021): 6.64%. Performance returns for the Customized JMD Short-Term benchmark are as follows: 1 month 0.28%, 3 Mos: 0.60%, 6 Mos: 1.07%, YTD: 0.60%, 1 Yr: 3.83%, 3 Yrs: N/A, 5 Yrs: N/A, 10 Yrs: N/A.

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Legal disclaimer

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