

Scotia Premium Short-Term Income Fund (USD)

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



Ann-Marie Thomas
Portfolio Manager
Scotia Investments

Ann-Marie Thomas is a seasoned investment professional with a robust background in finance and economics. Most recently, she served as Acting Investment Manager at NCB Insurance Agency & Fund Managers, following her role as a Senior Investment Analyst. Prior to that, Ann-Marie was the Assistant Manager for Research at JN Fund Managers and a Fiscal Economist in the Economic Division at the Ministry of Finance and the Public Service. She has also shared her expertise as a lecturer at both the undergraduate and master's levels at the University of the West Indies.

An avid Toastmaster, Ann-Marie was the charter president and later the Vice President of Education for the JN Talking Titans Toastmasters Club. Known for her analytical prowess, she often focuses on precision and ensuring accuracy.

Ann-Marie holds an MSc. in Economics from the University of the West Indies, Mona, and also passed the CFA level 1 exam.

Scotia Premium Short-Term Income Fund (USD)

Fund Performance* and Positioning

The Fund had a 3-month net return of 1.06% at the end of Q1 2025, which underperformed its benchmark's return of 1.42%.

Contributors to the performance included the fund manager's selection of Non-Government of Jamaica (GOJ) sovereign bonds. Conversely, the fund's overweight allocation to money market securities and Corporate Fixed Rate bonds, along with an underweight allocation of Non-GOJ sovereign bonds detracted from relative performance versus the benchmark. The manager is positioning to rebalance holdings into higher quality credits where opportunities arise and has increased the monitoring of exposures with higher downside risks amidst economic uncertainties. They also aim to actively manage the fund's duration relative to the benchmark's duration to support flexibility amid uncertainties.

Outlook

Interest rates are expected to remain stable in the near term and bond yield volatility may persist. Increased uncertainties from the U.S. political landscape may impact interest rates. US Federal Reserve cuts are not anticipated until late in the year.

*As of March 31, 2025, performance returns for the Scotia Premium Short-Term Income Fund (USD) are as follows: 1 month: 0.24%, 3 Mos: 1.06%, 6 Mos: 1.31%, YTD: 1.06%, 1 Yr: 3.36%, 3 Yrs: 3.51%, 5 Yrs: N/A, 10 Yrs: N/A, and since inception (11/15/2021): 3.27%. Performance returns for the Customized USD Short-Term benchmark are as follows: 1 month 0.46%, 3 Mos: 1.42%, 6 Mos: 2.40%, YTD: 1.42%, 1 Yr: 5.41%, 3 Yrs: 4.90%, 5 Yrs: N/A, 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.