



# UNIT TRUST FUND PERFORMANCE

**GLOBAL INCOME PORTFOLIO, GLOBAL INCOME PLUS PORTFOLIO,  
GLOBAL INCOME MAX PORTFOLIO, CLASSIC INCOME PORTFOLIO, CLASSIC  
EQUITY GROWTH PORTFOLIO, CLASSIC PROPERTY PORTFOLIO, GLOBAL  
EQUITY GROWTH PORTFOLIO, CLASSIC PROTECTOR PORTFOLIO**

Quarter ended March 31, 2021



# GLOBAL INCOME PORTFOLIO

QUARTER ENDED MARCH 31, 2021

## Portfolio Description

The VM Wealth Global Income Portfolio is a United States Dollar denominated portfolio primarily comprising sovereign and corporate bonds from Caricom, USA, Canada and Europe, maturing in the short term.



### Investment Objective

The fundamental investment objective of the VMWealth Global Income Portfolio is to provide income and capital growth over the short term by investing primarily in USD bonds issued by sovereigns and corporates across the Caribbean, USA, Canada and Europe.



### Suitability

The VMWealth Global Income Portfolio is suitable for investors who have a conservative risk appetite.



### Asset Class

Fixed Income



### Benchmark

Adjusted Money Market Return

## Risk Profile



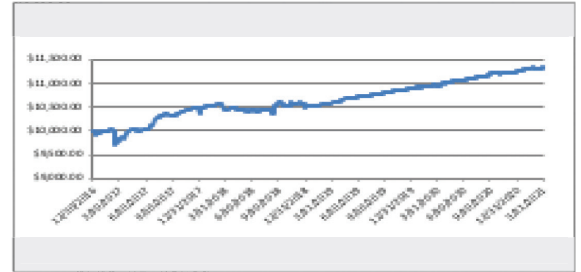
## Portfolio Performance

(as at March 31, 2021)

	GLOBAL INCOME	MONEY MARKET
Net Asset Value Per Share (NAVPS)	1.1089	
12-Month Growth Rate	3.46%	3.50%
Year-to-Date Growth Rate	0.72%	0.88%

## Growth of \$10,000

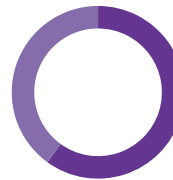
### Global Income Portfolio Historical Performance



### Top 5 Holdings

Top 5 Holdings	% of Portfolio
AIC Barbados (Oct) 2020	18.92
NCB 2022	11.52
SJPC 2032	6.80
AIC Barbados (May) 2023	5.48
AIC Barbados (May) 2021	4.08
<b>Total of Top 5 Holdings</b>	<b>46.80</b>
<b>Total Number of Holdings</b>	<b>10</b>

### Country Exposure



Country	% of Portfolio
Jamaica	67.32
Barbados	32.68
<b>Total</b>	<b>100.00</b>

### Maturity Distribution



Maturity	% of Portfolio
0 - 1 Years	51.06
1 - 3 Years	39.69
>3 Years	9.25
<b>Total</b>	<b>100.00</b>



# GLOBAL INCOME PLUS PORTFOLIO

QUARTER ENDED MARCH 31, 2021

## Portfolio Description

The VM Wealth Global Income Plus Fund Portfolio is a United States Dollar denominated portfolio primarily comprising medium term sovereign and corporate bonds from Caricom, USA, Canada and Europe.



### Investment Objective

The fundamental investment objective of the VMWealth Global Income Plus Portfolio is to provide capital growth over the medium term by investing primarily in USD bonds issued by sovereigns and corporates across the Caribbean, USA, Canada and Europe.



### Suitability

The VMWealth Global Income Plus Portfolio is suitable for investors who have a moderate risk appetite.



### Asset Class

Fixed Income



### Benchmark

JSE Caribbean Investment Grade Index

## Risk Profile



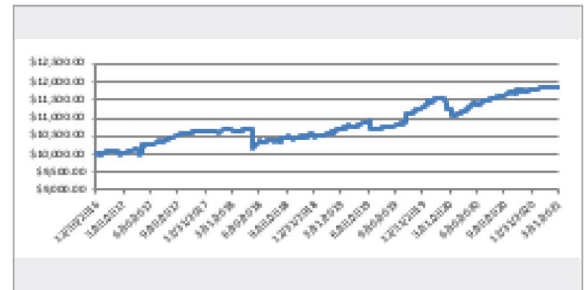
## Portfolio Performance

(as at March 31, 2021)

	GLOBAL INCOME PLUS	JSE CARI. IG INDEX
Net Asset Value Per Share (NAVPS)	1.1373	
12-Month Growth Rate	5.41%	20.01%
Year-to-Date Growth Rate	0.74%	-3.61%

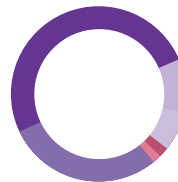
## Growth of \$10,000

### Global Income Plus Portfolio Historical Performance



### Top 5 Holdings

Top 5 Holdings	% of Portfolio
SJPC 2032	11.57
NCBFG 2022	10.04
Unicomer 2024	8.02
AIC Barbados (May) 2021	6.17
AIC Barbados (Oct) 2023	5.17
<b>Total of Top 5 Holdings</b>	<b>40.96</b>
<b>Total Number of Holdings</b>	<b>14</b>



### Country Exposure

Country	% of Portfolio
Jamaica	59.48
Barbados	19.63
Trinidad & Tobago	7.15
El Salvador	8.02
Dominican Republic	1.59
Bahamas	4.14
<b>Total</b>	<b>100.00</b>



### Maturity Distribution

Maturity	% of Portfolio
0 - 1 Years	49.47
1 - 5 Years	27.53
>5 Years	23.00
<b>Total</b>	<b>100.00</b>



# GLOBAL INCOME MAX PORTFOLIO

QUARTER ENDED MARCH 31, 2021

## Portfolio Description

The VM Wealth Global Income Max Portfolio is a long-term portfolio denominated in United States Dollar and primarily comprising sovereign and corporate bonds from the USA, Europe and Caricom.



### Investment Objective

The fundamental investment objective of the VMWealth Global Income Max Portfolio is to provide capital growth over the long term by investing primarily in USD bonds issued by sovereigns and corporates across the Caribbean, USA, Canada and Europe.



### Suitability

Investors who have an aggressive risk appetite and are looking for attractive returns over the long term should invest in this Portfolio.



### Asset Class

Fixed Income



### Benchmark

JSE Caribbean Investment Grade Index

## Risk Profile



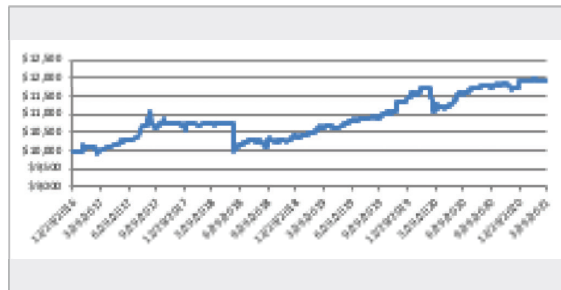
## Portfolio Performance

(as at March 31, 2021)

	GLOBAL INCOME MAX	JSE CARI. IG INDEX
Net Asset Value Per Share (NAVPS)	1.1522	
12-Month Growth Rate	5.93%	20.01%
Year-to-Date Growth Rate	0.32%	-3.61%

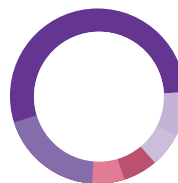
## Growth of \$10,000

### Global Income Max Portfolio Historical Performance



### Top 5 Holdings

Top 5 Holdings	% of Portfolio
SJPC 2032	14.03
Unicomer 2024	11.95
NCB 2022	8.00
Niquan 2021	7.54
TransJamaican 2036	7.54
<b>Total of Top 5 Holdings</b>	<b>49.04</b>
<b>Total Number of Holdings</b>	<b>20</b>



### Country Exposure

Country	% of Portfolio
Jamaica	61.88
Barbados	8.48
Trinidad & Tobago	12.84
El Salvador	11.138
Domonican Republic	0.32
Bahamas	5.10
<b>Total</b>	<b>100.00</b>



### Maturity Distribution

Maturity	% of Fund
0 - 1 Years	32.47
1 - 7 Years	28.71
>7 Years	38.82
<b>Total</b>	<b>100.00</b>

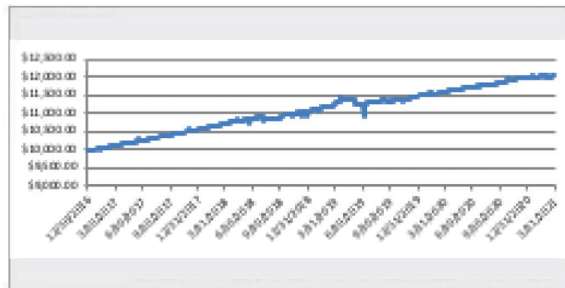


# CLASSIC INCOME PORTFOLIO

QUARTER ENDED MARCH 31, 2021

## Growth of \$10,000

### Classic Income Portfolio Historical Performance



### Top 5 Holdings

Top 5 Holdings	% of Portfolio
VMIL 2023	12.24
Crissa's Ltd 2033	10.64
AICB July 2021	9.74
138 SL Inv 2026	9.28
Mayberry Inv. Ltd. Margin	8.14
<b>Total of Top 5 Holdings</b>	<b>50.05</b>
<b>Total Number of Holdings</b>	<b>18</b>

## Portfolio Description

The VM Wealth Classic Income Portfolio is a JMD denominated portfolio comprising Government of Jamaica and corporate bonds.



### Investment Objective

The fundamental investment objective of the VMWealth Classic Income Portfolio is to provide investors with income over the short term.



### Suitability

The VMWealth Classic Income Portfolio is suitable for investors who have a moderate risk appetite and are concerned about security of principal.



### Asset Class

Fixed Income



### Benchmark

Treasury Bill Yield

## Risk Profile

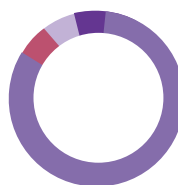


## Portfolio Performance

(as at March 31, 2021)

	CLASSIC INCOME PORTFOLIO	TREASURY BILL YIELD
Net Asset Value Per Share (NAVPS)	1.2251	
12-Month Growth Rate	3.69%	1.52%
Year-to-Date Growth Rate	0.23%	0.33%

### Exposure



Asset Class	% of Portfolio
Government of Jamaica	6.49
Corporate	84.95
Cash & Equivalents	8.24
Cash & Equivalents	8.24
<b>Total</b>	<b>100.00</b>

### Maturity Distribution



Maturity	% of Portfolio
<1 Year	26.65
1 - 7 Years	57.65
>7 Years	15.70
<b>Total</b>	<b>100.00</b>



# CLASSIC EQUITY GROWTH PORTFOLIO

QUARTER ENDED MARCH 31, 2021

## Portfolio Description

The VM Wealth Classic Equity Growth Portfolio is managed with the aim of providing investors with a diversified mix of equity securities of companies domiciled in Jamaica and internationally. The Portfolio Managers seek to identify and acquire investment instruments with attractive potential returns while mitigating attendant risks.



### Investment Objective

The fundamental investment objective of the VM Wealth Classic Equity Growth Portfolio is to provide investors with capital appreciation over the medium to long-term.



### Suitability

The VM Wealth Classic Equity Growth Portfolio is suitable for investors who are seeking a well-diversified portfolio of stocks to optimize medium to long-term growth and capital appreciation and are willing to accept medium to high levels of risk.



### Asset Class

Equity



### Benchmark

JSE Select Index

## Risk Profile



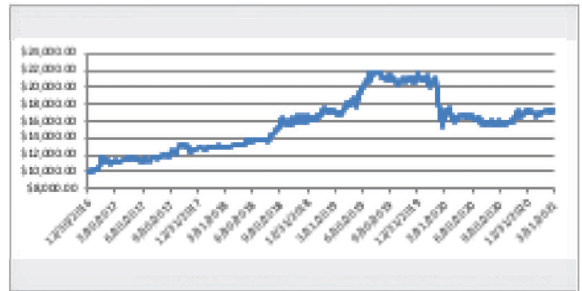
## Portfolio Performance

(as at March 31, 2021)

	EQUITY PORTFOLIO	JSE SELECT
Net Asset Value Per Share (NAVPS)	2.0074	
12-Month Growth Rate	8.61%	-1.71%
Year-to-Date Growth Rate	0.59%	0.19%

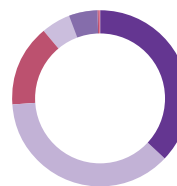
## Growth of \$10,000

### Classic Equity Growth Portfolio Historical Performance



## Top 5 Holdings

Top 5 Holdings	% of Portfolio
Caribbean Cement	11.62
JMMB Group Limited	9.92
Seprod	9.54
NCB Financial Group Limited	9.04
Jamaica Stock Exchange	7.90
<b>Total of Top 5 Holdings</b>	<b>48.01</b>
<b>Total Number of Holdings</b>	<b>40</b>



## Industry Distribution

Industry	% of Portfolio
Finance	30.58
Conglomerates	2.35
Manufacturing	39.96
Retail Trade	3.03
Other	21.58
Insurance	0.00
Tourism	2.34
Communication	0.15
<b>Total</b>	<b>100.00</b>



## Portfolio Description

The VM Wealth Classic Property Portfolio seeks to invest primarily in real estate



### Investment Objective

The investment objective of the VMWealth Classic Property Portfolio is to strategically invest in the various segments of the real estate market to maximize rental income and capital appreciation over the medium term.



### Suitability

The VMWealth Classic Property Portfolio is suitable for investors who have a moderate risk appetite.



### Asset Class

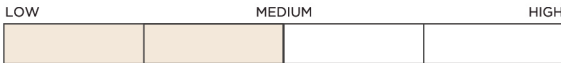
Real Estate



### Benchmark

Inflation

## Risk Profile



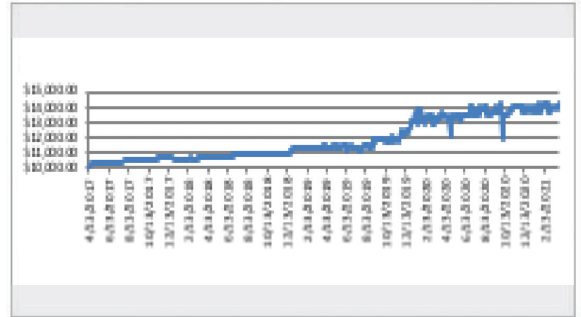
## Portfolio Performance

(as at March 31, 2021)

	PROPERTY PORTFOLIO	INFLATION
Net Asset Value Per Share (NAVPS)	1.4219	
12-Month Growth Rate	6.50%	3.94%
Year-to-Date Growth Rate	2.60%	-1.21%

## Growth of \$10,000

### Classic Property Portfolio Historical Performance



## Portfolio Allocation

Industry	% of Portfolio
Real Estate	42.70
Equity	29.66
Fixed Income	15.61
Cash Equivalents	12.04
<b>Total</b>	<b>100.00</b>



# GLOBAL EQUITY GROWTH PORTFOLIO

QUARTER ENDED MARCH 31, 2021

## Portfolio Description

The VM Wealth Global Equity Growth Portfolio invests primarily in equity investments of developed markets.



### Investment Objective

The fundamental investment objective of the VMWealth Global Equity Growth Portfolio is to strategically invest in the equity indices of developed markets to track the performance of the broader markets, earning capital appreciation over the medium-term.



### Suitability

The VMWealth Global Equity Growth Portfolio is suitable for investors who are seeking a well-diversified portfolio of stocks to optimize medium to long-term growth and capital appreciation and have an aggressive risk appetite.



### Asset Class

Equity



### Benchmark

S&P 500

## Risk Profile



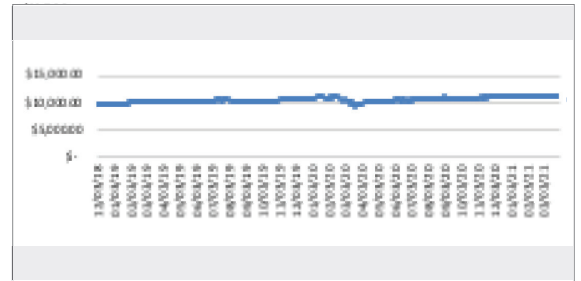
## Portfolio Performance

(as at March 31, 2021)

	EQUITY PORTFOLIO	S&P 500
Net Asset Value Per Share (NAVPS)	1.1337	
12-Month Growth Rate	13.67%	49.15%
Year-to-Date Growth Rate	1.59%	5.77%

## Growth of \$10,000

### Global Equity Growth Portfolio Historical Performance



### Top Holdings

Top Holdings	% of Portfolio
SPDR S&P 500 ETF Trust	46.11
<b>Total of Top Holdings</b>	<b>8.34</b>
<b>Total of Top Holdings</b>	<b>54.45</b>
<b>Total Number of Holdings</b>	<b>2</b>



### Exposure

Asset Class	% of Holdings
Equities	46.11
Fixed Income	8.34
Cash & Cash Equivalent	45.55
<b>Total</b>	<b>100.00</b>



# CLASSIC PROTECTOR PORTFOLIO

QUARTER ENDED MARCH 31, 2021

## Portfolio Description

The VM Wealth Classic Protector Portfolio invests primarily in short-term money market securities.



### Investment Objective

The fundamental investment objective of the VM Wealth Classic Protector Portfolio is to invest in short-term liquid securities towards minimizing the risk of capital loss.



### Suitability

The VM Wealth Classic Protector Portfolio is suitable for investors who have a low risk appetite and are concerned about preservation of principal.



### Asset Class

Fixed Income



### Benchmark

6-month Weighted Average Treasury Bill

## Risk Profile



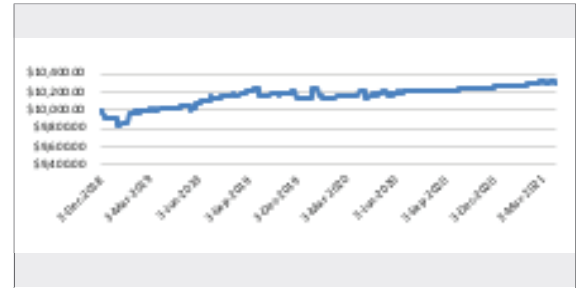
## Portfolio Performance

(as at March 31, 2021)

	PROTECTOR	6M WATBY
Net Asset Value Per Share (NAVPS)	1.0307	
12-Month Growth Rate	0.97%	1.52%
Year-to-Date Growth Rate	0.38%	0.33%

## Growth of \$10,000

### Classic Protector Portfolio Historical Performance



### Top Holdings

Top Holdings	% of Portfolio
AICB July 2021	19.01
VMIL 2023	17.45
GOJ FR 2029	9.24
<b>Total of Top Holdings</b>	<b>58.79</b>
<b>Total Number of Holdings</b>	<b>5</b>



### Exposure

Asset Class	% of Portfolio
Corporate	58.79
Cash & Equivalents	41.21
<b>Total</b>	<b>100.00</b>



### Maturity Distribution

Maturity	% of Portfolio
<=1 Year	60.22
>1 Year	39.78
<b>Total</b>	<b>100.00</b>



# GOAL MAXIMIZER PORTFOLIO

QUARTER ENDED MARCH 31, 2021

## Portfolio Description

The VM Wealth Goal Maximizer Portfolio invests in growth securities across all asset classes.



### Investment Objective

The fundamental investment objective of the VM Wealth Goal Maximizer Portfolio is to invest in well-diversified portfolio of assets to optimize medium to long term growth and capital appreciation.



### Suitability

The VM Wealth Goal Maximizer Portfolio is suitable for investors who have a moderate risk appetite.



### Asset Class

Fixed Income



### Benchmark

The VM Wealth Goal Maximizer Portfolio is suitable for investors who have a moderate risk appetite.

## Risk Profile



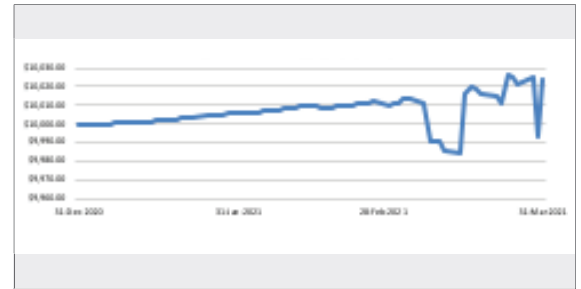
## Portfolio Performance

(as at March 31, 2021)

	PROTECTOR	6M WATBY
Net Asset Value Per Share (NAVPS)	1.0024	
12-Month Growth Rate	N/A	N/A
Year-to-Date Growth Rate	0.24%	0.14%

## Growth of \$10,000

### Goal Maximizer Portfolio Historical Performance



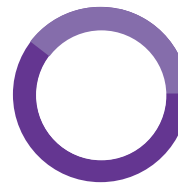
## Top Holdings

Top Holdings	% of Portfolio
AICB July 2021	19.01
VMIL 2023	17.45
GOJ FR 2029	9.24
<b>Total of Top Holdings</b>	<b>58.79</b>
<b>Total Number of Holdings</b>	<b>5</b>



## Exposure

Asset Class	% of Portfolio
Corporate	58.79
Cash & Equivalents	41.21
<b>Total</b>	<b>100.00</b>



## Maturity Distribution

Maturity	% of Portfolio
<=1 Year	60.22
>1 Year	39.78
<b>Total</b>	<b>100.00</b>

## Fund Commentary

### Global Income Portfolio

The NAV per share on this portfolio as at March 31, 2021 was \$1.1089, up by \$0.0079 or 0.72% for the quarter. The portfolio continues to benefit from having exposure to locally issued corporate bonds of high credit quality. The recent increase in US interest rates has created an opportunity to acquire higher yielding assets which should boost performance in the coming quarters.

### Global Income Plus Portfolio

The NAV per share on this portfolio as at March 31, 2021 was \$1.1373, up by \$0.0083 or 0.74% for the quarter. The portfolio continues to outperform its benchmark as increasing US interest rates negatively impacted emerging market bonds. This retracement in bond prices offers a great opportunity for the deployment of cash reserves to boost portfolio yields and returns for the rest of this year.

### Global Income Max Portfolio

The NAV per share on this portfolio as at March 31, 2021 was \$1.1522, up by \$0.037 or 0.32% for the quarter. The portfolio continues to outperform its benchmark as increasing US interest rates negatively impacted emerging market bonds. This retracement in bond prices offers a great opportunity for the deployment of cash reserves to boost portfolio yields and returns for the rest of this year. There are also several corporate bonds in the pipeline which will further add to the portfolio value.

### Classic Income Portfolio

The NAV per share on this portfolio as at March 31, 2021 was \$1.2251, up \$0.0028 or 0.23% for the quarter. GOJ issuances in the debt market have been very muted while interest rates have remained at close to historic lows. This has resulted in investors seeking yield in the corporate debt markets and this is likely to continue in the medium term.

### Classic Equity Growth Portfolio

The NAV per share on this portfolio as at March 31, 2021 was \$2.0074, up \$0.117 or 0.59% for the quarter. The JSE has recovered some of the ground lost last year but is still significantly down from the highs of early 2020. We continue to optimize the portfolio which is shown in the fact that the portfolio continues to outperform its benchmark. This optimization is an ongoing process and should result in further performance improvements as the year progresses.

### Classic Property Portfolio

The NAV per share on this portfolio as at March 31, 2021 was \$1.4219, up \$0.0361 or 2.60% for the quarter. The portfolio continues its stellar track record with the outperformance of its benchmark in all years since inception. There are several projects in the pipeline which should continue to add value in the coming quarters.

### Global Equity Growth Portfolio

The NAV per share on this portfolio as at March 31, 2021 was \$1.1160, up by \$0.043 or 4.01% for the quarter. The Global Equity Portfolio is primarily invested in the SPY ETF that tracks the S&P 500 large cap index. While the S&P 500 continues to perform very well we have diversified some of the portfolio holdings in order to protect against some of the downside risks we see building if US interest rates continue to increase.

### Classic Protector Portfolio

The NAV per share on this portfolio as at March 31, 2021 was \$1.1337, up \$0.0177 or 1.59% for the quarter. This is primarily invested in corporate bonds and GOJ bonds and should continue to provide steady rates of return over the coming quarters.

### Goal Maximizer Portfolio

The NAV per share on this portfolio as at March 31, 2021 was \$1.0024, up by \$0.0024 or 0.24% for the quarter. The newest addition to our offerings has had a great start so far with investments in a diverse range of asset classes and expectations are that it will continue this trajectory with the continued deployment of available liquidity.

## Economic Commentary

According to the International Monetary Fund (IMF), global prospects remain highly uncertain one year into the pandemic and economic recoveries are diverging across countries and sectors. The IMF is now projecting a 6% global recovery in 2021 followed by 4.4% growth in 2022, stronger than its October projections. This upward revision reflects additional fiscal support in a few large economies, the anticipated canine-powered recovery in the second half of 2021 and continued adaptation of economic activity.

Market activity during the quarter was influenced by news surrounding the US vaccine rollout plan, which will be expanded come April 19 to include 90% of US adults for eligibility. Meanwhile, in Europe, concerns over the economic recovery mounted as a slowdown of the vaccine rollout across Europe added to fear of a third wave of the pandemic. According to the World Health Organization (WHO), most countries are experiencing an increase in cases following the spread of a highly contagious strain of the virus. Market activity was also influenced by the rebalancing of portfolios towards the quarter's end. This saw the yield on the benchmark US 10-year Treasury advancing by 83 basis points to close at 1.74%, up from 0.91% at the end of December.

The US Presidential inauguration took place as planned on January 20, where Joe Biden and Kamala Harris were sworn in as the 46th President and 49th Vice President for the country. Janet Yellen, formerly the Vice Chair of the Federal Reserve, was appointed as the US Treasury Secretary on January 26. With her appointment, the Department of Treasury and Federal Reserve are expected to work cohesively for the recovery of the economy through fiscal and monetary policies.

The long-awaited US\$1.9 billion stimulus package was passed. It includes aid for the unemployed, hungry and those facing eviction, in addition to support for small businesses, states and local governments and increased funding for vaccinations and testing. In response, the Organization for Economic Cooperation and Development (OECD) upgraded its 2021 global economic forecast for the US to 6.5% in 2021 from an earlier forecast of 3.2% while noting that there will be benefits for other economies because of increased American demand and trade. It also upgraded its 2021 global economic forecast, largely thanks to vaccine rollouts and the US stimulus package, saving that global growth should be 5.6% this year, more than a percentage point above its December forecast.

Despite this positive effect, some are predicting that this package on top of the previous 2 massive spending measures, will overheat the US economy and stimulate inflation risk. However, Fed chairman, Jerome Powell says that the biggest risk is of a temporary jump in prices, while assuring that the Fed will be vigilant and intends to keep interest rates low to dampen any inflation that emerges.

President Biden also unveiled his US\$2.25 trillion infrastructure plan on March 31. This initiative seeks to modernize bridges, highways, and roads across the US. There will also be US\$100 million allocated towards upgrading and building schools. US\$400 billion will be allocated to building homes or community-based care centres for elderly and disabled persons. This reform is expected to be funded by an increase in the corporate tax rate to 28% from the 21% set by former President Trump in his 2017 tax bill. The change to the corporate tax rate is expected to increase government revenues by 0.5% of GDP per year.

The Federal Reserve held interest rates between 0% and 0.25%, where they have been since an emergency cut a year ago in March 2020, during the early days of the coronavirus pandemic, and the interest rate on excess reserves at 0.10%. The Fed also lifted its dividend payment restrictions on listed banks, which should bolster prospects for those stocks in the market. The market was receptive to the move.

Locally, February's Treasury Bill auctions saw yields on all tenors spike unexpectedly. J\$ liquidity was tight with a large player actively selling bonds into the market, having the effect of mopping up liquidity. However, in March, there was some return of liquidity and rates dipped in the March auctions by 29.36bps and 43.97bps on the 91-day and 182-day tenors, respectively. The Bank of Jamaica's overnight rate of 0.50%, remained unchanged at the March 29, 2021 rate consideration. The next review is scheduled for May 18.

The stock market began a mild recovery in February with only a slight decline on the USD market, as earnings season saw the release of company financials, many of which showed better than anticipated financial results, despite the challenging 2020 operating environment. In particular, GraceKennedy Limited (GK) boasted its best financial performance in its 99-year history. GraceKennedy (GK) surged in March after releasing record breaking results and releasing news of its latest acquisition, Scotia Insurance Eastern Caribbean Limited (SIECL). SIECL which operates in 7 countries in the Eastern Caribbean and will be a wholly owned subsidiary of GK, will become its 3rd acquisition in the last 2 years, should regulatory approval be granted.

NCB Financial Group (NCBFG) has announced its plans to cross-list shares of its subsidiary Guardian Holdings Limited (GHL). Guardian, which was the first company to list 2 bonds on the JSE's private market platform, voluntarily delisted from the local exchange in 2013 but now sees the current conditions as suitable for re-entry.

The USDJMD rate declined by more than 4.00% in January, with the Jamaican dollar taking a hammering throughout the month, posting losses in the Broker market, which opened trading at 142.00 on January 4th and closed on the 29th at JMD150.00:USD1.00, an \$8.00 loss. In February, pressure continued to mount against the Jamaican dollar for the first three weeks, before a pull-back in the final trading

week of the month as end-users were resistant to the high-priced supply. The local dollar posted a marginal 40 cents month-over-month loss in the Broker market. The Tax Administration of Jamaica (TAJ), under recommendation from several private sector groups, extended the tax filing deadline from March 15th to March 31st. This move resulted in a sell-off of US Dollars in the market to secure JMD funding ahead of the deadline. The BOJ's Weighted Average Selling Rate (WASR) closed March at \$146.2150, a \$5.73 or 3.92% appreciation versus February's close of \$151.9405 but a 2.68% loss versus the December 2020 close of \$142.6493.

The Net International Reserves (NIR) declined in January by 4.73%, a dip below the US\$3B threshold but regained 1.12% in February. The coverage of goods and service imported remains well above the 12-week benchmark. The BOJ has begun to report the stock of reserves in relation to a new benchmark, the Assessing Reserve Adequacy Metric (ARA Metric), which is comprised of 4 components, each reflecting a potential drain on the external accounts. The components include Exports of Goods & Services, Broad Money, Short-Term External Debt and Other Portfolio Liabilities. The ARA Metric is a more robust metric for measuring adequacy than the traditional imports coverage metric that has been utilized for some time.

From the perspective of Jamaica's external accounts, notwithstanding the fallout in tourism flows, the current account deficit of the balance of payments is projected to deteriorate mildly from 1.6% of GDP for FY2019/20 to a range of 1.8 to 2.2% of GDP for FY2020/21. Tourist arrivals fell dramatically in 2020 and imports (some related to the tourism trade) also fell significantly. However, remittance inflows improved dramatically, which served to cushion the effects of the fallout in tourism on the balance of payments. Private capital outflows were also tempered by a reduction in capital market FX investments. Net remittance inflows increased by 24.7% in 2020 relative to 2019 as a result of a 20.8% increase in gross inflows and a 13.9% decline in outflows. Inflows continued to come mainly from the US (67.1%), the UK (12.7%), Canada (10.1%) and the Cayman Islands (6.0%). Jamaica's growth rate in remittance inflows of 20.8% was higher than other LATAM countries such as Mexico which registered growth of 12.7%, Guatemala of 7.5% and El Salvador of 4.8%.

The Minister of Finance outlined the budgetary plans in his presentation on March 9, the highlight of which was the pronouncement of "no new taxes." This is in acknowledgement of the fact that we are still in the throes of the pandemic crisis and any additional taxes at this time would be counterproductive. He instead stressed the need for economic stimulation and focused on regulatory changes that the government would be prioritizing for the upcoming fiscal year to ensure a faster recovery than we have been able to accomplish historically.

The main tenet of stimulation will come from the SERVE Jamaica programme, a \$60B project, which will be partially funded by a \$33B BOJ dividend payable from accumulated profits over the past 3 years, disaggregated as:

- \$10.5B to Ministry of Health for the vaccine and COVID programme
- \$31.1B for infrastructure projects
- \$8.1B for extra social support
- \$5B for support to businesses affected by COVID
- Other smaller allocations

The programme for this year is to be carried out under the theme “Modernization to recover even stronger” and a major part of this is entrenching the independence of the central bank. The BOJ Amendment Act, which is slated to take effect on April 16 makes the Bank of Jamaica (BOJ) independent and answerable to the Parliament. The intended effect is to decouple the monetary cycle from the political cycle and to encourage longer term planning and decision-making, thereby strengthening the resilience of the economy. The central bank will also be embarking on a project to introduce a digital currency in 2022 in addition to bringing the credit unions and micro credit under the regulatory ambit of the BOJ.

To strengthen resilience, the government plans to issue a 3-year catastrophe bond in advance of this upcoming hurricane season with technical assistance from the World Bank and via grant funding from the US, UK, Canada and Germany. This will be the first of its kind in the Caribbean and will supplement the existing catastrophe risk insurance.

While there will be no additional taxation at this time, work on the modernization of the tax system will continue with a number of legislative changes planned, including to the Income Tax Act, the Customs Act, Casino Gaming legislation and utilization of the Large Scale and Pioneer Industry Act, which was passed as far back as 2014 but not utilized up till now.

The government’s task is to balance the need to return to the programme of fiscal consolidation while fostering an environment for economic expansion. Monetary policy has been accommodative and is expected to remain so. While interest rates are at historic lows, there is still room for them to be compressed lower, putting a further strain on interest income for the VM Group. VM will need to reduce its reliance on interest income and examine its other lines of income.

Public offerings, previously announced pre-pandemic, were not mentioned in this budget presentation, although this is an opportunity to raise much needed revenue while stimulating the capital market at the same time. Despite the economic contraction, the 2020 experience has shown that large amounts of liquidity remain in the market. VM needs to find more creative ways to tap into that liquidity through more effective awareness programmes.

The BOJ in its Financial Stability report for 2020 indicated that it has found no evidence of a bubble in housing market prices at this time. However, “given the deterioration in macroeconomic conditions, prices in the housing market are expected to soften in the near term.....Scenario assessment also revealed that the real estate market might be facing increased exposure to credit risk.”

On March 11th, Moody’s affirmed Jamaica’s rating at B2 with a stable outlook. While emerging market asset prices declined, the Government of Jamaica global bonds were in high demand in the latter part of the month with JAMAN bond prices rising \$3 in the March 23 session, with buyers bidding aggressively.



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