

UNIT TRUST FUND PERFORMANCE

BOND FUNDS I-III
QUARTER ENDED JUNE 30, 2018



Wealth
MANAGEMENT

UNIT TRUST

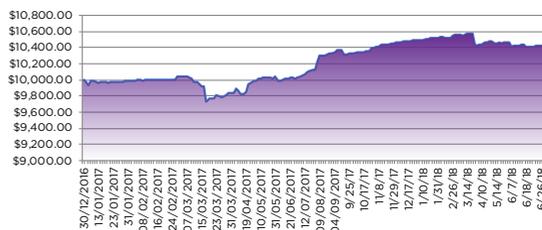


BOND FUND I

QUARTER ENDED JUNE 30, 2018

Growth of \$10,000

Bond Fund I Historical Performance



Fund Description

The VM Wealth Bond Fund I is a United States Dollar denominated portfolio 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 Bond Fund I 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 Bond Fund I is suitable for investors who have a conservative risk appetite.



Asset Class

Fixed Income



Benchmark

GOJ 3-Year Bond Return

Top 5 Holdings

Top 5 Holdings	% of Fund
Petrotrin 2019	11.03
AIC Barbados (Oct) 2020	8.95
NCB 2022	8.90
AIC Barbados (May) 2020	8.79
SJPC 2032	8.78
Total of Top 5 Holdings	46.45
Total Number of Holdings	17

Risk Profile



Fund Performance

(as at June 30, 2018)

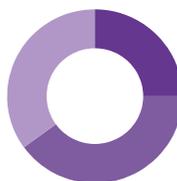
Net Asset Value Per Share (NAVPS)	1.02069	
12-Month Growth Rate	4.08%	-3.95%
Year-to-Date Growth Rate	-0.65%	-3.08%

Country Exposure



Industry	% of Fund
Jamaica	55.82
Trinidad & Tobago	11.03
Barbados	30.85
El Salvador	2.30
Total	100

Maturity Distribution



Industry	% of Fund
0-1 Years	24.89
1-3 Years	39.82
>3 Years	35.29
Total	100

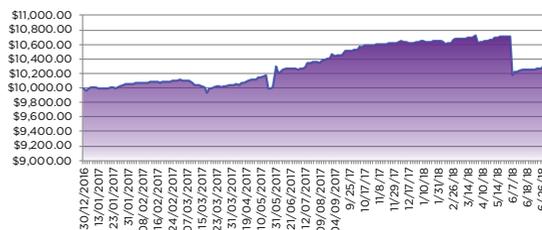


BOND FUND II

QUARTER ENDED JUNE 30, 2018

Growth of \$10,000

Bond Fund II Historical Performance



Fund Description

The VM Wealth Bond Fund II is a United States Dollar denominated portfolio comprising medium term sovereign and corporate bonds from Caricom, USA, Canada and Europe.



Investment Objective

The fundamental investment objective of the VMWealth Bond Fund II 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 Bond Fund II is suitable for investors who have a moderate risk appetite.



Asset Class

Fixed Income



Benchmark

GOJ 5-Year Bond Return

Top 5 Holdings

Top 5 Holdings	% of Fund
NCB 2022	9.57
South Ja Power Co 2032	8.28
AIC Barbados (Oct) 2020	8.01
JPS 2021	7.67
AIC Barbados (May) 2021	7.40
Total of Top 5 Holdings	40.93
Total Number of Holdings	21

Risk Profile

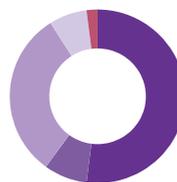


Fund Performance

(as at June 30, 2018)

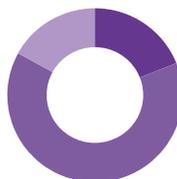
Net Asset Value Per Share (NAVPS)	0.98853	
12-Month Growth Rate	0.50%	0.13%
Year-to-Date Growth Rate	-2.96%	-2.94%

Country Exposure



Industry	% of Fund
Jamaica	52.21
Trinidad & Tobago	7.42
Barbados	31.18
Dominican Republic	7.58
El Salvador	1.61
Total	100

Maturity Distribution



Industry	% of Fund
0-1 Years	19.10
1-5 Years	64.01
>5 Years	16.89
Total	100

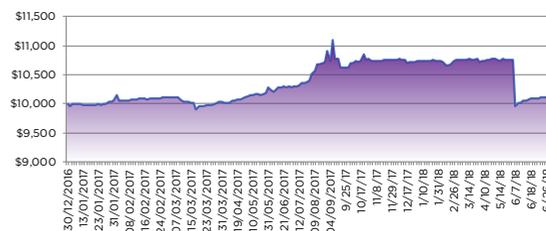


BOND FUND III

QUARTER ENDED JUNE 30, 2018

Growth of \$10,000

Bond Fund III Historical Performance



Fund Description

The VM Wealth Bond Fund III is a long-term portfolio denominated in United States Dollar and comprising sovereign and corporate bonds from the USA, Europe and Caricom.



Investment Objective

The fundamental investment objective of the VMWealth Bond Fund III 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 Fund.



Asset Class

Fixed Income



Benchmark

GOJ 3-Year Bond Return

Top 5 Holdings

Top 5 Holdings	% of Fund
AIC Barbados (Oct) 2020	9.06
SJPC 2032	8.81
NCB 2022	7.91
Jaman 2028	7.70
Barbados 2022	6.49
Total of Top 5 Holdings	39.97
Total Number of Holdings	26

Risk Profile

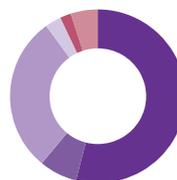


Fund Performance

(as at June 30, 2018)

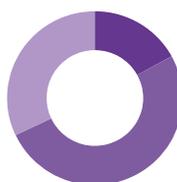
Net Asset Value Per Share (NAVPS)	0.98097	
12-Month Growth Rate	-1.22%	-3.02%
Year-to-Date Growth Rate	-5.17%	-4.45%

Country Exposure



Industry	% of Fund
Jamaica	54.17
Trinidad & Tobago	6.54
Barbados	29.26
Dominican Republic	2.83
Bahamas	2.33
El Salvador	4.86
Total	100

Maturity Distribution



Industry	% of Fund
0-1 Years	17.10
1-5 Years	51.14
>5 Years	31.76
Total	100

ECONOMIC OVERVIEW

There has been significant improvement in the local economy since the start of 2018 as demonstrated by the positive performance of a number of economic metrics. Most notably, Dr. Nigel Clarke was appointed as the new Minister of Finance. Additionally, the Bank of Jamaica (BOJ) continued its phasing in of the Foreign Exchange Tool (B-FXITT) by introducing the buy phase, indicating its 4-week schedule of purchases.

Overseas however, was characterized by turmoil, mainly in **Barbados**. On May 25, the Barbados Labour Party (BLP), which has been in opposition from 2010, emerged from the general election with all 30 seats won. Prime Minister Mia Mottley swiftly announced that the country faced serious fiscal and debt issues and outlined a comprehensive reform programme, which included restructuring the public debt following the discovery of arrears not previously accounted for in public figures. Consequently, on June 1st, it was announced that the decision was made to suspend debt service payments on external debt, while interest payments would be made on domestic debt while renegotiating an agreement with domestic debt creditors. Prime Minister Mottley also announced that payment on external debt and coupon payments on local debt would be suspended as they seek to restructure debt.

The international capital markets' response was equally swift. S&P Ratings Agency downgraded the long-term foreign currency sovereign rating to SD (selective default) from a CCC+ rating and the long-term local currency to CC from CCC. A large-scale selloff followed.

After a significant decline to 48.33 cents on the dollar, Barbados 7.25% Global Bonds due 2021 have been recovering and as at July 31, 2018 traded at 61.08 cents on the dollar. The Barbados 7.00% Bonds due 2022, which had fallen to 46.10 are now trading at 57.80 and the Barbados 6.625% which had fallen to 46.79, ended trading at 57.82 on July 31.

Subsequent to the end of the quarter, the Barbados authorities held discussions with an International Monetary Fund (IMF) team over a period of 11 days from July 2- 12. Following the meetings, the IMF indicated its willingness to support the country in its efforts to

achieving the economic reform needed to transform its current condition. The anticipation is that budgetary measures will be finalized and will be the foundation for a Staff Agreement with the international lending agency. Barbados has since signaled that they are disposed to having discussions with creditors about the measures that may be required to meet their debt obligations even after fiscal measures have been implemented. The government also indicated that they are open to accommodating creditors who are concerned about principal preservation through the provision of discount and par solutions in an offer that will be made once the direction on restructuring has been established.

Barbados' projections for GDP growth and primary surplus are 3.3% and 6% in 2019, respectively.

Based on the foregoing, and the fact that Government of Barbados has indicated that it will offer a principal preservation option in its restructuring plans, where possible, **we are recommending the Government of Barbados global bonds** as a hold. We also believe that the sell-off in these bonds were over-done and a big rally will occur when these issues are resolved.

In **Trinidad & Tobago**, Paula-Mae Weekes was sworn in as the first female President of the Republic of Trinidad & Tobago on Monday March 19, 2018. She is the 6th President and replaced the retired Antony Carmona, who had served since March 18, 2013.

A memorandum of agreement was signed by the Oil Field Workers Trade Union (OWTU) and the Petroleum Company of Trinidad & Tobago (Petrotrin) for the establishment of a working committee tasked with the oversight of the restructuring of the oil company over the next 18 months. Oil production decreased by 8.3% year-over-year in February to 69,810 barrels of oil per day.

FUND COMMENTARY

FUND I

The NAV per share on this portfolio as at June 30th, 2018 was \$1.02069, down \$0.0067 or 0.65% year to date. That was due mainly to declines in the prices of Emerging Market bonds which makes up the bulk of the portfolio. Those bonds were severely affected by interest rate hikes in major economies such as the US and the Euro zone due to the significant improvements in those economies over the past 5 years. Also, the significant improvement in the Jamaican economy and its recent rating upgrade should boost Government of Jamaica bond prices and the value of the assets in this fund. However, the Government of Barbados global bonds took some extra battering after the country's newly elected government announced on June 1, 2018 that it would suspend principal and interest payments on its external debt due to its discovery of a worse than anticipated fiscal position on assuming office.

That sent shock waves around the world and resulted in a 50% decline in the value of the bonds when they resumed trading.

The bonds have since recovered about 15% points after the Government of Barbados' subsequent announcements of its request for assistance from the International Monetary Fund (IMF), its successful implementation of new revenue measures, its improved economic outlook and its willingness to be accommodative in the decision-making process on its debt management plans. We are of the view that those issues will be resolved in the next three to six months and will result in significantly higher Barbados bond prices in the near term. We also expect some improvement in the value of emerging market bonds as the trade issues between the US and its major trading partners have sparked fears of a global trade war which could severely impact those economies. Given the foregoing and our plan to add new higher yielding corporate bonds to this portfolio, we expect a significant improvement in the NAV of this fund before the end of 2018.

FUND II

The NAV per share on this portfolio as at June 30th, 2018 was \$0.99852, down \$0.03013 or 2.96% year to date. That was due mainly to declines in the prices of Government of Barbados bonds which makes up about 6.49% of this fund and, to a lesser extent, to declines in the prices of Emerging Market (EM) bonds. The EM bonds were severely affected by interest rate hikes in major economies such as the US and the Euro zone due to the significant improvements in those economies over the past 5 years. Also, the significant improvement in the Jamaican economy and its recent rating upgrade should boost Government of Jamaica bond prices and the value of the assets in this fund. However, the Government of Barbados global bonds took some extra battering after the country's newly elected government announced on

June 1, 2018 that it would suspend principal and interest payments on its external debt due to its discovery of a worse than anticipated fiscal position on assuming office.

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FUND III

The NAV per share on this portfolio as at June 30th, 2018 was \$0.98097, down \$0.05352 or 5.17% year to date.

That was due mainly to declines in the prices of Government of Barbados bonds which makes up about 9.05% of this fund and to a lesser extent to declines in the prices of Emerging Market (EM) bonds.

The EM bonds were severely affected by interest rate hikes in major economies such as the US and the Euro zone due to the significant improvements in those economies over the past 5 years. Also, the significant improvement in the Jamaican economy and its recent rating upgrade should boost Government of Jamaica bond prices and the value of the assets in this fund. However, the Government of Barbados global bonds took some extra battering after the country's newly elected government announced on June 1, 2018 that it would suspend principal and interest payments on its external debt due to its discovery of a worse than anticipated fiscal position on assuming office. That sent shock waves around the world and resulted in a 50% decline in the value of the bonds when they resumed trading. The bonds have since recovered about 15% points after the Government of Barbados' subsequent announcements of its request for assistance from the International Monetary Fund (IMF), its successful implementation of new revenue measures, its improved economic outlook and its willingness to being accommodative in the decision-making process on its debt management plans. We are of the view that those issues will be resolved in the next three to six months and will result in significantly higher Barbados bond prices in the near term. We also expect some improvement in the value of emerging market bonds as the trades issues between the US and its major trading partners have sparked fears of a global trade war which could severely impact those economies. Given the foregoing and our plan to add new higher yielding corporate bonds to this portfolio, we expect a significant improvement in the NAV of this fund before the end of 2018.



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Our Unit Trust US\$ Bond Fund 111 **exceeded the 7% projected yield**, becoming top performer among similar funds for 2017.

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Contact a VM Wealth Advisor:

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*Compared to a regular savings account.



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