

# ▶ Market Guide

## THIS ISSUE

Enhancing Stock Market Efficiency through  
Better Company Disclosures

Foreign Exchange Market Summary

Money Market Update

Stock Recommendations

“In investing, what you don’t do is just as important as what you do.” – Bill Ackman.

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## Enhancing Stock Market Efficiency through Better Company Disclosures

In the world of finance, information is like fuel, but it isn't just about how much fuel you have, but about the quality of it and how effectively you can use it. For investors in the stock market, information comes in many forms, including financial statements and the accompanying notes, company disclosures, releases about material changes in the business' operations, and any significant events that could affect the company's performance. The accuracy and completeness of these disclosures directly impact, the market's ability to price stocks effectively, improve investor confidence and trust. This week we explore the benefits of having good company disclosures and what disclosures are typically seen in the developed equity market. We compare US equity market disclosure rules and norms to those of the local market and see how they can provide insights into avenues to improve the flow of information to the market through enhanced disclosures. This can improve the accuracy of valuations done by local analysts, price discovery, and the overall functioning of the market.

Both the U.S. Securities and Exchange Commission (SEC) and the Jamaica Stock Exchange (JSE) mandate essential disclosures for publicly traded companies, including timely quarterly and annual information on the financial performance of listed companies and the immediate announcements of material events. Failure to comply with these rules could result in penalties, including the delisting of the company's shares. JSE rules require prompt disclosure of relevant information such as acquisitions, management changes, and dividend considerations, but materiality is largely left to the company's discretion. The

SEC's integrated disclosure system is more comprehensive and regularly updated, emphasizing detailed forward-looking statements within the Management's Discussion and Analysis (MD&A). The SEC also frequently updates its disclosure rules to address emerging issues, as most recently seen with the March 2024 introduction of rules enhancing climate-related disclosures. These updates ensure that investors have timely access to relevant information.

The value of strong company disclosures extends beyond regulatory compliance. Companies that embrace transparency stand to benefit in several ways: (i) higher investor confidence: reliable disclosures build trust. When investors have access to clear, accurate information, they feel more confident in their investment decisions, (ii) improved market liquidity: transparent markets tend to be more liquid. Investors are more willing to buy and sell shares when they feel they have a full picture of a company's performance and outlook, (iii) better valuation accuracy: comprehensive disclosures reduce uncertainty, leading to more accurate market pricing of a company's shares. This benefits both investors and the companies themselves, as it ensures fairer valuations, and (iv) lower cost of capital: companies that consistently disclose relevant information tend to have a lower cost of capital. Investors perceive less risk, leading to better terms when companies raise funds. Good disclosures can also minimize the chances of insider trading, as all investors—regardless of their size or influence—have access to the same information.

Transparency in company disclosures is crucial for accurate valuations and investor understanding of the

### WEEKLY MOVEMENT IN INDICES

MOVEMENT IN INDICES			
JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	324,707.11	-0.30%	-4.26%
Main Market Index	311,890.12	-0.23%	-4.24%
Select Index	7,661.04	+1.74%	-5.65%
Junior Market Index	3,688.94	-0.99%	-4.14%

  

WINNERS & LOSERS FOR THE WEEK ENDED OCTOBER 18, 2024		
	\$ Change	% Change
ENERGY	+\$0.15	+21.13%
OFF	+\$0.11	+20.37%
KLE	-\$0.49	-18.22%
RAWILL	-\$2.18	-17.37%

  

### MARKET OVERVIEW

Last week, overall stock market activity resulted in 125 stocks trading with 55 advancing, 51 declining, and 19 trading firm. Market volume amounted to 74.15Mn units valued at J\$548.23Mn, reflecting a 4.43% reduction, but a 13.6% increase in value relative to the prior week. TransJamaican Highway Ltd USD (TJHUSD), TransJamaican Highway Ltd. (TJH), and QWI Investments Limited (QWI) were the volume leaders with 51.83Mn (40.97%), 11.19Mn units (8.85%), and 7.31Mn units (5.78%), respectively

With 51 stocks declining, the stock market continued its downward trend, with 6 out of 9 indices also falling, consistent with the previous week. The largest week-over-week declines were in the JSE Cross-Listed Index (-1.16%) and the JSE Financial Index (-1.01%). In contrast, the biggest gainers were the JSE USD Equities Index (+2.30%) and the JSE Select Index (+1.74%). Massy Holdings Limited (Massy; -2.3%), the largest constituent by market capitalization, notably contributed to the decline in the Cross-Listed Index. The Financial Index was also affected by share price drops of 3.4% for SJ and 7.8% for JMMBGL. There was no specific news to explain these movements. Conversely, the increase in the USD Equities Index was driven by a 4.9% rise in the share price of TJHUSD and a 10.7% increase for PROVEN USD. Additionally, a 10.7% increase in CAR's share price over the week was the main factor behind the rise in the JSE Select Index. Like the decliners, there was no direct news to support these gains.

company's performance and key drivers and there is evidence that local companies are developing a greater appreciation of this fact. As the market has developed and evolved, more listed companies have increased the level of details within their financial disclosures. Companies, including Junior Market companies, are seeking to provide insight into the drivers on their financial performance through their quarterly MD&A. Large financial entities like the NCB Financial Group, Sagicor Group, PROVEN Group Limited, and Scotia Group Limited provide quarterly earnings reviews offering insights into revenue shifts, performance drivers, and macroeconomic factors. These companies often aim to exceed the minimum disclosure requirements, offering a higher level of transparency to build investor confidence. However, there remains significant variability in the level of detail among companies in their quarterly disclosures. While companies provide more comprehensive information in their annual reports, this inconsistency can create uncertainty and limit information for investors, especially since annual reports are just that, annual. This means that the information comes with a lag because it is released weeks or even months after the reporting period ends.

That said, locally listed companies have generally made significant strides in providing more detailed disclosures, especially since the onset of COVID-19, as businesses recognised the need to keep investors informed and virtual meeting tools have reduced the costs of hosting investor meetings. More companies are being thorough with their operational and financial updates and are embracing updates via investment programmes and forums<sup>1</sup>. Relative to a decade ago, the management of listed companies are also more open to questions from analysts outside of investor forums and readily respond to emails and facilitate gaining greater financial clarity and performance. TransJamaican Highway Limited,

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Image Plus Consultants Limited, Tropical Battery Limited, Supreme Ventures Limited and Fontana Limited are standouts in this regard. These evolving trends have helped close the gap in transparency between JSE-listed companies and their international counterparts, thereby improving the flow of information and the quality of valuations that can be done.

While the market has evolved and significant progress has been made, there is still an opportunity for improved disclosures. Some companies may provide less detailed disclosures in their MD&As, possibly to protect their competitive advantage, or due to cost considerations to prepare more comprehensive reports. One area for improvement is the quality of disclosures when there is an acquisition of a private company by a listed company that occurs mid-financial year. Companies may provide financials only from the acquisition date to the end of the current financial year and exclude financials for a similar period in the prior financial year. While this may be an acceptable disclosure from the JSE rules standpoint, it makes any form of meaningful analysis impossible, and this may result in no analysis of the company and limited trading by investors. Another key area for development lies in the differences in forward-looking guidance between local and

US-listed companies, particularly regarding the level of specificity. The JSE's six general principles on MD&A disclosures encourage companies to discuss prospects and potential risks. However, the level of detail in these disclosures do vary among companies. This presents an opportunity to enhance the specificity of forward-looking information. In the U.S., the SEC emphasises similar factors like the JSE but also requires companies to do a prospective analysis of their financial statements<sup>2</sup>. This approach contributes to the development of more robust forward-looking earnings guidance in their reporting, offering more structured and quantified insights for investors. As a result, companies in the U.S. equity market practice offering frequent forward-looking earnings projections and its culture of whether companies "beat or miss" expectations contribute to stock price movements. For example, JPMorgan Chase shares surged nearly 5.0% on October 11 after the bank's third-quarter net profit exceeded its management's forecasts. This sort of prospective analysis of their financial performance results in more structured insights for investors.

Effective company disclosures are vital for fostering transparency, market efficiency and investors' trust, confidence and willingness to trade in any financial market. The local market has certainly grown and evolved over the years as the management of listed companies comes to appreciate the value of good disclosures. This is evidenced in the improvement in the quality of their MD&As, more companies embracing virtual forums to do public releases of their financial performance each quarter, their interviews with various investment forums on plans for the companies and their increased willingness to respond to questions from analysts. However, there is still room for growth. There are still companies that need to provide more detailed MD&A and financial statements and share more insights into their performance drivers. This can help

<sup>1</sup> For example, Khalillah Reynolds' Taking Stock, Learn, Grow & Invest, Mayberry Investor Forum Series, BrickTalk  
<sup>2</sup> SEC

local listed companies cultivate a culture of transparency and support more accurate valuations, better price discovery, and ultimately, a more robust and efficient stock market.

## Foreign Exchange Market

For the week ending October 18, 2024, the Jamaican dollar appreciated slightly, with the USD selling rate moving to J\$158.93 from J\$159.16 on October 11, 2024. The key reason behind the appreciation was a B-FXITT intervention by the Bank of Jamaica (BOJ) in which it sold US\$90Mn between October 15th and 18th during the week.

Selling	Close: 10/11/24	Close: 10/18/24	Change
J\$/US\$1	\$159.16	\$158.93	-\$0.23
J\$/CDN\$1	\$116.55	\$114.93	-\$1.62
J\$/GBP£1	\$208.25	\$206.85	-\$1.40

## Global Bond Prices

Last week, the performance of the emerging market (EM) bond market was mixed, with some yields rising, while others fell as investors continued to process economic data and related information from the prior week on disagreements among Fed officials regarding the magnitude of recent and future rate cuts. Inflation continued to cool in September to the lowest level in three years, though the report came in slightly hotter than expected. In September, inflation, as indicated by the Consumer Price Index (CPI), decreased to 2.4% year-over-year, down from 2.5% in August. This figure was above the market expectation of 2.3%. The month-over-month CPI experienced a rise of 0.2%, consistent with August's increase. Meanwhile, the core CPI, which excludes the more volatile sectors of food and energy, increased by 3.3% year-over-year, surpassing both the August figure and the market forecast of 3.2%. Additionally, the monthly core CPI showed a rise of 0.3% in September. In a recent statement, San Francisco Federal Reserve President Mary Daly expressed a readiness to skip a rate cut at one of the two remaining Federal Reserve meetings scheduled for this year. She highlighted the necessity of closely monitoring economic data before finalizing any decisions. Although inflation appears to be easing, Daly highlighted the continued strength of the labour market, asserting that the Fed must carefully balance these dynamics to prevent hasty policy adjustments. Initial jobless claims dropped by 19,000 for the week ended October 12, 2024 to a seasonally adjusted 241,000, lower than the forecast of 260,000. The 10-year US treasury yield decreased by 0.023% week-over-week, closing at 4.083%, down from the previous week's 4.105% reflecting investor sentiment as they weigh economic indicators and reassess expectations for future interest rate movements.

Bonds	Currency Rating	Indicative Price	Yield	Recommendation
ALSEA (7.75%) 2026	Ba3/Stable	105.50	4.99%	BUY
BACR (5.75%) 2026	BBB+/ Stable	104.75	3.10%	BUY

Bonds	Currency Rating	Indicative Price	Yield	Recommendation
BERMUD (3.72%) 2027	A2/Stable	101.5	3.02%	BUY
BERMUD (4.75%) 2029	A2/Stable	103.75	3.79%	BUY
CHTR (4.2%) 2028	Ba2/Stable	100.25	4.12%	BUY
CWCLN (6.875%) 2027	BB-/Stable	103.00	5.73%	BUY
DOMREP (5.5%) 2029	BB/Stable	103.75	4.53%	BUY
DOMREP (8.625%) 2027	BB/Stable	108.25	5.04%	BUY
DOMREP (5.95%) 2027	BB/Stable	104.75	3.72%	BUY
DOMREP (6%) 2033	BB/Stable	105.25	5.21%	BUY
DOMREP (6%) 2028	BB/Stable	105.75	4.31%	BUY
GEOARK (5.5%) 2027	B+/Stable	99.00	5.98%	BUY
GM (5.4%) 2029	Baa2/Stable	99.25	5.23%	BUY
GS (5.798%) 2026	A2/Stable	104.00	3.46%	BUY
GS (3.85%) 2027	A2/Stable	102.00	2.92%	BUY
M (5.875%) 2030	BBB-/Stable	100.50	5.76%	BUY
NFLX (5.88%) 2028	A/Stable	110.25	3.16%	BUY
NFLX (4.875%) 2030	A/Stable	105.50	3.78%	BUY
NRG (3.875%) 2032	BB/Positive	94.75	4.73%	BUY
OPY (5.5%) 2025	Ba3/Stable	103.50	1.67%	BUY
PRIOBZ (6.13%) 2026	BB-/Stable	103.75	3.71%	BUY
PRMRPA (10.75%) 2028	B+/Positive	110.75	7.44%	BUY
PYPL (2.85%) 2029	A-/Stable	96.75	3.58%	BUY
SFC (5.3%) 2028	BB-/Positive	102.50	4.53%	BUY
TPHLTT (9%) 2029	Ba3/Stable	108.25	6.94%	BUY
TRAJAM (5.75%) 2036	BB-/Positive	95.00	6.35%	BUY
TRITOB (4.50%) 2026	Ba2/Stable	101.75	3.47%	BUY
BEEFBZ (4.38%) 2031	BB/Stable	88.27	6.65%	BUY

Bonds	Currency Rating	Indicative Price	Yield	Recommendation
KINGAIR (6.88%) 2036	BB/Stable	105.5	6.10%	<b>BUY</b>
BANORT (5.75%) 2031	Baa2/Positive	97.25	1.61%	<b>SELL</b>
CSOLNO (6%) 2027	B+/Stable	14.00	269.32%	<b>SELL</b>
PEMEX (5.35%) 2028	B3/Negative	104.00	-6.32%	<b>SELL</b>
NFE (6.5%) 2026	BB-/Stable	94.25	9.88%	<b>SELL</b>
NFE (6.75%) 2025	BB-/Stable	94.25	9.85%	<b>SELL</b>

## GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	104.75	4.72%
	2039	121.70	5.66%
	2045	121.40	6.05%

\*NB: The rates quoted above are opening indicative levels on the international market and are subject to change as market conditions vary throughout the trading session. Additionally, the prices quoted to clients of NCB Capital Market Limited (NCBCLM) are adjusted to reflect the costs associated with completing the transaction on

the respective client's behalf.

Despite the significant decline in the current account balance since the August peak, the BOJ's Monetary Policy Committee (MPC) stated in its September Summary of Monetary Policy Discussion and Decisions that the domestic banking system remains stable, with sufficient capital and liquidity. Keeping this in mind, and following the MPC's recommendations in its September 2024 minutes, the BOJ has the capacity to continue gradually easing market liquidity.

Demand for money market instruments rose as yields experienced a slight increase week-over-week. The average yield from the BOJ's 30-day competitive price auction reversed its downward trend, rising to 6.77% from 6.73% in the previous week. The auction was oversubscribed, with total bids amounting to J\$60.6Bn against an offer size of J\$51Bn (bid-offer ratio of 1.2x relative to 1.06x ratio from the prior week). The next auction is scheduled for October 23, 2024. In contrast, the Bank of Jamaica's twenty-six-month US-indexed auction was undersubscribed, attracting total bids of \$102.8Mn, of which only \$100.8Mn was allocated from an offer size of \$127Mn (0.81x bid-offer ratio). The auction generated an average yield of 5.14%, while the highest bid rate for full allocation was 7.749%. As the BOJ aims to continue easing its monetary policy by enhancing market liquidity and potentially cutting its policy rate beyond the current 50bps, CD yields are anticipated to keep declining.

## Local Corporate Bonds

Name	Maturity	Coupon	Price	Yield
BDHR	2027	6.50%	100.35	8.02%
SJPC	2032	8.15%	103.75	8.18%
PBS	2025	8.85%	100.85	6.03%

## Money Market

Last week, liquidity in the JMD money market, as measured by the aggregated current balances held by Deposit-Taking Institutions (DTIs) declined. As at October 18, 2024, the total aggregate current balance was J\$31.88Bn. This reflects a J\$28.29Bn (47.02%) reduction in liquidity compared to J\$60.17Bn the previous week. It represents a J\$90.28Bn (73.9%) decline from a peak of J\$122.16Bn on August 23, 2024, shortly after the BOJ's initial 25bps rate cut on August 20 and a 45.7% decline from its second rate cut on September 30. The BOJ also executed and settled three BFXIT operations totalling US\$90Mn last week, which absorbed JMD liquidity from the market. It was the first sale operation since September 23.

## Dates to watch this week

■ International ■ Local

October 2024				
MON	TUE	WED	THUR	FRI
21	22	23	24	25
		RJR Annual General Meeting	TJH Dividend Payment (\$0.0952)	
		CAD- BoC Interest Rate Decision		

## Recommendations

Ticker	Closing Price (October 18, 2024)	P/E	Avg. Sector P/E	Current Recommendation
GK	\$74.19	9.2x	14.0x	BUY
INDIES	\$2.98	18.9x	21.2x	BUY
KW	\$26.89	12.0x	8.9x	BUY
OMNI	\$1.04	16.9x	17.2x	BUY
TJH	\$3.31	9.7x	8.9x	BUY
SALF JA	\$3.50	15.2x	13.2x	SELL

## Regional News

### Barbadian Economic Growth Will Slow Further in 2025, Strong by Historical Standards

Fitch Solutions maintains its forecast that real GDP growth in Barbados will slow from an estimated 6.3% in 2023 to 3.1% and 2.1% in 2024 and 2025, respectively. While Fitch's outlook suggests a continued growth slowdown from 11.3% in 2022, it will remain strong by historical standards (growth averaged 0.0% between 2010 and 2019) and is underpinned by the continued expansion of the tourism sector as well as an upbeat outlook for private consumption. Of note, slowing inflation, alongside a continued recovery in the tourism sector, will provide tailwinds to private consumption in 2024. Price growth remains benign, coming in at just 1.2% year-on-year (YoY) in July 2024, and Fitch expects this to remain the case in the coming months thanks to a continued easing of global commodity prices.

Combined with falling unemployment, Fitch believes that real household incomes are likely to perform well this year, boosting spending levels. Additionally, overnight stays are up 14.5% YoY to August and will continue to support direct (and indirect) job creation, boding well for consumer spending. That said, risks to the growth projections are to the downside. Should political tensions in the Middle East escalate and prompt a surge in global oil prices, this would feed into higher inflation in Barbados, blunting real incomes and constraining household expenditure. This would also likely limit growth in tourist arrivals. Moreover, severe weather conditions remain an ever-present risk to the Barbadian economy, with hurricanes posing a threat to both critical infrastructure and tourist arrivals.

Source ~ Fitch Solutions

### Hailing the End of Graft in Mexico, Lawmakers Advance Judicial Overhaul

The International Monetary Fund (IMF) on Tuesday, October 15, said it sees Mexico's economic growth slowing to around 1.5% this year, citing capacity constraints and tight monetary policy. The IMF also sees Mexico's growth slowing further to 1.3% in 2025, while expecting inflation to close in on the central bank's target of 3%. Mexico's central bank, known as Banxico, lowered its benchmark interest rate to 10.50% in a split decision in September. But minutes from the meeting showed that the board members expect easing inflation

could allow for further rate cuts. "Inflation risks remain on the upside," the IMF said, warning that weaker-than-expected economic growth in the United States, increased global risk aversion and unforeseen effects from recent reforms could weigh on Mexico's output.

The IMF said that a recent judicial reform creates "important uncertainties about the effectiveness of contract enforcement and the predictability of the rule of law." Mexico's ruling party and allies pushed through the reform last month, arguing it will reduce corruption in the judiciary by implementing the popular election of judges and magistrates. Of note, the reform includes reducing the number of Mexican Supreme Court seats from 11 to 9 and limiting justices' tenure to 12 years (instead of the current 15). The reform also includes the Election of Justices and Federal Judges by popular vote, along with a New Judicial Administration Body and New Judicial Discipline Tribunal.

Source ~ Reuters & Mayar Brown LLP

## International News

### Plunging UK Inflation Spurs Rate Cut Bets, Offers Budget Relief for Reeves

British inflation slowed sharply last month and key price gauges watched by the Bank of England also fell, bolstering bets on a November interest rate cut and helping finance minister Rachel Reeves before her first budget. Annual consumer price inflation eased to 1.7% in September from 2.2% in August, the lowest reading since April 2021. The easing inflation was driven down by lower airfares and petrol prices, the Office for National Statistics said. A Reuters poll of economists had pointed to a reading of 1.9%. Interest rate futures showed investors were putting a 90% chance on two BoE quarter-point rate cuts by the end of this year, up from a roughly 80% chance on Tuesday. "Today's release removes another potential obstacle to the Monetary Policy Committee voting for a 25bps rate cut at its November meeting," said Martin Swannell, chief economist adviser to the EY ITEM Club consultancy. A less inflationary outlook would slightly improve the economic and fiscal outlook for the budget as Reeves struggles to find the extra money to invest in public services and new infrastructure without spooking investors. September's inflation reading is also used as a base month for many social benefits. Wednesday's weaker-than-expected reading may disappoint recipients, although it could offer Reeves a little extra leeway for her budget plans.

Source ~ Reuters

### **Canada's Inflation Eases to 1.6%, Ups Chances of 50 Bps Rate This Week**

Canada's annual inflation rate slowed more than expected to 1.6% in September, data showed on Tuesday, prompting markets to increase bets of a 50-basis point rate cut next week. The easing of inflation, which was mainly led by a huge drop in the price of gasoline, was the smallest annual increase in consumer prices since February 2021, Statistics Canada said. Consumer prices in Canada have consistently eased since the beginning of the year, touching the mid-point of Bank of Canada's 1%-3% target range last month as high interest rates hobbled consumer demand and business investments. Analysts polled by Reuters had forecasted the inflation rate would cool to 1.8% from 2.0% in August. Month-over-month, the consumer price index decreased 0.4%, compared with a forecast of a 0.2% decline. Excluding gasoline prices, however, the inflation rate remained at 2.2% in September, Statscan said. The central bank's preferred measures of core inflation, CPI-median and CPI-trim, were also unchanged. CPI-median - or the value at the middle of the set of price changes in a month - stayed at 2.3%, and CPI-trim - which excludes the most extreme price changes - remained at 2.4%.

Source ~ Reuters

NCB Capital Markets Ltd (formerly Edward Gayle and Co.) established in 1968 is Jamaica's oldest stockbrokerage. The company became a part of the National Commercial Bank (NCB) Group in 1994 and a fully owned subsidiary in October 2002. In December 2002, the then Edward Gayle and Co. was merged with another NCB subsidiary, NCB Investments. The products distributed by this combined subsidiary cover the traditional money market product offerings (J\$ and US\$ Repos), primary dealer services, stock brokerage and investment advisory services. Edward Gayle was renamed NCB Capital Markets Ltd. in October 2003.

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