

JAMAICA MEDICAL FOUNDATION
25th ANNUAL GENERAL MEETING, June 20, 2013
Knutsford Court Hotel
CHAIRMAN'S REPORT 2011/2012 F/Y
THEME: 25 YEARS OF SERVICE AND COMMITMENT

INTRODUCTION

Colleagues of the Jamaica Medical Foundation, Special Guest Hon. Fenton Ferguson, Minister of Health, IAJ and other Insurance company Executives, JMF Beneficiaries Other Distinguished attendees, Ladies and Gentlemen

Welcome to this the 25th AGM of the Jamaica Medical Foundation (JMF).

It is always a pleasure to meet with, and update you on the activities of this very important Foundation and, this year being our 25th Anniversary, makes it very special for me to do so. I will make this Report under the Theme **“25 Years of Service and Commitment”**.

Against this background, let me put things into perspective because, while I will speak specifically to the year under review i.e. November 2011 to October 2012, the major focus will be on the fact that your Foundation has not only survived for 25 years in one of the most challenging periods of our country's economy but, we have done so with a healthy Balance Sheet to propel us into our next 25 years. In this respect, let me remind you of the Mission of your Foundation. It is to:

- a. Give assistance for medical interventions at the individual and institutional levels, and
- b. Fund research into medical conditions that affect our Jamaican people

Interestingly, the challenges we faced over these 25 years were not only how to keep our 'financial heads above the waters' but , just as importantly, how to balance the need for growing our capital base for long term development against the calls that were made on our resources. Accordingly, while growing our initial resources from less **than a Million Dollars** at inception in 1987 to the **Twenty Two Million Dollars in the 2011/12 Audit**, we have gifted away more than **Five Million Dollars** to a very worthy list of individuals and institutions. These include, but are not restricted to the following:

1. Kingston Public Hospital Renal Unit
2. Daphnie Clue – Artificial Arm
3. Sponsorship of an Aids Workshop
4. The Heart Foundation of Jamaica

5. UWI Hospital – Diabetic Research
6. Daphne DaCosta Memorial Foundation – Public Awareness Programme conducted by the Jamaica Cancer Society.
7. Adrian Gayle – Cardiac Surgery
8. Sophia Dennis – Open Heart Surgery
9. Ministry of Health – Immunization Programme
10. Baby Daniel Smith – Open Heart Surgery
11. Cornwall Regional Hospital – Renal Unit
12. Jamaica Cancer Society – to purchase equipment
13. Jamaica Medical Assistance Committee
14. Bustamante Hospital for Children
15. Best Care Foundation
16. HTLV International Conference
17. Ms Yolande Bailey special surgery for daughter 2010
18. Pre-teen Chloe Bailey for special dental surgery because of effects of stroke 2011
19. KPH Donation ECG machine 2012

There is no doubt that we would like to have done more but we are always aware that, as a former prime minister once said, **“It takes cash to care”**. Much as we would have liked to have gifted away more, it would be foolhardy to give away the ‘goose that lays the golden egg’. Hence, one of the major achievements of these 25 years have been to find a judicious Investment and Gifting Policy mix through which we could continue to grow our capital base while satisfying our Mission to the best of our ability

OUR INVESTMENT POLICY-HOW WE HAVE MANAGED TO STAY AHEAD

It was never easy. We are aware that, over the long term, all the empirical data have demonstrated that stock portfolios have outperformed other asset classes. However, as Trustees with fiduciary obligations, we needed a mix that contained enough guaranteed cash/near cash to fund our operation and gifting obligations while having a basis for long term growth. Against this background, we have developed a mix of asset classes which come close to matching the mix that has evolved from financial theorists and major investment houses.

Exclusive of the Taxation recoverable (\$2,432, 478, 2012 Audit) following is the current percent mix:

	<u>2012</u>	<u>2011</u>
Fixed Income.....	25.0%	22.7%
Stocks	55.4	58.7
Cash/Cash Equivalent.....	14.1	14.1
F/E	5.5	4.6

We believe we are operating on reasonably good grounds because, if we use the American market as proxy, researchers at fund company T. Rowe Price compared the returns of portfolios that varied from 100% in bonds to 100% in stocks with varying combinations in between and found that over the most recent 30 years (1985 through 2012) a portfolio of 60% stocks, 30% bonds and 10% cash would have returned 9.8% annualized or about 93% of the return of an all stock portfolio but with just 62% of the risk.

The general objective now is to build the Foreign Exchange component at the expense, judiciously, of the Cash & Cash Equivalent to enable the Foundation to weather any 'financial storm' that could develop from the further devaluation of the Jamaican Dollar.

THE GIFTING POLICY

The Foundation's Gifting Policy is not less than 25% or more than 75% of each year's income from its investments.

FINANCIAL REPORT FOR F/Y 2011-2012

Not unexpectedly, with the negative economic environment during the period under review as manifested by

1. Hangover effects of JDX i.e. lower interest income on our Fixed Income investments
2. Similar effects from the terminated IMF Agreement i.e. lower investor and consumer confidence....

...the investment climate went into retreat as also illustrated by the Stock market Index which declined approx 4% from Oct 2011 to Oct 2012. In specific terms, the out-turn in key areas was follows, 2012 vs. 2011:

- a) Total investment value.....\$17.4M vs. \$19.4 M down 10.3 %
- b) Finance income.....\$1.1M vs. \$1.7M down 35.3 %
- c) Gifting.....\$0.4M vs. \$0.8M down 50.0 %
- d) Administrative expenses\$0.67M vs. \$0.77M down 13.0 %
- e) Loss from changes in fair value of investments \$2.3M vs. surplus of \$2.9M
- f) Accumulated surplus end of year \$22.3M vs. \$24.3 down 8.2 %

As a Foundation for the long term, we take note of, but are not unduly worried, by what we hope are temporary blips on the investment landscape. This view is underpinned by the **anticipated** new investment and consumer confidence arising out of the new 2013 IMF Agreement with its tutelage of the Government and, in particular, the Oversight Public/Private Sector Committee which is charged with 'encouraging' it (Government) 'to do the right thing' for economic growth. Additionally, on our part, we continually

leverage our share value to give us an advantage whether the market is going up or down.

Whereas we look forward to the benefits of capital gains in our stock market investments, what we do is to use part of our dividend income to buy additional numbers of shares in the companies that pay these dividends. The result is that when share prices drop, a unit of dividend buys relatively more units of shares and vice versa. The net result of this strategy is that the Foundation keeps on building up more shares and, when share prices go back up, the additional number of shares is reflected in a better than normal upswing in investment value because, there are now more shares in the pool.

DONATIONS DURING THE YEAR

As previously indicated at **page 2**, the Foundation made a donation of **\$415,725** for the purchase of an EKG machine at the Kingston Public Hospital

THE FOUNDATION'S 25TH ANNIVERSARY IN 2013

In my 2011 Report, I indicated that the year 2012 marked the Twenty Fifth (25) anniversary of your Foundation and that we would celebrate it with our best Banquet ever. However, in reviewing the matter, we agreed that although it was registered in 1987, it did not start operations until 1988. We therefore decided to mark the event in **F/Y 2012/13** and, as you will hear under the heading of Post **Year End Activities**, many feel that that Banquet was indeed the best ever. This means, however, that we will have to invite a Motion to change the Notice and Minutes from the 2011/12 F/Y to designate them as the 24th Anniversary. **(Do I have a Motion?)**

OTHER MATTERS OF INTEREST FROM LAST YEAR'S DISCUSSION

Item # 1

Better alignment with the present Insurance Industry in search of a more secure funding base and the Constitutional Review that this would require bearing our mandate in mind. This matter remains on the agenda and we anticipate a resolution in due course

Item # 2

Cultivation of the Diaspora in search of an additional funding base. This also remains on the agenda

Item # 3

The 'revised' 25th Anniversary year. See Remarks above re Motion to correct the Record

Item # 4

Two important activities took place since the end of the Year under review. These were

- a. The referenced 25th Anniversary Banquet was held on May 04, 2013. I pause here on behalf of all Trustees to pay a special debt of gratitude to Trustee Thomas (Tommy) James for almost single handedly carrying it off. It was truly **An Evening of Elegance & Recognition** and we cannot thank him enough. Take a bow Tommy.
- b. The Foundation (JMF) made a presentation of \$250,000 to the Jamaica Kidney Kids Foundation to assist with the purchase of equipment for their Clinic

FOUNDATION WEBSITE

I want to remind you again that our website is now fully operational and can be visited at www.jamaicamedfoundation.com It is linked to the Jamaica Gleaner's website, one of the most visited websites in Jamaica and the Diaspora. In due course, we will optimize it to receive funds from anyone wishing to contribute to our Mission. We will also be posting online our Annual Reports and Audited Accounts.

Thanks again for your attendance and interest in the affairs of our Foundation.

Prepared for the Chairman by
Lloyd A Vermont Sr.
Hon. Secretary
June 18, 2013