

ECONOMY

Apple hits the \$1 trillion market capitalization mark



Company	Ticker	Stock Price 8/3/18	Revenues 2Q	Net Income 2Q	Net Profit Margin
Popular Inc.	BPOP	\$50.48	\$491.56	\$279.78	24.10%
First BanCorp	FBP	\$8.36	\$155.63	\$31.00	23.99%
Grupo Triple-S	GTS	\$25.04	\$763.10	-\$38.75	-5.09%
OFG Bancorp	OFG	\$16.45	\$71.70	\$16.20	24.10%
Evertec Inc.	EVTC	\$23.55	\$113.35	\$20.05	17.69%

small feat, if you consider that Apple almost went bankrupt in 1997, until Steve Jobs became interim CEO and again revolutionized the company he founded.

In the press release, the company posted quarterly revenue of \$53.3 billion, an increase of 17 percent from the same quarter a year ago, and quarterly earnings per diluted share were \$2.34, up 40 percent. International sales now account for 60 percent of the quarter's revenue. As may be noted from the revenue byproduct chart below, the iPhone produces 56.1 percent of Apple's total revenue. While the rest of the company's product line produced a respectable \$23.3 billion in revenue, the iPhone continues to be the company's driving force. What is next for Apple? CEO Tim Cook stated he was very excited by the pipeline of products and services coming up and the company's Capital Return Program, which in the past quarter returned nearly \$25 billion to investors. Apple's future appears quite bright.

Final Word: Invest in P.R., look to its public companies

The worst of post-Hurricane Maria is behind us, and with that, we have seen the five Puerto Rico-based public companies report solid quarterly reports. Popular Inc. (BPOP), at \$491.56 million in revenues and \$279.78 million in net income for the second quarter (2Q), provides the broadest view of the overall state of Puerto Rico's economy. Through its principal subsidiary, Banco Popular, the company has ample exposure to all areas of Puerto Rico with a vast array of products and services. The bank supports a tier-1 capital ratio of 1746 percent and has been busily increasing its portfolio through organic growth and acquisitions, such as purchasing Reliable Financial from Wells Fargo. This acquisition, the first one under CEO Ignacio Álvarez, adds \$1.6 billion in retail auto loans and \$360 million in auto-related commercial loans. Popular expects this acquisition will produce \$36 million in net income for the initial 12 months after closing. We hope there is lots of action from Popular as the bank starts to spread its wings further and

broader than before, with an aggressive but cautious methodology.

At FirstBank Puerto Rico, the excellent news also continues, with a solid 2Q with net income of \$31 million and tier-1 capital of 23.99 percent. FirstBank is positioned for continued growth in both assets and profitability, with CEO Aurelio Alemán doing a masterful job charting the bank's course.

The last of our banking stocks is OFG Bancorp. OFG is doing better than ever under the steady hand of CEO José Rafael Fernández. The bank is establishing itself as a market disruptor and innovator after successfully integrating Eurobank and Banco Bilbao Vizcaya Argentaria (BBVA), and is poised for incremental organic growth. OFG's stateside strategy is being closely monitored, and it may soon produce a strategic acquisition.

Meanwhile, Grupo Triple-S (GTS) reported strong revenues of \$761.93 million, but the holding company reported a loss for the quarter of \$38.75 million related to the impact of Hurricane Maria. While GTS has a vast array of diverse operations that include healthcare and Medicare Advantage, the result of consolidated Hurricane Maria claims was \$692.1 million, which were mostly driven by \$76.4 million in unfavorable prior-period reserve development in the property & casualty segment related to 2017's Hurricane Maria claims causing the company to exceed its catastrophe re-insurance coverage limit. As the aftermath of the hurricane concludes, Triple-S is seen positioned for continued growth and more acquisitions.

We are bullish on Puerto Rico and the ability to overcome all obstacles to create value and wealth for our constituents, investors and Acts 20/22 investors, who can utilize their resources and knowledge to invest in Puerto Rico and, when one invests in Puerto Rico, you invest in yourself.

Francisco Rodríguez-Castro, president & CEO of Birling Capital, has more than 25 years of experience working with government, and multinational and public companies.

Locally Based Public Companies Issue Solid Quarterly Reports; Bullish on Puerto Rico's Ability to Overcome Obstacles to Create Value, Wealth

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Week in the Markets: Apple \$1 trillion company; a look at P.R. stocks

The three main market indicators closed in positive territory, with the Dow Jones Industrial Average standing at 25,462.58, or a gain of 11.51 for the week. The S&P 500 closed at 2,840.35, or a gain of 21.53 for the week, and the Nasdaq closed at 7,812.01, a gain of 393.01 for the week. The markets ended with the

Dow recording its fifth-consecutive weekly gain, with increases fueled by the end of a solid earnings season that was able to shake the miss from the July jobs report, announced Friday, that had forecast an increase of 195,000 when actual data showed 157,000 jobs were created. The annualized rate of wage gain remained at 2.7 percent, which suggests inflation remains in check.

The unemployment rate edged down to 3.9 percent, a decrease of 0.01 percent from June. The areas where employment increased are professional and business services, manufacturing, and healthcare and social assistance.

The wage gain combined with the unemployment reduction supports the Federal Reserve Bank's Aug. 1 position that it would maintain interest rates unchanged for the time being as labor markets continue to strengthen and U.S. economic activity remains strong. In its statement, the Federal Reserve pointed to at least one interest-rate increase before the end of the year and stated: "In determining the timing and size of future adjustments to the target range for the federal funds rate, the committee will assess realized and expected economic conditions relative to its maximum employment objective and its

symmetric 2 percent inflation objective. This assessment will consider a wide range of information, including measures of labor-market conditions, indicators of inflation pressures and... expectations, and readings on financial and international developments."

The path is now set for an environment of increased interest rates not only in the U.S but all over the world because most Central Banks have followed suit by increasing their interest rates. While the tariffs situation between the U.S. and China continues and both nations implement billions of dollars in new tariffs, it appears most investors are patiently watching the outcome.

One of the highlights of the week was Apple Inc. (APPL) becoming the world's first \$1 trillion company by market capitalization. This is no

Apple Revenue by Product	Units Sold	Revenues in millions
iPhone	41,300	\$29,906
iPad	11,533	\$4,741
Mac	3,720	\$5,330
Services	—	\$9,548
Other Products	—	\$3,740
Totals	—	\$53,265