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MAKING MONEY WORK FOR YOU.

'SERVE'ing a Recovery

March 22nd, 2021

Barita INSIGHTS

2021 INVESTMENT OUTLOOK

In this outlook we critically evaluate three main themes that support our expectations and outlook for asset class performance in 2021.

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ANALYST INSIGHT

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'SERVE'ing a Recovery

Over the last two weeks, Jamaica's policymakers participated in our annual budget debates, where the direction of how the government's spending will be allocated, and the amount is stated. This is a crucial debate as it sets the tone for fiscal policy in the upcoming year. In the context of Fiscal Year (FY) 2020/21 (ending March 2021), Jamaica experienced the worst economic crisis since its independence and yet we were able to weather this pandemic well on a relative basis. However, we are far from out of the woodworks, as this upcoming budget for the 2021/22 fiscal period will materially impact the quality of Jamaica's recovery, and set the foundation for Jamaica's future sustainable growth levels. This week, we will highlight key areas we extrapolated from the budget debate, with a broader view being in our 'Jamaica 2021 Budget Review' documentation.

Prioritties for Recovery: The SERVE Programme

The government highlighted key pillars hat would underpin the recovery under the SERVE programme, namely:

1. Vaccination: Financing, Procurement, Storage, Distribution and Application of vaccines to reach herd immunity
2. Social Spending + Continued delivery of public goods and services
3. Financing Infrastructure
4. Support for small businesses
5. Preservation of Macroeconomic Stability

By examining the budgeted spending allocations under this programme, the government has prioritized supporting an ailing economy while simultaneously providing the necessary resources for the achievement of herd immunity.

Engineered Lockdown to Engineered Re-Start

The initial stage of the global pandemic was a health crisis, but to essentially protect the lives of individuals, an engineered lockdown was established by restricting the movements of people. This by effect had economic implications as economic productivity depends greatly on individual's ability to consumer goods and services produced within the economy. A year later since it was recognized as a global pandemic, multiple fiscal and monetary policy was introduced, and vaccines were created and distribution underway. These measures are considered a concerted effort to essentially restart the economy and Jamaica has established a J$830 billion budget to achieve this restart in the form of Social Spending and Capital Expenditure.

Institutions and Policies

Under the Extended Fund Facility (EFF) with the International Monetary Fund (IMF), Jamaica was able to create a fiscal buffer that allowed for absorption of the impact of COVID-19. However, there were key measures under the fiscal framework that had to be amend over the Medium-Term. Such measures include:

1. Debt to GDP target of 60% to be obtained by March 2028
2. Central Government Primary Surplus (PS) of 6.1% of GDP for FY 2021/22, with a targeted average of 5.4% over the medium term.
3. Operations of the Central Government are projected to generate a Fiscal Surplus (FS) of 0.3% of GDP in FY 2021/22 and be maintained thereafter through to FY 2024/25

These policy changes give the government the necessary environment to achieve both fiscal stability and future economic growth on a sustainable basis. This however can only be achieved through fiscal prudence and the establishment of key institutions such as:

1. Modernization of the Central Bank
2. Independent Fiscal Commission
3. Public Investment Map
4. Open Government Partnership
5. Disaster Risk Financing

This only serves as a concise version of our more in-depth budget review. But these areas serve to provide the foundation for Jamaica's recovery out of the worst economic shock on a global basis since World War II. This budget provides the necessary allocation of scarce resources and will enable the economic recovery to begin

LOCAL EQUITIES MARKET

For the week ended Friday, our local stock market decreased week-over-week. The Main Market Index declined by 0.29%, the JSE All Jamaican Composite Index declined by 0.62%, the JSE Junior Market Index improved by 0.93%, the JSE Combined Index decrease by 0.20%, while the JSE USD Equities Index decline by 0.82%.

During the week, Ciboney Group Limited was the largest gainer, rising by 309% to close at J$0.90. The biggest loser was GWEST Corporation Limited which fell by 19.00% to close at J$0.81

As we approach the mid March, we continue to see Junior Market Equities outpacing their Main Market counterparts, as indicated in the table below.

Overall Market activity resulted from trading in 101 stocks of which 48 advanced, 43 declined and 10 traded firm. Market volume amounted to 97,765,331 units valued at over $580,140,490.92. DERRIMON TRADING COMPANY LIMITED was the volume leader with 16,593,909 units (16.97%) followed by JAMAICAN TEAS LIMITED with 8,834,885 units (9.04%) and WIGTON WINDFARM LIMITED ORDINARY SHARES with 8,829,785 units (9.03%) .

Revisiting relevant news during the week:

After quietly exploring the viability of a central bank digital currency (CBDC) for some time, Bank of Jamaica (BOJ) took the decision in May 2020, as a part of our ongoing retail payments reform, to venture into this digital innovation that is fast becoming a feature of global central banks. We are proud to be a part of a trend in central banking that is being led by the Caribbean.
https://www.jamaicaobserver.com/sunday-finance/a-primer-on-boj-s-central-bank-digital-currency_217519?profile=1056

Is rating agency Fitch maintaining its B+ rating of Jamaican early dividend of good policy?
https://www.jamaicaobserver.com/sunday-finance/is-rating-agency-fitch-maintaining-its-b-rating-of-jamaican-early-dividend-of-good-policy-_217480?profile=1056

VICTORIA Mutual Investments Limited (VMIL), in an effort to grow market share and add more profitability to the company, said that it will be seeking to deepen its engagement with people of the Diaspora as a strategic part of its outlook this year.
https://www.jamaicaobserver.com/sunday-finance/vmil-to-deepen-diaspora-engagement-in-2021_217458?profile=1056

Real estate development and private equity company PamJam Investment Limited took a big $5-billion hit last year, as a result of the negative impact felt from the coronavirus pandemic.
https://www.jamaicaobserver.com/business-report/panjam-takes-5-billion-hit-as-a-result-of-covid-19_217421?profile=1056

Despite 20 consecutive years of continued higher net profits being broken due to COVID-19, Christopher Zacca, president and chief executive officer (CEO) of Sagicor Group, has pointed to a stronger 2021 for Sagicor Group Jamaica (SJ) which recorded a 12 per cent decline in its net profit attributable to shareholders of $13.78 billion for its 2020 financial year (FY).
https://www.jamaicaobserver.com/business-observer/sa-this-after-20-consecutive-years-of-continued-higher-net-profits-being-broken-due-to-covid-19_217238?profile=1056

Index	19/3/2021	12/3/2021	31/12/2020	Week/Week	Year-to-Date
JSE Main Market	394,570.77	395,736.54	395,614.93	-0.29%	-0.26%
JSE Junior Market	2,924.15	2,897.33	2,643.38	0.93%	10.62%
JSE Combined Market	394,463.76	395,241.00	392,435.92	-0.20%	0.52%
JSE USD Equities Market	197.20	198.84	186.30	-0.82%	5.85%

INTERNATIONAL DEVELOPMENTS

The major indexes continued to move to record highs early in the week but then lost ground as bond yields reached their highest levels in over a year. Energy stocks fell sharply as oil prices saw their biggest daily drop since the summer, seemingly driven by rising U.S. inventories and demand concerns due to renewed lockdowns and the slow vaccine rollout in Europe (see below). The increase in yields augured well for banks' lending margins and supported financials shares for most of the week, but the sector fell back on Friday after the Federal Reserve announced that it was not extending an exemption put in place early in the pandemic that allowed banks to hold lower capital reserves. The small-cap Russell 2000 Index fell the most, giving back some of its leadership for the year to date.

Last week began on a strong note, which T. Rowe Price traders attributed to a combination of fiscal and monetary policy stimulus, more retail investor support, and the better economic outlook given progress in containing the coronavirus. On Thursday, President Joe Biden announced that the U.S. would reach 100 million coronavirus vaccinations by the next day, well ahead of earlier targets, and was even preparing to lend doses to Canada and Mexico. Case trends remained generally positive, although health officials expressed worries about the premature relaxation of social distancing measures and travel over the spring break vacation season. The Transportation Safety Administration reported that daily airline passenger volumes had reached their highest level since the start of the pandemic.date.
https://www.troweprice.com/personal-investing/resources/insights/global-markets-weekly-update.html#US

The Fed statement and Powell's post-meeting press conference forcefully communicated the central bank's dovish monetary stance, however. Policymakers affirmed that they anticipated no rate hikes until 2023, along with their confidence that any increase in inflation will prove short-lived.
https://www.troweprice.com/personal-investing/resources/insights/global-markets-weekly-update.html#US

Top 3 Things to Watch This Week

1. Powell and Yellen testify before the House Financial Services Committee on Tuesday and the Senate Banking Committee on Wednesday where they will discuss the health of the U.S. economy and the importance of fiscal and monetary stimulus in the recovery from the pandemic.
2. Before his joint testimony to Congress with Yellen, Powell is scheduled to speak Monday at the start of a four-day conference organized by the Bank for International Settlements on innovation in the digital age.
3. Investors are likely to remain focused on the rise in bond yields that has pressured share prices, even though indexes remain close to their record highs.
4. On the data front, durable goods orders and the personal income and spending reports are set to be the highlights of the week, along with figures on new and existing home sales.

https://www.investing.com/news/economy/top-5-things-to-watch-in-markets-in-the-week-ahead-2452710

Index	19/3/2021	12/3/2021	31/12/2020	Week/Week	Year-to-Date
Dow Jones	32,627.97	32,778.64	30,606.48	-0.46%	6.60%
S&P 500	3,913.10	3,943.34	3,756.07	-0.77%	4.18%
NASDAQ 100	12,866.99	12,937.29	12,888.28	-0.54%	-0.17%
FTSE 100	6,708.71	6,761.47	6,460.52	-0.78%	3.84%
Euro Stoxx 50	3,837.02	3,833.36	3,552.64	0.10%	8.00%

Local Economic Conditions

Local Foreign Exchange Market

- Our local currency appreciated by 0.68% against the U.S. Dollar week on week to settle at $146.42 as at close of trade Friday, relative to $147.42 per US$1.00 at the end of the prior week. Year to date, the Jamaican dollar has depreciated by approximately -2.64%.

Interest Rates and Inflation

- Since the onset of the pandemic in March 2020, market volatility has declined significantly. Notwithstanding, the BOJ maintains its position; supportive of the wider economy and continues to hold the policy rate at 0.50%.
- At this rate, based on its assessment, the BOJ notes that inflation will generally continue to remain within the target of 4.0% to 6.0% over the next two years.
- As at January 2021, point-to-point was recorded at 4.7%

Currency Pair	19/3/2021	12/3/2021	31/12/2020	Week/Week	Year-to-Date
JMD: USD	146.42	147.42	142.65	0.68%	-2.64%
JMD:CAD	119.71	118.98	111.41	-0.62%	-7.45%
JMD:GBP	204.79	204.06	193.66	-0.36%	-5.75%

- Year to Date, The Money Market Fund has increased by 0.99%, the FX Bond Portfolio has decreased by -0.93%, the F.X. Growth Portfolio increased by 0.66%, the Real Estate Portfolio has decreased by 1.96% and the Capital Growth Fund grown by 2.01%.

- Barita's Collective Investment Schemes ("CIS") offer the opportunity for investors to remain invested in the market at this delicate stage of the market cycle; moreover, there is a diversification benefit and opportunity to have a professional portfolio manager make the best-in-class professional judgements on your behalf.
- The F.X. Growth Fund, which is benchmarked against the S&P 500, has depreciated by 0.66% year to date (as at March 18th, 2021) .This was a temporary occurrence due to short-lived market volatility This fund allows investors to gain exposure to the U.S. equities market, without taking on the risk of directly investing in a single company.
- As at March 18th, 2021, the Capital Growth Fund has delivered a return of 2.01% relative to the JSE Combined and Main Indices which posted a decrease of 0.20% and 0.29%, respectively.
- The FX Bond Portfolio remains an attractive fixed-income portfolio, particularly when viewed within the context of global interest rates which have declined significantly as central banks maintain low policy rates to drive the economic recovery.

"If you want to have a better performance than the crowd, you must do things differently from the crowd."

— John Templeton

Unit Trust

Unit Trust Fund	18/3/2021	11/3/2021	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	86.58	86.79	-0.24%	2.01%	14.72%	-
Money Market	14.9229	14.9299	-0.05%	0.99%	4.35%	1.82%
Income Portfolio	100.00	100.00	-	-	-	1.76%
FX Bond Portfolio (US$)	1.3437	1.3475	-0.28%	-0.93%	9.68%	2.06%
Real Estate Portfolio	5,720.83	6,072.76	-5.80%	-1.96%	14.22%	-
FX Growth Portfolio	1.0051	0.9854	2.00%	0.66%	27.12%	-

"Bull markets are born in pessimism, grow on skepticism, mature on optimism and die on euphoria. The time of maximum pessimism is the best time to buy, and the time of maximum optimism is the best time to sell."

– John Templeton

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Investment Playbook

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Equities

Stock Ticket	Stock Information (As at March 19, 2021)	Analyst Outlook
WISYNCO Wisynco Group Ltd	P/E: 22.04x P/B: 4.08x Price: J$15.65 Div Yield: 1.15%	**OVERWEIGHT** The local fiscal support to both households and businesses was instrumental in maintaining individuals' consumption capacity, particularly those furloughed and made redundant, which supported the demand for consumer staples distributed by manufacturers and distributors Wisynco. We expect that with continued fiscal support through either direct household support or government spend on projects to stimulate employment, Wisynco's business will thrive in this environment.
LASM Lasco Manufacturing	P/E: 14.96x P/B: 2.39x Price: J$4.63 Div Yield: 1.40%	**OVERWEIGHT** The local fiscal support to both households and businesses was instrumental in maintaining individuals' consumption capacity, particularly those furloughed and made redundant, which supported the demand for consumer staples distributed by manufacturers and distributors LASM. We expect that with continued fiscal support through either direct household support or government spend on projects to stimulate employment, LASM's business will thrive in this environment. Given that more restrictive curtailment measures do not seem likely, LASM is likely to perform better than in the April - June quarter. The national curfew measures were particularly restrictive and, therefore, negatively impacted LASM's revenue growth.
LASD Lasco Distributors	P/E: 14.88x P/B: 2.11x Price: J$3.91 Div Yield: 1.30%	**OVERWEIGHT** The local fiscal support to both households and businesses was instrumental in maintaining individuals' consumption capacity, particularly those who were furloughed and made redundant, which supported the demand for consumer staples distributed by manufacturers and distributors as LASD. We expect that with continued fiscal support through either direct household support or government spend on projects to stimulate employment, LASD's business will thrive in this environment.

Ratings Definitions

OVERWEIGHT/BUY
Exposure to this asset should be between 5% and 10% of your total portfolio

MARKETWEIGHT/HOLD
Exposure to the asset should be equal to 5% of your total portfolio

UNDERWEIGHT
Reduce exposure in your portfolio to less than 5% for this particular asset

SELL
Reduce exposure in your portfolio to zero

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Equities

Stock Ticker	Stock Information (As at March 19, 2021)	Analyst Outlook
SEP Seprod Limited	P/E: 16.83x P/B: 3.07x Price: J$71.02 Div Yield: 0.42%	**OVERWEIGHT** Seprod has undergone significant structural changes within the last 5-years aimed at improving the underlying performance of the company. Within this period, particular emphasis has been placed on optimizing the distribution, warehousing and logistics capabilities of the company. This gradual, multi-year, improvement was accomplished through reinvestment within the organization coupled with strategic acquisitions aimed at increasing the distribution reach and quality of the company. Another major change was the closure of the Group's loss-making sugar division; a move that enhanced shareholder value. These changes have positioned Seprod to deliver robust growth through an expansive product mix and access to consumer markets both locally and regionally.
PROVENJMD Proven Investments Limited	P/E: 16.95x P/B: 1.08x Price: $33.39 Div Yield: 3.65%	**OVERWEIGHT** Given the current economic environment, characterized by low interest rates and increased uncertainty, PIL has shifted from the carry trade business to more private equity and real estate ventures, thereby allowing for diversification benefits to be realized - particularly as it relates to the "spreading" of risk. Given the business model of PIL wherein capital is used to acquire strategic assets, this APO is expected and should make the stock accessible to a wider pool of investors. At present, only a small subset of listed companies pursue private equity investments which makes PIL an attractive security for investors who want the liquidity the stock market provides as well as exposure to non-listed companies that can provide value.

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Stock Ticker	Stock Information (As at March 19, 2021)	Analyst Outlook
PROVENUS Proven Investments Limited	P/E: 16.94x P/B: 1.08x Price: US$0.24 Div Yield: 3.31%	OVERWEIGHT Given the current economic environment, characterized by low interest rates and increased uncertainty, PIL has shifted from the carry trade business to more private equity and real estate ventures, thereby allowing for diversification benefits to be realized - particularly as it relates to the "spreading" of risk. Given the business model of PIL wherein capital is used to acquire strategic assets, this APO is expected and should make the stock accessible to a wider pool of investors. At present, only a small subset of listed companies pursue private equity investments which makes PIL an attractive security for investors who want the liquidity the stock market provides as well as exposure to non-listed companies that can provide value.
SCIJMD Sygnus Credit Investments	P/E: 22.73x P/B: 0.50x Price: J$14.73 Div Yield: 2.43%	OVERWEIGHT Sygnus provides funding to Mid-Size firms within the lending market, which is considered to have a higher risk and generally overlooked by providers of traditional financing forms. This provides a largely untapped/under-tapped niche market within the Caribbean lending space for Sygnus, a few direct competitors. The flexibility in the financing terms offered by the Company is a clear advantage to borrowers, and it allows SCI to manage its credit risk to generate double-digit risk-adjusted returns on investments, which, consequently, bolsters shareholder value.
SCIUSD Sygnus Credit Investments	P/E: 26.67x P/B: 0.52x Price: US$0.12 Div Yield: 2.08%	OVERWEIGHT Sygnus provides funding to Mid-Size firms within the lending market, which is considered to have a higher risk and generally overlooked by providers of traditional financing forms. This provides a largely untapped/under-tapped niche market within the Caribbean lending space for Sygnus, a few direct competitors. The flexibility in the financing terms offered by the Company is a clear advantage to borrowers, and it allows SCI to manage its credit risk to generate double-digit risk-adjusted returns on investments, which, consequently, bolsters shareholder value.

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