Telemedicine Comes to the Forefront

March 8th, 2021

ANALYST INSIGHT

Awah Muirhead
Senior Investment Strategy Analyst

Telemedicine Comes to the Forefront

An Accelerated Shift

While many industries have faced unprecedented di sruptions from the COVID-19 pandemic, healthcare has been uniquely affected given the nature of the crisis. The importance of health care and by extension, health care innovation, was made painfully clear as hospitals became flooded with more patients than beds throughout many nations. Given the constraints stemming from these overcrowded hospitals, telemedicine, which is described as the remote diagnosis and treatment of patients by employing telecommunication technology has been on the rise. Like many shifts we've seen become mainstream, telemedicine is being fuelled by the convenience it provides, a key driver in several secular shifts driving industries, economies and capital markets. More importantly, the pandemic has highlighted the benefit of healthcare outside the walls of hospitals. Specifically, in many regards, doctors have somewhat refocused towards preventing patients from needing to visit hospitals in the first place. With that said, we view telemedicine as a key market within healthcare that has become more prominent since COVID-19 and is expected to remain after the pandemic. In this article, we discuss the intricacies of this important and growing subindustry.

Benefits of this New Market

Over the last several decades, chronic illnesses have become increasingly prevalent, driven by several global factors that increasingly result in the occurrence of these diseases. Over time, the costs associated with treating these illnesses have grown significantly. In the US for example, health care costs represent 17.7% of GDP and on a per capita basis, amounting to U10,966 based on data from The Peterson-KFF Health System Tracker. For further context, the per capita GDP of the US is approximately $65,297.52 which implies healthcare costs account for 16.8% of per capita GDP. Telemedicine essentially reduces costs for everyone involved, across the medical spectrum, including patients, hospitals and governments. Simultaneously, the adoption of telemedicine has shown improvements in efficiency through reduced travel times, and hospital-stay reductions as persons are advised faster than if they were to venture to the hospital. In our view, these benefits are substantial and will continue to be a tailwind for this industry.

Phenomenal Growth Underway

Now, the COVID-19 pandemic has truly been a catalyst for the telemedicine industry. In 2019, prior to the pandemic, the global market size as reported by Fortune Business Insights totalled US$41.63 billion and with the onset of the pandemic, the market growth catapulted significantly by 91.7% in 2020. On the heels of this initial burst of growth, the telemedicine market is expected to grow by a Compounded Annual Growth Rate (CAGR) of 25.8% between 2020 and 2027. This growth is being fuelled by the rapid evolution of modern technology, which is increasingly making telemedicine and by extension, telehealth, progressively plausible. Across the globe, the US stands as the main adopter of this fast-growing market, owing to the growing burden of chronic diseases and the high adoption of advanced healthcare technologies in the country. Amidst this growth and the benefits from this market coupled with the pandemic, government support for Telemedicine has increased. Specifically, the US has broadened access to Medicare telehealth services so that beneficiaries can receive a wider range of services from their doctors without having to travel to a healthcare facility.

Telemedicine in Jamaica

While research in Jamaica about this market is less than ideal and the shift has been less pronounced given the technological constraints, we've witnessed increased usage of telemedicine even here. MD Link, for instance, is an app where you can set an appointment, choose a physician, the appointment you want (phone call, video call, text message) and after the appointment, a prescription is sent to a pharmacy of your choice. While the worst of the pandemic has passed, we believe the benefits of telemedicine remain intact and like many other shifts spurred by the pandemic, should see continued momentum as individuals favor convenience which telemedicine provides as it relates to health care.

Capital Markets Positioning

During the heights of the pandemic, telemedicine ETFs and individual stocks in telemedicine saw significant investor confidence given the importance of these companies paving the way through the worst of the pandemic. Since February, amidst rising long-end treasury yields, we've seen a decline in the broad market and even more so in COVID-19 beneficiaries, including telemedicine companies. As indicated prior, the growth of the industry is expected to be significant at just under 26% up to 2027. With that said, we see this as a shift that will continue in developed markets and even here in Jamaica and believe investors should consider the long-term growth of this segment of the health care sector.

LOCAL EQUITIES MARKET

For the week ended Friday, our local stock market increased week-over-week. The Main Market Index grew by 0.31%, the JSE All Jamaican Composite Index increased by 0.30%, the JSE Junior Market Index improved by 0.79%, the JSE Combined Index increased by 0.22%, while the JSE USD Equities Index rose by 0.94%.

During the week, GWEST Limited was the largest gainer, rising by 20.00% to close at J$0.90. The biggest loser was iCreate Limited which fell by -19,.35% to close at J$0.75

As we close the second month of 2021, we continue to see Junior Market Equities outpacing their Main Market counterparts, as indicated in the table below.

On Friday, overall Market activity resulted from trading in 102 stocks of which 43 advanced, 48 declined and 11 traded firm. Market volume amounted to 108,470,292 units valued at over $614,405,330.00. Wigton Windfarm Limited Ordinary Shares was the volume leader with 25,695,241 units (23.69%) followed by Transjamaican Highway Limited with 12,015,067 units (11.08%) and Derrimon Trading Company Limited with 9,651,207 units (8.90%) .

Revisiting relevant news during the week:

IronRock recorded its best period in the December quarter since going public five years ago as a start-up general insurer, but the company is not crediting only insurance activity for the performance.

http://jamaica-gleaner.com/article/business/20210307/ironrock-insurer-gets-profit-boost-investment-income

With its acquisition strategy beginning to pay off, gaming and lottery company Supreme Ventures Limited appears to have weathered the storm created by the ongoing COVID-19 pandemic, but is facing other headwinds as two new lottery rivals ramp up operations, ending its monopoly.

The company, which now trades as Supreme Ventures Group or SVL Group, after its recent M&A forays, closed the year with flat earnings of $2.42 billion, albeit a bit on the downside from $2.47 billion net profit earned in 2019. Profit attributable to owners of the company dipped to $2.3 billion from $2.4 billion.

http://jamaica-gleaner.com/article/business/20210305/ma-strategy-anchors-svl-amid-pandemic-emerging-rivals

With more people opting to take vacations locally due to global travel restrictions brought on by the novel coronavirus disease, statistics have shown an increase of up to 27 per cent in local staycations since the pandemic when compared with the prior period.

http://www.jamaicaobserver.com/sunday-finance/jhta-says-local-staycations-up-22-27-per-cent-as-demand-grows-amid-covid-19_216317?profile=1056

The estimated gross earnings from tourism for the fiscal year 2021/2022 are projected at US$1.87 billion, with corresponding visitor arrivals of 1.6 million, according to Tourism Minister Ed Bartlett.

http://www.jamaicaobserver.com/news/tourism-projected-to-earn-us-1-87-billion-for-2021-22_216224?profile=1056#disqus_thread

Index	05/3/2021	26/2/2021	31/12/2020	Week/Week	Year-to-Date
JSE Main Market	395,736.54	394,528.81	395,614.93	0.31%	0.03%
JSE Junior Market	2,897.33	2,920.35	2,643.38	-0.79%	9.61%
JSE Combined Market	395,241.00	394,384.78	392,435.92	0.22%	0.71%
JSE USD Equities Market	198.84	200.72	186.3	-0.94%	6.73%

INTERNATIONAL DEVELOPMENTS

The 10-year U.S. Treasury yield hit 1.6% on Monday morning, after the Senate passed a $1.9 trillion coronavirus economic relief and stimulus bill on Saturday. Senators passed the stimulus bill through budget reconciliation, a process that required no Republican support but every Democratic vote.
https://www.cnbc.com/2021/03/08/us-bonds-treasury-yields-rise-after-senate-passes-stimulus-package.html

The major benchmarks finished mixed as longer-term interest rates continued their ascent. The rise in rates again weighed on growth stocks by increasing the discount on future earnings, while value stocks managed gains, according to Russell indexes. Within the S&P 500 Index, energy shares outperformed as oil prices hit their highest levels in over a year. Technology shares were broadly weak, while consumer discretionary stocks continued to be dragged lower by electric vehicle maker Tesla.

https://www.troweprice.com/personal-investing/resources/insights/global-markets-weekly-update.html

Federal Reserve Chairman Jerome Powell said Thursday that he expects some inflationary pressures in the time ahead but they likely won't be enough to spur the central bank to hike interest rates.

"We expect that as the economy reopens and hopefully picks up, we will see inflation move up through base effects," Powell said during a Wall Street Journal conference. "That could create some upward pressure on prices."

https://www.cnbc.com/2021/03/04/fed-chairman-powell-says-economic-reopening-could-cause-inflation-to-pick-up-temporarily.html

Progress in the Biden administration's USD 1.9 trillion stimulus package appeared to further bolster growth expectations. On Thursday evening, the Senate approved debate on the package on a party-line vote, with Vice President Kamala Harris breaking the 50-50 tie in the Democrats' favor. To secure the votes of some centrists in their party, Democratic leaders agreed to more quickly phase out direct payments to higher-income individuals, although it was unclear how much this would reduce the bill's total size. Most elements of the bill, including the USD 400 per week in federal unemployment benefits, remained intact and in line with the legislation passed in the House of Representatives the previous week.
https://www.troweprice.com/personal-investing/resources/insights/global-markets-weekly-update.html

According to purchasing managers' index (PMI) data, the Japanese manufacturing sector grew in February for the first time in close to two years, with domestic manufacturers gradually recovering from the impact of the coronavirus pandemic. The au Jibun Bank Japan Manufacturing PMI rose to 51.4 in February from 49.8 in January. Both output and new orders expanded modestly, and businesses remained optimistic that production would rise over the next 12 months. Higher sales were linked to new product launches and improving demand in key markets such as China. Conversely, the services sector saw a further fall in business activity, as measures to contain the spread of the coronavirus remained in place in Japan. The Services PMI came in at 46.3 in February compared with the prior month's 46.1 reading. Service providers remained optimistic that business conditions would improve in the coming year, however, on hopes that vaccine rollouts would reduce uncertainty.
https://www.troweprice.com/personal-investing/resources/insights/global-markets-weekly-update.html

Index	05/3/2021	26/2/2021	31/12/2020	Week/Week	Year-to-Date
Dow Jones	31,496.30	30,919.50	30,606.48	1.82%	2.91%
S&P 500	3,8141.94	3,811.15	3,756.07	0.81%	2.29%
NASDAQ 100	12,668.51	12,909.44	12,888.28	-1.87%	-1.71%
FTSE 100	6,630.52	6,483.43	6,460.52	2.26%	2.63%
Euro Stoxx 50	3,669.54	3,629.71	3,552.64	1.09%	3.29%

Local Economic Conditions

Local Foreign Exchange Market

- Our local currency appreciated by 1.44% against the U.S. Dollar week on week to settle at $149.75 as at close of trade Friday, relative to $151.94 per US$1.00 at the end of the prior week. Year to date, the Jamaican dollar has depreciated by approximately -4.97%.

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	5/3/21	26/2/21	31/12/20	Wk/Wk	Year-to-Date
JMD: USD	149.7512	151.9405	142.6493	1.44%	-4.97%
JMD:CAD	117.7552	120.3902	111.4117	2.19%	-5.69%
JMD:GBP	208.0107	210.6591	193.6657	1.25%	-7.41%

Unit Trust Performance

- Year to Date, The Money Market Fund has increased by 1.10%, the FX Bond Portfolio has decreased by -0.45%, the F.X. Growth Portfolio decreased by -2.25%, the Real Estate Portfolio has increased by 3.79% and the Capital Growth Fund grown by 1.99%.

- 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 2.25% year to date (as at March 3rd, 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 3rd, 2021, the Capital Growth Fund has delivered a return of 1.99% relative to the JSE Combined and Main Indices which posted a decrease of 0.71% and 0.03%, 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	3/3/2021	24/2/2021	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	86.5559	86.5550	0.00%	1.99%	-5.01%	-
Money Market	14.9380	14.9439	0.04%	1.10%	2.61%	1.78%
Income Portfolio	100.0000	100.0000	0.00%	-	-	1.88%
FX Bond Portfolio (US$)	1.3501	1.3492	0.07%	-0.45%	-0.07%	2.01%
Real Estate Portfolio	6056.1909	5,915.7142	2.37%	3.79%	-2.67%	-
FX Growth Portfolio	0.9761	1.0128	-3.62%	-2.25%	14.16%	-

"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

Barita
MAKING MONEY WORK FOR YOU.

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticket	Stock Information (As at March 5, 2021)	Analyst Outlook
WISYNCO Wisynco Group Ltd	P/E: 22.54x P/B: 4.12x Price: J$16.00 Div Yield: 1.13%	**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: 2.45x Price: J$4.44 Div Yield: 1.37%	**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: 14.20x P/B: 2.02x Price: J$3.73 Div Yield: 1.37%	**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

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As at March 5, 2021)	Analyst Outlook
SEP Seprod Limited	P/E: 16.25x P/B: 2.97x Price: J$68.58 Div Yield: 0.44%	**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: 17.27x P/B: 1.10x Price: $34.56 Div Yield: 3.58%	**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.

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

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As at March 5, 2021)	Analyst Outlook
PROVENUS Proven Investments Limited	P/E: 17.64x P/B: 1.13x Price: US$0.25 Div Yield: 3.18%	**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: 24.14x P/B: 0.53x Price: J$14.99 Div Yield: 2.29%	**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: 23.13x P/B: 0.50x Price: US$0.009 Div Yield: 2.39%	**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.

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