Barita

MAKING MONEY WORK FOR YOU.

Investing Through The Recovery

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ANALYST INSIGHT

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Investing Through The Recovery

The 'business cycle' is what economists use to define the different phases that an economy transitions through; similar to the four seasons. They identify these phases as Peaks, followed by Recessions, then Troughs which are followed by a Recovery then back to the Peak. This cycle has been repeated and recorded from the start of economic theory, and they remain true today. However, for every transition to a new cycle (which is defined as going through all four phases) there is a 'Structural Shift'. A structural shift encompasses multiple factors such as consumer behavioral changes, monetary and fiscal policy changes, and risk-return dynamics in capital markets to name a few. The 'break' in the structure of the economy is always important to identify as the ensuing decisions made at the macro and micro level will materially differ and will have implications on factors such as fiscal spending for sovereigns, asset allocations for investors, and goods and services produced by businesses.

Where Are We Now?

Before COVID-19, the last structural break globally was the Great Financial Crisis in 2008-2009. This event was well documented and continues to be a teachable moment for stakeholders in the economy. The ensuing environment following this period was characterized by low interest rates and increased regulation/oversight of the financial system. This had further implications on areas such as real estate, the labor market, and even global trade. Following the recession, the globe witnessed a decade-long expansion. However, COVID-19 disrupted this expansion; thereby making 2019 the last Peak. COVID-19 created a Recession due to a period dubbed The Great Lockdown which resulted in the simultaneous closure of economic activity globally at a magnitude not seen since the World War Era (another business cycle). However, since this was a deliberate effort to slow the global pandemic, policymakers took deliberate measures to reignite the economy. This was in the form of unprecedented and extraordinary fiscal and monetary policies which resulted in multiple fiscal stimuli to households and businesses directly coupled with the anchoring of lending rates by central banks to near-zero (theoretically allowing borrowing to be free). COVID-19 also fast-tracked the fourth industrial revolution which is a digital one, essentially everything has to do with the digitization of production and manufacturing including Internet of Things (IoT), Cloud Computing, Software as a Service (Saas), Cybersecurity, Big Data, Artificial Intelligence and Mobile Technologies to name a few. On the consumer side, this has caused consumers to rely more on digital services provided by businesses such as Uber (transportation and food) and Amazon. How employees operate remotely through services such as Zoom and Microsoft Teams are just a few ways consumer behavior has changed.

What Does This Mean To Investors?

These efforts on the part of policymakers, and the adaptation by businesses and consumers have created a strong Recovery from the Trough of 2020. This Recovery is supported by inflation levels rising globally (although deemed temporary due to the 'base effect' and supply dislocation) and GDP outturns higher than that of the 2020 slump. As capital markets traditionally act as leading (forward) indicators of the economy, knowing how to position one's portfolio is very important. This becomes paramount when considering the macroeconomic backdrop in which this Recovery is unfolding.

We are operating in an environment that is encompassed by uncertainty with regards to the medium and long-term implications of the policy decision. Some market participants are concerned about premature 'tapering' of the central banks which have acted as the backbone of the capital markets over the last 18 months. Some participants are concerned about a potential 'asset bubble' that is growing, like that of the DotCom Bubble in the late 1990s with technology stocks trading at relatively high valuations to the market (sounds familiar?). Regardless of the stance chosen, what we at Barita have determined as a surety is that discipline is required to generate alpha during this period of uncertainty.

Equities: Markets traditionally trade with ebbs and flows. As such, portfolio positioning, hedging and timing remain paramount. This can be manifested through adequate exposure to defensive stocks such as Technology and Healthcare, cyclical stocks such as Financials, and Industrials. The infrastructure plan for the global economy over the medium term gives support to Materials and Utilities.

Fixed Income: Any lift off in rates will impact fixed income securities, as such, remaining to the short-end and the 'belly' of the curve offers the highest quality of protection. Investment in securities with modified durations below 7 offers the highest quality of insulation from countercyclical measures while allowing for yield generation. Investors however should be mindful of the quality of the credit.

Alternative investments: This asset class spans multiple forms, but a common features offered are yield enhancement and portfolio hedging. Given the current market dynamics, the inclusion of Alternatives within a portfolio should allow for the outperformance of the traditional 60/40 portfolio structure.

LOCAL EQUITIES MARKET

For the week ended Friday, our local stock market increased week-over-week. The JSE Combined Index increased by 2.45%, the Main Market Index increase by 2.56%, the JSE All Jamaican Composite Index grew by 3.07%, the JSE Junior Market Index improved by 1.18%, and the JSE USD Equities Index declined by 1.44%.

During the week, Portland JSX was the largest gainer, rising by 28.79% to close at J$9.17. The biggest loser was ISP Finance Services Ltd. which fell by 23.80% to close at J$15.24.

Year to Date, The Junior Market Index (+27.38% YTD) continues to outpace its Main Market counterpart (+10.8% YTD).

As of Friday June 20thth, 2021, overall Market activity resulted from trading in 56 stocks of which 27 advanced, 25 declined and 4 traded firm.
Market volume amounted to 9,586,037 units valued at over $83,876,641.39. WIGTON WINDFARM LIMITED ORDINARY SHARES was the volume leader with 4,300,301 units (44.86%) followed by TRANSJAMAICAN HIGHWAY LIMITED with 1,526,263 units (15.92%) and SAGICOR SELECT FUNDS LIMITED - FINANCIAL with 1,048,596 units (10.94%) .

Revisiting relevant news during the week:

Director of the Pension Industry Association of Jamaica, Desmond Johnson, has sought to assure pensioners and those on the brink of retirement that their after-work savings are not in trouble.

https://www.jamaicaobserver.com/sunday-finance/pension-industry-defends-viability-following-pandemic-losses_224139?profile=1056

Jamaica's net international reserves (NIR) are expected to further increase into unprecedented territory as the country's tourism sector continues to regain its footing after the fallout from the novel coronavirus pandemic.
https://www.jamaicaobserver.com/sunday-finance/jamaica-s-net-insurance-reserve-projected-to-continue-climbing_224138?profile=1056

Derrick Cotterell, chairman and CEO of Derrimon Trading Co Limited (DTL), is indicating that the company is thinking of acquiring new companies in New York in areas which are synergistic with the retail operations purchased earlier in 2021.
https://www.jamaicaobserver.com/business-report/derrimon-eyes-synergistic-acquisitions-in-new-york_224078?profile=1056

Sagicor Investments Jamaica Limited (SIJL), a subsidiary of the Sagicor Group, is in the process of finalising plans for an expansion of its portfolio into the Cayman Isalnds market.
https://www.jamaicaobserver.com/business-report/sagicor-investments-expanding-to-cayman_224009?profile=1056

Sagicor Group Jamaica has announced that it will be structuring a US$285 million sale and leaseback of the combined heat and power plant in Clarendon owned by New Fortress Energy Inc.
https://www.jamaicaobserver.com/latesetnews/Sagicor_finances_sale,_leaseback_of_New_Fortress_Energys_Clarendon_power_plant?profile=1056

Index	18/06/2021	11/06/2021	31/12/2020	Week/Week	Year-to-Date
JSE Main Market	437,322.11	426,420.61	395,614.93	2.56%	10.54%
JSE Junior Market	3,367.03	3,327.84	2,643.38	1.18%	27.38%
JSE Combined Market	438,670.37	428,195.85	392,435.92	2.45%	11.78%
JSE USD Equities Market	198.06	200.95	186.3	-1.44%	6.31%
JSE All Jamaican Composite Index	473,387.69	459,273.23	433,521.09	3.07%	9.20%

INTERNATIONAL DEVELOPMENTS

Policymakers talk about talking about tapering

The early part of the week was relatively quiet on subdued trading volumes as investors looked forward to the end of the Fed policy meeting on Wednesday. The Fed's post-meeting statement and Chair Jerome Powell's press conference were widely viewed as surprisingly "hawkish". Policymakers acknowledged that progress on vaccinations has allowed the economic recovery from the pandemic to gain strength, and Powell acknowledged that Fed officials have begun to discuss slowing the central bank's bond purchases, the first step toward eventually raising interest rates. **Powell said that observers could characterize the meeting as "talking about talking about tapering."**

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

The Federal Reserve unleashed a huge repositioning in global financial markets, as investors reacted to a world where the U.S. central bank is no longer guaranteeing its policies will be dovish — or easy.

The dollar surged the most in a year over a two-day period against a basket of currencies.

Stocks were mixed around the world on Thursday, as were bond markets. Many commodities sold off. The Nasdaq Composite was higher, while the S&P 500 and Dow Jones Industrial Average slid. Tech gained, and cyclical stocks fell.

https://www.cnbc.com/2021/06/18/explaining-the-volatile-stock-and-bond-market-moves-this-week-following-the-feds-update.html

Top Things to Watch in Markets in the Week Ahead

1. **Powell Testimony:** Market participants will be closely watching comments by Fed Chair Jay Powell on Tuesday when he is due to testify, via satellite link, on the Fed's emergency lending programs and current policies before the House Select Subcommittee on the Coronavirus Crisis.

2. **Stocks:** U.S. stocks ended sharply lower on Friday, with the Dow and S&P 500 recording their worst weekly performances since late October and late February, respectively. The tech-heavy Nasdaq index also ended lower. The declines were marked by a slide in value stocks, a pullback in some commodity prices as well as a rally in the dollar and U.S. government bonds..

3. **Economic data:** Data on personal income and spending for May is due out on Friday, which contains the core PCE price index, supposedly the Fed's favorite inflation gauge. The economic calendar also features reports on new and existing home sales, durable goods orders, manufacturing and service sector activity and the weekly report on initial jobless claims, which is given close attention, given the uneven recovery in the labor market.

4. **BoE meeting:** The Bank of England is set to hold its latest policy meeting on Thursday, the last for Chief Economist Andy Haldane. Haldane is the sole advocate on the BoE's monetary policy committee for reducing stimulus measures amid rising inflation. Inflation in the UK rose above its 2% target in May for the first time in two years.

https://www.investing.com/news/economy/top-5-things-to-watch-in-markets-in-the-week-ahead-2536886

Index	18/06/2021	11/06/2021	31/12/2020	Week/Week	Year-to-Date
Dow Jones	33,290.08	34,479.60	30,606.48	-3.45%	8.77%
S&P 500	4,166.45	4,247.44	3,756.07	-1.91%	10.93%
NASDAQ 100	14,049.58	13,998.30	12,888.28	0.37%	9.01%
FTSE 100	7,017.47	7,134.06	6,460.52	-1.63%	8.62%
Euro Stoxx 50	4,083.37	4,126.70	3,552.64	-1.05%	14.94%

Local Economic Conditions

Local Foreign Exchange Market

- Our local currency depreciated marginally by 0.005% against the U.S. Dollar week on week to settle at $150.55 as at close of trade Friday, relative to $150.547 per US$1.00 at the end of the prior week. Year to date, the Jamaican dollar has depreciated by approximately 5.25%.

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 May 2021, point-to-point was recorded at 5.0%.

Currency Pair	18/06/2021	11/06/2021	31/12/2020	Week/Week	Year-to-Date
JMD: USD	150.5538	150.5470	142.6493	-0.005%	-5.25%
JMD:CAD	123.4211	125.3633	111.4117	1.57%	-9.73%
JMD:GBP	210.3175	212.7151	193.6657	1.14%	-7.92%

Unit Trust Performance

- Year to Date, The Money Market Fund has increased by 1.84%, the FX Bond Portfolio has increased by 0.88%, the F.X. Growth Portfolio increased by 2.80%, the Real Estate Portfolio has decreased by 0.38% and the Capital Growth Fund has grown by 9.57%.

- 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 increased by 2.80% year to date.

- As at June 17th, 2021, the Capital Growth Fund has delivered a YTD return of 9.57%.

- 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.

"It's not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for.“

— Robert Kiyosaki

Unit Trust

Unit Trust Fund	17/06/2021	10/06/2021	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	92.9954	91.9169	1.17%	9.57%	19.98%	-
Money Market	15.0472	15.0359	0.08%	1.84%	4.66%	2.44%
Income Portfolio	100.0000	100.0000	0.00%	-	-	2.24%
FX Bond Portfolio (US$)	1.3682	1.3705	-0.17%	0.88%	5.80%	2.12%
Real Estate Portfolio	5812.7852	5,834.8264	-0.38%	-0.38%	-9.76%	-
FX Growth Portfolio	1.0244	1.0277	-0.32%	2.80%	15.70%	-

If you're a millionaire by the time you're 30 but blow it all by age 40, you've gained nothing. Grow and protect your investment portfolio by carefully diversifying it, and you may find yourself funding many generations to come.

- Robery Kiyosaki

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Equities

Stock Ticket	Stock Information (As at June 18th, 2021)	Analyst Outlook
WISYNCO Wisynco Group Ltd	P/E: 21.39 P/B: 3.91x Price: J$15.40 Div Yield: 1.23%	**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: 18.50x P/B: 3.03x Price: J$5.49 Div Yield: 1.11%	**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: 15.91x P/B: 2.26x Price: J$4.18 Div Yield: 1.22%	**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
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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

<table>
<tr><th>Stock Ticker</th><th>Stock Information (As at June 18th 2021)</th><th>Analyst Outlook</th></tr>
<tr><td rowspan="4">SEP
Seprod Limited</td><td>P/E: 18.88x</td><td rowspan="4">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.</td></tr>
<tr><td>P/B: 3.21x</td></tr>
<tr><td>Price: J$74.02</td></tr>
<tr><td>Div Yield: 0.81%</td></tr>
<tr><td rowspan="4">PROVENJMD
Proven Investments Limited</td><td>P/E: 17.53x</td><td rowspan="4">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.</td></tr>
<tr><td>P/B: 3.21x</td></tr>
<tr><td>Price: $35.08</td></tr>
<tr><td>Div Yield: 2.25%</td></tr>
</table>

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PROVENUS Proven Investments Limited	P/E: 18.30x P/B: 1.17x Price: US$0.25 Div Yield: 3.07%	**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: 13.27x P/B: 0.29x Price: J$15.13 Div Yield: 2.37%	**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: 19.34x P/B: 0.39x Price: US$0.15 Div Yield: 1.69%	**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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CCC Caribbean Cement Company	P/E: 23.55x P/B: 5.77x Price: J$88.53 Div Yield: 0.00%	**OVERWEIGHT** Throughout the COVID-19 pandemic, all industries have been affected by what has been a significant downturn in aggregate demand as the pandemic has created a need for persons to reduce travelling and physical interaction. Despite this setback which predominantly materialized in Q2 of 2020, the construction industry has rebounded significantly (7.0% in Q3 2020 and 6.2% in Q4 2020), ahead of many other industries and well ahead of the overall economy. This strong growth over the last two reported quarters has been a significant tailwind for Caribbean Cement and the company has consequently seen a significant increase in the demand for its product, well in excess of previous years. On the heels of what has been a great year for the company, management expects demand to increase further, fuelled by upcoming government projects that will require substantial cement deposits. The recent government budget lends to this expectation as one of the main components of the government's SERVE Programme is infrastructure development. With that said, the company is positioning itself to meet this demand while maintaining its more efficient cost structure which was displayed in 2020, chief among these was the reduction of debt, which in turn reduced the company's cost of debt.
LAB The Limners and Bards Limited	P/E: 19.13x P/B: 5.88x Price: J$2.87 Div Yield: 2.58%	**OVERWEIGHT** The Lab provides a unique opportunity for investors to get exposure to the first and only advertising and film production company listed on the Jamaica Stock Exchange (JSE). The Lab's business model is built on providing innovative solutions to clients through its main services including its brand/communication strategy, campaign concepts & execution, media buying, and film production. Throughout the pandemic, the company has repositioned its business to meet the demand of clients who needed digital solutions. Consequently, while many industries and companies faltered in 2020, The Lab reported strong top and bottom-line growth of 44.30% and 34.13%, respectively. This growth has continued into 2021, reflecting significant double-digit growth in two of the company's three operating segments. Against the backdrop of a strong, stable business model coupled with robust financial performance, we have issued an OVERWEIGHT recommendation for The Limners and Bards Limited.

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CPFV Eppley Caribbean Property Fund SCC	P/AFFO: 27.09x Price: J$36.01 AFFO Yield: 3.69%	**Overweight** Since Eppley became the investment manager of the fund, there has been a material improvement both in portfolio's country exposure and type of real estate structures. This has led to a steady increase in the total square feet of the portfolio and increase Net Asset Value (NAV) with diversification. The Fund's pivot towards introducing Jamaican assets, especially in the industrial space will have a positive material impact on the company's long-term performance. This as the Manufacturing and Distribution (M&D) and construction industry have shown material resilience to the impact of COVID-19. As such, the continued focus on improving value to shareholders through divesting away from Barbados and retail properties will act as a positive tailwind for the long-term performance of CPFV.
Mailpac Mailpac Group Limited	P/E: 19.89x P/B: 6.36x Price: J$3.58 Div Yield: 4.19%	**OVERWEIGHT** Having raised just under $500 million in its November 2019 junior market initial public offering (IPO), by March of 2020 the global economy was grappling with the COVID-19 crisis. This posed both a challenge and an opportunity for the Mailpac Group given the sudden and immediate need for e-commerce capabilities in light of social distancing and other non-medical interventions to reduce the spread of the virus. That the company was able to generate $1.7 billion in revenue during 2020 is demonstrative of the management's agility and competence of the company's leadership. They were able to pivot in building both scale and capacity, which are likely to sustain Mailpac's performance prospectively, given the likely scenario that e-commerce is likely to become more enconsced among Jamaica consumers, across various social classes.

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