Barita
MAKING MONEY WORK FOR YOU.

Barita’s Weekly Newsletter

October 19th, 2021

OCTOBER

IS BREAST CANCER AWARENESS MONTH

Let's support the fighters, and the survivors, remember the taken, and keep hope burning!

LOCAL EQUITIES MARKET

For the week ended Friday, our local stock market was mixed week-over-week. The JSE Combined Index decreased by 0.93%, the Main Market Index decreased by 1.08%, the JSE All Jamaican Composite Index increased by 0.52%, the JSE Junior Market Index increased by 0.76%, and the JSE USD Equities Index decreased by 5.02%.

During the week, Ciboney Limited was the largest gainer, rising by approximately 72.54% to close at J$0.66. The biggest loser was Pulse Investments Limited which fell by 18.87% to close at J$4.08.

Year to Date, The Junior Market Index (+25.80% YTD) continues to outpace its Main Market counterpart (+2.12% YTD) by a wide margin.

As of Friday October 15th, 2021, Overall Market activity resulted from trading in 109 stocks of which 46 advanced, 52 declined and 11 traded firm. Market volume amounted to 90,646,695 units valued at over $557,169,128.94. Wigton Windfarm Limited Ordinary Shares was the volume leader with 10,727,379 units (11.83%) followed by QWI investments Limited with 10,619,304 units (11.72%) and Mayberry Jamaican Equities Limited with 10,098,991 units (11.14%).

Revisiting relevant news during the week:

A new player, WT Limited, is about to enter Jamaica's cement market but questions surround how soon the company will seek another licence to import cement.
New entrant to Jamaica's cement market

Despite no-movement days and curfews which had the effect of thwarting the sales-earning potential of Caribbean Cream Limited better known as Kremi), the ice cream manufacturer managed to exceed $1 billion in revenue for the first six months of its financial year.
Caribbean Cream surpasses $1 billion in revenue for six months

Knutsford Express Services Limited for its first quarter period ended August has reported increased revenues of $233 million, 91 per cent or $111 million more than that earned for the corresponding period of last year.
Revenues up 91 per cent for Knutsford Express

As Caribbean Flavours and Fragrances Limited (CFF) begins to feel the full effects of the novel coronavirus pandemic, the company is looking to a possible acquisition in the near term as it continues to scale itself for the export market. Caribbean Flavours and Fragrances looks to acquisition in the near term

Having managed to pivot from some challenges associated with the novel coronavirus pandemic, lubricants, cleaning and sanitization products manufacturer Paramount Trading Limited (PTL) is further seeking to grow its business from increased export sales over the next few years.
Paramount Trading targets exports for greater growth

Net remittance inflows of US$250.3 million for Jamaica declined by 4.1 per cent or US$10.6 million in comparison to August of 2020, the first month of reduced flows for 2021.
Net remittance flows fall in August as outflows increase — BOJ

Index	15/10/2021	08/10/2021	31/12/2020	Week/Week	Year-to-Date
JSE Main Market	403,998.83	408,390.85	395,614.93	-1.08%	2.12%
JSE Junior Market	3,325.40	3,300.47	2,643.38	0.76%	25.80%
JSE Combined Market	407,389.83	411,217.07	392,435.92	-0.93%	3.81%
JSE USD Equities Market	195.48	186.36	186.30	4.89%	4.93%

INTERNATIONAL DEVELOPMENTS

Stocks built on the previous week's gains, aided by strong economic signals and positive earnings surprises. S&P MidCap 400 index outperformed and then briefly pulled back with 0.1% of all time highs on Friday. The small real estate sector fared the best during the week as longer-term bond yields fell. Consumer discretionary got a boost from Tesla while communication services were weighed down by traditional media providers.

Stocks started down in the week. T.Rowe price traders have noted that the downside pressures primarily influenced by higher energy prices and continued pressures from supply chain disruptions. The supply chain issues continued to grab headlines as a number of retailers have warned that they are struggling to fill shelves ahead of the holidays, while Apple scaled back it expectations for iPhone sales due to semiconductor chip shortages.

Global Markets Weekly Update | T. Rowe Price (troweprice.com)

Evidence suggest that the supply pressures and inflation might be peaking, which might have played a part in stocks regaining momentum by weekend. Wednesday, the Labor Department reported that core (less food and energy) consumer prices had risen 4.0% for the year ended in September—above the Federal Reserve's long-term 2% inflation target, but in line with August and consensus expectations. Producer prices, reported Thursday, rose 0.5% for the month (8.6% for the year), down from the 0.7% rise in August and less than consensus forecasts. Other news that may have lifted the markets by weekend include the Commerce Department report that retail sales had defied expectations for a decline and jumped 0.7% in September—although some of the increase was due to higher prices.

Top 5 things to watch in the week ahead:

1. **Earnings:** The third major wave of earnings results will be underway this week with results being expected of Tesla, Intel and Johnson & Johnson. Streaming giant Netflix is also expected to kickstart reporting for the FAANG Group with "Squid Game" expected to add $900 million in value for the company.

2. **U.S. Data:** The US is to release data on industrial production on Monday followed by reports on building permits and housing starts on Tuesday. The Fed's beige book is also due out on Wednesday and could cement expectations for tapering.

3. **Chinese GDP:** After taking hits from the Evergrande-induced property market crisis, outbreaks of the delta variants, an energy crunch as well as soaring commodity prices investors will be watch China's third quarter GDP data due to be released this week. Economists are expecting growth in the world's number two economy to have slowed to 5.2% year-on-year, the slowest in a year.

4. **UK inflation:** Inflation data for the UK is expected to be released on Wednesday with economist projecting a reading of 3.2% year-over-year which would reflect the fastest increase in September for over nine years. The report will be keenly watched amid growing expectations for the BoE to hike interest rates before the end of the year to tackle surging inflation.

5. **Bitcoin futures ETF:** The first U.S.-listed bitcoin futures ETFs are set to launch in the coming week. The ProShares Bitcoin Exchange Traded Fund is scheduled to start trading on Tuesday. A day later, the Invesco Bitcoin Strategy ETF, would be launched unless the SEC blocks it. The ETFs will be based on bitcoin futures that already trade on the Chicago Mercantile Exchange rather than the cryptocurrency itself.

Index	15/10/2021	08/10/2021	31/12/2020	Week/Week	Year-to-Date
Dow Jones	35,421.30	34,746.25	30,606.48	1.94%	15.73%
S&P 500	4,516.52	4,391.34	3,756.07	2.85%	20.25%
NASDAQ 100	15,402.34	14,820.75	12,888.28	3.92%	19.51%
FTSE 100	7,217.53	7,095.55	6,460.52	1.72%	11.72%
Euro Stoxx 50	4,169.61	4,073.29	3,552.64	2.36%	17.37%

Local Economic Conditions

Local Foreign Exchange Market

- Our local currency appreciated by 1.77% against the U.S. Dollar week on week to settle at $151.58 as at close of trade Friday, relative $148.95 per US$1.00 at the end of the prior week. Year to date, the Jamaican has depreciated by 6.26%.

Interest Rates and Inflation

- At its meetings on 17 and 18 August 2021, the MPC noted that recent significant increases in international commodity prices will cause inflation in Jamaica to temporarily breach the upper limit of the Bank's target range from as early as the September 2021 quarter.

- Inflation is projected to average 5½ to 6½ per cent over the next two years, which is higher when compared to an average inflation rate of 5.0 per cent over the past two years and an upward revision relative to the previous forecast.

- **On September 30, 2021, the Bank of Jamaica's Monetary Policy Committee (MPC) unanimously voted to increase interest rates by one per cent to 1.5 per cent. The justification was that the recent inflation out-turn had breached its annual point-to-point target earlier than expected, at 6.1 per cent, reflecting higher food prices, meals consumed from home, and increased prices for services such as education and transport.**

- As at August 2021, point-to-point was recorded at 6.1%, up from July 2021's 5.3%.

Currency Pair	15/10/2021	08/10/2021	31/12/2020	Week/Week	Year-to-Date
JMD: USD	151.58	148.95	142.65	-1.77%	-6.26%
JMD:CAD	123.36	121.75	111.41	-1.32%	-10.72%
JMD:GBP	209.03	205.80	193.66	-1.57%	-7.93%

Unit Trust Performance

- Year to Date, The Money Market Fund has increased by 2.59%, the FX Bond Portfolio has increased by 1.67%, the F.X. Growth Portfolio increased by 2.55%, the Real Estate Portfolio has decreased by 7.59% and the Capital Growth Fund has grown by 8.77%.

- 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 3.17% year to date.

- As at October 14th 2021, the Capital Growth Fund returned 8.77%, which is above the 6.28% YTD growth of its benchmark, the JSE Combined Index.

- 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.

"The fool wonders, the wise man asks"
– Benjamin Disraeli

CONCLUSION

Unit Trust Fund	14/10/2021	07/10/2021	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	92.32	92.36	-0.05%	8.77%	14.78%	-
Money Market	15.1588	15.0930	0.44%	2.59%	2.68%	1.84%
Income Portfolio	100.00	100.00	-	-	-	2.89%
FX Bond Portfolio (US$)	1.3788	1.3797	-0.07%	1.67%	4.96%	2.09%
Real Estate Portfolio	5,392.31	5,389.75	0.05%	-7.59%	0.23%	-
FX Growth Portfolio	1.0240	1.0216	0.23%	2.55%	6.48%	-

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticket	Stock Information (As at October 15th, 2021)	Analyst Outlook
WISYNCO Wisynco Group Ltd	P/E: 19.27 P/B: 3.94 Price: J$15.80 Div Yield: 1.20	**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: 12.90x P/B: 2.28x Price: J$4.57 Div Yield: 1.33%	**MARKETWEIGHT** Our expectation is for the Company to continue on its growth trajectory, supported by the improving economic backdrop of the global economy, which may manifest in increased domestic demand for goods and services. With increased stopover arrivals and planned reopening of key industries such as entertainment and education (face-to-face teaching), there are sufficient catalysts to spur further growth in 2021. However, this isn't without challenges as the global supply bottleneck will manifest itself in LASD's margins, requiring management to remain prudent in their working capital management such that higher imported inflationary pressures are not corrosive to the bottom line. Our MARKETWEIGHT recommendation balances our outlook on the company against the potential upside embedded in our estimate of fair value (as per Barita's July 15, 2021 equity report) for the company.
LASD Lasco Distributors	P/E: 13.37x P/B: 1.80x Price: J$3.60 Div Yield: 1.42%	**OVERWEIGHT** Our expectation is for the Company to continue on its growth trajectory, supported by the improving economic backdrop of the global economy, which may manifest in increased domestic demand for goods and services. With increased stopover arrivals and planned reopening of key industries such as entertainment and education (face-to-face teaching), there are sufficient catalysts to spur further growth in 2021. However, this isn't without challenges as the global supply bottleneck will manifest itself in LASD's margins, requiring management to remain prudent in their working capital management such that higher imported inflationary pressures are not corrosive to the bottom line.

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 Ticket	Stock Information (As at October 15th, 2021)	Analyst Outlook
SGJ Scotia Group Jamaica Limited	P/E: 10.74x P/B: 0.99x Price: J$37.15 Div Yield: 3.77%	**MARKETWEIGHT** SGJ's growth has slowed, even prior to the pandemic. Consequently, within the context of the pandemic, the Group reported a considerable net profit decline of 31.4% in FY2020. Notwithstanding, the most recent performance demonstrates that coming out of the pandemic, the Group will report relative growth in FY2021, predominantly reflecting lower ECL, FX gains given SGJ's position in the FX market, and gains from the extinguishment of debt. Beyond FY2021, however, we expect a slowdown in growth, as ECL reduction is tempered relative to FY2021 and as the Group no longer benefits from a gain on extinguishment of debt. Importantly, we also consider the Group's strong liquidity, capital adequacy, and consistent dividend payout which is at an attractive yield of 3.58%. Given its strong balance sheet and consistently above-average dividend yield, we believe SGJ is a good dividend income stock.
VMIL Victoria Mutual Investments Limited	P/E: 15.58x P/B: 1.98x Price: $5.61 Div Yield: 2.85%	**MARKETWEIGHT** On balance, we believe the upside seen by VMIL in Q1 2021 potentially represents the most Year-over-Year (YoY) upside the company will realize in FY2021 and should be the main driver of improved YoY profitability for the 2021 financial year. However, we believe the market dynamics will weigh on YoY performance, unless there's a significant improvement in business origination, beyond prior years, on the back of a strengthening economy or increased capital that can then be deployed towards growth initiatives. With that said, our MARKETWEIGHT recommendation balances the risks that remain against the potential upside embedded in our estimate of fair value (as per Barita's July 16, 2021 equity report) for the company.
JMMBGL JMMB Group Limited	P/E: 8.72x P/B: 1.15x Price: $37.75 Div Yield: 0.66%	**OVERWEIGHT** Despite the low interest rate environment, net interest income growth remains possible in FY 2022 if the Group increases growth in deposits which is a lower cost funding than repurchase agreements Moreover, our positive outlook on the Group is underpinned by expected improvements in noninterest income and share of profits from a rebounding Sagicor Financial Company (Given the anticipated growth, we believe the market is pricing JMMBGL at a discount to our estimate of its fair 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 Ticket	Stock Information (As at October 15th, 2021)	Analyst Outlook
SEP Seprod Limited	P/E: 16.28x P/B: 2.55x Price: J$62.36 Div Yield: 0.96%	**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: 12.27x P/B: 1.00x Price: $32.95 Div Yield: 2.39%	**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

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

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

SELL
Reduce exposure in your portfolio to zero

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticket	Stock Information (As at October 15th, 2021)	Analyst Outlook
PROVENUS Proven Investments Limited	P/E: 13.13x P/B: 1.07x Price: US$0.24 Div Yield: 3.19%	**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: 10.51x P/B: 0.71x Price: J$17.38 Div Yield: 2.06%	**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: 12.68x P/B: 0.86x Price: US$0.14 Div Yield: 1.77%	**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

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticket	Stock Information (As at October 15th, 2021)	Analyst Outlook
CCC Caribbean Cement Company	P/E: 19.05x P/B: 6.87x Price: J$118.33 Div Yield: 0.00%	**OVERWEIGHT** Throughout the COVID-19 pandemic, all industries have been affected by what has been a significant downturn in aggregate demand as the pandemic has created a need for persons to reduce travelling and physical interaction. Despite this setback which predominantly materialized in Q2 of 2020, the construction industry has rebounded significantly (7.0% in Q3 2020 and 6.2% in Q4 2020), ahead of many other industries and well ahead of the overall economy. This strong growth over the last two reported quarters has been a significant tailwind for Caribbean Cement and the company has consequently seen a significant increase in the demand for its product, well in excess of previous years. On the heels of what has been a great year for the company, management expects demand to increase further, fueled by upcoming government projects that will require substantial cement deposits. The recent government budget lends to this expectation as one of the main components of the government's SERVE Programme is infrastructure development. With that said, the company is positioning itself to meet this demand while maintaining its more efficient cost structure which was displayed in 2020, chief among these was the reduction of debt, which in turn reduced the company's cost of debt.
LAB The Limners and Bards Limited	P/E: 20.70x P/B: 6.20x Price: J$ 3.52 Div Yield: 2.10%	**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.

Ratings Definitions

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

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

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

SELL
Reduce exposure in your portfolio to zero

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticket	Stock Information (As at October 15th, 2021)	Analyst Outlook
CPFV Eppley Caribbean Property Fund SCC	P/AFFO: 21.6x Price: J$40.27 AFFO Yield: 4.63%	**OVERWEIGHT** Since Eppley became the investment manager of the fund, there has been a material improvement both in portfolio's country exposure and type of real estate structures. This has led to a steady increase in the total square feet of the portfolio and increase Net Asset Value (NAV) with diversification. The Fund's pivot towards introducing Jamaican assets, especially in the industrial space will have a positive material impact on the company's long-term performance. This as the Manufacturing and Distribution (M&D) and construction industry have shown material resilience to the impact of COVID-19. As such, the continued focus on improving value to shareholders through divesting away from Barbados and retail properties will act as a positive tailwind for the long-term performance of CPFV.
MAILPAC Mailpac Group Limited	P/E: 21.08x P/B: 19.16x Price: J$ 3.79 Div Yield: 3.95%	**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 ensconced among Jamaica consumers, across various social classes.

Ratings Definitions

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

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

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

SELL
Reduce exposure in your portfolio to zero