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Barita's Weekly Newsletter

December 20, 2021

LOCAL EQUITIES MARKET

For the week ended Friday, our local stock market declined week-over-week. The JSE Combined Index decreased by 1.15%, the Main Market Index advanced by 1.32%, the JSE All Jamaican Composite Index declined by 1.24%, the JSE Junior Market Index increased by 0.73%, the JSE USD Equities Index increased by 7.44%. During the week, 138 Icreate Limited was the largest gainer, rising by approximately 22.16% to close at J$0.92. The biggest loser was K.L.E. Group Limited which fell by 24.07% to close at J$1.51.

Year to Date, The Junior Market Index (+27.19% YTD) continues to outpace its Main Market counterpart (-2.17% YTD) by a wide margin.

As of Friday December 17, 2021, Overall Market activity resulted from trading in 107 stocks of which 47 advanced, 48 declined and 12 traded firm. Market volume amounted to 201,807,276 units valued at over $1,393,471,818.85. JMMB Group Limited 7.50% was the volume leader with 49,831,943 units (24.69%) followed by QWI Investments Limited with 46,387,039 units (22.99%) and Lumber Depot Limited with 20,669,437 units (10.24%) .

Revisiting relevant news during the week:

Reduced business activity from lockdowns between April and October this year culled the Government's collection of tax revenue, resulting in it falling short of its budgeted target. Notwithstanding, revenue collection was better than the comparative period in 2020/2021.
COVID restrictions curtail tax collection

Lumber Depot, a retailer of hardware and building material, has settled on a purchase price of $164 million for its current location at 17c Gordon Town Road in Papine, St Andrew..
Lumber Depot to pay $164 million for current location

With strong demand for its imaging and diagnostic services booking out its Kingston locations, Elite Diagnostic Limited is looking to add new machinery at its Liguanea, St Andrew, location and add new branches across Jamaica to meet the growing need for imaging services.
Elite Diagnostic hunting for new branch

Senior deputy governor at the Bank of Jamaica (BOJ) Wayne Robinson is warning that red-hot inflation squeezing household budgets is likely to last longer than initially expected.
Heightened inflation to last longer than anticipated

CORAL SPRING, Trelawny – Director of To urism Donovan White has announced that the Jamaica Travel Specialists Programme will be expanded into Latin America next year as Jamaica continues to extend its reach into the tourism market in that region.
Jamaica Travel Specialists Programme to expand to Latin America next year

Jamaica's export earnings growth outpaced that of imports, but the value of goods sold abroad still remained at less than a third of imports, according to data provided by the Statistical Institute of Jamaica (Statin).
Trade continues to rebound

Index	17/12/2021	10/12/2021	31/12/2020	Week/Week	Year-to-Date
JSE Main Market	387,047.78	392,230.29	395,614.93	-1.32%	-2.17%
JSE Junior Market	3,362.23	3,338.02	2,643.38	0.73%	27.19%
JSE Combined Market	392,033.60	396,600.96	392,435.92	-1.15%	-0.10%
JSE USD Equities Market	214.90	200.01	186.30	7.44%	15.35%
JSE All Jamaican Composite Index	428,335.36	433,704.34	433,521.09	-1.24%	-1.20%

INTERNATIONAL DEVELOPMENTS

US

Stocks ended lower for the week, as the prospect of central bank tightening and fears over the impact of the omicron variant of the coronavirus sparked considerable volatility. As longer-term interest rate expectations increased, growth stocks and the technology-heavy Nasdaq Composite Index fared the worst. The latter touched an intraday low on Friday roughly 7% below its recent peak—still above the 10% threshold for a correction. Technology and consumer discretionary shares performed worst within the S&P 500 Index, while the typically defensive utilities, health care, and consumer staples sectors managed gains. Volatility to end the week was partly due to "triple witching," or the expiration of three types of options and futures contracts on Friday. The Cboe Volatility Index (VIX) rose for the week but remained well below its levels early in the month.

The Federal Reserve's monetary policy meeting on Tuesday and Wednesday appeared to dominate sentiment for much of the week. The major indexes dropped sharply on Tuesday morning after a report that producer prices jumped 9.6% in November from a year earlier, the biggest increase since data were first collected in 2010. The data heightened speculation that Fed officials would signal more rate hikes in 2022. Indeed, the Fed's quarterly survey of individual policymakers' views, released Wednesday, showed that a majority of officials now expect three quarter-point hikes in 2022 instead of two. The Fed also announced a faster tapering of its monthly asset purchases, which are now expected to stop by the end of March. High yield bonds experienced some weakness ahead of the Fed meeting, but the few deals launched in the high yield market during the early part of the week were met with strong demand, according to our traders. The primary market is expected to be quiet for the rest of the year. Our traders noted that risk markets traded higher following the Federal Open Market Committee decision, and investors appeared to take the hawkish tapering and rate hike guidance in stride.

Troweprice market update

Europe

Shares in Europe fell as governments tightened restrictions to curb the spread of the coronavirus and central banks became more hawkish. In local currency terms, the pan-European STOXX Europe 600 Index ended the week 0.35% lower. The main indexes also declined, with Germany's Xetra DAX Index losing 0.59%, Italy's FTSE MIB Index giving up 0.41%, and France's CAC 40 Index dropping 0.93%. The UK's FTSE 100 Index pulled back 0.30%.Core eurozone bond yields whipsawed this week, ending lower. They initially declined sharply, as the spread of omicron sparked fears about the economic recovery. Yields then rebounded on hawkish moves by major central banks and the European Central Bank's (ECB) decision to scale back its emergency bond-buying program. Bond yields then came under pressure after ECB President Christine Lagarde indicated that an interest rate increase was "very unlikely" next year and on coronavirus concerns. Peripheral eurozone bond yields rose overall.

Global Markets Weekly Update

Oil prices slumped more than 5% on Monday as surging cases of the Omicron coronavirus variant in Europe and the United States stoked investor worries that new restrictions to combat its spread could dent fuel demand.

Oil prices plummet as Omicron's rapid spread dims fuel demand outlook

Global markets are rattled by Omicron-variant Covid-19, as Europe imposes its first full lockdown in a year. Joe Biden's signature spending bill is in trouble after a key Senator refuses to back it. Stocks are set to open sharply lower on a combination of those factors. China tells the world it's still loosening monetary policy even as everyone else (except Turkey) tightens it. And oil tumbles as risk-off sentiment surges. Here's what you need to know in financial markets on Monday, 20th

Omicron Fears, BBB Derailed, China Rate Cut, Zegna Debut - What's Moving Markets

Index	17/12/2021	10/12/2021	31/12/2020	Week/Week	Year-to-Date
Dow Jones	35,365.44	35,970.99	30,606.48	-1.68%	15.55%
S&P 500	4,620.64	4,712.02	3,756.07	-1.94%	23.02%
NASDAQ 100	15,801.46	16,331.98	12,888.28	-3.25%	22.60%
FTSE 100	7,269.92	7,291.78	6,460.52	-0.30%	12.53%
Euro Stoxx 50	4,161.35	4,199.16	3,552.64	-0.90%	17.13%

Local Economic Conditions

Local Foreign Exchange Market

- Our local currency appreciate by 1.51% against the U.S. Dollar week on week to settle at $152.86 as at close of trade Friday, relative to $155.20 per US$1.00 at the end of the prior week. Year to date, the Jamaican has depreciated by 7.16%.

Interest Rates and Inflation

- On November 17, 2021, the Bank of Jamaica's Monetary Policy Committee (MPC) voted to increase its policy rate by 50 basis points to 2.0%. The justification was that this action was needed to curb the second round effects of recent shocks and to guide inflation back within the target range over the next two years. Inflation is projected to average 5.5 to 6.5% over the next two years. Inflation will also continue to breach the upper limit of the bank's target range over the next 10-12 months.

- As at October 2021, point-to-point was even higher at 8.5%, above the BoJ's inflation target upper bound of 6.0%.

Unit Trust Performance

- Year to Date, The Money Market Fund has increased by 3.99%, the FX Bond Portfolio has increased by 1.14%, the F.X. Growth Portfolio increased by 7.90%, the Real Estate Portfolio has decreased by 12.33% and the Capital Growth Fund has grown by 3.55%.

- 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 8.77% year to date.

- As at December 16, 2021, the Capital Growth Fund has delivered a YTD return of 3.55%, which is above the -0.10% 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 biggest risk of all is not taking one."

— Mellody Hobson

Currency Pair	17/12/2021	10/12/2021	31/12/2020	Week/Week	Year-to-Date
JMD: USD	152.86	155.20	142.65	1.51%	-7.16%
JMD:CAD	118.69	122.12	111.41	2.81%	-6.53%
JMD:GBP	199.23	206.04	193.66	3.31%	-2.88%

Unit Trust

Unit Trust Fund	16/12/2021	09/12/2021	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	87.88	87.89	-0.01%	3.55%	5.21%	-
Money Market	15.3661	15.4322	-0.43%	3.99%	3.76%	0.51%
Income Portfolio	100.00	100.00	-	-	-	3.16%
FX Bond Portfolio (US$)	1.3716	1.3712	0.03%	1.14%	1.41%	2.15%
Real Estate Portfolio	5,115.87	5,251.61	-2.58%	-12.33%	-8.35%	-
FX Growth Portfolio	1.0774	1.0861	-0.80%	7.90%	9.04%	-

"It's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong."

— George Soros

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Equities

Stock Ticket	Stock Information (As at December 17, 2021)	Analyst Outlook
WISYNCO Wisynco Group Ltd	P/E: 19.62x P/B: 3.90x Price: J$ 16.67 Div Yield: 1.80%	**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: 13.81x P/B: 2.35x Price: J$ 4.75 Div Yield: 1.28%	**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: 112.66x P/B: 1.65x Price: J$ 3.28 Div Yield: 1.98%	**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
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SGJ Scotia Group Jamaica Limited	P/E: 13.56x P/B: 1.00x Price: J$36.62 Div Yield: 4.23%	**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: 13.12x P/B: 1.98x Price: $6.04 Div Yield: 2.57%	**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: 7.24x P/B: 1.15x Price: $38.09 Div Yield: 2.23%	**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).

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SEP Seprod Limited	P/E: 16.41x P/B: 2.57x Price: J$62.83 Div Yield: 2.07%	**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: 12.24x P/B: 1.02x Price: $33.61 Div Yield: 3.48%	**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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PROVENUS Proven Investments Limited	P/E: 12.07x P/B: 1.00x Price: US$0.23 Div Yield: 3.39%	**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.
SCIJMD Sygnus Credit Investments	P/E: 11.23x P/B: 0.77x Price: J$18.90 Div Yield: 1.90%	**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: 11.50x P/B: 0.79x Price: US$0.13 Div Yield: 1.92%	**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: 15.35x P/B: 4.27x Price: J$74.00 Div Yield: 0.00%	**OVERWEIGHT** On the heels of what has been a good year for the company, management expects demand to increase further, fueled by upcoming government projects that will require substantial cement deposits. The recent government budget lends to this expectation as one of the main components of the government's SERVE Programme is infrastructure development. With that said, the company is positioning itself to meet this demand while maintaining its more efficient cost structure which was displayed in 2020, chief among these was the reduction of debt, which in turn reduced the company's cost of debt. In the most recent quarter, profitability declined, largely on the back of poor weather conditions and the company's planned machinery maintenance. Notwithstanding the recent quarter, the Company's outlook remains positive.
LAB The Limners and Bards Limited	P/E: 21.36x P/B: 6.12x Price: J$ 3.63 Div Yield: 3.03%	**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: 26.68x Price: J$41.10 AFFO Yield: 3.75%	**OVERWEIGHT** Since Eppley became the investment manager of the fund, there has been a material improvement both in portfolio's country exposure and type of real estate structures. This has led to a steady increase in the total square feet of the portfolio and increase Net Asset Value (NAV) with diversification. The Fund's pivot towards introducing Jamaican assets, especially in the industrial space will have a positive material impact on the company's long-term performance. This as the Manufacturing and Distribution (M&D) and construction industry have shown material resilience to the impact of COVID-19. As such, the continued focus on improving value to shareholders through divesting away from Barbados and retail properties will act as a positive tailwind for the long-term performance of CPFV.
MAILPAC Mailpac Group Limited	P/E: 22.79x P/B: 14.68x Price: J$ 3.42 Div Yield: 3.22%	**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.

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GENAC General Accident Insurance Company Ltd.	P/E: 12.86x P/B: 2.12x Price: J$ 6.30 Div Yield: 0.00%	**OVERWEIGHT** We see several possible tailwinds that may bode well for both the insurance sector as a whole and GENAC specifically. Namely, the increasing domestic interest rates. This should support improved investment income of insurance companies like GENAC who would be able to generate greater returns on their insurance float. This, coupled with greater operational efficiency after consolidating regional companies, should further aid profitability going forward. We also note that GENAC will continue to benefit from its relationship with the Musson Group which will allow them to form strategic relationships with both the group's other entities and customers. This will be particularly useful as the company expands into regional markets as the Musson group is diverse with stakes in public and private business across the Caribbean.

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