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Weekly Newsletter

December 6, 2021

LOCAL EQUITIES MARKET

For the week ended Friday, our local stock market decline week-over-week. The JSE Combined Index decreased by 0.38%, the Main Market Index declined by 0.33%, the JSE All Jamaican Composite Index fell by 0.31%, the JSE Junior Market Index decreased by 1.01%, while the JSE USD Equities Index advanced by 3.46%. During the week, Ironrock Insurance Company Limited was the largest gainer, rising by approximately 15.11% to close at J$3.58. The biggest loser was Margaritaville Limited which fell by 29.29% to close at J$14.85.

Year to Date, The Junior Market Index (+26.26% YTD) continues to outpace its Main Market counterpart (-1.43% YTD) by a wide margin.

As of Friday December 3, 2021, the overall Market activity resulted from trading in 116 stocks of which 42 advanced, 57 declined and 17 traded firm.
Market volume amounted to 273,308,385 units valued at over $1,965,173,794.35. LUMBER DEPOT LIMITED was the volume leader with 142,454,509 units (52.12%) followed by JMMB GROUP LIMITED 7.50% with 49,893,013 units (18.26%) and KINGSTON WHARVES LIMITED with 21,304,658 units (7.80%) .

Revisiting relevant news during the week:

The Bank of Jamaica (BOJ) says it is awaiting the outcome of the impending court case involving the principals of Alliance Financial Services, Peter Chin and Robert Chin, before deciding on its next move involving the entity which had its licence suspended on Friday for breaches of the Bank of Jamaica Act, the Banking Services Act, and the Proceeds of Crime Act
BoJ suspends Access Financial Services

The Blue Power Group is set to take off in 2022 through a number of elaborate initiatives, which will see the company expanding and diversifying its revenue streams. In addition, the Dr Dhiru Tanna-led listed company is hoping to claw back ground lost in the Caricom market as a result of its trade war with Dominican competitor, DCP Successors Limited
BluePower moves to restore export opportunities

Sygnus Real Estate Finance (SRF) will this week break ground for its “One Belmont” real estate project in New Kingston, St Andrew, slated to cost upwards of $3.2 billion. The “One Belmont” project has been described as a daring response to an evolving world and reimagines the standards of Kingston's commercial office spaces that unites design, technology and wellness to deliver a modern architectural masterpiece.
Sygnus breaks Ground

Marlene Street Forrest, the managing director of the Jamaica Stock Exchange (JSE), is exuding optimism about how she believes Jamaica's equities market will perform in 2022. Street Forrest is looking beyond current concerns about the Omicron variant of the novel coronavirus to 2022, which, she hopes, will bring an accelerated recovery from the pandemic-induced shock
JSE bullish despite Omicron

Following constant queries by shareholders on a share buy-back programme, the board of JMMB Group Limited (JMMBGL) has approved it for execution in its 2023 financial year which starts on April 1, 2022. This comes amidst JMMBGL's stock price trading below the market and financial sector's average price to earnings (PE) and price to book ratio.
JMMB Group Limited approves share buyback

Index	03/12/2021	26/11/2021	31/12/2020	Week/Week	Year-to-Date
JSE Main Market	389,946.39	391,220.36	395,614.93	-0.33%	-1.43%
JSE Junior Market	3,337.47	3,371.57	2,643.38	-1.01%	26.26%
JSE Combined Market	394,477.66	395,994.90	392,435.92	-0.38%	0.52%
JSE USD Equities Market	203.36	196.55	186.3	3.46%	9.16%
JSE All Jamaican Composite Index	431,145.84	432,465.86	433,521.09	-0.31%	-0.55%

INTERNATIONAL DEVELOPMENTS

US

In a volatile week of trading, the major equity indexes pulled back on news that the Federal Reserve could curtail its monthly asset purchases at a faster rate and fears that the emergence of the omicron strain of the coronavirus could weigh on global economic growth and contribute to supply chain disruptions. Large-capitalization stocks outperformed smaller- and mid-cap benchmarks. Within the S&P 500 Index, the communication services sector gave up the most ground. Utilities was the only sector to post a gain.

Concerns about the omicron variant and Fed policy likewise moved fixed income markets. The Treasury yield curve flattened over the week, with short-maturity yields rising and long-term rates decreasing. Tax-free municipal bonds generated positive returns through most of the week and performed in line with U.S. Treasuries at the broad sector level.

Europe

Shares in Europe posted mixed results after a volatile week of trading, highlighted by concerns about the omicron variant and further evidence of inflationary pressures. In local currency terms, the pan-European STOXX Europe 600 Index ended 0.28% lower, while Germany's Xetra DAX Index gave up 0.57%. France's CAC 40 Index rose 0.38%, and Italy's FTSE MIB Index gained 0.33%. The UK's FTSE 100 Index advanced 1.11%.

Core eurozone bond yields fell, as negative headlines concerning the omicron variant outweighed hawkish comments from Federal Reserve officials. Peripheral eurozone bond yields ended the week broadly unchanged. UK gilt yields fell, broadly tracking core markets. Furthermore, Bank of England Monetary Policy Committee member Michael Saunders indicated that he could vote against a rate hike this month given the uncertainties surrounding the omicron variant, which also applied downward pressure on yields.

Troweprice market update

Top 5 things to watch out for in the week ahead:

1. **Omicron uncertainty:** The number of countries reporting Omicron cases is continuing to rise, but scientists still do not know whether it is more infectious than other variants, what is the severity of the disease or what level of protection is provided by existing COVID-19 vaccines. It will likely take several more weeks to get these answers.

2. **Inflation data:** The highlight of the economic calendar will be Friday's November consumer price inflation data. U.S. CPI accelerated 6.2% in October, the fastest annual increase in over thirty years amid a global supply chain crunch and is forecast to rise 6.7% in November. Another strong reading could underline expectations for faster tapering by the Federal Reserve.

3. **Volatility set to continue:** Stocks sold off last week, hit by the double-whammy of uncertainty over the Omicron variant and the prospect of faster tapering by the Fed. That turbulence looks set to continue, with investors dumping shares of growth and technology companies in favor of value stocks, which include companies like banks, financials, and energy firms, expecting them to perform better as the Fed normalizes monetary policy.

4. **Crypto sell-off:** Bitcoin, the largest cryptocurrency by market value, fell as much as 20% on Saturday, amid a broad-based selloff in digital currencies, in the wake of a volatile week on equities markets. Prospects for faster rate hikes could also be weighing on the outlook for cryptos, as higher rates make holding speculative assets less attractive.

5. **UK GDP:** The UK is set to release October GDP data on Friday which is expected to remain steady as workers gradually returned to offices and retail rales remained solid. Recent economic data out of the UK has indicated that the Bank of England could go ahead with its much debated first rate hike since the pandemic in the face of spiraling inflation.

Index	03/12/2021	26/11/2021	31/12/2020	Week/Week	Year-to-Date
Dow Jones	34,580.08	34,899.34	30,606.48	-0.91%	12.98%
S&P 500	4,538.43	4,594.62	3,756.07	-1.22%	20.83%
NASDAQ 100	15,712.04	16,025.58	12,888.28	-1.96%	21.91%
FTSE 100	7,122.32	7,044.03	6,460.52	1.11%	10.24%
Euro Stoxx 50	4,080.15	4,089.58	3,552.64	-0.23%	14.85%

Local Economic Conditions

Local Foreign Exchange Market

- Our local currency appreciate by 0.42% against the U.S. Dollar week on week to settle at $156.26 as at close of trade Friday, relative to $156.91 per US$1.00 at the end of the prior week. Year to date, the Jamaican has depreciated by 8.71%.

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 4.22%, the FX Bond Portfolio has increased by 0.99%, the F.X. Growth Portfolio increased by 5.78%, the Real Estate Portfolio has decreased by 15.91% and the Capital Growth Fund has grown by 4.06%.

- 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 5.78% year to date.

- As at December 3, 2021, the Capital Growth Fund has delivered a YTD return of 4.06%, which is above the 0.52% 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	03/12/2021	26/11/2021	31/12/2020	Week/Week	Year-to-Date
JMD: USD	156.26	156.91	142.65	0.42%	-8.71%
JMD:CAD	122.19	122.67	111.41	0.39%	-8.82%
JMD:GBP	209.26	207.45	193.67	-0.86%	-7.45%

Unit Trust

Unit Trust Fund	01/12/2021	25/11/2021	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	88.3178	88.2852	0.04%	6.48%	4.06%	-
Money Market	15.3999	15.3987	0.01%	4.00%	4.22%	1.10%
Income Portfolio	100.0000	100.0000	0.00%	-	-	3.08%
FX Bond Portfolio (US$)	1.3696	1.372	-0.17%	3.06%	0.99%	2.15%
Real Estate Portfolio	4906.9082	5,156.8533	-4.85%	-9.57%	-15.91%	-
FX Growth Portfolio	1.0562	1.0938	-3.44%	8.39%	5.78%	-

"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 3, 2021)	Analyst Outlook
WISYNCO Wisynco Group Ltd	P/E: 19.13x P/B: 3.80x Price: J$ 16.26 Div Yield: 1.17%	**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: 13.95x P/B: 2.37x Price: J$ 4.80 Div Yield: 1.26%	**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: 11.85x P/B: 1.54x Price: J$ 3.07 Div Yield: 1.66%	**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: 10.30x P/B: 0.95x Price: J$35.62 Div Yield: 3.93%	**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: 13.26x P/B: 2.00x Price: $6.10 Div Yield: 2.62%	**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: 7.28x P/B: 1.16x Price: $38.31 Div Yield: 0.65%	**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: 16.35x P/B: 2.56x Price: J$62.63 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: 12.30x P/B: 1.02x Price: $33.75 Div Yield: 2.33%	**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: 12.32x P/B: 1.00x Price: US$0.23 Div Yield: 3.32%	**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: 17.20x P/B: 4.71x Price: J$82.88 Div Yield: 0.00%	**OVERWEIGHT** On the heels of what has been a good year for the company, management expects demand to increase further, fueled by upcoming government projects that will require substantial cement deposits. The recent government budget lends to this expectation as one of the main components of the government's SERVE Programme is infrastructure development. With that said, the company is positioning itself to meet this demand while maintaining its more efficient cost structure which was displayed in 2020, chief among these was the reduction of debt, which in turn reduced the company's cost of debt. In the most recent quarter, profitability declined, largely on the back of poor weather conditions and the company's planned machinery maintenance. Notwithstanding the recent quarter, the Company's outlook remains positive.
LAB The Limners and Bards Limited	P/E: 20.88x P/B: 6.26x Price: J$ 3.55 Div Yield: 2.08%	**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: 24.22x Price: J$36.31 AFFO Yield: 4.13%	**OVERWEIGHT** Since Eppley became the investment manager of the fund, there has been a material improvement both in portfolio's country exposure and type of real estate structures. This has led to a steady increase in the total square feet of the portfolio and increase Net Asset Value (NAV) with diversification. The Fund's pivot towards introducing Jamaican assets, especially in the industrial space will have a positive material impact on the company's long-term performance. This as the Manufacturing and Distribution (M&D) and construction industry have shown material resilience to the impact of COVID-19. As such, the continued focus on improving value to shareholders through divesting away from Barbados and retail properties will act as a positive tailwind for the long-term performance of CPFV.
MAILPAC Mailpac Group Limited	P/E: 22.56x P/B: 14.72x Price: J$ 3.38 Div Yield: 4.43%	**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: 12.51x P/B: 2.07x Price: J$ 6.13 Div Yield: 3.52%	**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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