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Treasury Inflation Protected Securities: A play for today?

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ANALYST INSIGHT

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The current inflationary impulse due to pandemic related demand and supply chain disruptions has proven to be less transitory than initially envisioned. Since then, monetary authorities have pivoted and have shown an inclination to increase interest rates to temper inflation and inflation expectations. Given the stickiness of inflation, a large swathe of investors have also pivoted to brace themselves for more sustained price increases through altering the mix of assets in their portfolios. One of the most inquired about assets by individual investors in this regime has been Treasury Inflation-Protected Bonds or TIPs for short. In this piece, we will go through what are TIPs, a slightly technical dive into whether they present a good investment option currently, and lastly how to buy them.

What are TIPs?

TIPs are simply bonds issued by the US government that protect against inflation. They do this by having a principal amount that is indexed to inflation. That is the principal increases with inflation and decreases with deflation as measured by the Consumer Price Index. When the TIPs mature you then get paid the adjusted principal or the original principal, whichever one is greater. Of note, the interest paid on TIPs is determined at auction and as such is fixed at the onset. However, the actual interest that one receives from TIPs varies because the interest is paid semi-annually with the fixed interest rate being applied to the adjusted principal.

	At purchase	1 year	2 year
Date	17/1/2022	17/1/2023	17/1/2024
Coupon rate	2%	2%	2%
Inflation	-	2.5%	2.5%
Adjusted Principal	1000	1025	1050.63
Actual Coupon		20.5	21.01

The table shows an example of a hypothetical TIP and how the interest payment and principal would be calculated (assuming 2-year tenor and yearly interest payments). From this, we see that assuming a yearly range of inflation of 2.5% the principal in year 2 grows to $1050.63 while the rate of interest (2.0%) is now applied to this increased principal ($21.01). When the security matures in year 2 the purchaser receives the $1050.63 in adjusted principal. It is important to note that in the unlikely case of deflation it is indeed possible to lose on the principal if you sell in the secondary market before maturity. If you however hold until maturity you are guaranteed to receive at least the original principal as stated prior

Are TIPS a good Investment now?

One thing to note is that purchasing tips doesn't always mean you will be protected / it will be a good investment in an inflationary environment. There are nuances involving the timing of purchases and the characteristics of inflation and inflation expectations that determine whether TIPS presents a good investment option. For this, it is important to look at the breakeven inflation rate. This is essentially the difference between a treasury note and TIPs of similar tenors. This difference in yields is the inflation risk premium which is baked into treasury yields.

For example, the 5-year breakeven rate as of the date this article was written was 2.79%. This compares to the historical average over the 2010 to 2019 period of approximately 1.75%. This means that if you were to buy the 5-yr TIP at this point (which based on historical breakevens is relatively expensive) inflation would need to average over 2.79% over the next 5 years for the TIP to be a relatively better purchase than the 5-yr treasury. In addition to this, TIPs are exposed to interest rate risks just like the typical treasury. That is if interest rates increase then the price of TIPs will likely decline.

Based on these two factors, that is, given that inflation current breakevens are above historical levels and that there still exists the possibility of higher interest rates in 2022 the best times to buy TIPS would have been at the onset of the pandemic or right at the onset of the major uptick in inflation. While TIPS can have an outsized 2022 relative to treasuries, implicit in your decision to buy tips as opposed to treasuries now would be a bet on inflation on average, remaining above the FED's 2% target over the intended tenor/holding period. In summary at current breakevens buying TIPS is a relatively expensive bet depending on the tenor. Despite this, in the scope of overall portfolio construction we do believe TIPs do add some amount of diversification and inflation protection for investors' portfolios particularly over a longer-term time horizon.

How to purchase

In terms of getting access to TIPs, larger investors can buy them directly from one of the 4 yearly auction dates (January, April, July, and October) as well as by varying maturities from the secondary market through broker platforms such as Fidelity and Interactive Brokers. One can also have access to smaller denominations through buying into mutual funds such as Fidelity Inflation-Protected Bond Index Fund (10.9% total return in 2020 and 5.93% in 2021) or T Rowe Price Protected Bond Fund (11.06% total return in 2020 and 5.31% in 2021). Lastly and perhaps the easiest for the average investor, one can purchase Exchange traded Funds (ETFs) which invest directly into TIPs such as the SPDR Portfolio TIPS ETF (SPIP) which had a return of 5.8% in 2021.

In conclusion: TIPS are treasury securities with in-built inflation protection. While they represents decent long term hedges against inflation we believe currently as a shorter-term play against inflation breakevens suggest they are relatively expensive compared to regular treasuries based on historical levels.

LOCAL EQUITIES MARKET

For the week ended Friday, our local stock market declined week-over-week. The JSE Combined Index declined by 1.10%, the Main Market Index declined by 1.35%, the JSE All Jamaican Composite Index fell by 1.519%, the JSE Junior Market Index increased by 1.71%, while the JSE USD Equities Index increased by 1.52%.

During the week AMG Packaging & Paper Ltd. was the largest gainer, rising by approximately 36.75% to close at J$3.20. The biggest loser was K.L.E. Group Ltd. which fell by 14.14% to close at J$2.55.

Year to Date, The Junior Market Index (1.22% YTD) and the Main Market counterpart (-0.85% YTD)

As of Friday January 14, 2021, Overall Market activity resulted from trading in 111 stocks of which 51 advanced, 49 declined and 11 traded firm. Market volume amounted to 93,126,309 units valued at over $497,680,050.70. Fotana Limited was the volume leader with 13,169,067 units (14.14%) followed by Wigton Windfarm Limited ordinary shares with 11,957,951 units (12.84%) and Sagicor Select Funds Limited – Financial with 11,471,402 units (12.32%).

Revisiting relevant news during the week:

After going public on the Jamaica Stock Exchange's (JSE) Junior Market on January 14 (last Friday), investors came out in droves with more than 800 bids and $150 million to purchase shares of Spur Tree Spices Jamaica Limited in the first listing of 2022.
Investors chase Spur Tree stocks on first day of listing

After signalling last May its intent to cross list on the Jamaica Stock Exchange (JSE), Massy Holdings Limited will officially list on the JSE via introduction on January 27. This was confirmed through the publication of an abridged statement on the JSE's website on Friday. The publication of an abridged statement is required for listing in this manner as per JSE Main Market rules. The other ways a company can list include an offer for sale, prospectus issue, offer by tender and placing. The listing is being sponsored by Barita Investments Limited as the JSE broker while First Citizens Investment Services Limited is the other broker on the listing.
Massy listing this month

A new paper published by a team from the International Monetary Fund (IMF) is pointing to the need for a global cryptocurrency framework having found an increasing correlation between these assets and stocks, which raises the risk of contagion across financial markets.
Regularise crypto – IMF staff

ECOMMERCE Property Services has acquired three United States-based tech driven real estate services companies and now eyes listing on the Jamaica Stock Exchange "in the next 12 months."
Ecommerce – a Jamaican company – made the acquisition with the help of Barita Investments. The cost of the transaction was not disclosed.Barita finances Jamaican company takeover of US real estate entities

ingston Wharves Limited (KWL) will soon be able to accommodate two super post-Panamax vessels at the same time. This follows the implementation of expansion and capacity-building initiatives valued at US$60 million. The investment, which includes three initiatives, supports KWL's thrust to establish Jamaica as a global logistics hub, a feat which CEO Mark Williams said the company is well on its way to achieving.
KWL invests US$60 million

Index	14/01/2022	07/01/2022	31/12/2021	Week/Week	Year-to-Date
JSE Main Market	392,790.90	398,168.83	396,155.61	-1.35%	-0.85%
JSE Junior Market	3,470.17	3,411.84	3,428.30	1.71%	1.22%
JSE Combined Market	398,423.12	402,834.92	401,130.23	-1.10%	-0.67%
JSE USD Equities Market	204.72	201.65	195.51	1.52%	4.71%
JSE ALL Jamaican Composite Index	434,686.58	441,369.40	438,328.37	-1.51%	-0.83%

INTERNATIONAL DEVELOPMENTS

US

Inflation and rate worries weigh as earnings season begins

The large-cap indexes recorded their second consecutive weekly loss to start the year—and the technology-heavy Nasdaq Composite its third—as the unofficial start of earnings season began. Financials shares came under pressure on Friday as JPMorgan Chase and Citigroup, typically among the first major companies to release results, reported lower profits in the fourth quarter. Utilities, real estate, and health care shares were also weak within the S&P 500 Index. Energy shares outperformed as oil prices continued their climb back to late-October highs. T. Rowe Price traders noted that technical factors, such as inflows from retail investors, drove some of the week's volatility. Inflation signals and concerns about rising interest rates seemed to loom large over sentiment throughout the week. Stocks started the week on a down note on news that more Wall Street analysts were expecting the Federal Reserve to hike rates four times in 2022—a consensus implied in futures markets.. The week's inflation data did little to calm fears but came in largely in line with expectations. On Wednesday, the Labor Department reported that overall consumer prices had risen 7.0% over the past year, the largest gain on a 12-month basis since June 1982. Core inflation excluding food and energy rose 5.5%, the most since February 1991. Core producer prices, reported Thursday, rose 8.3%, the most in records going back to 2011.

Europe

Shares in Europe pulled back on signals that the U.S. Federal Reserve would tighten monetary policy at a faster rate than the market had previously expected. In local currency terms, the pan-European STOXX Europe 600 Index ended the week about 1% lower. France's CAC 40 Index pulled back 1.06%, Germany's Xetra DAX Index slipped 0.40%, and Italy's FTSE MIB Index eased 0.27%. However, the UK's FTSE 100 Index advanced 0.77%

Global Markets Weekly Update

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

1. **Earnings:** Financial sector earnings during the week will include fourth quarter results from Goldman sachs, Charles Schwab and BNY Mellon on Tuesday, followed by Morgan Stanley and Bank of America on Wednesday.

2. **Test for growth stocks?:** U.S. tech and growth stocks have got off to a rough start in 2022, raising the stakes for this earnings season, as investors look for reasons to remain steadfast ahead of expected rate hikes by the Fed. Tech bulls hope a strong earnings season can reverse declines driven by rising Treasury yields and expectations that the Fed will tighten monetary policy and hike rates aggressively to fight inflation.

3. **Central Banks:** The BoJ is set to keep policy on hold and revise up its inflation forecast at the conclusion of its two-day monetary policy meeting on Tuesday. While inflation remains well below the bank's 2% target, a recent spike in global commodity costs prompted more companies to increase prices. The ECB is to publish the minutes of its December meeting, when it extended stimulus measures, on Thursday amid an ongoing debate over how best to counter rising price pressures in the bloc.Meanwhile, the Fed enters its traditional quiet period ahead of its upcoming policy meeting on Jan. 24-25.

4. **U.S. data:** It's set to be a light week on the U.S. economic calendar, with updates on the housing sector and regional manufacturing surveys in a holiday-shortened week.

5. **Chinese GDP:** Data on Monday is expected to show China's economy grew by an annualized 3.6% in the fourth quarter - the slowest rate since the second quarter of 2020, pressured by a downturn in the property sector, curbs on debt and strict Covid-19 measures. The world's second-largest economy is facing multiple headwinds in 2022, including persistent weakness in the property sector and fresh restrictions on movement amid the recent local spread of the Omicron variant.

Index	14/01/2022	07/01/2022	31/12/2021	Week/Week	Year-to-Date
Dow Jones	35,910.82	35,644.36	36,338.30	0.75%	-1.18%
S&P 500	4,662.66	4,587.14	4,766.18	1.65%	-2.17%
NASDAQ 100	15,606.71	15,590.32	16,320.08	0.11%	-4.37%
FTSE 100	7,611.12	7,477.98	7,384.54	1.78%	3.07%
Euro Stoxx 50	4,302.14	4,302.02	4,298.41	0.00%	0.09%

Local Economic Conditions

Local Foreign Exchange Market

- Our local currency depreciated by 0.09% against the U.S. Dollar week on week to settle at $155.85 as at close of trade Friday, relative to $155.70 per US$1.00 at the end of the prior week. Year to date, the Jamaican has depreciated by 0.49%.

Interest Rates and Inflation

- On December 20, 2021, the Bank of Jamaica's Monetary Policy Committee (MPC) voted to increase its policy rate by 50 basis points to 2.5%. 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 November 2021, point-to-point was at 7.8%, above the BoJ’s inflation target upper bound of 6.0%.

Unit Trust Performance

- Year to Date, The Money Market Fund has decreased by 0.37%, the FX Bond Portfolio has decreased by 0.39%, the F.X. Growth Portfolio decreased by 0.23%, the Real Estate Portfolio has increased by 1.13% and the Capital Growth Fund has declined by 2.78%.

- 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 declined by 0.95% year to date.

- As at December 29, 2021, the Capital Growth Fund has delivered a YTD return of -2.78%, which is below the -0.67% 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	14/01/2022	07/01/2022	31/12/2021	Week/Week	Year-to-Date
JMD: USD	155.85	155.70	155.09	-0.09%	-0.49%
JMD:CAD	124.87	118.83	122.76	-5.08%	-1.72%
JMD:GBP	212.11	209.87	210.14	-1.07%	-0.94%

Unit Trust

Unit Trust Fund	13/01/2022	06/01/2022	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	89.39	89.83	-0.48%	-2.78%	6.08%	-
Money Market	15.1678	15.2295	-0.41%	-0.37%	2.33%	0.95%
Income Portfolio	100.00	100.00	-	-	-	2.97%
FX Bond Portfolio (US$)	1.3729	1.3727	0.01%	-0.39%	1.75%	2.85%
Real Estate Portfolio	5,360.75	5,440.12	-1.46%	1.13%	-4.67%	-
FX Growth Portfolio	1.0796	1.0717	0.74%	-0.23%	7.01%	-

"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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Stock Ticket	Stock Information (As at January 14, 2022)	Analyst Outlook
WISYNCO Wisynco Group Ltd	P/E: 21.00x P/B: 4.18x Price: J$ 17.85 Div Yield: 1.68%	**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: 13.66x P/B: 2.32x Price: J$ 4.70 Div Yield: 1.54%	**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: 11.84x P/B: 1.55x Price: J$ 3.07 Div Yield: 2.12%	**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

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SGJ Scotia Group Jamaica Limited	P/E: 13.01x P/B: 0.96x Price: J$35.14 Div Yield: 4.41%	**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: 13.89x P/B: 2.10x Price: $6.27 Div Yield: 2.43%	**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: 7.27x P/B: 1.16x Price: $38.26 Div Yield: 2.22%	**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: 16.50x P/B: 2.58x Price: J$63.20 Div Yield: 2.06%	**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: 12.01x P/B: 1.17x Price: $33.97 Div Yield: 3.55%	**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: 11.92x P/B: 0.99x Price: US$0.23 Div Yield: 3.43%	**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: 8.55x P/B: 0.59x Price: J$14.40 Div Yield: 2.49%	**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: 11.35x P/B: 0.78x Price: US$0.13 Div Yield: 1.94%	**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: 14.74x P/B: 4.09x Price: J$71.05 Div Yield: 0.00%	**OVERWEIGHT** On the heels of what has been a good year for the company, management expects demand to increase further, fueled by upcoming government projects that will require substantial cement deposits. The recent government budget lends to this expectation as one of the main components of the government's SERVE Programme is infrastructure development. With that said, the company is positioning itself to meet this demand while maintaining its more efficient cost structure which was displayed in 2020, chief among these was the reduction of debt, which in turn reduced the company's cost of debt. In the most recent quarter, profitability declined, largely on the back of poor weather conditions and the company's planned machinery maintenance. Notwithstanding the recent quarter, the Company's outlook remains positive.
LAB The Limners and Bards Limited	P/E: 20.85x P/B: 6.29x Price: J$ 3.43 Div Yield: 3.21%	**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: 29.39x Price: J$41.00 AFFO Yield: 3.40%	**OVERWEIGHT** Since Eppley became the investment manager of the fund, there has been a material improvement both in portfolio's country exposure and type of real estate structures. This has led to a steady increase in the total square feet of the portfolio and increase Net Asset Value (NAV) with diversification. The Fund's pivot towards introducing Jamaican assets, especially in the industrial space will have a positive material impact on the company's long-term performance. This as the Manufacturing and Distribution (M&D) and construction industry have shown material resilience to the impact of COVID-19. As such, the continued focus on improving value to shareholders through divesting away from Barbados and retail properties will act as a positive tailwind for the long-term performance of CPFV.
MAILPAC Mailpac Group Limited	P/E: 21.87x P/B: 14.09x Price: J$ 3.35 Div Yield: 3.35%	**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: 12.24x P/B: 2.02x Price: J$ 6.00 Div Yield: 3.67%	**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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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