Barita's Weekly Newsletter

January 10, 2022

LOCAL EQUITIES MARKET

For the week ended Friday, our local stock market increased week-over-week. The JSE Combined Index advanced by 0.42%, the Main Market Index advanced by 0.15%, the JSE All Jamaican Composite Index rose by 0.69%, the JSE Junior Market Index declined by 0.48%, while the JSE USD Equities Index increased by 3.14%.

During the week, K.L.E. Group Ltd. was the largest gainer, rising by approximately 65.92% to close at J$2.97. The biggest loser was Sygnus Credit Investments Ltd. which fell by 22.75% to close at J$14.60.

Year to Date, The Junior Market Index (-0.48% YTD) and the Main Market counterpart (0.51% YTD)

As of Friday December 31, 2021, The overall market activity resulted from trading in 109 stocks of which 50 advanced, 49 declined and 10 traded firm. Market volume amounted to 58,410,943 units valued at over $439,248,484.82. Sagicor Select Funds Limited - Financial was the volume leader with 6,520,480 units (11.16%) followed by Wigton Windfarm Limited Ordinary Shares with 5,983,947 units (10.24%) and TRANSJAMAICAN HIGHWAY LIMITED with 5,054,739 units (8.65%) .

Revisiting relevant news during the week:

Despite lockdowns and curfews affecting productivity at AMG Packaging and Paper Company, the company has managed to remain profitable due to cost-containment measures

COVID-19 weighs heavily on AMG Packaging's 2021 performance

The Central Bank of Trinidad and Tobago (CBTT) said business operations are starting to recover following the gradual opening of the economy since the third quarter of 2021.

Economic recovery begins in T&T

The Caribbean has made tremendous strides in luring visitors to the region despite bleak realities surrounding high COVID-19 infection rates and vaccination hesitancy in the region, according to Nicola Madden Greig, the president of the Caribbean Hotel & Tourism Association (CHTA).

Caribbean tourism: situation report

Following its multi-billion preference share raise, West Indies Petroleum Limited (WIPL) listed five tranches on the Jamaica Stock Exchange's (JSE) Private Market on December 31.

West Indies Petroleum lists on JSE

DESPITE the entertainment industry still reeling from the fallout from the novel coronavirus pandemic, Main Event Entertainment Group Limited recorded a net profit of $16.14 million for the year ended October 31, 2021, rebounding from the $18.23-million loss from the prior year.

Main Event rebounds from net loss

The Statistical Institute of Jamaica (Statin) said growth in the third quarter was attributable to both the goods and services sectors. Goods producing expanded by 2.4 per cent while services grew 7.1 per cent. Statin pointed out that reopening of the entertainment sector in July and easing of travel restrictions also contributed. The growth in the services industries was due to improved performance in all eight (8) industries:

The recovery continues

Index	07/01/2022	31/12/2021	31/12/2021	Week/Week	Year-to-Date
JSE Main Market	398,168.83	396,155.61	396,155.61	0.51%	0.51%
JSE Junior Market	3,411.84	3,428.30	3,428.30	-0.48%	-0.48%
JSE Combined Market	402,834.92	401,130.23	401,130.23	0.42%	0.42%
JSE USD Equities Market	201.65	195.51	195.51	3.14%	3.14%
JSE ALL Jamaican Composite Index	441,369.40	438,328.37	438,328.37	0.69%	0.69%

INTERNATIONAL DEVELOPMENTS

US

Stocks backed away from record highs at the start of the week as longer-term bond yields increased. Expectations for higher interest rates took a particular toll on growth stocks and the technology-heavy Nasdaq Composite—which suffered its biggest weekly decline in nearly a year—by increasing the implied discount on future earnings. Technology and health care shares were particularly weak within the S&P 500 Index, while energy shares outperformed as domestic oil prices pushed back toward USD 80 per barrel. Financials were also strong.The S&P 500 reached a new high on Monday, although T. Rowe Price traders noted that only five of the index's 11 sectors recorded a gain. Tesla was a big driver of the gains after the electric vehicle maker reported more fourth-quarter deliveries than expected. Indeed, reflecting the dominance of the most heavily weighted stocks, our traders noted that stripping out gains in Tesla and mega-caps Apple and Amazon.com would have left the S&P 500 nearly flat for the day.

Europe

Shares in Europe pulled back amid worries that central banks may reduce asset purchases and raise interest rates at a faster pace to contain persistent inflation. In local currency terms, the pan-European STOXX Europe 600 Index ended the week 0.32% lower. The main equity indexes in Germany, France, and Italy advanced. The UK's FTSE 100 Index gained 1.36% as banks and energy—industries that include some of the index's largest stocks—rallied. Core eurozone bond yields rose with U.S. Treasury yields. Minutes from the Federal Reserve's mid-December meeting justified the need for a faster pace of rate hikes, contributing to a broad sell-off in developed market government bonds. Core yields also jumped on Friday in anticipation of eurozone inflation data. UK gilt yields broadly tracked core markets. Peripheral eurozone bond yields also rose as part of the global sell-off but faced additional upward pressure from reports of new supply in Italy.

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

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

1. **Inflation Data:** Wednesday's consumer price inflation data is expected to show headline CPI breaking above 7% year-on-year - rapidly approaching a four-decade high – with the core rate rising well above 5% year-over-year. Producer price inflation data the following day is also expected to show a surge higher.

2. **Powell testimony:** Fed Chair Jerome Powell is due to testify Tuesday before the Senate Banking Committee at a hearing to confirm his nomination to a second four-year term as Fed head while Fed Governor Lael Brainard is to appear before the same committee two days later for a confirmation hearing on her nomination to vice-chair.

3. **Earnings:** Earnings season kicks off in earnest in the coming week with investors getting a look at fourth quarter results from several large banks, including JPMorgan Chase (NYSE:JPM), Citigroup (NYSE:C) and Wells Fargo (NYSE:WFC) ahead of the market open on Friday.

4. **Volatility to continue:** Indications that the Fed is ready to hike rates faster than previously anticipated as it combats surging inflation roiled markets in the first week of 2022 and that volatility looks set to continue.

5. **Bitcoin:** Bitcoin has come under pressure since the start of the new year, falling to its lowest level since late September amid a broader selloff in cryptocurrencies driven by concerns over the prospect of a more hawkish Fed. The world's largest cryptocurrency by market value has fallen over 40% since hitting an all-time high of $69,000 in November driven lower by expectations that the U.S. central bank will hike interest rates sooner than expected.

Index	07/01/2022	31/12/2021	31/12/2021	Week/Week	Year-to-Date
Dow Jones	35,644.36	36,338.30	36,338.30	-1.91%	-1.91%
S&P 500	4,587.14	4,766.18	4,766.18	-3.76%	-3.76%
NASDAQ 100	15,590.32	16,320.08	16,320.08	-4.47%	-4.47%
FTSE 100	7,477.98	7,384.54	7,384.54	1.27%	1.27%
Euro Stoxx 50	4,302.02	4,298.41	4,298.41	0.08%	0.08%

Local Economic Conditions

Local Foreign Exchange Market

- Our local currency depreciated by 0.40% against the U.S. Dollar week on week to settle at $155.70 as at close of trade Friday, relative to $155.09 per US$1.00 at the end of the prior week. Year to date, the Jamaican has depreciated by 0.40%.

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 increased by 0.03%, the FX Bond Portfolio has decreased by 0.40%, the F.X. Growth Portfolio decreased by 1.45%, the Real Estate Portfolio has increased by 7.30% and the Capital Growth Fund has declined by 2.31%.

- 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 5.21%, which is above the 2.22% 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	07/01/2022	31/12/2021	31/12/2021	Week/Week	Year-to-Date
JMD: USD	155.70	155.09	155.09	-0.40%	-0.40%
JMD:CAD	118.83	122.76	122.76	3.20%	3.20%
JMD:GBP	209.87	210.14	210.14	0.13%	0.13%

Unit Trust

Unit Trust Fund	06/01/2022	22/12/2021	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	89.83	89.29	0.61%	-2.31%	6.27%	-
Money Market	15.2295	15.1563	0.48%	0.03%	2.82%	1.28%
Income Portfolio	100.00	100.00	-	-	-	2.98%
FX Bond Portfolio (US$)	1.3727	1.3756	-0.21%	-0.40%	1.35%	2.84%
Real Estate Portfolio	5,440.12	5,069.99	7.30%	2.63%	-2.28%	-
FX Growth Portfolio	1.0717	1.0875	-1.45%	-0.95%	7.98%	-

"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 January 7, 2022)	Analyst Outlook
WISYNCO Wisynco Group Ltd	P/E: 20.29x P/B: 3.91x Price: J$ 17.25 Div Yield: 1.74%	**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: 13.63x P/B: 2.32x Price: J$ 4.69 Div Yield: 1.55%	**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: 12.19x P/B: 1.59x Price: J$ 3.16 Div Yield: 2.06%	**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: 13.14x P/B: 0.97x Price: J$35.47 Div Yield: 4.37%	**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: 13.63x P/B: 2.06x Price: $6.27 Div Yield: 2.47%	**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: 7.36x P/B: 1.17x Price: $38.73 Div Yield: 2.19%	**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: 16.48x P/B: 2.58x Price: J$63.11 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: 12.03x P/B: 1.00x Price: $33.01 Div Yield: 3.54%	**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: 11.53x P/B: 0.96x Price: US$0.22 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.
SCIJMD Sygnus Credit Investments	P/E: 8.67x P/B: 0.59x Price: J$14.60 Div Yield: 2.46%	**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: 11.23x 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: 14.49x P/B: 4.03x Price: J$69.86 Div Yield: 0.00%	**OVERWEIGHT** On the heels of what has been a good year for the company, management expects demand to increase further, fueled by upcoming government projects that will require substantial cement deposits. The recent government budget lends to this expectation as one of the main components of the government's SERVE Programme is infrastructure development. With that said, the company is positioning itself to meet this demand while maintaining its more efficient cost structure which was displayed in 2020, chief among these was the reduction of debt, which in turn reduced the company's cost of debt. In the most recent quarter, profitability declined, largely on the back of poor weather conditions and the company's planned machinery maintenance. Notwithstanding the recent quarter, the Company's outlook remains positive.
LAB The Limners and Bards Limited	P/E: 22.61x P/B: 6.78x Price: J$ 3.84 Div Yield: 2.86%	**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$43.00 AFFO Yield: 3.40%	**OVERWEIGHT** Since Eppley became the investment manager of the fund, there has been a material improvement both in portfolio's country exposure and type of real estate structures. This has led to a steady increase in the total square feet of the portfolio and increase Net Asset Value (NAV) with diversification. The Fund's pivot towards introducing Jamaican assets, especially in the industrial space will have a positive material impact on the company's long-term performance. This as the Manufacturing and Distribution (M&D) and construction industry have shown material resilience to the impact of COVID-19. As such, the continued focus on improving value to shareholders through divesting away from Barbados and retail properties will act as a positive tailwind for the long-term performance of CPFV.
MAILPAC Mailpac Group Limited	P/E: 23.00x P/B: 14.82x Price: J$ 3.45 Div Yield: 3.19%	**OVERWEIGHT** Having raised just under $500 million in its November 2019 junior market initial public offering (IPO), by March of 2020 the global economy was grappling with the COVID-19 crisis. This posed both a challenge and an opportunity for the Mailpac Group given the sudden and immediate need for e-commerce capabilities in light of social distancing and other non-medical interventions to reduce the spread of the virus. That the company was able to generate $1.7 billion in revenue during 2020 is demonstrative of the management's agility and competence of the company's leadership. They were able to pivot in building both scale and capacity, which are likely to sustain Mailpac's performance prospectively, given the likely scenario that e-commerce is likely to become more ensconced among Jamaica consumers, across various social classes.

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GENAC General Accident Insurance Company Ltd.	P/E: 12.35x P/B: 2.17x Price: J$ 6.05 Div Yield: 3.64%	**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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