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History provides some guidance for wartime investing.

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ANALYST INSIGHT

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War Meets Inflation

In some ways, these first two months of 2022 have created a reminiscent feeling of uncertainty quite similar to 2020, before COVID-19 was officially declared a pandemic. During this period, the globe has witnessed inflation at levels not seen in 40 years while supply chain disruptions and shortages throughout the developed and developing worlds have remained a significant headwind. Further, everyday individuals are faced with the possibility that Central Banks may be on the verge of a significant policy error as initial talks of inflation being transitory have faded as inflationary pressures have become quite lasting. With that said, the global economy was already facing several issues of significance. Now, the Russia/Ukraine war has further added to the list of uncertainties that weigh on global growth and the collective prosperity of many. As the third-largest producer of oil in the World, Russia holds a position that can present serious ripple effects for all nations. The outcomes of this war are highly uncertain and ultimately dependent on the major player, Russia, and more specifically, its President, Vladimir Putin. Since we can neither predict the timeline nor the outcomes of this war, this article will focus on the lessons learned from previous large-scale conflicts as we seek to determine how investors should think in this period and resultantly, how investors can invest.

History suggests long term stock market effects are likely minimal

A brief look back at the US' S&P 500 at varying points in history tells a story of significant decline, in some instances; followed by recovery in all instances. Historically, one of the sharpest declines witnessed by the market was the Pearl Harbor attack in July 1941. The market had a total drawdown of -19.8%, as reported by LPL Research. However, over the course of 307 days, less than 1 year, the market recovered. It's important to note that this was not a foreign conflict as is the case with Russia and Ukraine, but a direct attack on American soil. We can add to this by looking back at more recent history. The U.S. terrorist attacks in New York, typically referred to as 9/11 was a major event that has been embedded in the memories of many, and one that sparked a -11.6% decline in the S&P 500 within 11 days of the attack. Again, notwithstanding the seriousness of the attack and the conflict that would ensue thereafter, the market recovered within 31 days. A report produced by LPL Research has tracked 20 geopolitical events relating to harmful attacks between the 1941 Pearl Harbor attack and the September 2019 Saudi Aramco Drone Strike. On average, these conflicts have resulted in a total stock market decline of -5.0%, requiring 22 days on average to reach their lowest point and 47 days to recover. Again, in all instances, the markets have recovered.

Investing during war and associated uncertainties

The result of that historical recount highlights two pertinent points. The first is that in many cases, there are still companies that continue to perform despite ongoing wars. Hence, markets have typically rebounded – the issue is therefore timing. The second is that while wars and geopolitical conflicts, in general, present a period of uncertainty; inevitably, all wars have ended, and markets tend to price-in this eventuality. Therefore, wartime investing is, in large part, reflective of traditional investment strategies that we've put forward through this medium many times. Specifically, it requires a well-diversified portfolio, investing in fundamentally sound companies, supported by strong balance sheets and clear opportunities for growth given their industry/industries and position within those industries. Additionally, however, there are nuances that vary depending on each conflict. With the current conflict, we have a preference for U.S. risky assets once the US remains out of the war from a military perspective. Europe stands to be the main area of shock and buying any European risky asset during a period such as this amounts to betting on the timeline and outcome of the war which cannot be determined, so we would generally not recommend it at this time. Within the US and some emerging markets, clear beneficiaries of this war are commodity producers, particularly those that export wheat and grains as Russia and Ukraine account for nearly 25% of total global exports, as well as those who can export neon and palladium, important metals in the production of semiconductor chips. In summary, industries that are dominated by Russia and Ukraine and could see a supply shortage, and therefore, price increase, could benefit the remaining countries and companies which creates an opportunity for investors; once investible. Now, this point is also important, market uncertainty is currently extremely high as this war comes on the back of several issues as mentioned above and as such, the facts are rapidly changing; thereby presently ambiguity regarding how to position any portfolio.

The effects on the JSE and Concluding Thoughts

At its current scale, we believe the effect of the ongoing Ukraine/Russia conflict on the Jamaica Stock Exchange (JSE) should be low and is likely to present itself through what we've already seen, higher costs as any Russia related dispute can affect the supply of several commodities and consequently, drive prices higher. In our view, the issues presented by the conflict itself, **at this time**, are not as economically significant as the conditions that prevailed leading up to the conflict – i.e., unprecedented inflation, supply chain issues, and rising interest rates. The addition of war is likely to exacerbate these issues that already existed. Therefore, a keen knowledge of Companies that were worst affected by the onset of the higher price of goods in 2021 presents a good listing of Companies likely to be strained if prices are to spike further. A clear roadmap is to position in Companies that are likely to maintain pricing power, have limited exposure to import costs, and are clearly on a rebound driven by renewed demand and efficiencies built throughout the pandemic. As the ongoing conflict persists, other issues are likely to surface such as the potential for damage to the global banking system if Russia's banks are meaningfully cut off from the rest of the world. Therefore, at this time, we remain vigilant as we believe this is just the beginning of a conflict that has the potential to become much worse.

Investment Playbook

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Equities

Stock Ticket	Stock Information (As at February 25, 2022)	Analyst Outlook
WISYNCO Wisynco Group Limited	P/E: 19.90x P/B: 4.25x Price: $19.50 Div Yield: 1.54%	**OVERWEIGHT** Throughout the pandemic, Wisynco has managed to improve its operational efficiency but given the effects of COVID-19 on industries such as tourism and education, the Company was unable to deliver significant revenue growth. Now, with tourism rebounding and schools operating at a greater level, Wisynco has married its improved operational efficiency with stronger revenue growth, allowing for significant net profit growth. As tourism is expected to continue growing towards its pre-pandemic level of output, we expect Wisynco to continue to perform well.
JMMBGL JMMB Group Limited	P/E: 7.04x P/B: 1.28x Price: $42.96 Div Yield: 1.98%	**OVERWEIGHT** Given its relatively low P/E ratio and considering the Group's consistently strong performance throughout the pandemic, the market has been underpricing JMMBGL significantly, relative to its local counterparts. In recognition of this, the JMMBGL Directors approved a share buyback program which should begin in FY2022/23 which begins on April 1, 2022. Share buyback programs reduce the number of shares outstanding. As the supply of shares in the market reduces from the share buyback, share price increase is likely to follow as demand for the stock outweighs supply.
LAB The Limners and Bards Limited	P/E: 22.19x P/B: 6.69x Price: J$ 3.65 Div Yield: 3.01%	**OVERWEIGHT** The LAB is the only listed Creative Agency on the JSE. Throughout the pandemic, the demand for the services provided by the Company has been strong. In FY2021 alone, revenue grew by 35%, an indication of the demand for the Company's services while net profit grew by 22%. With consistently positive cash flows and a cash balance that is 1.4x larger than all the Company's liabilities, we believe the Lab is poised to invest its capital efficiently towards further growth. The first step towards this is the phased roll-out of its brainchild, "SCOPE Caribbean".
MASSY Massy Holdings Limited	P/E: 10.35x P/B: 1.22x Price: J$ 1,967.25 Div Yield: 2.72%	**OVERWEIGHT** Massy Holdings Limited. (MHL, Massy), through its portfolio companies, engages in trading, manufacturing, distribution, and service industry businesses throughout the Caribbean region. The company operates through three portfolios: Integrated Retail, Gas Products, Motors, and Machine and two business lines: Financial Services, and Strategic and Other Investments. In financial year 2020, Massy transitioned from a Conglomerate to an Investment Holding Company. By so doing, Massy's strategy has changed, with the Group focusing mainly on its core portfolios. These core areas of the business represent Massy's competitive advantages, are well-positioned to scale, and are therefore expected to drive strategic growth going forward.

Ratings Definitions

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

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

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

SELL
Reduce exposure in your portfolio to zero

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VMIL Victoria Mutual Investments Limited	P/E: 15.26x P/B: 2.31x Price: $7.02 Div Yield: 2.21%	**OVERWEIGHT** Victoria Mutual has recently rebranded under the "VM Group". By association, there has been implications for VMIL. For example, the Company has been significantly more active in the capital markets through its investment banking arm. We expect continued growth in the investment banking space will add considerable value to the Company's bottom line which has already shown clear improvement throughout FY2021.
LASD Lasco Distributors	P/E: 13.52x P/B: 1.76x Price: J$ 3.64 Div Yield: 1.79%	**OVERWEIGHT** Our expectation is for the Company to continue on its growth trajectory, supported by the improving economic backdrop of the global economy, which should manifest through continued domestic demand for goods and services. With increased stopover arrivals and the reopening of key industries such as entertainment and education (face-to-face teaching), there are sufficient catalysts to spur further growth in 2022. However, this isn't without challenges as the global supply bottleneck has affected LASD's margins. In response, management has prudently managed operational costs such that higher imported inflationary has not completely eroded the bottom line, resulting in continued growth..
SCIJMD/ SCIUSD Sygnus Credit Investments	P/E: 8.37x / 11.07x P/B: 0.59x / 0.78x Price: J$15.17 / US$0.13 Div Yield: 2.36% / 1.92%	**OVERWEIGHT** Sygnus' business model is built on providing capital and direction to the underbanked, targeting the middle market. To accomplish this, the Company has executed several equity raises, the most recent of which was its APO launch in December 2020. Given the increase in its weighted average number of shares, EPS growth has not mirrored the double digit growth in net profit attributable to shareholders. However, we must indicate that continued growth at this level will drive higher EPS growth, once further dilution does not occur. Moreover, the stock trades at significant discount relative to peers both from a P/E perspective and a P/B perspective. At present, the market is pricing Sygnus at a seep discount to its book value per share which we believe is very wrong.

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LASM Lasco Manufacturing	P/E: 12.49x P/B: 2.20x Price: J$ 4.67 Div Yield: 1.55%	**MARKETWEIGHT** Our expectation is for the Company, like others, to continue benefiting from an improving economic backdrop. However, there has been a clear revenue growth slowdown in the most recent quarterly result, coupled with reduce gross profit margins throughout FY2022, owing to global supply chain issues and a higher effective tax rate as Lasco no longer benefits from the Junior Market tax incentive.
MAILPAC Mailpac Group Limited	P/E: 18.44x P/B: 12.67x Price: J$ 2.95 Div Yield: 3.73%	**MARKETWEIGHT** During the peak periods of the pandemic, MAILPAC benefited immensely as online shopping became a larger share of shoppers' wallets. In large part, this period of heavy COVID-19 fear has reduced and while we anticipate online shopping will remain integral for the everyday consumer, the outsized growth we witnessed in FY2020 will likely soften further. Admittedly, the Company has a fairly robust balance sheet with more cash than total liabilities which we believe places MAILPAC in a position to make growth-inducing investments. The current slowdown in demand and consequently revenue and profit growth, matched with the Company's fairly strong balance sheet underscore our MARKETWEIHT recommendation
SEP Seprod Limited	P/E: 15.57x P/B: 2.44x Price: J$ 59.64 Div Yield: 2.18%	**MARKETWEIGHT** Seprod has been considerably affected by global supply chain issues that have increased the Company's cost of sales. While this has occurred, instead of raising prices to consumers equivalently, Seprod has absorbed some of these costs which has affected profitability. To help mitigate this, the Group has improved its operational cost management which has had positive implications on the Group's Q3 2021 performance. Notwithstanding, the cost of sales remains elevated, and has only trended upwards throughout FY2021, with no clear methods to manage or reduce the current pace of the increase. Therefore, while we expect current operational cost controls to help, the uncertainty regarding cost of goods remains an ever-present threat to Group profit growth.

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SGJ Scotia Group Jamaica Limited	P/E: 12.82x P/B: 0.95x Price: J$ 34.61 Div Yield: 4.48%	**UNDERWEIGHT** The greatest driver of profitability in FY2021 was the reduction of Expected Credit Losses (ECL) relative to the previous year as the economic backdrop improved. Scotia is not likely to have this benefit recur, at least to the magnitude it did in FY2021. This, coupled with no clear path to growing its main revenue lines such as net interest income as well as fees and commission income, particularly in an industry that is highly competitive suggests to us that SGJ is unlikely to realize any significant growth in its bottom line, and consequently, is unlikely to deliver significant share price growth for investors. While this is the case, we much, however, note that SGJ is a consistent source of relatively attractive dividends which makes the Company a good asset for some investors with a clear preference for income.

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TROPICAL **Tropical Battery Limited**	P/E: 19.55x P/B: 2.53x Price: J$ 1.72 Div Yield: 0.58%	Tropical Battery has been aggressively pursuing revenue diversification strategies, to not be entirely dependent on auto battery and auto accessory sales. This is evident by the company's recent launch of three new subsidiaries aimed at providing renewable energy solutions for commercial customers . The company recently implemented a new inventory management system that has yielded improved operational efficiencies. We believe that this company will continue to grow as they build out new revenue lines, as they improve operational efficiencies and hence are worth monitoring.
MDS **Medical Disposable Supplies**	P/E: 13.30x P/B: 1.635x Price: J$ 6.65 Div Yield: 1.05%	Medical Disposables and Supplies have quietly been diversifying its revenue streams over the last 2 years. This is inclusive of its purchase of Cornwall Medical and Dental Supplies(CMDL) which has been consolidated into the company's financials as of their second quarter 2021. This increases the company's exposure to the dental supplies space and expands their reach into the western end of the island. The company has also shifted to providing more confectionary products and we believe its expansion and diversification efforts are worth watching.
Lumber **Lumber Depot Limited**	P/E: 14.04x P/B: 6.66x Price: J$ 3.79 Div Yield: 1.58%	Lumber represents an option to gain exposure to the construction sector which has been a relatively resilient and fast-growing sector. With this sector tailwind, lumber has shown strong revenue growth since its 2019 listing and the current Trailing Twelve Months(TTM) profits is 39.5% higher than financial year 2021 earnings. There were however hiccups in the last quarterly earnings which was impacted by lock down restrictions, but we are still monitoring how the company progresses given the loosening of restrictions. We also note that despite the growth it has shown over the last 2 years, the stock still trades at an attractive PE compared to Junior market peers

The "Monitoring List" represents stocks that are on our radar as our initial expectation for these companies is positive. However, no official recommendation is presented as these stocks are still being evaluated.

Monitoring List

Equities

Stock Ticker	Stock Information (As of February 25, 2022)	Analyst Outlook
ECL Express Catering Limited	P/E: 18.88x P/B: 22.76x Price: J$ 5.85 Div Yield: N/A%	Given ECL's significant exposure to tourism, the ongoing rebound in the industry bodes well for the company's FY 2022 performance, relative to its FY 2021 performance

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Unit Trust

Unit Trust Fund	16/02/2022	26/02/2022	Week/Week Return	1 Year Return	Year-to-Date Return	Yield
Capital Growth	95.24	93.2110	-2.13%	7.69%	1.37%	-
Money Market	15.2531	15.3418	0.58%	2.66%	0.77%	0.85%
Income Portfolio	100.0000	100.0000	0.00%	-	-	3.12%
FX Bond Portfolio (US$)	1.3707	1.3677	-0.22%	1.37%	-0.77%	2.92%
Real Estate Portfolio	6034.18	5518.7443	-8.54%	-6.71%	4.11%	-
FX Growth Portfolio	1.0097	0.9754	-3.40%	-3.69%	-9.85%	-

"Though tempting, trying to time the market is a loser's game. $10,000 continuously invested in the market over the past 20 years grew to more than $48,000. If you missed just the best 30 days, your investment was reduced to $9,900."

Christopher Davis

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LOCAL EQUITY MARKET

For the week ended Friday, the local stock market declined week-over-week. The JSE Combined Index decreased by 0.74%, the Main Market Index declined by 1.02%, the JSE Junior Market Index grew by 2.30%, and the JSE USD Equities Index advanced by 1.67%. During the week,Sygnus Real Estate Finance Limited was the largest gainer, rising by approximately 12.94% to close at J$0.96. The biggest decliner was MPC Clean Energy Limited which fell by 17.48% to close at J$98.2.

Year to Date, with the ongoing rebound in the local economy, small-cap stocks, reflecting those listed on the Junior Market Index have continued the strong performance seen in 2021, growing by +15.61% YTD, outpacing its Main Market counterpart(-1.25)% YTD) by a wide margin.

For the week ended Friday February 25, 2022, Overall Market activity resulted from trading in 60 stocks of which 27 advanced, 29 declined and 4 traded firm.
Market volume amounted to 184,548,078 units valued at over $1,104,887,100.01. WIGTON WINDFARM LIMITED ORDINARY SHARES was the volume leader with 24,025,501 units (13.02%) followed by QWI INVESTMENTS LIMITED with 15,239,456 units (8.26%) and TRANSJAMAICAN HIGHWAY LIMITED with 11,575,570 units (6.27%)

Revisiting relevant news during the week:
As the global pandemic continues to wane, several companies have been affected by supply chain challenges, AMG packaging is one such company that has had to resort to identifying new suppliers for papers, as their supply chain has been disrupted

AMG Seeks New Suppliers

Massy's listing enhances the potential for accelerating the build out of "a more regional capital market … one that is far more intertwined and, consequently, more robust and beneficial to companies throughout the region".
JSE should head to Guyana

NCB Financial Group, the regional conglomerate based in Jamaica, made billions in its first quarter spanning October to December, but has again avoided paying dividends, its earnings having fallen short of prior periods.
NCB Dividend Hiatus

Following its cross-listing on the Jamaica Stock Exchange (JSE) last Thursday, Massy Holdings Limited's president and CEO Elliott Gervase Warner expressed resounding confidence in Jamaica and the Government's plan to improve the ease of doing business through public sector transformation, at the JSE's 17th Regional Investments and Capital Markets Conference.
Massy bullish on Jamaica

Some local financial institutions, which have a different structure from the island's commercial banks, are seizing the opportunity offered by the current debate on higher banking fees to emphasise their difference.
VM targets banks' customers

EVEN as Sygnus Credit Investments Limited (SCI) nears its fifth anniversary of operations, the company has set more ambitious targets once the acquisition of Acrecent Financial Corporation (AFC) is closed within the next one to two months, having already amassed a private credit portfolio of US$100 million.
Sygnus credit sets bold five-year plan

Index	25/02/2022	18/02/2022	31/12/2021	Week/Week	Year-to-Date
JSE Main Market	391,193.26	396,802.02	396,155.61	-1.41%	-1.25%
JSE Junior Market	3,963.43	3,985.87	3,428.30	-0.56%	15.61%
JSE Combined Market	401,437.50	406,890.41	401,130.23	-1.34%	0.08%
JSE USD Equities Market	207.98	204.79	195.51	1.56%	6.38%
JSE Financial Index	94.97	96.47	98.05	-1.55%	-3.14%
JSE Man&Dis Index	107.88	108.09	100.38	-0.19%	7.47%

INTERNATIONAL DEVELOPMENTS

US

The major indexes closed mostly higher after a holiday-shortened week of historic volatility sparked by Russia's invasion of Ukraine. (Markets were closed Monday in observation of Presidents Day.) On Thursday, the Nasdaq Composite Index swung by 6.8%, the largest intraday range since the World Health Organization declared the start of the coronavirus pandemic in March 2020, according to T. Rowe Price traders. As one example of the volatility, Tesla added USD 100 billion to its market capitalization over the course of the day on Thursday but declined roughly 5.5% over the week.

The consumer discretionary sector generally underperformed within the S&P 500 Index as the turmoil in Europe weighed on travel-related shares. Conversely, resilience in Internet giants Alphabet (the parent company of Google) and Meta Platforms (the parent company of Facebook) supported communication services stocks. Health care shares were also strong

Europe

Shares in Europe fell as Russia's invasion of Ukraine fueled fears of higher inflation and an economic slowdown. In local currency terms, the pan-European STOXX Europe 600 Index ended 1.58% lower. Germany's DAX Index, one of the most exposed to Russia, declined 3.16%. France's CAC 40 Index gave up 2.56%, while Italy's FTSE MIB Index lost 2.77%. The UK's FTSE 100 Index slipped 0.32%.

Core eurozone bond yields fell after Russia's invasion of Ukraine drove a flight to safety. UK gilt and peripheral eurozone bond yields also declined

T.RowePrice market update

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

1. **U.S. CPI Report:** The CPI and Core CPI Report come out Thursday pre-market. Economists expect CPI to come in at a .5% increase month over month and 7.3% year over year, with core CPI (excluding food and energy prices) also expected at .5% month over month and 5.9% year over year. With rumblings that the Fed might not only hike four times this year but also jump straight to a 50 basis points hike in March, this report will have real weight.

2. **Earnings read-through part 1 – pandemic related effects:** One way to read Meta Platforms' (Facebook's) muted guidance and earnings report was as a new sign that pandemic-related tailwinds (positive effects) are gone for tech companies. Amazon's rebound after its reports was as much about the worst already being priced into the shares, as the company took a big hit in Q3. Upcoming financial results will help investors to get read-throughs on both "Covid plays" and "reopen plays" this week with several companies reporting quarterly financials this week.

3. **Earnings read-through part 2 – inflation effects:** The other big story to watch across this earnings season is the impact of inflation on different companies. We have companies from the materials sector, consumer goods and food, and healthcare reporting, all of which should add to the picture of how widespread inflation is and whether there are signs of easing ahead, whether supply-chain related or otherwise.

4. **Cryptocurrencies on the rebound:** Cryptocurrencies were an asset class that appreciated the turn of the calendar page. After losing nearly 20% in January, Bitcoin has risen nearly 8% in February, and Ethereum has risen nearly 12%.

Index	25/02/2022	18/02/2022	31/12/2021	Week/Week	Year-to-Date
DJI	34,058.75	34,079.18	36,338.30	1.05%	-3.44%
S&P 500	4,384.65	4,500.53	4,766.18	1.55%	-9.45%
NASDAQ 100	14,189.16	14,694.35	16,320.08	1.66%	-14.35%
FTSE 100	7,489.46	7,516.40	7,384.54	0.67%	-0.62%
Euro Stoxx 50	3970.69	4,086.58	4,298.41	-1.22%	-9.36%