Barita

MAKING MONEY WORK FOR YOU.

Barita's Weekly Newsletter

March 7, 2022

Investment Playbook

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Equities

Stock Ticket	Stock Information (As at March 4, 2022)	Analyst Outlook
WISYNCO Wisynco Group Limited	P/E: 19.16x P/B: 4.09x Price: $18.78 Div Yield: 1.60%	**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: 7.10x P/B: 1.29x Price: $43.33 Div Yield: 1.96%	**OVERWEIGHT** Given its relatively low P/E ratio and considering the Group's consistently strong performance throughout the pandemic, the market has been underpricing JMMBGL significantly, relative to its local counterparts. In recognition of this, the JMMBGL Directors approved a share buyback program which should begin in FY2022/23 which begins on April 1, 2022. Share buyback programs reduce the number of shares outstanding. As the supply of shares in the market reduces from the share buyback, share price increase is likely to follow as demand for the stock outweighs supply.
LAB The Limners and Bards Limited	P/E: 22.19x P/B: 6.69x Price: J$ 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: 14.31x P/B: 1.37x Price: J$ 1,9500 Div Yield: 2.74%	**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

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
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VMIL Victoria Mutual Investments Limited	P/E: 18.26x P/B: 2.57x Price: $6.94 Div Yield: 2.23%	**OVERWEIGHT** Victoria Mutual has recently rebranded under the "VM Group". By association, there has been implications for VMIL. For example, the Company has been significantly more active in the capital markets through its investment banking arm. We expect continued growth in the investment banking space will add considerable value to the Company's bottom line which has already shown clear improvement throughout FY2021.
LASD Lasco Distributors	P/E: 13.52x P/B: 1.76x Price: J$ 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: 8.48x / 11.07x P/B: 0.60x / 0.78x Price: J$15.38 / US$0.13 Div Yield: 2.33% / 1.92%	**OVERWEIGHT** Sygnus' business model is built on providing capital and direction to the underbanked, targeting the middle market. To accomplish this, the Company has executed several equity raises, the most recent of which was its APO launch in December 2020. Given the increase in its weighted average number of shares, EPS growth has not mirrored the double digit growth in net profit attributable to shareholders. However, we must indicate that continued growth at this level will drive higher EPS growth, once further dilution does not occur. Moreover, the stock trades at significant discount relative to peers both from a P/E perspective and a P/B perspective. At present, the market is pricing Sygnus at a seep discount to its book value per share which we believe is very wrong.
Lumber **Lumber Depot Limited**	P/E: 14.70x P/B: 6.97x Price: J$ 3.97 Div Yield: 1.51%	**OVERWEIGHT** 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

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LASM Lasco Manufacturing	P/E: 12.46x P/B: 2.20x Price: J$ 4.66 Div Yield: 1.56%	**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: 17.38x P/B: 11.94x Price: J$ 2.78 Div Yield: 3.96%	**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: 14.64x P/B: 2.29x Price: J$ 56.07 Div Yield: 2.32%	**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: 12.65x P/B: 0.94x Price: J$ 34.16 Div Yield: 4.54%	**MARKETWEIGHT** 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 to the magnitude it did in FY2021. This, coupled with no clearly communicated path to growing its main revenue lines in an industry that is highly competitive presents obvious challenges for the Group. However, Scotia has two major positives. The first is that the current rising interest rate environment supports the Group's bank model, more so than other listed financial institutions. The second is that SGJ is a consistent source of relatively attractive dividends which makes the Company a good asset for investors with a clear preference for income.

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Monitoring List

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TROPICAL **Tropical Battery Limited**	P/E: 24.77x P/B: 3.21x Price: J$ 2.18 Div Yield: 0.46%	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: 12.72x P/B: 1.56x Price: J$ 6.36 Div Yield: 1.10%	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.
ECL Express Catering Limited	P/E: 18.88x P/B: 19.99x Price: J$ 5.14 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
GK Grace KennedyLimited	P/E: 12.24x P/B: 1.49x Price: J$ 101.25 Div Yield: 1.91%	For their financial year ended December 2021, the company reported growth in both their top and bottom line. Revenues increased by 12% and profit increased by 32%. Now, the company has indicated several transactions in their pipeline, including a few in insurance, one in fintech and others outside of Jamaica. These acquisitions stand to add more diversity and growth to the company's earnings.

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.

Unit Trust

Unit Trust Fund	03/03/2022	26/02/2022	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	93.21	92.19	1.10%	0.26%	6.51%	-
Money Market	15.3418	15.3162	0.17%	0.60%	2.53%	0.86%
Income Portfolio	100.00	100.00	-	-	-	3.15%
FX Bond Portfolio (US$)	1.3677	1.3592	0.63%	-1.39%	0.67%	2.97%
Real Estate Portfolio	5,518.74	5,507.02	0.21%	3.89%	-9.07%	-
FX Growth Portfolio	0.9754	1.0022	-2.67%	-7.38%	2.68%	-

"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 0.44%, the Main Market Index declined by 0.97%, the JSE Junior Market Index grew by 5.17%, and the JSE USD Equities Index advanced by 0.34%. During the week, Future Energy Source Limited was the largest gainer, rising by approximately 57.77% to close at J$7.92. The biggest decliner was Caribbean Assurance Brokers Ltd. which fell by 28.88% to close at J$2.29.

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 21.58% YTD, outpacing its Main Market counterpart(-2.21)% YTD) by a wide margin.

For the week ended Friday March 4, 2022, Overall Market activity resulted from trading in 114 stocks of which 49 advanced, 59 declined and 6 traded firm. Market volume amounted to 223,357,333 units valued at over $2,400,580,546.24. Carreras Limited was the volume leader with 63,232,948 units (28.31%) followed by Future Energy Source Company Ltd Ordinary Shares with 55,941,707 units (25.05%) and Wigton Windfarm Limited Ordinary Shares with 16,722,176 units (7.49%) .

Revisiting relevant news during the week:

STATIONERY and Office Supplies Limited (SOS) has seen a recovery in its earnings from a slowdown in 2020, with a 16 per cent jump in revenues to $1.12 billion and a 224 per cent rise in net profit to $107.12 million for its 2021 financial year (FY) ending December 31.

SOS recovers

DESPITE having to navigate the hostile operating environment, Derrimon Trading Limited (DTL) said it continues to deliver consistent growth as it also increases value for shareholders.
Derrimon maintains growth

SYGNUS Credit Investments (SCI) says it has now completed the acquisition of Puerto Rico-based Acrecent Financial and is now turning to integrate the entity into its operations.
Sygnus completes Acrecent acquisition

GRACEKENNEDY has indicated that it has "several transactions in the pipeline" as it seeks to continue its recent aggressive acquisition strategy.
GraceKennedy eyes more acquisitions

FOLLOWING a downturn in business in 2020 caused by the ongoing novel coronavirus pandemic, Kingston Wharves reports a strong turnaround in the financial year which ended December 31, 2021.
Kingston Wharves rebounds

CARIB Cement says it remains "encouraged by the potential for a good performance in 2022", despite citing that issues such as the continuation of the novel coronavirus pandemic, inflation and sustainability of the Jamaican market could derail its outlook.
Carib Cement expects strong 2022

THE International Monetary Fund (IMF) and the World Bank Group have indicated that disbursement of emergency funding requested by the Ukraine could start as early as this week.

Ukraine to get IMF/World Bank funds as early as this week

Index	04/03/2022	25/02/2022	31/12/2021	Week/Week	Year-to-Date
JSE Main Market	387,382.91	391,193.26	396,155.61	-0.97%	-2.214%
JSE Junior Market	4,168.16	3,963.43	3,428.30	5.17%	21.58%
JSE Combined Market	399,669.71	401,437.50	401,130.23	-0.44%	-0.36%
JSE USD Equities Market	208.68	207.98	195.51	0.34%	6.74%
JSE Financial Index	94.82	94.97	98.05	-0.16%	-3.29%
JSE Man&Dis Index	107.37	107.88	100.38	-0.47%	6.96%

INTERNATIONAL DEVELOPMENTS

US

Stocks ended lower over a volatile week, as investors continued to weigh developments in the crisis in Ukraine. The S&P 500 Index was dragged lower by the heavily weighted technology, financials, consumer discretionary, and communication services sectors, but all other segments moved higher. The energy sector performed best, as international oil prices traded as high as nearly USD 120 per barrel on Thursday before news of a possible Iran nuclear deal caused them to retreat a bit. The Cboe Volatility Index (VIX) reached its highest point in over a year, although T. Rowe Price traders noted that trading volumes did not reach levels seen in previous levels of market turbulence. Impact of Ukraine crisis:

Wall Street started off Monday on a down note, which our traders attributed to several developments in the Ukraine crisis over the previous weekend—none of which improved markedly as the week progressed.

Developments appearing to pressure stocks included:

The European Union, the UK, and the U.S. agreed to exclude several Russian lenders from the Society for Worldwide Interbank Financial Telecommunication (SWIFT) international banking network (see Other key markets section below).

Western powers announced further sanctions against Russia. On Wednesday, MSCI announced that it would remove Russian securities from its indices, and U.S. authorities weighed restrictions on Russian imports. On Thursday, President Joe Biden announced new penalties targeting Russian oligarchs with close ties to Russian President Vladimir Putin.

Following Putin's order to raise nuclear forces to a higher state of alert, Belarus adjusted its laws to be able to warehouse nuclear weapons. Putin and other officials continued to make veiled threats over the week, leading to panic buying of iodine in parts of Central Europe. (Iodine could reduce the risk of developing thyroid cancer due to radiation exposure.) Futures plunged on Thursday evening on news that Europe's largest nuclear power station had been attacked, although stocks seemed to stabilize on news that no radiation had been released.

The ruble plunged on international currency markets despite the Russian Central Bank's move to raise the policy rate from 9.5% to 20%. The ruble continued to move lower throughout most of the week, pushing its value under USD 0.01, a record

Developments in the crisis appearing to cushion the market's declines included:

Following talks between Ukraine and Russia over the previous weekend, Ukraine announced on Wednesday that it would take part in a second round of talks with Moscow. After the talks on Thursday, a Ukrainian negotiator said that the second round had not produced the hoped-for results, although he added that the two sides agreed to speak again. Somewhat more optimistic comments came from Russian officials, who highlighted an agreement on humanitarian corridors for civilians.

Russia's invasion was denounced by the United Nations General Assembly on Wednesday, underscoring Moscow's increasing isolation on the global stage.

low.T.RowePrice market update

Index	04/03/2022	25/02/2022	31/12/2021	Week/Week	Year-to-Date
DJI	33,610.18	34,058.75	36,338.30	-1.32%	-7.51%
S&P 500	4,328.52	4,384.65	4,766.18	-1.28%	-9.18%
NASDAQ 100	13,840.66	14,189.16	16,320.08	-2.46%	-15.19%
FTSE 100	7,006.99	7,489.46	7,384.54	-6.44%	-5.11%
Euro Stoxx 50	3,556.01	3,970.69	4,298.41	-10.44%	-17.27%