Barita

MAKING MONEY WORK FOR YOU.

Weekly Newsletter

April 4, 2022

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of April 1, 2022)	Analyst Outlook
WISYNCO Wisynco Group Limited	P/E: 20.026x P/B: 4.59x Price: $19.85 Div Yield: 1.51%	**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. Wisynco Equity Report
JMMBGL JMMB Group Limited	P/E: 7.39x P/B: 1.34x Price: $45.05 Div Yield: 1.89%	**OVERWEIGHT** Given its relatively low P/E ratio and considering the Group's consistently strong performance throughout the pandemic, the market has been underpricing JMMBGL significantly, relative to its local counterparts. In recognition of this, the JMMBGL Directors approved a share buyback program which should begin in FY2022/23 which begins on April 1, 2022. Share buyback programs reduce the number of shares outstanding. As the supply of shares in the market reduces from the share buyback, share price increase is likely to follow as demand for the stock outweighs supply. JMMB Equity Report
MASSY Massy Holdings Limited	P/E: 10.60x P/B: 1.26x Price: J$ 100.98 Div Yield: 2.64%	**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. Massy Equity Report

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

Reduce exposure in your portfolio to zero

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of April 1, 2022)	Analyst Outlook
LASD Lasco Distributors	P/E: 12.96x P/B: 1.69x Price: J$ 3.49 Div Yield: 1.86%	**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. Lasco Distributors Equity Report
SCIJMD/ SCIUSD Sygnus Credit Investments	P/E: 8.21x / 10.68x P/B: 0.58x / 0.75x Price: J$14.88 / US$0.13 Div Yield: 2.41% / 1.99%	**OVERWEIGHT** Sygnus' business model is built on providing capital and direction to the underbanked, targeting the middle market. To accomplish this, the Company has executed several equity raises, the most recent of which was its APO launch in December 2020. Given the increase in its weighted average number of shares, EPS growth has not mirrored the double digit growth in net profit attributable to shareholders. However, we must indicate that continued growth at this level will drive higher EPS growth, once further dilution does not occur. Moreover, the stock trades at significant discount relative to peers both from a P/E perspective and a P/B perspective. At present, the market is pricing Sygnus at a seep discount to its book value per share which we believe is very wrong.
TROPICAL **Tropical Battery Limited**	P/E: 29.66x P/B: 3.84x Price: J$ 2.61 Div Yield: 0.38%	**OVERWEIGHT** Tropical Battery has been aggressively pursuing revenue diversification strategies, to reduce its dependence on auto battery and accessory sales. This is evident by the company's recent launch of three new subsidiaries aimed at providing renewable energy solutions for commercial customers. In addition, the company recently implemented a new inventory management system that has yielded improved operational efficiencies in addition to targeted sales initiatives that have improved revenue growth. We believe that the Company will continue to grow as they build out new revenue lines, improve operational efficiencies and drive targeted sales initiatives. Tropical Battery Equity Report
VMIL Victoria Mutual Investments Limited	P/E: 16.45x P/B: 2.31x Price: $6.25 Div Yield: 2.48%	**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. VMIL Equity Report

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of April 1, 2022)	Analyst Outlook
Lumber **Lumber Depot Limited**	P/E: 13.07x P/B: 5.69x Price: J$ 3.53 Div Yield: 1.70%	**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 28.6% higher than financial year 2021 earnings. While there were however hiccups in the last 6 months earnings which was impacted by a combination of lock down restrictions and rising input costs respectively for Q1 and Q2, we are still monitoring how the company progresses given the loosening of restrictions and continued growth in the construction sector. 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. Lumber Equity Report
PROVEN JMD/PROVEN USD Proven Investment Limited	P/E: 10.87x/10.77x P/B: 1.07x/1.06x Price: $35.88/ US$0.25 Div Yield: 3.26% / 3.16%	**OVERWEIGHT** Proven has shown strong revenue and profit growth throughout the current financial year, a performance-driven by the Group's accretive acquisitions. Most notable among these include JMMBGL and Roberts Manufacturing Company Limited. The company continues to demonstrate its appetite for growth through acquisitions as evidenced by the recent 100% acquisition of Fidelity Bank(Cayman). Given the company's history of acquiring companies with accretive value, we expect Fidelity will be similar. Coupled with this, we believe Proven is trading at favorable PE and PB multiples relative to the market.
LAB The Limners and Bards Limited	P/E: 19.94x P/B: 5.81x Price: J$ 3.28 Div Yield: 3.35%	**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 1.36x larger than the Company's current liabilities, we believe the Lab is poised to invest its capital efficiently towards further growth. The first step towards this is the Lab's brainchild, "SCOPE Caribbean". To date, SCOPE has not been profitable which has negatively impacted the Lab's net profit growth. This is not abnormal for a new business, and we expect this should turnaround as the business scales. The LAB Equity Report
LASM Lasco Manufacturing	P/E: 14.73x P/B: 2.60x Price: J$ 5.51 Div Yield: 1.32%	**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. Lasco Manufacturing Equity Report

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of April 1, 2022)	Analyst Outlook
SEP Seprod Limited	P/E: 15.02x P/B: 2.35x Price: J$ 57.54 Div Yield: 2.26%	**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 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, especially given the current inflationary environment. Seprod Equity Report
MAILPAC Mailpac Group Limited	P/E: 20.44x P/B: 14.04x Price: J$ 3.27 Div Yield: 3.36%	**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 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 strong balance sheet underscores our MARKETWEIHT recommendation MailPac Equity Report
SGJ Scotia Group Jamaica Limited	P/E: 13.39x P/B: 0.98x Price: J$ 36.28 Div Yield: 4.27%	**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. Scotia Group Equity Report

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of April 1, 2022)	Analyst Outlook
FTNA Fontana Limited	P/E: 23.62x P/B: 6.23x Price: J$ 9.92 Div Yield: 1.81%	**MARKETWEIGHT** Fontana has been growing and expanding since listing on the junior exchange in 2019. The Company has plans to expand, which includes a new outlet to bring their stores to a total of seven locations. In its most recent quarter, Net Profit saw a marginal increase of 0.1% due largely to the impact of FX losses. Further, cost of sales has been impacted given the current inflationary environment and is likely to continue being affected in the near to medium term. However, the company continues to grow organically and is financially positioned to do so. Due to the current environment and exposure to FX liabilities, profitability could dampen in the near term but in the long term, the addition of its new outlet could support growth. On balance, the Company has both significant risks and the potential for upside, which underscores our recommendation. Fontana Equity Report
GK Grace KennedyLimited	P/E: 12.54x P/B: 1.53x Price: J$ 103.67 Div Yield: 1.86%	**MARKETWEIGHT** 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. Grace Kennedy Equity Report
SVL Supreme Ventures Limited	P/E: 21.44x P/B: 13.02x Price: J$ 19.16 Div Yield: 4.18%	**MARKETWEIGHT** Supreme Ventures is the market leader in the lottery and gaming industry. The company has also in recent years embarked on aggressive growth strategy through several acquisitions (Champion Gaming and Post To Post Betting). The company would have been impacted by the pandemic as the lockdown measures would have impacted their operations at Caymanas Park and should benefit from an easing of lock down restrictions and a normalization of business. Despite this, in the medium term we see headwinds relating to the increased competition in its main lottery segment posing challenges to the company's profit margins. Supreme Ventures Equity Report
ECL Express Catering Limited	P/E: 387.10x P/B: 26.62x Price: J$ 6.06 Div Yield: N/A	**UNDERWEIGHT** With the ongoing recovery of the tourism industry, we believe ECL's revenues will increase year over year. However, the Company is not currently operating at pre-covid efficiency levels, as price increases due to the current global supply chain challenges have driven higher costs across all product categories. Consequently, there has been a clear deterioration of the Company's profit margins. Higher cost of goods has had implications for the Company's profitability and while we expect continued growth in the tourism industry will drive higher revenue, we also expect the inflationary environment to present challenges for the Group's profitability. ECL Equity Report

Monitoring List

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of April 1, 2022)	Analyst Outlook
MDS **Medical Disposable Supplies**	P/E: 12.10x P/B: 1.48x Price: J$ 6.05 Div Yield: 1.16%	Medical Disposables and Supplies have quietly been diversifying its revenue streams over the last 2 years. This is inclusive of its purchase of 60% 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.
JBG Jamaica Broilers Group	P/E: 11.28x P/B: 1.68x Price: J$ 28.98 Div Yield: 1.48%	The Jamaica Broiler's group has effectively decreased the size of its Haiti operations which has been weighing on performance for the last few quarters. This when coupled with the Group's expansion efforts into the United States may provide tailwinds for increased profitability going forward.

The "Monitoring List" includes 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	30/03/2022	23/03/2022	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	94.12	92.49	1.76%	2.36%	7.08%	-
Money Market	15.1727	15.1639	0.06%	-0.34%	2.13%	0.89%
Income Portfolio	100.00	100.00	-	-	-	3.15%
FX Bond Portfolio (US$)	1.3595	1.3546	0.36%	-1.36%	1.02%	2.98%
Real Estate Portfolio	5,549.97	5,552.84	-0.05%	4.70%	-6.02%	-
FX Growth Portfolio	1.0336	1.0111	2.23%	-4.48%	4.28%	-

"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

Barita
MAKING MONEY WORK FOR YOU.

LOCAL EQUITY MARKET

For the week ended Friday April 1, 2022, the local stock market increased week-over-week. The JSE Combined Index increased by 0.78%, the Main Market Index rose by 0.91%, the JSE Junior Market Index declined by 0.47%, and the JSE USD Equities Index declined by 0.06%. During the week, MARGARITAVILLE (TURKS) Limited was the biggest gainer, gaining 16.55% to close at $0.67. The biggest decliner was Kingston Properties Limited, which declined by 9.79%% to close at $8.57.
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 22.10% YTD, outpacing its Main Market counterpart(-1.61% YTD) by a wide margin.

For the week ended Friday April 1, 2022, Overall Market activity resulted from trading in 63 stocks of which 35 advanced, 21 declined and 7 traded firm. Market volume amounted to 110,417,490 units valued at over $1,248,086470.32. TRANSJAMAICAN HIGHWAY LIMITED with 32,160,149 units (30.16%) followed by WIGTON WINDFARM LIMITED ORDINARY SHARES with 19,995,494 units (18.75%) and RADIO JAMAICA LIMITED with 11,310,777 units (10.61%)

Revisiting relevant news during the week:

Restaurant and entertainment company KLE Group has offloaded its core restaurant business that consisted of the Usain Bolt Tracks and Records (UBTR) eatery, sports bar and entertainment spot, to associated company FranJam, in a deal that frees the company's balance sheet of the drag of the loss-making UBTR, while allowing KLE to focus on its real estate business that it considers more lucrative
KLE offloads Usain Bolt restaurants to stem losses, focus on real estate

Stockbroker and investment banker NCB Capital Markets sees real estate as a haven during periods of conflict and instability, arguing that it could beat the returns of stocks and bonds.
NCB Capital touts real estate during instability

Canadian mortgage financier EquityLine Mortgage Investment Corporation is floating the idea of a possible second capital raise in Jamaica as it readies itself to cash in on the island's ongoing real estate boom, disclosing plans for what it says is its first set of local property acquisitions, set to cost about US$15 million or more than $2.3 billion. The properties under consideration include a location in Kingston to be used as the headquarters for its Caribbean projects as it launches new revenue streams.
EquityLine mulls capital raise for $2b land deals

JETCON Corporation's shareholders were saved by the circuit breaker as nearly all 2022 gains were erased following the detailed publication of an addendum to the company's first- and second-quarter performance in 2021 on Wednesday.
Jetcon under scrutiny

Listed Jamaican conglomerate GraceKennedy Limited, which runs a global business across several sectors, says it has cut ties with its dealer in Russia through which is did business in that country, in keeping with worldwide sanctions against the Eastern European country for its ongoing invasion and devastation of lives and property in its neighboring country of Ukraine.
Grace drops Russian dealer, huddles over war impact

Index	01/04/2022	25/03/2022	31/12/2021	Week/Week	Year-to-Date
JSE Main Market	389,773.53	386,263.96	396,155.61	0.91%	-1.61%
JSE Junior Market	4,185.90	4,205.78	3,428.30	-0.47%	22.10%
JSE Combined Market	402,082.92	398,973.76	401,130.23	0.78%	0.24%
JSE USD Equities Market	205.51	205.63	195.51	-0.06%	5.11%
JSE Financial Index	93.82	93.51	98.05	0.33%	-4.31%
JSE Man&Dis Index	109.77	107.88	100.38	1.75%	9.35%

INTERNATIONAL DEVELOPMENTS

US

The major indexes ended mixed for the week, with the S&P 500 Index closing out its best month since December but its worst quarter since early 2020. Cyclically sensitive stocks underperformed as investors girded for a slowdown in growth, with the financial services and industrials sectors in the S&P 500 among the losers. Higher interest rate expectations took a toll on the information technology sector, while the typically defensive consumer staples and utilities sectors outperformed.

Prices of U.S. Treasuries rose for the week as the yield on the benchmark 10-year U.S. Treasury note fell slightly, but the Bloomberg U.S. Aggregate Bond Index rounded out its worst quarter since late 1980, and its third-worst quarter since the index's inception. March was the worst monthly performance for the index since July 2003. (Bond prices and yields move in opposite directions.) Portions of the Treasury yield curve inverted over the week, but our traders noted that the correlation between an inversion and a looming recession may not necessarily hold, as investors appeared to be favoring longer-dated Treasuries due to signals that the Federal Reserve may hike official short-term rates by 50 basis points (0.50%) in May. Municipal bonds underperformed through much of the week.

The investment-grade corporate bond market traded higher on Tuesday, as sentiment was bolstered by encouraging headlines regarding the war in Ukraine. More volatile credits outpaced the broader market, and credit spreads—the extra yield offered over Treasuries and an inverse measure of the sector's relative appeal—moved wider.

Europe

Shares in Europe gained ground in a choppy week of trading, overcoming concerns about the macroeconomic outlook amid strong inflation and the ongoing Russian invasion of Ukraine. In local currency terms, the pan-European STOXX Europe 600 Index advanced 1.06%. Germany's DAX Index climbed 0.98%, France's CAC 40 Index tacked on 1.99%, and Italy's FTSE MIB Index added 2.46%. The UK's FTSE 100 Index added 0.73%.

Core eurozone bond yields fluctuated over the week but ended the period roughly level. Higher-than-expected inflation data boosted expectations for further interest rate increases and drove yields higher. The move reversed as optimism over Russian-Ukrainian peace talks faded and European Central Bank (ECB) chief economist Philip Lane said that the ECB should be ready to revise policy should macroeconomic conditions deteriorate significantly. Peripheral eurozone government bond yields broadly tracked core markets. UK gilt yields fell in line with U.S. Treasuries, which declined on geopolitical tensions and fears of a recession.

Preliminary estimates showed that the eurozone's annual inflation rate soared to a record 7.5% in March, compared with 5.9% in February. The increase was driven mainly by the upsurge in energy prices. The unemployment rate dropped to a record low of 6.8% in February, as the economy continued to recover from the lifting of coronavirus lockdowns.

President Vladimir Putin signed a decree stipulating that foreign buyers must pay for Russian natural gas in rubles from April 1 onward, raising concerns about possible supply disruptions in Europe and the potential economic implications. The G-7 countries unanimously rejected the directive. Germany said it would continue paying for Russian energy in euros and set in motion an emergency plan for rationing natural gas in case deliveries cease or are curtailed.

T.RowePrice Market Update

Index	25/03/2022	18/03/2022	31/12/2021	Week/Week	Year-to-Date
Dow Jones	34,818.27	34,861.24	36,338.30	-0.12%	-4.18%
S&P 500	4,545.86	4,543.06	4,766.18	0.06%	-4.62%
NASDAQ 100	14,261.50	14,754.31	16,320.08	-3.34%	-12.61%

ABOUT US

Barita Investments Limited, is a publicly traded company on the JSE, 74.3% owned by Cornerstone Financial Holdings Limited ("Cornerstone"). Founded by Rita Humphries-Lewin in 1977, the Company has the distinction of being the oldest stockbrokerage in Jamaica. The Company is licensed by the FSC as a Securities Dealer, is a member dealer of the JSE and is a Primary Dealer and Cambio Dealer for the Bank of Jamaica ("BOJ").

Barita, home of one of Jamaica's top performing equity funds, has a legacy of excellence, and is recognized as established in relation to middle market retail segment products and for Unit Trust performance.

Products and services include:

- Cambio Trading
- Fixed Income Trading
- Stock Brokerage
- Pooled Funds Management
- Structured Products
- Retirement Planning
- Wealth Management
- Investment Banking

Through its subsidiary, Barita Unit Trusts Management Company Limited ("BUTM"), Barita currently offers six (6) unit trust products spanning fixed income, equities and real estate.

Contact us

Tel:(876) 926-2681 or (888) 429-5333

Website: *www.barita.com*