



Weekly Newsletter

May 02, 2022

[PG. 2: Investment Playbook](#)

[PG. 8: Monitoring List](#)

[PG. 9: Unit Trust](#)

[PG. 10: Local Equity Market](#)

[PG. 11: International Developments](#)

[PG. 12: About Us](#)

Investment Playbook



Equities

Stock Ticker	Stock Information (As of April 29, 2022)	Analyst Outlook
WISYNCO Wisynco Group Limited	P/E: 23.98x	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
	P/B: 5.12x	
	Price: \$23.50	
	Div Yield: 1.28%	
JMMBGL JMMB Group Limited	P/E: 7.67x	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
	P/B: 1.39x	
	Price: \$46.78	
	Div Yield: 1.82%	
MASSY Massy Holdings Limited	P/E: 10.39x	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
	P/B: 1.23x	
	Price: J\$ 99.00	
	Div Yield: 2.70%	

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

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LASD Lasco Distributors	P/E: 12.82x	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
	P/B: 1.67x	
	Price: J\$ 3.45	
	Div Yield: 1.88%	
SCIJMD / SCIUSD Sygnus Credit Investments	P/E: 8.68x / 11.03x	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 steep discount to its book value per share which we believe is very wrong.
	P/B: 0.61x / 0.78x	
	Price: J\$15.74 / US\$0.12	
	Div Yield: 2.51% / 1.93%	
TROPICAL Tropical Battery Limited	P/E: 32.73x	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
	P/B: 4.24x	
	Price: J\$ 2.88	
	Div Yield: 0.35%	
VMIL Victoria Mutual Investments Limited	P/E: 16.26x	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
	P/B: 2.29x	
	Price: \$6.18	
	Div Yield: 2.51%	

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Lumber Lumber Depot Limited	P/E: 13.19x	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
	P/B: 5.74x	
	Price: J\$ 3.56	
	Div Yield: 1.69%	
PROVEN JMD/PROVEN USD Proven Investment Limited	P/E: 10.94x/10.90x	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.
	P/B: 1.08x/1.07x	
	Price: J\$36.12/ US\$0.25	
	Div Yield: 3.24% / 3.12%	
LAB The Limners and Bards Limited	P/E: 19.76x	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
	P/B: 5.76x	
	Price: J\$ 3.25	
	Div Yield: 3.38%	
LASM Lasco Manufacturing	P/E: 14.71x	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
	P/B: 2.59x	
	Price: J\$ 5.50	
	Div Yield: 1.32%	

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Investment Playbook



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SEP Seprod Limited	P/E: 15.73x	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
	P/B: 2.46x	
	Price: J\$ 60.26	
	Div Yield: 2.16%	
MAILPAC Mailpac Group Limited	P/E: 19.69x	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 MARKETWEIGHT recommendation MailPac Equity Report
	P/B: 11.34x	
	Price: J\$ 3.15	
	Div Yield: 3.49%	
SGJ Scotia Group Jamaica Limited	P/E: 13.02x	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
	P/B: 0.95x	
	Price: J\$ 35.29	
	Div Yield: 4.39%	

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Investment Playbook

Equities



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FTNA Fontana Limited	P/E: 26.31x	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
	P/B: 6.85x	
	Price: J\$ 11.05	
	Div Yield: 1.63%	
GK GraceKennedy Limited	P/E: 13.09x	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
	P/B: 1.59x	
	Price: J\$ 108.25	
	Div Yield: 1.78%	
SVL Supreme Ventures Limited	P/E: 25.67x	MARKETWEIGHT Supreme Ventures is the market leader in the lottery and gaming industry. The company has also in recent years embarked on an 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 impacted its operations at Caymanas Park. With the easing of restrictions, the Company should benefit from an easing of lock down restrictions and a normalization of business. Despite this, in the medium term we note that the company now has competition in the lottery segment of the market which may negatively impact margins. The degree to which this might impede the pace of revenue growth will however depend on the take up of new games such as Scratchaz which, at present, seems popular amongst younger consumers as it is a new addition to the Company's product offerings. Supreme Ventures Equity Report
	P/B: 15.70x	
	Price: J\$ 27.08	
	Div Yield: 2.95%	

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ECL Express Catering Limited	P/E: 14.30x	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
	P/B: 24.97x	
	Price: J\$ 6.16	
	Div Yield: N/A	

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Monitoring List



Equities

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MDS Medical Disposable Supplies	P/E: 13.88x	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.
	P/B: 1.70x	
	Price: J\$ 6.94	
	Div Yield: 1.01%	
JBG Jamaica Broilers Group	P/E: 11.08x	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.
	P/B: 1.65x	
	Price: J\$ 28.38	
	Div Yield: 1.52%	
SOS Stationery & Office Supplies	P/E: 21.72x	Stationery and Office Supplies presents investors with another option to benefit from the reopening of the domestic economy. A core segment of their business would have suffered from the lockdown measures and work from home, namely the sale of furniture and its SEEK line of books. However, during that period stationary sales have done well to fill that revenue gap. With the resumption of economic activity, the return to office and the expansion in the BPO sector, SOS might be a large beneficiary in 2022.
	P/B: 3.45x	
	Price: J\$ 9.34	
	Div Yield: 1.71%	
SJ Sagikor Group Jamaica Limited	P/E: 12.67x	Sagikor Group Jamaica Limited would have been adversely impacted by the pandemic even more so than the typical financial sector company due to their exposure to the tourism sector. This would have therefore led to sizeable impairment losses on their investment in associated companies (I.e., Playa Hotel and Resorts). For 2022 we therefore expect to see some amount of recovery as the group has disposed of their investments in Playa which will stem impairment losses while simultaneously still having direct exposure to travel through their US resort (The Hilton DoubleTree) while their banking services should benefit from a pickup in economic activity.
	P/B: 1.64x	
	Price: J\$ 56.51	
	Div Yield: 1.96%	

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	27/4/2022	20/4/2022	Week/Week Return	1 Year Return	Year-to-Date Return	Yield
Capital Growth	101.4408	99.4584	1.99%	12.17%	10.32%	-
Money Market	15.2228	15.0925	0.86%	1.47%	-0.01%	2.30%
Income Portfolio	100.0000	100.0000	0.00%	-	-	3.08%
FX Bond Portfolio (US\$)	1.3542	1.3563	-0.15%	-0.11%	-1.75%	2.62%
Real Estate Portfolio	5556.2588	5,544.8374	0.21%	-4.40%	4.82%	-
FX Growth Portfolio	0.9356	0.9899	-5.49%	-8.87%	-13.53%	-

"Someone's sitting in the shade today because someone planted a tree a long time ago."

Warren Buffett

LOCAL EQUITY MARKET

For the week ended April 29, 2022, the local stock market increased week-over-week. The JSE Combined Index grew by 0.20%, the Main Market Index increased by 0.03%, the JSE Junior Market Index advanced by 1.87%, and the JSE USD Equities Index improved by 1.37%. During the week, 1834 Investment Limited was the biggest gainer, gaining 47.06% to close at \$1.25. The biggest decliner was Supreme Ventures Ltd, which declined by 17.39% to close at \$27.08.

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 29.85% YTD, outpacing its Main Market counterpart (1.44% YTD) by a wide margin.

For the week Overall Market activity resulted from trading in 116 stocks of which 59 advanced, 46 declined and 11 traded firm. Market Volume (excluding blocks) amounted to 165,285,146 units valued at \$1,378,989,639. The volume leaders were Express Catering with 34,718,250 units (22.98%), with 8,509,977 units (5.63%) Transjamaican Highway Limited and Wigton Windfarm Limited Ordinary Shares with 8,305,277 units (5.50%)

Revisiting relevant news during the week:

While the construction boom continues in Jamaica, Caribbean Cement Company Limited's (CCC) profit growth has significantly slowed down as rising fuel and electricity costs plus a royalty and service fee eat at its bottom line.

[Royalty and energy prices drag Carib Cement earnings](#)

Insurance companies in the region responded to the challenges of the financial fallout from the COVID-19 better than their deposit-taking counterparts.

[Insurers fared better than banks in pandemic](#)

GK Investments Limited, a subsidiary of the GraceKennedy (GK) Group, has increased its stake in Spur Tree Spices Jamaica from 6.45 per cent to 9.84 per cent.

[GK increases stake in Spur Tree.](#)

SAGICOR Investments Jamaica Limited (SIJL) has entered into a definitive agreement to purchase the securities dealer book of business from Alliance Investment Management Limited (AIML) which is expected to be completed within the next two months subject to due diligence.

[Sagcor to acquire Alliance Investments securities book.](#)

Chief executive officer of iCreate Limited Tyrone Wilson has shared that the Jamaica Stock Exchange (JSE) listed company is currently pursuing an aggressive merger and acquisition strategy with the aim of diversifying its income streams.

[iCreate pursues aggressive M&A strategy.](#)

JAMAICA'S economy continued its recovery from the pandemic-induced downturn recording growth of 4.6 per cent in 2021 while employment levels rise to the second highest on record pushing the unemployment rate to historic lows of 6.2 per cent, but these failed to translate into improved confidence among consumers and businesses regarding their short-term outlook for the economy.

[Confidence dips.](#)

ECONOMIC activity in the Caribbean is recovering faster than projected in October 2021, led by a strong pickup in tourism activity during the second half of 2021, according to the International Monetary Fund (IMF).

[Recovering strongly.](#)

Index	29/04/2022	22/04/2022	31/12/2021	Week/Week	Year-to-Date
JSE Main Market	401,858.38	401,741.38	396,155.61	0.03%	1.440%
JSE Junior Market	4,451.62	4,369.94	3,428.30	1.87%	29.85%
JSE Combined Market	415,756.52	414,921.64	401,130.23	0.20%	3.65%
JSE USD Equities Market	226.55	223.49	195.51	1.37%	15.88%
JSE Financial Index	94.68	94.42	98.05	0.28%	-3.44%
JSE Man & Dis Index	114.83	113.07	100.38	1.56%	14.40%

INTERNATIONAL DEVELOPMENTS



US

The major indexes endured a fourth consecutive week of losses, as growth fears were compounded by some disappointing earnings results from Amazon.com, which has a heavy weighting in many prominent indexes. The S&P 500 Index moved further into correction territory, down roughly 14% from its recent peak, while the technology-heavy Nasdaq Composite and small-cap Russell 2000 Index fell further into bear markets, down roughly 24% from their highs. Energy stocks outperformed within the S&P 500 after Russia announced that it was cutting off natural gas exports to Poland and Bulgaria.

The week's economic data offered ammunition for both those predicting "stagflation" or easing price pressures in the months ahead. The biggest data surprise may have been the Commerce Department's advance estimate showing that the economy contracted at annualized rate of 1.4% in the first quarter, well below consensus expectations of a roughly 1.0% expansion. After decreasing early in the week, the yield on the benchmark 10-year U.S. Treasury note ended near where it began, seemingly pushed higher on Friday, in part, by the favorable consumer spending data.

Europe

Shares in Europe pulled back on concerns about slowing economic growth, high inflation, and tightening monetary policy. Encouraging quarterly earnings reports may have helped to moderate these losses. In local currency terms, the pan-European STOXX Europe 600 Index ended the week 0.64% lower. Major market indexes were mixed. Germany's DAX Index gave up 0.31%, while France's CAC 40 Index slid 0.72%. Italy's FTSE MIB Index was little changed. The UK's FTSE 100 Index advanced 0.30%.

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

- 1) Fed Rate Hike:-** With a half-percentage-point rate hike by the Fed already baked in, investors will be focusing on signals from Fed Chair Jerome Powell at his post-policy meeting press conference on the future path of interest rates, plans for reducing its almost \$9 trillion balance sheet and the Fed's view on when inflation may peak.
- 2) Nonfarm payrolls report:-** Friday's nonfarm payrolls report is expected to show that the U.S. economy added 380,000 jobs in April, while the unemployment rate is expected to tick down to 3.5%. Average hourly earnings are expected to post another solid increase.
- 3) Earnings reports:-** Earnings season is set to continue with investors watching reports from Pfizer, Starbucks, Airbnb Inc, and ConocoPhillips during the week, among others.
- 4) Economic data:-** Aside from the Fed meeting, earnings and the April jobs report, the economic calendar features several key economic reports in the coming week, including the ISM manufacturing and services PMIs on Monday and Wednesday, respectively. Solid readings here would likely underline the view that the economy will expand in the second quarter, keeping Fed tightening plans on track.
- 5) Bank of England meeting:-** The Bank of England is widely expected to deliver its fourth straight rate hike when it meets a day after the Fed on Thursday, the first time it would have done that since 1997.

[T.RowePrice Market Update](#)

Index	29/04/2022	22/04/2022	31/12/2021	Week/Week	Year-to-Date
Dow Jones	32,977.21	33,811.40	36,338.30	-2.47%	-9.25%
S&P 500	4,131.93	4,271.78	4,766.18	-3.27%	-13.31%
NASDAQ 100	12,854.80	13,356.87	16,320.08	-3.76%	-21.23%
FTSE 100	7,544.55	7,521.68	7,384.54	0.30%	2.17%
Euro Stoxx 50	3,802.86	3,840.01	4,298.41	-0.97%	-11.53%

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.

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