



Barita's Weekly Newsletter

August 8, 2022

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Investment Playbook



Equities

Stock Ticker	Stock Information (As of August 5, 2022)	Analyst Outlook
WISYNCO Wisynco Group Limited	P/E: 17.80x	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: 3.91x	
	Price: \$18.16	
	Div Yield 1.65%	
JMMBGL JMMB Group Limited	P/E: 6.97x	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: 1.27x	
	Price: \$42.53	
	Div Yield 2.00%	
MASSY Massy Holdings Limited	P/E: 9.48x	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: 1.14x	
	Price: \$90.02	
	Div Yield 2.97%	

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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Investment Playbook



Equities

Stock Ticker	Stock Information (As of August 5, 2022)	Analyst Outlook
LASD Lasco Distributors	P/E: 10.35x	OVERWEIGHT Our expectation is for the Company to continue along 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: 1.43x	
	Price: \$3.10	
	Div Yield 2.10%	
SCIJMD / SCIUSD Sygnus Credit Investments	P/E: 8.33x / 10.80x	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: 0.53x / 0.68x	
	Price: \$13.30 / \$0.11	
	Div Yield: 2.70% / 2.24%	
TROPICAL Tropical Battery Limited	P/E: 30.11x	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: 3.90x	
	Price: \$2.65	
	Div Yield 0.38%	
PROVEN JMD/PROVEN USD Proven Investment Limited	P/E: 12.99x / 12.89x	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: 0.97x / 0.96x	
	Price: \$33.00 / \$0.23	
	Div Yield: 3.55% / 3.43%	

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Investment Playbook



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Lumber Lumber Depot Limited	P/E: 10.30x	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: 4.48x	
	Price: \$2.78	
	Div Yield 2.16%	
LAB The Limners and Bards Limited	P/E: 16.12x	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: 4.39x	
	Price: \$2.74	
	Div Yield 4.01%	
GK GraceKennedy Limited	P/E: 11.75x	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: 1.34x	
	Price: \$98.43	
	Div Yield 1.96%	
LASM Lasco Manufacturing	P/E: 11.14x	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: 2.02x	
	Price: \$4.60	
	Div Yield 1.58%	

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Investment Playbook



Equities

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SEP Seprod Limited	P/E: 21.89x	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: 2.08x	
	Price: \$68.09	
	Div Yield 1.91%	
MAILPAC Mailpac Group Limited	P/E: 17.00x	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: 7.92x	
	Price: \$2.38	
	Div Yield 4.62%	
SGJ Scotia Group Jamaica Limited	P/E: 12.90x	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: 0.94x	
	Price: \$34.97	
	Div Yield 4.43%	

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Investment Playbook

Equities



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FTNA Fontana Limited	P/E: 22.22x	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: 5.96x	
	Price: \$10.00	
	Div Yield 1.80%	
SVL Supreme Ventures Limited	P/E: 26.50x	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: 17.29x	
	Price: \$28.01	
	Div Yield 2.86%	
ECL Express Catering Limited	P/E: 12.56x	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: 21.93x	
	Price: \$5.41	
	N/A	

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Monitoring List



Equities

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MDS Medical Disposable Supplies	P/E: 19.46x	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: 1.72x	
	Price: \$7.20	
	Div Yield 0.97%	
JBG Jamaica Broilers Group	P/E: 11.44x	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: 1.71x	
	Price: \$29.39	
	Div Yield 1.46%	
SOS Stationery & Office Supplies	P/E: 27.89x	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: 5.62x	
	Price: \$17.57	
	Div Yield 0.91%	
SJ Sagikor Group Jamaica Limited	P/E: 11.62x	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: 1.62x	
	Price: \$54.52	
	Div Yield 2.03%	

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	03/08/2022	27/07/2022	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	95.05	101.63	-6.47%	3.36%	3.37%	-
Money Market	15.27	15.36	-0.59%	0.30%	0.94%	3.03%
Income Portfolio	100.00	100.00	-	-	-	3.81%
FX Bond Portfolio (US\$)	1.33	1.32	0.76%	-3.47%	-2.64%	3.65%
Real Estate Portfolio	3,793.85	3,810.29	-0.43%	615.73%	597.88%	-
FX Growth Portfolio	0.91	0.89	2.25%	-15.60%	-12.32%	-

"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 August 5, 2022, the local stock market as measured by the Combined Index declined week-over-week by 0.78%. The Main Market Index declined by 0.73%, the JSE Junior Market Index declined by 1.26%, and the JSE USD Equities Index declined by 4.72%. During the week, TTECH Limited. was the largest gainer, rising 12.18% to close at \$3.50. The biggest decliner was SYGNUS REAL ESTATE FINANCE Ltd (USD), which fell by 19.23% to close at \$0.11

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 21.04% YTD, outpacing its Main Market counterpart which is down 5.86% YTD.

Overall Market activity resulted from trading in 118 stocks of which 31 advanced, 73 declined and 14 traded firm. Market volume amounted to 175,939,852 units valued at \$769,433,431.95.

The following companies represent the overall volume leaders: -

1. SSL Venture Capital Jamaica Limited Ordinary Shares with 93,925,742 units (53.17%)
2. Wigton Windfarm Limited Ordinary Shares with 17,272,712 units (9.78%)
3. Mayberry Investments Limited 7,196,716 units (4.07%)

Revisiting relevant news during the week:

JMMB Group Limited (JMMBGL) has acquired Banco Múltiple Bell Bank, SA in the Dominican Republic as it deepens its presence in the Spanish-speaking nation of 10.85 million people with a banking system worth RD\$2.36 trillion (US\$43.31 billion).

[JMMB acquires DR bank](#)

Alliance Financial Services Limited (AFSL) has entered into an agreement with Unicomer Jamaica that will see its agent network expanded by almost 50%

[Alliance Financial partners with Unicomer Jamaica](#)

According to a local securities dealer, the number of corporate debt issuances are going down as more issuers are considering the risk of locking in double-digit interest rates which could continue to impact them if rates stabilise and go down.

[Investors demanding higher rates](#)

Despite GraceKennedy Limited's (GK) revenue moving up by 14% to \$36.33 billion for the second quarter (April to June), the food and financial conglomerate's net profit attributable to shareholders only grew 2% to \$1.96 billion as expenses moved higher during the period due to rising inflation.

[GK profits flat on higher expenses](#)

VM Investments Limited (VMIL), as it continues to navigate various changes in the local and global environment, for its second quarter ended June posted increased profits of \$242.5 million, 39% above that of the same period last year.

[VMIL Q2 profits up 39 per cent](#)

Caribbean Cement Company Limited (CCCL), Jamaica's only cement manufacturer, is reporting a dip in profits for the first half of the year.

[Carib Cement profits decline](#)

TechBeach Retreat and the Caribbean Export Development Agency (Caribbean Export) are aiming to ramp up investments in the Caribbean technology industry

[TechBeach, Caribbean Export eye more tech investments](#)

Index	05/08/2022	29/07/2022	31/12/2021	Week/Week	Year-to-Date
JSE Main Market	372,936.80	375,693.41	396,155.61	-0.73%	-5.86%
JSE Junior Market	4,149.55	4,202.31	3,428.30	-1.26%	21.04%
JSE Combined Market	386,014.00	389,065.92	401,130.23	-0.78%	-3.77%
JSE USD Equities Market	199.97	209.88	195.51	-4.72%	2.28%
JSE Financial Index	89.43	89.64	98.05	-0.23%	-8.79%
JSE M&D Index	104.35	105.47	100.38	-1.06%	3.95%

INTERNATIONAL DEVELOPMENTS



US

Stocks mixed after strong jobs report

Stocks were mixed for the week as a much stronger-than-expected jobs report revived investor concerns that the Federal Reserve will need to maintain at an aggressive pace of interest rate hikes to tamp down high inflation. The Nasdaq Composite, Russell 2000, and S&P 500 Index finished with gains, while the Dow Jones Industrial Average and S&P Mid Cap 400 recorded negative results. Equity markets continued to receive support from above-consensus corporate earnings reports.

Friday's payrolls report from the Labor Department showed employers added 528,000 nonfarm jobs in July, more than double consensus expectations of around 250,000, and May and June estimates were revised up by a combined 28,000. Following the strong July gains, total nonfarm employment in the U.S. has now returned to its pre-pandemic level. The unemployment rate fell to 3.5%, matching its February 2020 level. Job gains were widespread, with leisure and hospitality, professional and business services, and health care showing notable hiring.

Fed officials remain firm on facing down inflation

Markets had interpreted Fed Chair Jerome Powell's comments following the central bank's July 26-27 policy meeting in a dovish light and priced in more limited policy tightening as a result. However, the strong payroll numbers seemed to indicate that the Fed has significant room to raise interest rates. Even before the release of the employment data on Friday, a number of Fed officials had pushed back against the market's dovish narrative and signaled that the central bank is still committed to raising rates until inflation is under control.

Europe

Shares in Europe weakened on expectations that central banks would continue to raise interest rates aggressively in a bid to smother inflation. In local-currency terms, the pan-European STOXX Europe 600 Index slipped 0.59%. The major market indexes, however, advanced.

Germany's DAX Index climbed 0.67%, Italy's FTSE MIB Index gained 0.81%, and France's CAC 40 Index ticked up 0.37%. The UK's FTSE 100 Index added 0.22%.

BoE raises interest rates, inflation forecast

The BoE raised its key interest rate by 50 basis points (0.50%) to 1.75%, the biggest increase in 27 years. It also projected that inflation would hit 13.3% by October because of surging energy prices. The central bank expects inflation to remain "very elevated" through 2023 and to recede in two years' time to its 2% target. It forecast that a recession lasting five quarters would begin this winter.

Eurozone unemployment rises, manufacturing shrinks

The number of unemployed people rose in the eurozone for the first time in 14 months in June, according to the European Commission's statistics bureau. The jobless rate remained unchanged at a record low of 6.6%, but the number of job seekers increased by 25,000 to just under 11 million.

China

China's stock markets eased as geopolitical tensions, mortgage boycotts, and tepid economic data kept buyers on the sidelines. The broad, capitalization-weighted Shanghai Composite Index fell 0.8% and the blue-chip CSI 300 Index, which tracks the largest listed companies in Shanghai and Shenzhen dipped 0.3%, Reuters reported.

U.S. House of Representatives Speaker Nancy Pelosi's trip to Taiwan infuriated Beijing, which held live-fire drills in the waters around the self-ruled island and imposed sanctions on Pelosi and her immediate family. Chinese chipmakers' shares jumped as traders bet that the government would increase support for the domestic semiconductor industry at a time when the U.S. is ramping up efforts to curb China's rise in chip manufacturing. Last week, the U.S. Congress passed the CHIPS and Science Act, which aims to prop up the U.S. semiconductor industry and contains restrictions on chip firms considering expanding in China.

[T.RowePrice Market Data](#)

Index	05/08/2022	29/07/2022	31/12/2021	Week/Week	Year-to-Date
Dow Jones	32,794.87	32,845.13	36,338.30	-0.15%	-9.75%
S&P 500	4,144.80	4,130.29	4,766.18	0.35%	-13.04%
NASDAQ 100	13,206.06	12,390.69	16,320.08	6.58%	-19.08%
FTSE 100	7,436.81	7,423.43	7,384.54	0.18%	0.71%
Euro Stoxx 50	3,725.39	3,708.10	4,298.41	0.47%	-13.33%

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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