Weekly Newsletter

September 5, 2022

Investment Playbook

Barita
MAKING MONEY WORK FOR YOU.

Equities

Stock Ticker	Stock Information (As of September 2, 2022)	Analyst Outlook
WISYNCO Wisynco Group Limited	P/E: 16.24x P/B: 3.69x Price: $17.54 Div Yield 1.71%	**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: 6.98x P/B: 1.60x Price: $41.51 Div Yield 2.05%	**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. 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: 11.82x P/B: 1.12x Price: $88.99 Div Yield 3.00%	**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

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LASD Lasco Distributors	P/E: 10.35x P/B: 1.43x Price: $3.10 Div Yield 2.10%	**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
SCIJMD/ SCIUSD Sygnus Credit Investments	P/E: 13.10x / 19.97x P/B: 0.52x / 0.80x Price: $13.20 / $0.13 Div Yield: 2.72% / 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 steep discount to its book value per share which we believe is very wrong.
TROPICAL **Tropical Battery Limited**	P/E: 19.77x P/B: 3.48x Price: $2.53 Div Yield 0.4%	**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
PROVEN JMD/PROVEN USD Proven Investment Limited	P/E: 12.86x / 12.24x P/B: 1.29x / 1.22x Price: $32.64 / $0.22 Div Yield: 3.58% / 3.57%	**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 P/E and P/B multiples relative to the market.

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Lumber **Lumber Depot Limited**	P/E: 11.00x P/B: 4.79x Price: $2.97 Div Yield 2.02%	**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 financial year 2022 revenue and net profit are 10.1% and 26.8% higher than financial year 2021 revenue and earnings, respectively. 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
LAB The Limners and Bards Limited	P/E: 17.53x P/B: 4.77x Price: $2.98 Div Yield 3.69%	**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
GK GraceKennedy Limited	P/E: 11.25x P/B: 1.29x Price: $94.31 Div Yield 2.05%	**MARKETWEIGHT** For the financial year ended December 31, 2021, the company reported growth in both the top and bottom lines. 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. However, it should be noted that the inflationary pressures have been negatively affecting the company's margins recently, which are expected to recover over time as inflationary pressures ease. Grace Kennedy Equity Report
LASM Lasco Manufacturing	P/E: 10.65x P/B: 1.93x Price: $4.40 Div Yield 1.65%	**MARKETWEIGHT** Our expectation is for the Company, like others, to continue benefiting from an improving economic backdrop. However, there has been a slowing of revenue growth in the most recent quarterly result when compared to the financial year 2022 revenue growth numbers. This, coupled with reduced gross profit margins in Q1 2023, owing to global supply chain issues and the general inflationary environment results in a marketweight recommendation for LASM at this time. Lasco Manufacturing Equity Report

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SEP Seprod Limited	P/E: 22.26x P/B: 1.85x Price: $69.23 Div Yield 1.88%	**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 have affected profitability. Over the 6-month period ended June 30, 2022 period, while profits increased, margins have deteriorated. Therefore, the uncertainty regarding the cost of goods remains an ever-present threat to Group profit growth, especially given the current inflationary environment. However, the Group has acquired A.S Bryden which will likely help diversify the Group further. Seprod Equity Report
MAILPAC Mailpac Group Limited	P/E: 17.71x P/B: 10.21x Price: $2.48 Div Yield 4.44%	**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: 11.89x P/B: 0.87x Price: $32.21 Div Yield 4.81%	**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

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FTNA Fontana Limited	P/E: 19.76x P/B: 5.6x Price: $9.68 Div Yield 1.86%	**MARKETWEIGHT** Fontana has been growing and expanding since listing on the junior exchange in 2019. The Company has plans to expand, which include a new outlet to bring its footprint to a total of seven locations. In its most recent quarter, Net Profit saw a 43.4% increase over the same quarter in the prior financial year. Further, the 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 increased finance costs, 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
SVL Supreme Ventures Limited	P/E: 27.3x P/B: 17.81x Price: $28.85 Div Yield 2.77%	**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
ECL Express Catering Limited	P/E: 13.11x P/B: 22.91x Price: $5.65 N/A	**UNDERWEIGHT** As the tourism industry recovers, 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 gross 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 in the near term. ECL Equity Report

Monitoring List

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MDS Medical Disposable Supplies	P/E: 16.67x P/B: 1.41x Price: $6.00 Div Yield 1.17%	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: 10.53x P/B: 1.57x Price: $27.06 Div Yield 1.59%	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.
SOS Stationery & Office Supplies	P/E: 17.74x P/B: 4.7x Price: $15.97 Div Yield 1.00%	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.
SJ Sagicor Group Jamaica Limited	P/E: 11.32x P/B: 1.76x Price: $54 Div Yield 2.05%	Sagicor 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.

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	01/09/2022	25/08/2022	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	94.64	91.82	3.07%	2.93%	1.61%	-
Money Market	15.61	15.18	2.83%	2.54%	3.18%	3.19%
Income Portfolio	100.00	100.00	-	-	-	4.38%
FX Bond Portfolio (US$)	1.3430	1.3425	0.04%	-2.56%	-2.01%	3.60%
Real Estate Portfolio	3,736.45	3,805.43	-1.81%	604.90%	589.07%	-
FX Growth Portfolio	0.88	0.91	-3.30%	-18.72%	-17.54%	-

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

Warren Buffett

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LOCAL EQUITY MARKET

For the week ended September 2, 2022, the local stock market as measured by the Combined Index decreased marginally week-over-week by 0.51%. The Main Market Index decreased by 0.69%, the JSE Junior Market Index decreased by 2.09%, and the JSE USD Equities Index advanced by 0.15%. During the week, Consolidated Bakeries (Jamaica) Limited (Purity) was the largest gainer, rising 17.89% to close at $2.24. The biggest decliner was CAC 2000 Limited, which fell by 26.79% to close at $6.04.

Year-to-date (YTD), 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 19.05%, outpacing its Main Market counterpart which is down 9.12% YTD.

Overall, Market activity resulted from trading in 125 stocks of which 51 advanced, 60 declined and 14 traded firm. Market volume amounted to 250,154,246 units valued at over $3,078,267,651.98.

The following companies represent the overall volume leaders:

1. FOSRICH COMPANY LIMITED ORDINARY SHARES with 30,821,798 units (12.22%)
2. MAILPAC GROUP LIMITED ORDINARY SHARES with 26,482,638 units (10.50%)
3. DERRIMON TRADING COMPANY LIMITED ORDINARY SHARES with 14,907,388 units (5.91%)

Revisiting relevant news during the week:

Wisynco Group Limited will be executing its largest-ever capital investment against the backdrop of the record-breaking 2022 financial year (FY) in which its revenue jumped 23% to $39.05 billion and net profit spiked 32% to $4.05 billion.
Wisynco outlines $5 Billion expansion

National Commercial Bank Jamaica Limited (NCBJ) has completed its US$300 million ($45.2 billion) securitization programme of its credit card merchant voucher receivables a month earlier than planned as Fitch Ratings gave the Series 2022-1 notes a BBB– investment grade rating and stable outlook.
NCBJ completes US$300-million deal

GraceKennedy Limited (GK) has entered into an agreement with the Bank of Nova Scotia (Scotiabank) to acquire 100% of Scotia Insurance Caribbean Limited (SICL), subject to regulatory approvals and other customary closing conditions.
GK to acquire Scotia Insurance Caribbean

While iCreate finalizes plans to complete the agreed acquisition of outdoor media company Visual Vibe, the company has tapped Irish-born Declan Tully, its chief revenue officer, to become the CEO of Visual Vibe upon closure of the transaction.
iCreate appoints CEO of Visual Vibe

Despite its core real estate business remaining resilient with a 92% occupancy rate up to June, the market volatility exhibited in the stock and bond markets during the second quarter pulled PanJam Investment Limited's net profit attributable to shareholders from $1.32 billion to $107.50 million, nearly a tenth of 2021's performance.
Market volatility drags PanJam earnings

Buoyed by the successful launch of a new product line during the third quarter ended June, coffee processor Salada Foods Jamaica Limited increased nine-month revenues to $964 million — 8% above the corresponding period last year.
Salada revenues flavoured by new coffee products

Index	02/09/2022	26/08/2022	31/12/2021	Week/Week	Year-to-Date
JSE Main Market	360,038.82	362,545.21	396,155.61	-0.69%	-9.12%
JSE Junior Market	4,081.28	4,168.38	3,428.30	-2.09%	19.05%
JSE Combined Market	374,559.88	376,467.22	401,130.23	-0.51%	-6.62%
JSE USD Equities Market	213.86	213.53	195.51	0.15%	9.39%
JSE Financial Index	85.59	87.15	98.05	-1.79%	-12.71%
JSE M&D Index	101.95	100.44	100.38	1.50%	1.56%

INTERNATIONAL DEVELOPMENTS

US

Rate worries drive stocks sharply lower

Stocks finished lower for the week as investors continued to digest the implications of hawkish messages from Federal Reserve officials. The S&P 500 Index extended the daily losing streak that began with Fed Chair Jerome Powell's August 26 speech at the central bank's Jackson Hole conference, widely perceived as hawkish, through Wednesday before rising marginally on Thursday. Value stocks continued to outperform high-valuation growth stocks, and large-caps held up significantly better than small-cap shares. Energy shares suffered as oil prices declined below USD 90 per barrel for West Texas Intermediate crude, the U.S. benchmark.

T. Rowe Price equity traders noted that stocks that fell short of earnings estimates or that issued disappointing earnings guidance were punished much more than those that beat estimates were rewarded. This resulted in significantly higher volatility among certain individual stocks than the broad indices reflected, particularly for software companies with earnings that missed estimates later in the week.

Monthly job gains lower but still strong

Friday's August jobs report from the Department of Labor showed that the economy added 315,000 jobs last month, a number seen as solid though down from a revised 526,000 in July. The unemployment rate rose to 3.7% from 3.5% in July as the labour force participation rate increased. Earlier in the week, the Bureau of Labor Statistics' Job Openings and Labor Turnover Survey (JOLTS) for July indicated that job postings unexpectedly increased, reaching nearly two per unemployed worker.

U.S. Treasury yields increase

The evidence of continued tightness in the labour market helped push U.S. Treasury yields higher, with the two-year Treasury yield reaching levels not seen since late 2007. T. Rowe Price traders noted that stronger-than-expected Institute for Supply Management (ISM) manufacturing data, which showed steady expansion in the sector last month, aided the upward yield moves.

T. RowePrice Market Data

Europe

Shares in Europe fell sharply on fears that central banks could tighten monetary policy aggressively for an extended period. Worries that Russia might stop natural gas supplies to Europe also weighed on sentiment. In local currency terms, the pan-European STOXX Europe 600 Index ended the week 2.37% lower. Major indexes were mixed. France's CAC 40 Index dropped 1.70%, and the UK's FTSE 100 Index lost 1.97%. Germany's DAX Index gained 0.61%. Italy's FTSE MIB Index was little changed.

ECB Policymakers call for big rate hike

Eurozone money markets were pricing in a roughly 80% chance of an exceptionally large 0.75 percentage point rate hike by the European Central Bank (ECB) at its next meeting, after a chorus of hawkish comments by policymakers and data showing record inflation. Executive Board member Isabel Schnabel said at the Jackson Hole conference that central banks should act "forcefully" to reduce high inflation, even at the risk of lower growth and higher unemployment to minimize the risk of bad economic outcomes.

Eurozone inflation hits records; unemployment falls to record low

Inflation in the euro area accelerated more than expected to a record 9.1% in August, up from 8.9% in July. Surging energy and food prices were the primary drivers. The number of jobless people in the 19-country bloc dropped by 77,000 in July, leaving the unemployment rate at a record-low 6.6%, Eurostat said.

China

In economic news, the official manufacturing Purchasing Managers' Index (PMI) rose to 49.4 in August from July's 49.0, above expectations but still below the 50-point mark that separates contraction from growth. The official nonmanufacturing PMI declined to 52.6 from 53.8. Meanwhile, the private Caixin manufacturing PMI declined to 49.5 in August from 50.4 in July, reflecting the impact of nationwide power shortages and virus lockdowns.

Index	02/09/2022	26/08/2022	31/12/2021	Week/Week	Year-to-Date
Dow Jones	31,282.01	32,284.65	36,338.30	-3.11%	-13.91%
S&P 500	3,925.01	4,057.99	4,766.18	-3.28%	-17.65%
NASDAQ 100	12,100.38	12,606.37	16,320.08	-4.01%	-25.86%
FTSE 100	7,282.04	7,426.92	7,384.54	-1.95%	-1.39%
Euro Stoxx 50	3,544.38	3,603.68	4,298.41	-1.65%	-17.54%

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*