

JANUARY 2023

EDITION #1

WEEKLY NEWSLETTER



February 6, 2023

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Investment Playbook

EQUITIES

Stock Ticker	Stock Information (as at February 3, 2023)	Comments
WISYNCO Wisynco Group Limited	P/E: 14.6x P/B: 3.36x Price: \$17.08 Div Yield 0%	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: 6.58x P/B: 1.38x Price: \$32.9 Div Yield 0.76%	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. JMMBGL's price has declined by 15.7% YTD which provides investors with an opportunity to acquire JMMBGL shares at a more attractive price. The the long-term outlook for the company and the stock remains favorable, buoyed by an expanding regional footprint. JMMB Equity Report
MASSY Massy Holdings Limited	P/E: 8.84x P/B: 1.02x Price: \$80 Div Yield 4.38%	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

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LASD Lasco Distributors	P/E: 8.36x P/B: 1.23x Price: \$2.67 Div Yield 3.37%	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: 12.22x / 14.65x P/B: 0.73x / 0.87x Price: \$12.63 / \$0.1 Div Yield: 3.17% / 2.63%	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. Sygnus has demonstrated their commitment to growth and being the market leader in the regional private credit space with their acquisition of a Puerto Rico-based, private credit firm, Acrecent Financial in Q3 of their financial year. The stock trades at significant discount relative to peers both from a P/E perspective and a P/B perspective. At present, given Sygnus' strong current and expected future growth, the market is pricing Sygnus at a steep discount to its book value per share.
TROPICAL Tropical Battery Limited	P/E: 16.91x P/B: 3.32x Price: \$2.57 Div Yield 0.78%	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

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PROVENJMD/ PROVENUSD Proven Group Limited	P/E: 18.11x / 18.35x P/B: 1.21x / 1.17x Price: \$30 / \$0.2 Div Yield: 2.71% / 2.6%	OVERWEIGHT Proven has shown a decline in profitability throughout the current financial year, a performance driven by lower share of earnings of associates and higher operating expenses. The company continues to demonstrate its appetite for growth through acquisitions as evidenced by the recent 100% acquisition of Fidelity Bank (Cayman). The company has a history of acquiring companies with accretive value. We expect that profit margins will improve in the future as one-off spending related to recent acquisitions pass.
LUMBER Lumber Depot Limited	P/E: 10.45x P/B: 3.12x Price: \$2.3 Div Yield 2.26%	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 Depot Equity Report
LAB The Limners and Bards Limited	P/E: 15.47x P/B: 3.82x Price: \$2.32 Div Yield 3.9%	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

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JBG Jamaica Broilers Group Limited	P/E: 6.77x P/B: 1.51x Price: \$29.06 Div Yield 2.31%	OVERWEIGHT JBG's financial performance has rebounded nicely from the lows seen in FY2020, driven by the recovery in the Jamaican economy and tourist arrivals, coupled with JBG's growing presence in the US market and the increasing production of the Best Dressed Chicken line of products. Despite efforts made to decrease the impact of its Haiti operations, it continued to weigh on group performance. Positive results from expansion into the United States and recovery in Jamaican operations have offset poor performance in Haiti, resulting in increased sales and profitability in FY2022, as well as a return to operating cash inflows. Jamaica Broilers Group Equity Report
GK GraceKennedy Limited	P/E: 10.06x P/B: 1.13x Price: \$78.57 Div Yield 2.57%	MARKETWEIGHT For the nine months ended September 30, 2022, GK reported significant top-line growth, however, margin deterioration contributed to a decline in the bottom line. Revenues increased by 12.2% and profits remained flat as operating expenses grew at a rate of 13.6%. The company cited challenges presented by high inflation globally, sustained supply chain issues, increasing interest rates, and foreign currency volatility as issues that have affected profit margins. GK continues to advance its merger & acquisition (M&A) strategy, following the acquisition of Bluedot in the second quarter of 2022, the company continues to seek M&A transactions locally and internationally. These acquisitions stand to add more diversity and growth to the company's earnings. GraceKennedy Group Equity Report
LASM Lasco Manufacturing	P/E: 9.54x P/B: 1.73x Price: \$4.13 Div Yield 2.42%	MARKETWEIGHT Our expectation is for the Company, like others, to continue benefiting from an improving local economic backdrop. There has been an increase in the revenue growth rate for the six months ended September 30, 2022, when compared to the financial year ended June 30, 2022. However, this was partially offset by a slight reduction in the gross profit margin, owing to global supply chain issues and the general inflationary environment. Lasco Manufacturing Equity Report

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SEP Seprod Limited	P/E: 18.9x P/B: 1.72x Price: \$65.57 Div Yield 2.29%	MARKETWEIGHT Seprod has experienced a deterioration in its cost of sales, owing to global supply chain issues and other inflationary pressures. Despite this, instead of raising prices to consumers by a similar magnitude, Seprod has absorbed some of these costs which have affected profitability. Profits have increased over the 9-month period ended September 30, 2022, however, margins have deteriorated. Therefore, the uncertainty regarding the cost of goods remains a threat to Group profit growth, especially given the current inflationary environment. The Group has acquired A.S Bryden, which will diversify the Group's revenue further and is expected to be accretive. Seprod Equity Report
MAILPAC Mailpac Group Limited	P/E: 15.36x P/B: 9.19x Price: \$2.15 Div Yield 7.91%	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 Group Equity Report
SGJ Scotia Group Jamaica Limited	P/E: 9.28x P/B: 0.98x Price: \$34.81 Div Yield 4.02%	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. The group has made an accelerated effort to digitize its business in line with its digital strategy to drive efficiency and better service customer needs. SGJ is looking to further consolidate its operations and funnel investments in core operations through technology and talent, while also looking to enter new markets and launch new products. 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: 17x P/B: 4.82x Price: \$8.67 Div Yield 2.31%	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 43.3% 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: 23.96x P/B: 15.86x Price: \$25.55 Div Yield 3.64%	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: 33.09x P/B: 13.16x Price: \$5.03 Div Yield 0%	MARKETWEIGHT ECL has seen improved performance as the tourism industry rebound, following the pandemic, has been robust. 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. While we do expect the tourism industry to continue to recover, driving ECL's revenues to grow and likely surpass pre-covid levels by FY2023/FY2024, the inflationary pressures can not be ignored. Longer-term we do expect the company to reap the benefits of their expanded footprint within the Sangsters International Airport as well as the return to trend growth in stopover arrivals. ECL Equity Report

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VMIL Victoria Mutual Investments Limited	P/E: 20.68x P/B: 1.96x Price: \$3.93 Div Yield: 0.00%	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

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MDS Medical Disposable Supplies	P/E: 13.75x P/B: 1.14x Price: \$4.95 Div Yield 0%	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.
SOS Stationery & Office Supplies Limited	P/E: 13.48x P/B: 4.38x Price: \$15.5 Div Yield 1.16%	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 stationery 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 Sagikor Group Jamaica Limited	P/E: 13.22x P/B: 1.81x Price: \$49.17 Div Yield 3.26%	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.

***The "Monitoring List" represents stocks that are on our radar as our initial expectation for these companies is positive. However, no official recommendation is presented as these stocks are still being evaluated.*

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Unit Trust

Unit Trust Fund	31/01/2023	26/01/2023	Week/Week Return	Year-to-Date Return	1 Year Return	Yield
Capital Growth	90.89	88.25	2.99%	-5.14%	-2.86%	-
Money Market	15.6004	15.5862	0.09%	0.42%	2.24%	4.40%
Income Portfolio	100.00	100.00	-	-	-	4.88%
FX Bond Portfolio	1.3462	1.3448	0.10%	0.39%	-2.14%	3.39%
Real Estate Portfolio	7,999.24	8,021.10	-0.27%	0.79%	1432.71%	-
FX Growth Portfolio	0.90	0.89	1.29%	6.01%	-13.16%	-
FX Income Accumulator	1.00	1.00	0.07%	0.29%	-	0.40%

“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 February 3, 2023, the local stock market as measured by the Combined Index declined by 0.66%. The Main Market Index declined by 0.74%, the JSE Junior Market Index declined by 0.06%, and the JSE USD Equities Index advanced by 12.56%. During the week, Productive Business Solutions was the largest ordinary equity gainer, rising by approximately 30.70% to close at \$1.67. The biggest decliner was Palace Amusement Ltd., which fell by 22.83% to close at US\$2,224.59.

Small-cap stocks, reflecting those listed on the Junior Market Index have slightly outperformed on a YTD basis, declining by 0.48%, outpacing its Main Market counterpart which has declined 4.47%.

For the week ended February 3, 2023, overall market activity resulted from trading in 128 stocks, of which, 64 advanced, 53 declined and 11 traded firm. Market volume amounted to 111,903,835 units valued at \$808,482,931.54. Wigton Windfarm Limited was the volume leader with 24,414,762 units (21.33%), followed by Kingston Wharves Limited with 7,523,667 units (6.57%), and One on One Educational Services Limited with 7,523,667 units (6.57%).

Revisiting relevant news during the week:

NCB's profit dives

NCB Financial Group Limited (NCBFG) saw its first-quarter net profit attributable to shareholders slide by 68 per cent, from \$2.64 billion to \$835.79 million, as the banking and insurance conglomerate gears up for stronger headwinds in 2023.

NCB's profit dives

FirstRock acquires majority stake in Century 21

FirstRock has announced that it has acquired a majority stake in Century 21 and has already set its sights on expanding the new brand across the region. With the acquisition, which was announced late Thursday, the new entity will be known as FirstRock Century Holdings Limited.

FirstRock acquires majority stake in Century 21

No-nonsense BOJ

The Bank of Jamaica (BOJ) has signaled it will be in a no-nonsense mood when it takes over regulation of the entire financial sector as part of reforms spawned out of the multi-billion-dollar fraud at Stocks and Securities Limited (SSL), a securities dealer.

No-nonsense BOJ

Mortgage slowdown

New mortgages written in 2022 outpaced prior-year figures but players in the real estate market believe there will be a slowdown in the number of mortgages disbursed in 2023 as higher interest rates begin to take hold.

Mortgage slowdown

Dolla and FosRich announce partnership

DOLLA Financial Services Limited and FosRich Limited have announced a partnership surrounding the financing of solar power systems and solar water heaters for the Jamaican market..Both sponsor companies for the conference mentioned that this partnership will allow FosRich customers to access up to 90 per cent financing for their solar products. This has seen more than 100 individuals inquire about the arrangement since the announcement.

Dolla and FosRich announce partnership

138 Student Living mulls equity raise

The 138 Student Living Limited's (138SL) board of directors will meet next Tuesday to consider recommending certain resolutions for its upcoming annual general meeting (AGM) to facilitate an additional equity investment in the company.

138 Student Living mulls equity raise

Index	03/02/2023	27/01/2023	30/12/2022	Week/Week	Year-to-Date
JSE Main Market	337,795.57	340,317.50	355,896.64	-0.741%	-5.086%
JSE Junior Market	3,940.47	3,938.05	3,986.44	0.06%	-1.15%
JSE Combined Market	351,286.59	353,613.49	368,591.98	-0.66%	-4.69%
JSE USD Equities Market	223.44	198.16	233.97	12.76%	-4.50%
JSE Financial Index	80.69	81.21	85.88	-0.64%	-6.04%
JSE M&D Idex	94.08	94.48	97.42	-0.42%	-3.43%

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INTERNATIONAL DEVELOPMENTS

U.S.

Stocks build on their year-to-date rally

Most of the major indexes extended their winning streaks into February, helped by some upside surprises in economic data and fourth-quarter earnings reports, as well as what some saw as encouraging signals from the Federal Reserve. The S&P 500 Index reached an intraday high of 4,195 on Thursday, its best level since late August.

Employment costs ease, while Fed Chair Powell acknowledges disinflation

Friday's economic data brought major surprises that caused investors to reconsider their rate expectations and sent bond yields sharply higher. The Labor Department reported that employers added 517,000 nonfarm jobs in January, roughly triple consensus estimates and the biggest gain in six months. The unemployment rate slipped to 3.4%, its lowest level since 1969. (Weekly jobless claims, reported Thursday, fell to their lowest level in nine months.) Investors seemed to take the news mostly in stride, as the tight labor market did not seem to be flowing proportionately into wage gains. The monthly rise in average hourly earnings fell back to 0.3%, helping bring the year-over-year increase back down to 4.4%, the lowest level since August 2021.

Powell's seemingly dovish comments, reassuring inflation signals, and upside economic surprises sent the yield on the benchmark 10-year U.S. Treasury note on a round trip over the week, falling as low as 3.33% in intraday trading on Thursday before turning higher to end Friday at 3.53%, just above where it had ended the previous week. (Bond prices and yields move in opposite directions.)

Investors embrace risk

Investment-grade corporate credit spreads moved tighter (indicating strong performance relative to Treasuries) over the week, with more volatile corporate issues outperforming. Technical conditions were generally supportive as trading volumes in the secondary market were above daily averages and primary issuance took a pause in the days leading up to the Fed's monetary policy meeting.

T.RowePrice Market Data

Index	03/02/2023	27/01/2023	30/12/2022	Week/Week	Year-to-Date
Dow Jones	33,926.01	33,978.08	33,147.25	-0.15%	2.35%
S&P 500	4,136.48	4,070.56	3,839.50	1.62%	7.73%
NASDAQ 100	12,573.36	12,166.60	10,939.76	3.34%	14.93%
FTSE 100	7,901.80	7,765.15	7,451.74	1.76%	6.04%
Euro Stoxx 50	4,257.98	4,178.01	3,793.62	1.91%	12.24%

Europe

ECB says it will hike rates again in March

The ECB raised its key interest rates by half a percentage point, taking the deposit rate to 2.5%. The central bank expects to raise rates by the same amount in March due to underlying inflation pressures. The ECB added that it "will then evaluate the subsequent path of its monetary policy," with "future decisions continuing to be data-dependent and following a meeting-by-meeting approach."

The latest data showed the headline rate of inflation in the eurozone cooled more than expected in January to an annual rate of 8.5%, from 9.2% the previous month. But core inflation—excluding changes in food and energy prices—remained at an all-time high of 5.2%. The eurozone economy unexpectedly grew 0.1% in the last three months of 2022..

BoE hints rates may have peaked after latest hike

The BoE's nine policymakers voted 7-2 to raise the key interest rate by half a percentage point to 4%, in line with expectations. The bank said headline inflation has begun to edge back and projected that this metric would fall sharply over the course of the year, reaching 3% in the first quarter of 2024. But the BoE warned that "if there were to be evidence of more persistent pressures, then further tightening in monetary policy would be required." It also said that "the risks to inflation are skewed significantly to the upside."

China

In economic news, China's official manufacturing Purchasing Managers' Index (PMI) rose to 50.1 in January from December's 47.0. This marked a return to growth for the first time since September as domestic activity improved after Beijing abandoned its coronavirus restrictions at year-end. The nonmanufacturing PMI rose to a better-than-expected 54.4 from 41.6, reaching its highest reading since June. Separately, the private Caixin/S&P Global survey of manufacturing activity in January remained below 50, the level separating growth from contraction, as output prices and new orders declined and exports retreated amid softening global demand. However, the Caixin/S&P Global survey of services activity rose to a better-than-expected 52.9 reading compared with 48.0 in December.

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Barita Investments Limited, is a publicly-traded company on the JSE, 74.3% owned by Cornerstone Financial Holdings Limited (“Cornerstone”).

The Barita Group is made up of Barita Investments Limited and its subsidiary, Barita Unit Trusts Management Company Limited (BUTM). Founded by Rita Humphries-Lewin in 1977, Barita has the distinction of being one of the oldest stock brokerages in Jamaica. The Company is regulated by the Financial Services Commission (FSC), is a member of the JSE and is licensed as a Primary Dealer and Cambio Dealer by the Bank of Jamaica (BOJ or the Central Bank). In August 2018, Cornerstone Financial Holdings Limited (Cornerstone or CFHL) acquired majority shares in Barita and has supported the Company’s mission and vision to be a premier investment force in Jamaica and the wider Caribbean.

OUR PRODUCTS AND SERVICES INCLUDE:

- Stock Market investments on any of the three regional exchanges
- Fixed Income Trading
- Investment Banking Services
- Unit Trust Investments
- Currency Trading
- Structured Products
- Retirement Planning
- Wealth Planning
- Market Research

BUTM currently offers six (6) unit trust products spanning fixed income, equities and real estate and is recognised as a strong player in the middle market retail segment and a leader in unit trust performance.

Barita serves its clients island-wide through its Head Office in Kingston and branches in Mandeville and Montego Bay with a team of 163 members across its operations island-wide.

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