

MONTHLY EQUITY BULLETIN

Outlook

The global economy is grappling with COVID-19, inflation, and policy uncertainty at the same time, with government spending and monetary policies venturing into uncharted territory. Rising inequality and security threats are especially detrimental to developing countries. Putting more countries on a path toward sustainable growth requires coordinated international action and a comprehensive set of domestic policy responses. The global economy remains in a pronounced slowdown environment amid threats from COVID-19 variants and a rise in inflation, debt, and income inequality. Global growth is expected to decelerate markedly from 5.5% in 2021 to 4.1% in 2022 and 3.2% in 2023. The rapid spread of the Omicron variant indicates that the pandemic will likely continue to disrupt economic activity in the near term. A notable deceleration in major economies will weigh on external demand in emerging and developing economies. New supply-chain bottlenecks and inflationary pressures could increase the risk of a hard landing.

Amid this, Jamaica's economy is expected to recover by 7% – 10% for 2022 calendar year as economic activity continues to recover. The key drivers of this rebound are expected to be tourism and related sectors, driven largely by increasing foreign national arrivals. The latest report from the Jamaica Tourist Board as at November 2021, shows a 207.8% increase in stopover arrivals to 152,097 compared to 49,413 recorded for the similar month of 2020. In the context of this recovery, financial soundness indicators have remained robust.

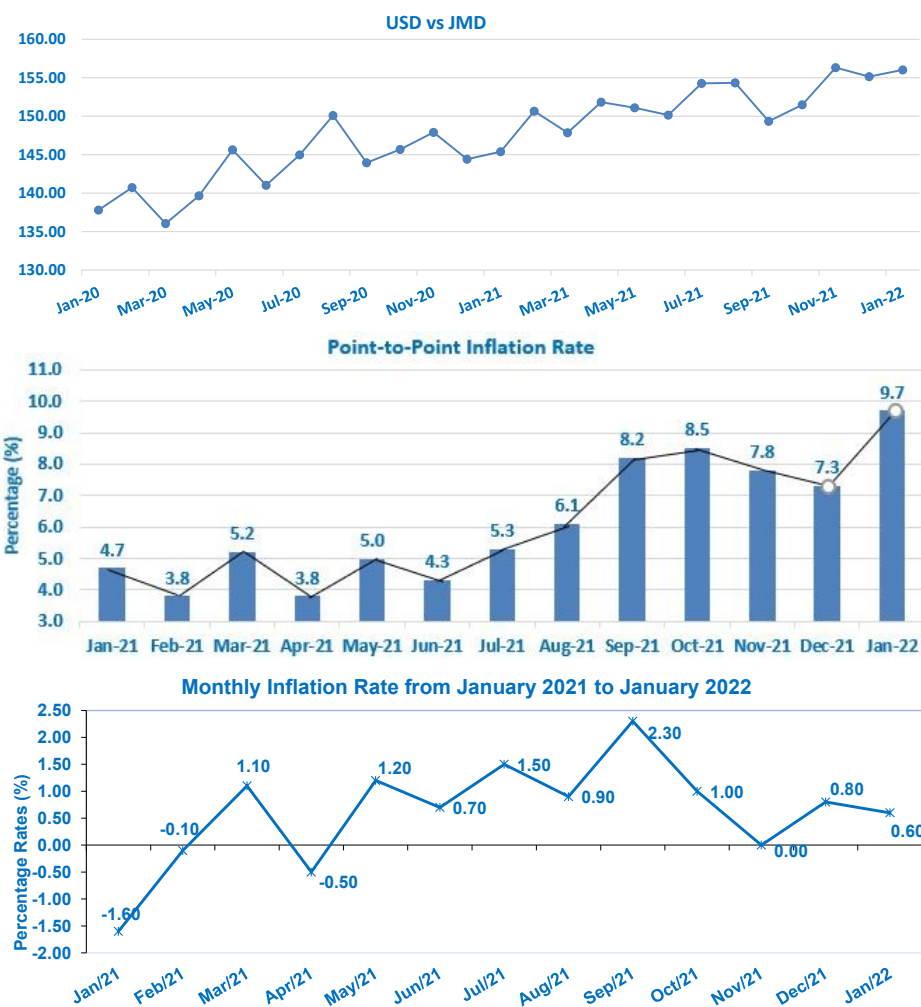
Foreign Exchange

The Jamaica dollar depreciated against the USD for the month of January 2022. The JMD depreciated by \$0.86 in January, to close the month at an average of \$156.01 relative to the \$155.15 recorded in December 2021. Year over year, the JMD has depreciated by approximately \$10.62 or 7.30% relative to the \$145.39 reported as at January 2021.

Inflation

As of January 2022, the point-to-point inflation rate was 9.7%, a new high set in response to rising food prices. The drive increases in international commodity and shipping prices have been the primary reason for domestic inflation exceeding the target range. This has resulted in central banks adopting a tough stance in order to combat inflationary pressures through rate hikes and liquidity reductions. The Bank of Jamaica increased its policy rate by 50 basis points to 2.5% in December. Additionally, the bank decided to maintain additional measures to rein in Jamaican dollar liquidity expansion and to ensure that future exchange rate movements do not jeopardize the inflation target.

The inflation rate for January 2022 was 0.6 per cent as the All Jamaica Consumer Price Index rose to 117.6. The fiscal year-to date inflation rate was 9.2% for January 2022. The inflation rate for the month of January 2022 was 0.6%



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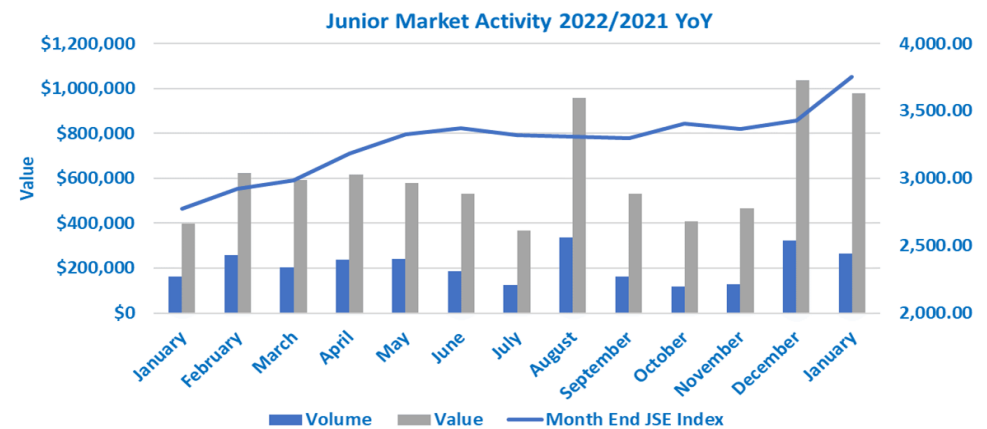
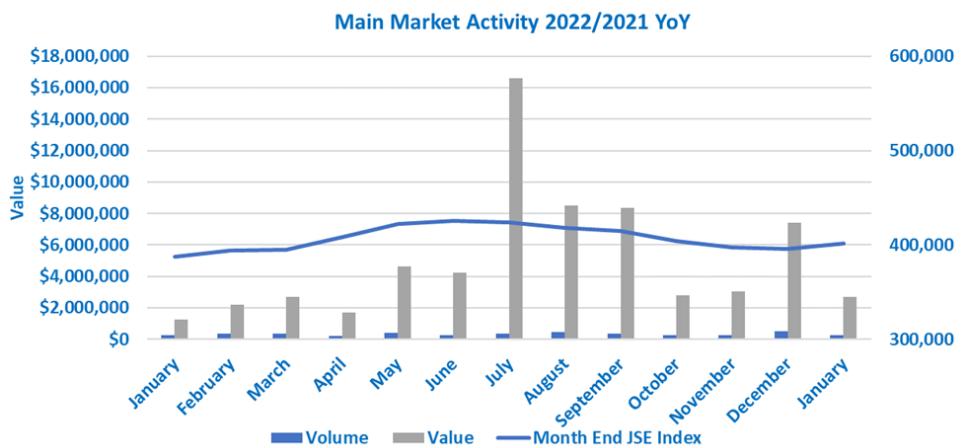
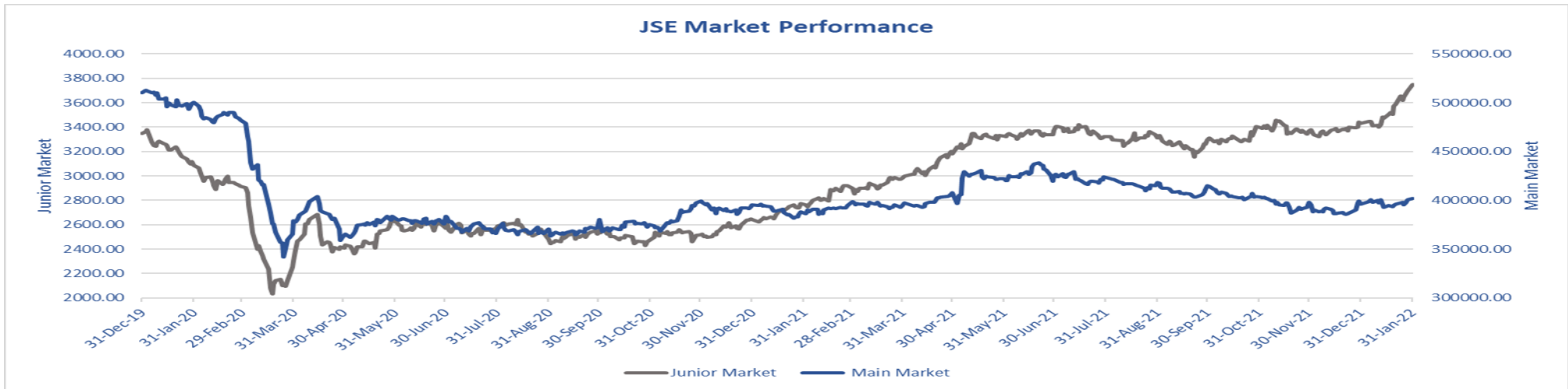
Main Market Index: 401,660.14 ↑ 1.39%

Junior Market Index: 3,751.02 ↑ 0.09%

Market Performance

As at the end of January 2022, the JSE's Main Market index rose 1.39% from its value at the end of December 2021, whilst the Junior Market rose 0.09% over the same period. The JSE Main Market Index rose by 5,504.53 points from 396,155.61 points to 401,660.14 points at the end of January 2021. The Junior Market index at the end of January 2022 was 3,751.02 points compared to 3,428.30 points recorded at the end of December 2021. Notably, year over year the Junior Market Index has continued its upward trend (35.21%) surpassing levels experienced in 2019, while the Main Market Index performance reflects a marginal improvement (3.54%) year on year.

As it relates to stock performances on the Main Market, Caribbean Producers Jamaica Ltd was the big winner during the month with a 58.44% appreciation in its share price, while Eppley Caribbean Property Fund Ltd was the biggest loser on the Main Market for the month of January. For the Junior Market, Spur Tree Spices Jamaica Ltd was the biggest winner for the month with a reported 185% increase in its share price. On the global scene all major US equity indices closed sharply higher; Nasdaq +3.4%, Russell 2000 +3.1%, S&P 500 +1.9%, and DJIA +1.2%, while European markets were mixed. Escalating tensions in Ukraine showing little sign of reversal, although still falling short of material direct market impact.



Stock Recommendations



WIG: The energy generation and transmission industries are often regarded as a defensive industry, which are likely to exhibit resilience to changes in the business cycle. Furthermore, Wigton remains ready to respond to any RFP by the Government Procurement Entity for the implementation of new generation capacity. It is also looking to diversify itself in the Caribbean region for other projects. **(Long-term buy)**



CPJ: The easing of restrictions and the reopening of the economy in 2021 had a favorable impact as the Company's performance to date showed encouraging signs. During the early stages of the pandemic, CPJ repositioned itself to take advantage of opportunities within the tourism industry as the recovery got underway. The Tourism industry remains a vital component of Jamaica's economy, as CPJ remains the largest supplier of food and beverages to the sector. The Hotel & Restaurants for Q3 2021 recorded an increase of 114.6% due mainly to growth in the hotels & other short-stay accommodation and restaurants, bars & canteens groups. Prospects for 2022 point to improved activity within the industry, which should bode well for the Company. **(Hold)**



JMMBGL: The Company reported net interest income of \$8.98 billion for the nine months ended December 31, 2021, an 18% increase over the prior year. Additionally, it posted a 119% increase in Net profit totaling \$8.82 billion (\$4.02 billion). Our positive outlook on the company is supported by our expectation for an improvement in JMMB's noninterest income and share of profits from Sagicor Financial Company. The share price also trades at a discount relative to its fair value which makes JMMBGL an attractive option. **(Buy)**

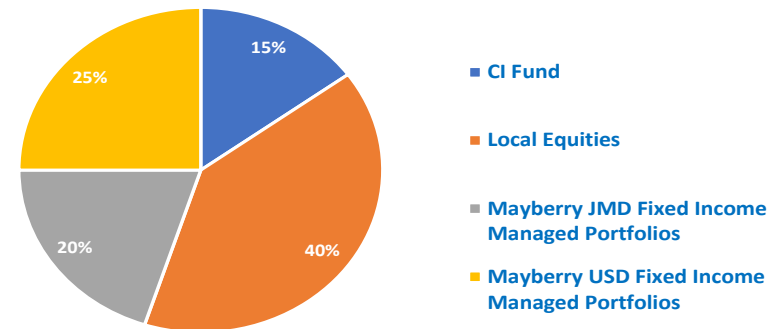


JETCON: For the nine months ended September 30, 2021 the company reported total turnover of \$606.95 million, 30% greater than \$467.16 million reported a year prior. According to Chairman John Jackson, "2021 revenues are likely to have risen 39 per cent, ending up at about \$870 million, and that the company should close the year "with a small profit". The company's year-end results are still pending. **(Sell)**

Portfolio Strategy

Tips

The recovery from the Covid-19 pandemic is still underway, with the stages of recovery more advanced in some industries than others. Looking ahead, we'd highlight the importance of Non-Correlating Assets. Firstly, The opposite of unsystematic risk is systematic risk, which is the risk associated with investing in the markets generally. Unfortunately, systematic risk is always present. However, there's a way to reduce it, by adding non-correlating asset classes such as bonds, commodities, currencies, and real estate to the equities in your portfolio. Non-correlating assets react differently to changes in the markets compared to stocks often, they move in inverse ways, in fact. When one asset is down, another is up. So, they smooth out the volatility of your portfolio's worth overall.



Top Advancing & Declining Stocks January 2022

TOP ADVANCING STOCK (JANUARY 2022)				
Company	Close Price (\$)	Change (\$)	Change (%)	Volumes Traded
Spur Tree Spices Jamaica Limited	2.85	1.85	185.00	86,181,021
SSL Venture Capital Jamaica Limited	1.89	0.95	101.06	2,343,047
Dolphin Cove Limited	26.93	11.60	75.67	5,122,867
AMG Packaging & Paper Company Limited	3.74	1.54	70.00	4,034,991
Paramount Trading (Jamaica) Limited	2.08	0.83	66.40	1,355,006
TOP DECLINING STOCK (JANUARY 2022)				
Company	Close Price (\$)	Change (\$)	Change (%)	Volumes Traded
Ttech Limited	4.02	-0.72	-15.19	109,692
Eppley Caribbean Property Fund Limited Scc	38.12	-5.96	-13.52	860,590
Consolidated Bakeries (Jamaica) Limited	1.05	-0.15	-12.50	6,937,950
The Limners And Bards Limited	3.37	-0.47	-12.24	4,683,226
Palace Amusement Co. Ltd.	940.00	-128.81	-12.05	1,377

Low Risk Industries



Utilities: Countries are slowly lifting restrictions on movements and mandatory work from home orders. This industry is arguably returning to normal levels and should see a slight uptick across business lines.



Retail (Food): Despite a reduction in consumer income, persons must consume food for sustenance, as such retail food companies will thus witness a boost in profitability.



Technology: The effect of COVID-19 has had some impact on the technology sector as its disruption has caused an acceleration digital transformation, remote working and the need for digitization of customer and supply-chain interactions and of their internal operations.



Telecommunication Sector: The sector has experienced a significant impact due to the increase in data consumption for work and leisure. Companies within this industry will experience increase in share/bond price.



Real Estate: Real Estate sectors are generally the first to recover after a recession. There are currently record low mortgage rates and this should lead to an increase in home purchases given economic recovery takes place.



Healthcare: The healthcare sector is considered a defensive sector or one that isn't affected as much by recessions. The healthcare sector is quite broad. Health care sector businesses include hospital conglomerates and institutional services. Other firms in the industry are insurance companies, drug manufacturers, biomedical companies, or medical instrument makers.

High Risk Industries



Tourism: Since our last review, the industry has experienced favourable activity over the last six months of 2021. The industry recorded growth of 114.6% for Q3 2021. The performance was due mainly to the hotels & other short-stay accommodation group which benefitted from a 318.3% increase in foreign national arrivals. A total of 400,184 foreign nationals visited the island in 2021 compared to 95,664 in 2020. Contributing to the higher numbers were increased arrivals from the United States of America (330.9%), Canada (117.9%), Europe (332.7%) and Latin America (817.6%). The industry is shaping up to record favourable numbers for 2022, however the threat of a fourth wave of Covid-19 infections could have some impact on the rebound



Sovereign: The COVID crisis will certainly have adverse economic implications for the world and for Jamaica. Governments globally have been implementing several fiscal actions to stimulate their economy and cushion the economic impact of COVID-19. Whilst some countries have a reasonable foreign reserves for sustenance, some countries will be faced to turn to other financing options which will increase the pressure on existing debt payments. This rising Government debt should lead to significant problems in the future.



Automobile Sector: Automobiles are one of the discretionary items and vehicle sales will largely depend on consumer sentiments. During 2020, the sector witnessed a steep decline in sales except. Now, amidst the uncertain situation, consumer sentiments remain weak and the demand for non-essential items is likely to fall further.

Top Picks 2022

TOP ADVANCING	P/E
JMMB Group Limited (JMMBGL)	7.49
Carreras Limited (CAR)	9.57
Supreme Ventures Limited (SVL)	19.47
Lumber Depot Limited (LUMBER)	11.46
Fontana Limited (FTNA)	17.67
Wigton Windfarm Limited (WIG)	9.49
Jamaica Producers Group Limited. (JP)	8.69
Caribbean Producers Jamaica Limited (CPJ)	82.03
Gracekennedy Limited (GK)	13.32

Top Picks 2021 Performance

Company	Dec-19	Dec-20	Gain/Loss (2020)	Mar-21	Jun-21	Sep-21	Dec-21	Gain/Loss (2021)
MDS	\$6.87	\$4.22	-39%	\$4.15	\$4.28	\$5.00	\$6.49	54%
MAILPAC	\$2.09	\$2.78	33%	\$3.48	\$3.89	\$3.84	\$3.66	32%
CCC	\$83.41	\$62.81	-25%	\$69.14	\$94.39	\$109.15	\$69.86	11%
LASD	\$3.22	\$3.20	-1%	\$4.10	\$4.00	\$3.92	\$3.39	6%
JMMBGL	\$46.55	\$34.69	-25%	\$32.87	\$37.08	\$37.72	\$39.44	14%
LUMBER	\$1.64	\$1.54	-6%	\$2.31	\$3.34	\$2.84	\$3.02	96%
RJR	\$1.83	\$1.71	-7%	\$1.45	\$1.65	\$3.78	\$3.07	80%
FOSRICH	\$4.18	\$4.11	-2%	\$5.12	\$8.30	\$8.11	\$9.05	120%
GK	\$69.43	\$62.68	-10%	\$87.64	\$96.53	\$97.57	\$100.02	60%
JBG	\$40.91	\$29.46	-28%	\$29.14	\$35.05	\$31.86	\$29.03	-1%

LUMBER: Our view for Lumber Depot centers around the company benefiting from the increasing construction industry due to the rising commodity prices. This may have a positive impact on revenues which reflect year to date as LUMBER demand for construction materials persist.

CAR: With an improved distribution the company has a steady growth path which will help achieve sustainable profitability. Its high dividend ratio will help them create value for shareholders.

CPJ: Since the outbreak of the pandemic, the company was able to recover and reposition itself to take advantage of the opportunities that the tourism industry presented. Even with the uncertainty caused by new variant, the tourism industry is still a vital component of Jamaica's economy as the company remains the largest supplier of food and beverage to the hospitality sector.

FTNA: Notwithstanding the headwinds caused by the COVID-19 pandemic and the competitive threats in the industry, Fontana performed well in 2021. The company's management team was able to control its expenses, which helped boost its bottom line. This was also beneficial for the company as it allowed it to improve its margins. We believe that the company's top line will continue to grow in the next fiscal year due to its robust growth in its core health care goods segment. This will allow the company to capitalize on the potential savings of consumers.

SVL: With higher payouts in the gaming industry, SVL has managed to fend off the competition from other players. In 2022, we believe SVL will expand its reach and client base even further by launching a fintech operations that will be integrated with some of its locations, allowing the Group to capitalize on offering more services.

GK: The Group in 2021 expanded its reach domestically through its Food Trading segment. The Groups performance has been outstanding throughout the pandemic. Additionally, GK has been acquiring numerous businesses outside of Jamaica as it builds out its international reach. The acquisition of Scotia Insurance Eastern Caribbean Limited, brings the number of GK-owned insurances businesses to six. The Group has a healthy pipeline of M&A deals in food and financial services and is in advance discussions with another acquisition."

JMMBGL: Our positive outlook on the stock is supported by our expectation for an improvement in JMMB's noninterest income, share of profits from Sagicor Financial Company. The stock price also trade at a discount relative to its fair value.

WIG: The energy generation and transmission industries are often regarded as a defensive industries which are likely to exhibit resilience to changes in the business cycle (i.e. the transition from economic peaks to through (high to lows) and vice versa). Furthermore, Wigton remains ready to respond to any RFP by the Government Procurement Entity for the implementation of new generation capacity. It is also looking to diversify itself in the Caribbean region for other projects.



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