

MONTHLY EQUITY BULLETIN

Outlook

What lies ahead for the remainder of 2022 in an already turbulent year for stocks? Year-to-date market behavior may be a microcosm of what is to come: A close struggle between the positives and negatives. Making sense of what has transpired in the financial market this year needs an understanding of global events. Uncertainty has emerged as the dominating topic of 2022, and Russia's invasion of Ukraine is merely the most recent evidence of that insecurity. Russia's war in Ukraine has added a massive new source of concern for investors, but the reasons for the volatility extend beyond the conflict. They include worries about rising prices, imminent interest rate rises, and a faltering economy.

For 2022, two years on from the start of the pandemic, we have seen some easing of the restrictive COVID-19 measures as the country carefully navigates its way back to normalcy. Currently, the economy is rebounding but risks to the outlook are significant. Real GDP growth for 2022 is forecasted at 4.3% for Jamaica by the IMF. However, risks of new Covid-19 waves could lead to a more prolonged disruption of tourism, trade and capital flows. Another risk is posed by global inflationary pressures which has lifted inflation beyond The Bank of Jamaica's (BOJ) target range of 4%-6%. Inflation for the remainder of the year is predicted to remain elevated as upside risks to this inflation projection stem from the recent jump in global food, oil and LNG prices.

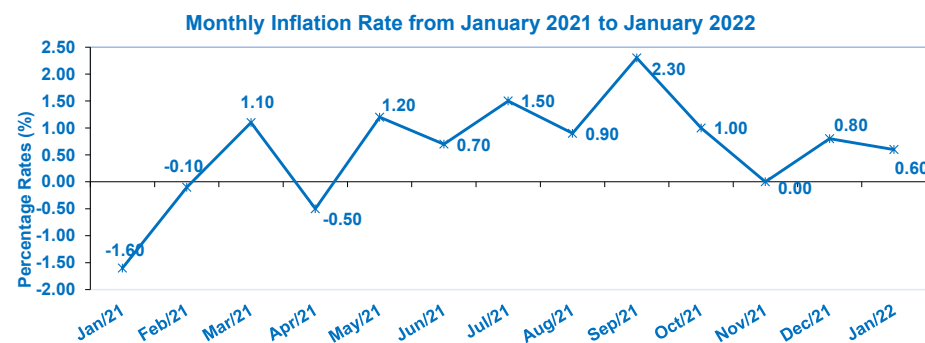
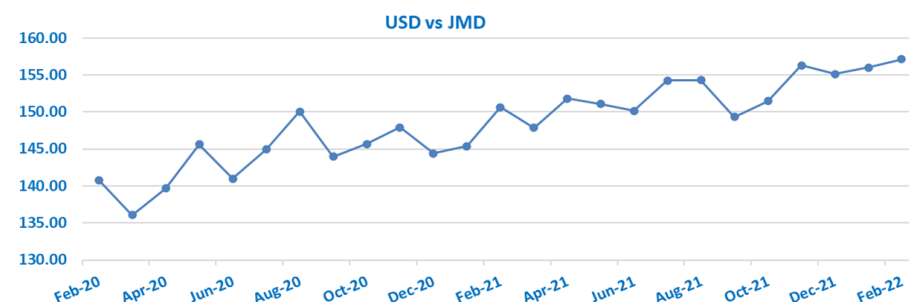
Foreign Exchange

The Jamaica dollar depreciated against the USD for the month of February 2022. The JMD depreciated by \$1.12 in February, to close the month at an average of \$157.13 relative to the \$156.01 recorded in January 2022. Year over year, the JMD has depreciated by approximately \$6.47 or 4.29% relative to the \$150.66 reported as at February 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: 391,123.20 ↓ -2.62%

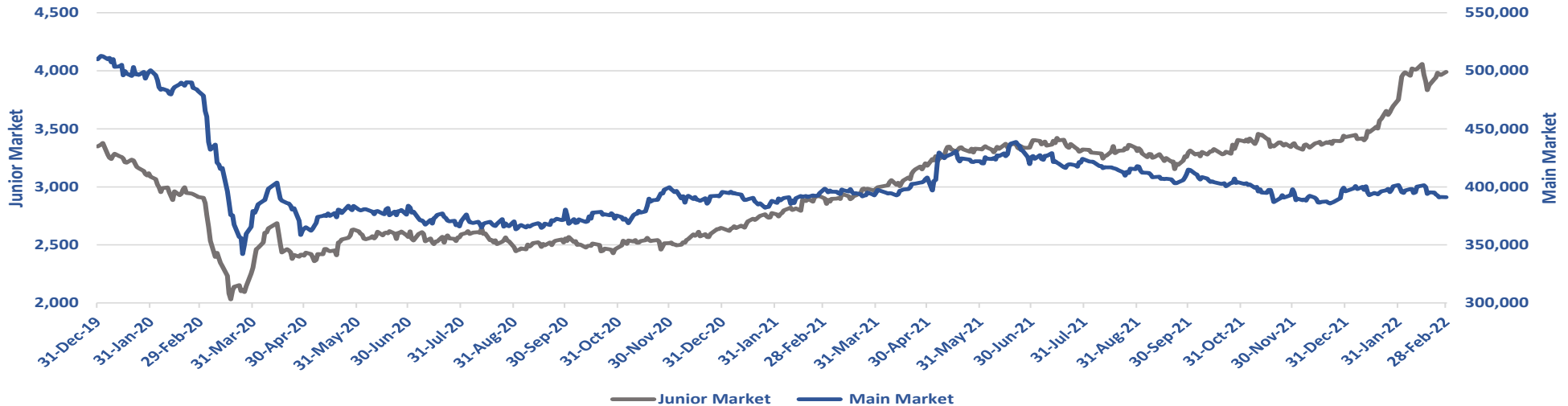
Junior Market Index: 3,990.23 ↑ 6.38%

Market Performance

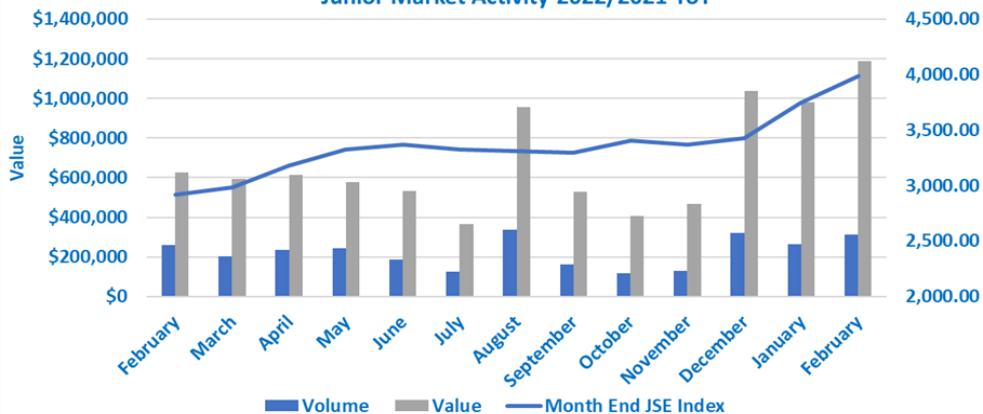
As at the end of February 2022, the JSE's Main Market index fell 2.62% from its value at the end of January 2022, whilst the Junior Market rose 6.38% over the same period. The JSE Main Market Index fell by 10,536.94 points from 401,660.14 points to 391,123.20 points at the end of February 2022. The Junior Market index at the end of February 2022 was 3,990.23 points compared to 3,751.02 points recorded at the end of January 2022. Notably, year over year the Junior Market Index has continued its upward trend (36.64%) surpassing levels seen twelve months earlier, while the Main Market Index performance reflects a marginal decline from twelve months ago (0.86%).

As it relates to stock performances on the Main Market, Margaritaville Turks Ltd was the big winner during the month with a 33.33% appreciation in its share price, while Radio Jamaica Ltd was the biggest loser on the Main Market for the month of February. For the Junior Market, Future Energy Source Company Ltd was the biggest winner for the month with a reported 66.47% increase in its share price. On the global scene all three major U.S. equity indices fell a second-straight month, whipsawed by Russia's war with Ukraine together with Western nations taking steps to isolate Russia. The S&P 500 fell 3.1% in February, delivering a second consecutive month of losses. The Dow Industrials lost 1,239 points (-3.29%) while the Dow 30 index ended February 7.6%.

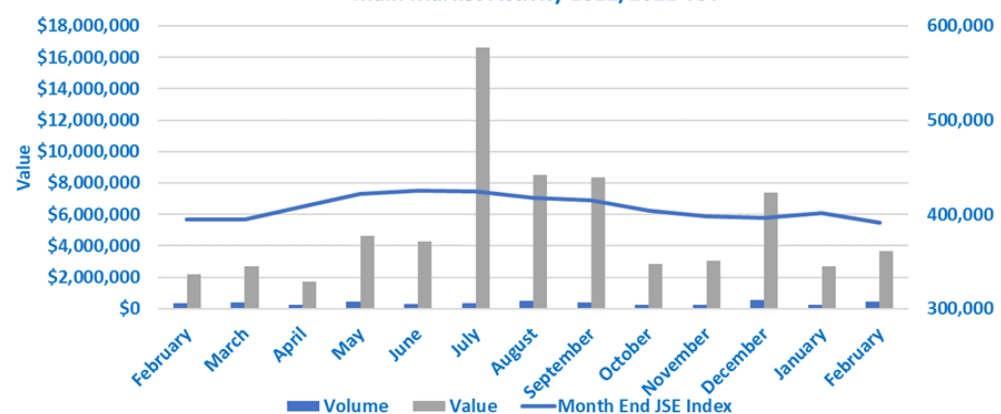
JSE Market Performance



Junior Market Activity 2022/2021 YoY



Main Market Activity 2022/2021 YoY



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. The Company currently trades at a PE ratio of 13.10 times. **(Long-term buy)**



HONBUN Due to the rising demand for its products and aim to satisfy its burgeoning export market, Honey Bun (1982) Limited is looking to lease a new factory space in the coming months. Additionally, the company is looking to grow its export footprint even further in Florida, USA and Ontario, Canada. Honey Bun was able to secure a distribution agreement with some of the largest supermarket chains in both locations. For the three months ended December 31, 2021 the company booked a 44% increase in revenue to \$664.70 million, up from \$461.32 million reported twelve months earlier. Net profit after taxation amounted to \$45.51 million, a 31% increase relative to the \$34.75 million reported in 2020. The Company currently trades at a PE ratio of 13.54 times. **(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. The Company currently trades at a PE ratio of 6.69 times. **(Buy)**

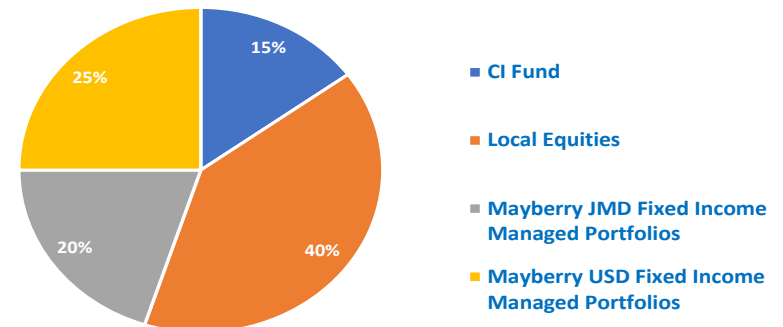


JETCON: For the nine months ended September 30, 2021 the company reported total turnover of \$606.95 million, 30% greater than \$467.16 million reported a year prior. According to Chairman John Jackson, "2021 revenues are likely to have risen 39 per cent, ending up at about \$870 million, and that the 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, our 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 February 2022

TOP ADVANCING STOCK (FEBRUARY 2022)

Company	Close Price (\$)	Change (\$)	Change (%)	Volumes Traded
Margaritaville (Turks) Limited Usd	0.20	0.08	66.67	15,027
Future Energy Source Company Ltd	5.71	2.28	66.47	43,433,631
Main Event Entertainment Group	5.93	1.94	48.62	651,947
Tropical Battery Company Limited	1.79	0.57	46.72	41,930,494
Margaritaville (Turks) Limited	28.00	7.00	33.33	27,395

TOP DECLINING STOCK (FEBRUARY 2022)

Company	Close Price (\$)	Change (\$)	Change (%)	Volumes Traded
Radio Jamaica Limited	3.00	-1.21	-28.74	7,749,791
K.L.E. Group Limited	2.20	-0.74	-25.17	298,464
Ssl Venture Capital Jamaica Limited	1.49	-0.40	-21.16	4,192,735
Isp Finance Services Limited	30.00	-8.00	-21.05	296,445
Massy Holdings Ltd	1949.34	-490.13	-20.09	185,020

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 favorable activity with 1.46 million (2020: 880,404) stopover arrivals for 2021, 66.3% above 2020 levels and 45.4% below 2019 numbers. The performance was due mainly to the hotels & other short-stay accommodation group which benefitted from an increase in foreign national arrivals. For the month of December 2021, we have total tourist stopover arrivals of 223,333, which is a 147.7% increase over the 90,164 visitors recorded in 2020. Contributing to the higher numbers were increased arrivals from the United States of America (127.2%), Canada (179.5%), Europe (413.7%) and Latin America (174.1%). The industry is shaping up to record favorable 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 continues to have an adverse economic effect on 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, while battling rising prices globally. Amid this, Jamaica received a B+ rating from Fitch Ratings, along with a stable outlook. This action is supported by a favorable economic climate and consistent efforts to reduce the debt burden through fiscal policy. These advantages are offset by vulnerability to external shocks, slower average GDP growth than peers, a high level of public debt, and a debt composition that leaves the sovereign exposed to exchange currency swings and interest rate hikes. The Stable Outlook is based on Fitch's expectation that, following the pandemic's interruption, a decreasing trend in public debt-to-GDP will be sustained by political consensus to maintain a high primary surplus.



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.

Top Picks 2022

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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