Fund Managers Ltd.

A member of the JN Group

Insight!

Rising Interest Rates Expectations - Are Bonds Worth Buying?

After allowing interest rates to remain at historically low levels in most major markets around the world, to aid their economies combat the economic and social effects of COVID-19, it now appears that a shift to a scenario of tighter monetary policy, even if only temporarily, to stifle what many thought and likely still believe will be transitory inflation, is imminent. Inflation is predicted to decline over the course of the next year owing to slow growth, relatively high unemployment and presumably fewer supply-side issues. However, central banks must avoid inducing an inflationary mindset, in which high inflation expectations are firmly embedded, resulting in higher output prices and workers demanding wage increases. What a quandary!

The International Monetary Fund (IMF) appears to recognize the dilemma policymakers face in trying to balance the need to facilitate growth in a generally weak economic environment while also preventing high inflation expectations from derailing the long-term growth potential of the various economies in its most recent World Economic Outlook. Some policymakers have hinted at the possibility of quantitative tightening, which, in theory, would have the same effect as increasing rates. Others, it appears, might not have had the luxury of time or the flexibility and have already started its tightening. Jamaica's central bank is one such example.

Why should investors buy bonds if we believe that interest rates are more likely to increase from their current low levels? This is a very relevant and serious topic posed by a number of clients and various stakeholders given the fact that bonds usually perform poorly in a rising interest rate environment. There are a number of reasons for this, but we won't go into detail about them here. Instead, we want to discuss why bonds should continue to be relevant to clients and play a significant role in any scenario, even when rates are rising. Let's talk about it.

Diversification

Bonds and equities have historically had fairly low correlations. But what does this actually imply? In a nutshell, bond prices rise when stock prices decline. This effect is one of the most compelling reasons to invest in bonds. Because what affects the stock market does not always affect the bond market or at least not in the same magnitude and vice versa. Therefore, buying bonds provide some level of diversification benefits. As a result, including bonds in a portfolio of stocks has the ability to function as a ballast, potentially smoothing out a return during periods of volatility. Furthermore, because the COVID-19 pandemic is still evolving, there is no guarantee that the economic recovery would continue unabated across all economies. In fact, we expect a few hiccups along the road, as low vaccination rates around the world mean many economies remain vulnerable.

Capital Preservation

Another benefit of investing in fixed income instruments is their ability to preserve capital. If the value of equities declined dramatically, a portfolio that consists of only equities could lose a substantial amount of capital. This is a frightening prospect for investors with nearing financial obligations or retirement, and it emphasizes the importance of bonds in capital preservation. This is especially enticing to investors with low-risk tolerance. While investors can lose part or all of their principal invested in bonds, the likelihood of this occurring is far lower for bonds than in equities. Furthermore, investment-grade bonds have a strong track record of providing positive total returns, making them desirable to these investors and those intending to fund future obligations.

Bonds issued or guaranteed by stable governments such as the United States of America (US) or the United Kingdom (UK), as well as firms with sound business models and healthy balance sheets can be key building blocks of a capital preservation strategy. Bonds structured with strong collateral can achieve very high-quality ratings at the upper end of the investment-grade spectrum.

While past performance is no guarantee of future results, the U.S. Aggregate Bond Index has not led to any losses over any three-year period within the last 20 years. In comparison, the S&P 500 has been positive 78% of the time, over the same period.

Steady Income

A fixed-income security's ability to provide fixed, steady cash flows is another fundamental benefit. After all, there is a reason it is called fixed income. Although some equities pay dividends, the amount of the pay-out and the timing of those cash flows are never guaranteed. Bonds, on the other hand, offer more predictable income streams in the form of coupon payments, assuming the bond issuer remains solvent. These steady streams of income are valuable to an investor who has obligations on a monthly, quarterly, or semi-annual basis etcetera.

Predictable Cash Flows, Investable at Higher Reinvestment Rates

Most bonds promise to pay a periodic coupon to investors. Investors who receive bond coupons in an environment where interest rates are increasing may have an opportunity to invest those cash flows in an instrument with a higher coupon or reinvestment rate. The reinvestment rate, as the name suggests, is the rate at which cash flows from one investment can be invested in another.

As investors try to navigate what is anticipated to be a very volatile period, it is now more important than ever to maintain a diversified portfolio. We anticipate that as economies continue to reopen and supply and demand mismatches that are currently holding back economic activity globally are resolved, robust economic growth will lead to positive spinoff benefits for company profits and equities in general, making equities appear relatively attractive when compared to bonds. However, history and the characteristics of bonds have shown that fixed income securities may still play an important role in a portfolio, even in an increasing interest rate environment.

Currency Markets

International Currency Market

Currency	5-Nov	29-Oct	DoD % Δ	WoW % Δ	YTD% Δ	YoY% Δ
EUR: USD	1.157	1.156	0.13%	0.10%	-5.30%	-2.17%
GBP: USD	1.349	1.368	-0.05%	-1.38%	-1.29%	2.62%
USD: CAD	1.245	1.239	-0.06%	0.48%	-2.18%	-4.58%
USD: JPY	113.370	113.950	-0.34%	-0.51%	9.80%	9.55%

Local Foreign Currency Market

Currency	5-Nov	4-Nov	29-Oct	DoD % Δ	WoW % Δ	YTD% Δ
USD:JMD	156.32	156.28	155.66	0.02%	0.42%	9.58%
GBP:JMD	210.81	210.34	215.02	0.22%	-1.96%	8.9%
CAD:JMD	125.54	125.77	126.56	-0.18%	-0.80%	12.7%

Global Interest Rates

Rates	5-Nov	29-Oct	DoD Δ bps	WoW Δ bps	YTD Δ bps	YoY Δ bps
10 Year US Treasury Bond	1.45%	1.55%	-7.31	-9.90	53.99	69.02
10 Year UK Gilt	0.85%	1.03%	-9.90	-18.90	64.80	61.10
GOJ 2025 Global Bond	3.59%	3.59%	0.30	-0.20	13.60	-52.30
5 Year US Treasury Bond	1.06%	1.18%	-5.50	-12.76	69.47	72.96
5 Year UK Gilt	0.57%	0.84%	-9.50	-27.10	65.00	61.60

Week in Review: Nov 1 - Nov 5, 2021

Local Equity Market

BEST AND WORST PERFORMERS

ADVANCERS		DECLINERS	
KLE	71.23%	TJHUSD	-12.63%
MIL	37.17%	MPCCEL	-11.34%
CBNY	29.41%	INDIES	-8.88%

JSE Main Market activity (excluding preference shares) resulted from trading in **48** stocks of which **25** advanced, **21** declined and **2** traded firm. Market volume (excluding preference shares) amounted to **61,573,594** units valued at over **$650,533,788.** JSE Junior Market activity (excluding preference shares) resulted from trading in **41** stocks of which **22** advanced, **16** declined and **3** traded firm. Market volume (excluding preference shares) amounted to **21,520,563** units valued at over **$77,141,176**.

Global Equity Indices

Index	31-Dec	29-Oct	5-Nov	WoW % Δ	YTD% Δ	YoY% Δ
S&P 500	3,756.07	4,605.38	4,697.60	2.00%	25.07%	33.82%
Euro Stoxx 50	3,552.64	4,250.56	4,363.04	2.65%	22.81%	35.69%
MXWD Index	646.27	745.23	757.35	1.63%	17.19%	28.06%
JSE Main Market Index	395,614.93	403,965.02	402,122.99	-0.46%	1.65%	8.47%
JSE Junior Market Index	2,643.38	3,404.40	3,416.44	0.35%	29.25%	36.15%
JSE Combined Index	392,435.92	408,136.62	406,547.11	-0.39%	3.60%	10.45%

Upcoming Week: Nov 8 - Nov 12, 2021

Country	Report	Period	Forecast	Prior
US	Initial Jobless Claims	6-Nov	265,000	269,000
US	CPI MoM	Oct	0.50%	0.40%
US	U. of Mich. Sentiment	Nov P	72.30	71.70
UK	GDP QoQ	3Q P	1.50%	5.50%
UK	GDP YoY	3Q P	6.80%	23.60%
UK	Industrial Production MoM	Sep	0.20%	0.80%
JN	BoP Current Account Balance	Sep	1.06T	1.66T
JN	PPI YoY	Oct	6.90%	6.30%

LOCAL STOCK RECOMMENDATIONS

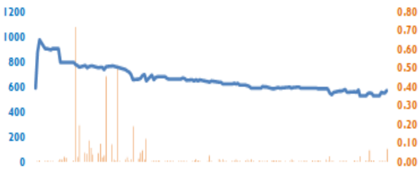
COMPANY NAME	PRICE MOVEMENTS J$	STATISTICS	COMPANY VITALS	INDUSTRY VITALS	RATIONALE

November 5, 2021

Guardian Holdings Ltd. (GHL)

BUY

Current Price	**$563.08**	EPS	$80.71
52 Week High	$1,134.90	BVPS	$443.33
53 Week Low	$500.01	T12M Div.	$4.04
WoW %	8.07%	Div. Yield %	0.69%
YTD %	-3.33%		



	Company Vitals	Industry Vitals
ROE	18.20%	14.50%
P/E	6.98	15.21
P/B	1.27	2.02

Guardian is one of the region's leading financial institutions with a long history of delivering strong revenue growth and profitability. The company operates in most of the countries in the Caribbean and is rated among the top five in the major markets in which it operates. Like most companies regionally, the Guardian Group was severely challenged in 2020. However, in 2020, the Group delivered operational and financial results which were creditable along several metrics and especially when taken in the context of the pandemic. While we are very aware that the COVID-19 pandemic is not over, it is very likely that the worst is behind us. With vaccination programme being rolled out regionally and as respective governments continue to ease out of the pandemic the companies within the region continue to gradually recover from the crisis. This recovery is also evident for Guardian Group which posted revenues and profits in Q1 2021 which are significantly above its previous year's.

Derrimon Trading Co Ltd (DTL)

BUY

Current Price	**$2.51**	EPS	$0.09
52 Week High	$2.81	BVPS	$1.24
53 Week Low	$2.00	T12M Div.	$0.00
WoW %	2.80%	Div. Yield %	0.00%
YTD %	5.51%		

	Company Vitals	Industry Vitals
ROE	7.36%	16.15%
P/E	27.52	20.38
P/B	2.02	2.93

Derrimon is vertically integrated whereby it manufactures and distributes through its own channels such as Sampars and its Select grocers retail outlets. Over the last five years the company has gone through a tremendous transformation driven by its organic growth in its primary distribution segment and through acquisitions. Consequently, it has delivered expansion which has seen its revenue more than double in five years and profits more than tripled. Although the coronavirus pandemic has slowed business activity in Jamaica generally, and has slowed Derrimon's revenue growth by approximately 1.0% up to September 2020, DTL has remained very profitable. Over the period, the Group delivered profit growth of 27.0% which is a signal of its strength and resiliency given the context of the COVID-19 pandemic.

Seprod Ltd (SEP)

HOLD

Current Price	**$63.23**	EPS	$2.85
52 Week High	$85.00	BVPS	$24.72
53 Week Low	$53.79	T12M Div.	$0.80
WoW %	-1.07%	Div. Yield %	1.25%
YTD %	-2.56%		

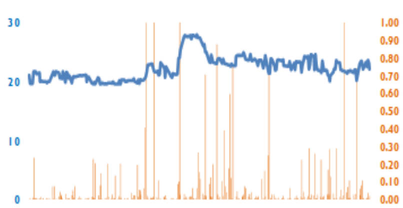
	Company Vitals	Industry Vitals
ROE	11.53%	16.47%
P/E	22.18	25.87
P/B	2.56	4.12

With the onset of COVID-19, restaurants, supermarkets, bakeries and corner shops in communities have been forced to operate within restricted parameters or have completely shuttered. Although the COVID-19 pandemic has had a negative impact on Seprod's operations, the Group's diversified portfolio has proven to be resilient thus far. Looking ahead, there are still risks that could negatively impact global supply chains and ultimately affect raw material prices, consumer income and economic growth. Notwithstanding, given our estimate that the worst part of the covid-19 restrictions may be behind us, we are expecting that the companies good performance could likely continue into at least the short term. Over the last five years, the group has invested significantly in strengthening its operations and its resiliency. The investments include consolidating aspects of its business where costs were being duplicated, which is a move to position itself for continued resilience and competitiveness in face of the uncertainty which lies ahead. Over the medium-term, the group has further investments plans to improve its distribution, warehousing and logistics efforts that are expected to augment the Groups' profitability over time.

Jamaica Producers Group (JP)

HOLD

Current Price	**$22.16**	EPS	$2.17
52 Week High	$31.00	BVPS	$14.38
53 Week Low	$19.60	T12M Div.	$0.20
WoW %	0.03%	Div. Yield %	0.95%
YTD %	5.51%		



	Company Vitals	Industry Vitals
ROE	15.06%	12.38%
P/E	10.23	12.64
P/B	1.54	1.54

Undoubtedly, COVID-19 has had a negative impact on aspects of the business and is likely to continue to weigh on those segments for the remainder of this year, even as the company adjusts its operations to deal with the pandemic. Some segments have remained strong; however, the pandemic has created opportunities for new retail channels to offset the downturn seen in some segments. Importantly, JP is further seeking to strengthen its business over the medium term to improve its capacity, to drive long term growth at the same time it continues to invest in strong food and logistics businesses. Despite COVID-19, JP remains strong with several key financial metrics, including its large and growing cash and securities balance, providing the group with the flexibility to manage and execute on strategies of acquiring undervalued assets.

LOCAL STOCK RECOMMENDATIONS

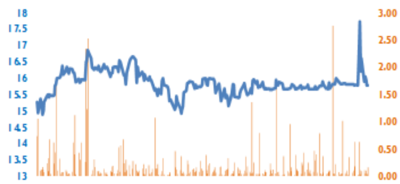
COMPANY NAME	PRICE MOVEMENTS J$	STATISTICS	COMPANY VITALS	INDUSTRY VITALS	RATIONALE

November 5, 2021

Wisynco Ltd (WISYNCO)

BUY

Current Price	**$15.77**	EPS	$0.82
52 Week High	$19.00	BVPS	$4.01
53 Week Low	$13.00	T12M Div.	$0.30
WoW %	-5.03%	Div. Yield %	1.97%
YTD %	-6.40%		



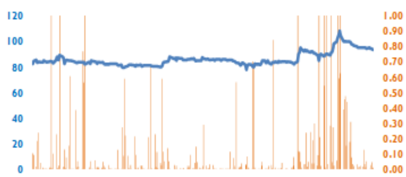
	Company Vitals	Industry Vitals
ROE	20.41%	16.47%
P/E	19.25	25.87
P/B	3.93	4.12

Wisynco's customers typically include restaurants, supermarkets retail and whole-sale outlets, schools and other food service outlets. As a result of the social distancing orders being enforced by the Government to curb the spread of the virus, the operations of the Company's customers base have been severely disrupted. We acknowledged, however, that the Company's strong brand presence in the food manufacturing and distribution sector, strong balance sheet and distribution network will go a far way to ensure that Wisynco remain resilient over the long-term. We believe that the Management's experience in distribution and the Company's investment in Innovation will be huge drivers of equity return over time. Notwithstanding, over the short to medium term (up to three years) Wisynco's profitability will be challenged as over 95% of the Company's revenues are generated locally and local consumer demand has declined and likely to remain subdued over the short to medium term. In our scenario, the Company is projected to return to pre-COVID state in the FY 2024/FY 2025.

Barita Investments Ltd (BIL)

BUY

Current Price	**$93.45**	EPS	$3.63
52 Week High	$109.50	BVPS	$24.79
53 Week Low	$75.00	T12M Div.	$3.78
WoW %	-0.83%	Div. Yield %	4.57%
YTD %	14.12%		



	Company Vitals	Industry Vitals
ROE	14.62%	14.50%
P/E	25.78	15.21
P/B	3.77	2.02

In the most recently concluded 9-month period, up to June 30, 2021, Barita continued to deliver recordbreaking growth and profitability for its shareholders. Undoubtedly, the COVID-19 pandemic has disrupted financial markets locally and globally and is likely to pose significant challenges for businesses going forward. So far, however, BIL has responded well to the pandemic from a social and operational perspective. Over the period, the Group posted net profits, which was 83% above the amount generated over a similar period in the previous year and already ~22% above the amount generated in the entire 12 months in FY 2020. Following its succesful APO in September 2020, BIL bolstered its investment banking underwriting capabilities, upgraded its technology - including the implementation of its BOSS platform, seeded alternative investment strategies, widened its footprint and expanded its trading operations. So far, the early indications are that the company has seen further operational improvement and is experiencing accelerated revenue and profit growth.

Grace Kennedy Ltd (GK)

BUY

Current Price	**$99.24**	EPS	$7.09
52 Week High	$105.99	BVPS	$63.83
53 Week Low	$56.98	T12M Div.	$1.93
WoW %	-0.73%	Div. Yield %	3.34%
YTD %	58.33%		

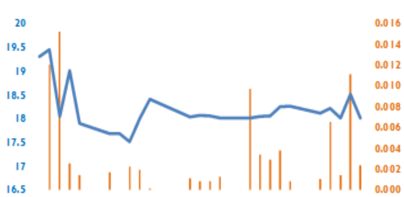
	Company Vitals	Industry Vitals
ROE	11.11%	12.38%
P/E	13.99	12.64
P/B	1.55	1.54

Going forward, we expect the GK's strong resiliency to continue despite COVID-19, even as the company make significant changes to ensure its products and services are delivered to its customers across the various channels. These include ensuring its international supply chains remain strong, active, and efficient. Its recent agreement with Nestle is one such initiative that GK has implemented to improve its distribution as the Group moves closer to achieving its goal of creating a wider wingspan in the global arena. We believe that GK is poised for further sustainable growth given its well diversified businesses across its two segments which will likely be boosted by inorganic growth from acquisitions. GraceKennedy Limited has initiated its multi-year transformational strategy in which it seeks to achieve (i) sustainable efficiency, (ii) greater agility and (iii) revenue growth. To achieve these goals, the Group has made changes to its organisational and cost structure as well as its business processes which have so far resulted in an upswing in its margins and profitability, and which augurs well for the Group's future. With growth in all segments, the Group outperformed its prior year results, posting arguably its strongest financial results since inception. GK is well positioned financially and has displayed the ability to continue growing despite the economic downturn caused by the effects of COVID-19.

Sygnus Real Estate Finance Limited (SRFJMD)

BUY

Current Price	**$18.00**	EPS	$7.18
52 Week High	$22.20	BVPS	$19.19
53 Week Low	$17.00	T12M Div.	$0.00
WoW %	-1.36%	Div. Yield %	0.00%
YTD %	-0.22%		



	Company Vitals	Industry Vitals
ROE	37.39%	24.21%
P/E	2.51	12.23
P/B	0.94	0.82

Sygnus Real Estate Finance Limited is a speciality real estate investment company, dedicated to providing flexible financing to unlock value in real estate assets across the Caribbean region. SRF is an alternative investment firm that is solely dedicated to the real estate asset class, by providing customized financing solutions in various forms across the credit and equity spectrum. Through the application of flexible financing, and with careful screening, managing and assessment of its highly experienced Real Estate Investment Advisory Committee, SRF will seek to earn attractive risk-adjusted returns with downside protection. We believe that Sygnus Real Estate Finance's offer is a good investment opportunity given the business model of active management, track record of the Investment Manager, robust governance structure and the pipeline of opportunities on the table. Given the present economic environment and market dynamics characterised by low-interest rates and high liquidity, we anticipate that real estate could continue to perform well as a leading growth sector. Additionally, the low-interest rate may enable the use of financial leverage to enhance returns which could further enhance the value proposition of SRF.

Mutual Funds

JN Fund Managers Ltd.
A member of the JN Group

JN MUTUAL FUNDS
October 14, 2021

JN Mutual Funds	NAV Price	12 Months Growth Rate	YTD Growth Rate	Yield (Estimated Yearly Income)
Global Diversified Income	J$14.2256	5.18%	2.78%	2.22%
Global Equity	J$15.5552	11.18%	3.32%	0.00%
Global Fixed Income	J$13.1394	3.98%	3.81%	4.74%
Global Money Market (US$)	US$10.9097	3.53%	2.75%	2.40%
Global Fixed Income (US$)	US$11.2815	6.40%	2.43%	3.15%
Local Money Market	J$11.4428	4.16%	3.74%	4.17%

	Global Money Market Fund	Local Money Market Fund	Global Fixed Income Funds	Global Diversified Income Fund	Global Equity Fund
Objective	To preserve capital whilst providing US dollar (US$) money market returns	To preserve capital whilst providing Jamaican Dollar (J$) money market returns	To achieve an attractive total return through capital injection and income growth. This is offered through two separate Funds: (i) A Jamaican dollar (J$) and (ii) A US dollar (US$) fund.	To provide long-term investment growth through exposure to a diversified range of asset classes.	To provide long-term capital growth and risk diversification.
Strategy	To invest in local and global money market instruments for safety, liquidity and yield.	To invest in local and global money market instruments for safety and liquidity and yield	To invest in regional, sovereign debt securities, local and international corporate bonds.	To invest in fixed income, high dividend yielding stocks, REITs and structured products	To invest in the shares of local and international companies which offer strong growth possibilities and consistent income

With a suite of six investment portfolios, each with a distinct financial profile, JN Mutual Funds offers a premium opportunity for investors to align their personal financial strategy with their goals, time horizons and risk profile.

Contact us

Kingston & St. Andrew

Paul Penn – 876-564-8276 pennp@jngroup.com

Peta-Gay Walker- 876-588-8886 pmiller@jngroup.com

Kimberly Savage – 876-307-9461 ksavage@jngroup.com

Tamara Honeyghan - 876-557-0082 tamarah@jngroup.com

Gayon Knight - 876-564-9563 gknight@jngroup.com

Mandeville

Horace Walters – 876-487-9267 waltersh@jngroup.com

St. Catherine

Nickesha Mullings-Gilling - 876-891-4736 nmullings@jngroup.com

Montego Bay

Marissa Williams - 876-465-3726 mwilliams1@jngroup.com

Disclaimer: All information contained herein is obtained by JN Fund Managers Limited's Global Investment Research Unit from sources believed to be accurate and reliable. All opinions expressed are based on the Research Analyst's judgment as of the date of the report. As such, no warranty is made, expressed or implied by JN Fund Managers Limited in any form whatsoever as to the accuracy, timeliness or completeness of information contained in this report. JN Fund Managers Limited is therefore not liable for any actions taken in reliance on information contained herein.

JN Fund Managers Limited's Global Investment Research Unit does not provide investment advice that considers the circumstances and objectives of the parties who receive this report. It is therefore recommended that before making any investment decision, investors seek the advice of a JN Fund Managers Limited Investment Advisor.

This report does not represent an offer to buy or sell, or solicitation of an offer to buy or sell the securities mentioned. Past performance is not necessarily an indication of future performance. Estimates of future performance are based on assumptions that may not be realized. Additional information not available in this research report may be available upon request.

JN Fund Managers Limited is a multifaceted organization with, investment banking, investment management, fund administration and brokerage business lines. JN Fund Managers Limited may therefore conduct investment banking or other business activities with some of the companies and countries covered by the Company's Global Investment Research Unit.

JN Fund Managers Limited may invest in and trade the securities covered in this report for its own proprietary account and/or on behalf of its clients. JN Fund Managers Limited's trading activity in these securities may be contrary to the recommendation(s) indicated in this report .