



## Bitcoin – A New Asset Class? - Part 1 of a Part 2 Series

Last year, 2020, marked 12 years since Satoshi Nakamoto, the presumed pseudonymous person or persons who developed Bitcoin, published a paper entitled 'Bitcoin a peer-to-peer Electronic Cash System'. In the decade-plus since, the crypto asset market has gone through all the usual phases of a disruptive technology, in massive bull runs, devastating pullbacks, periods of euphoria and deep despair. Along with these stages are the FOMO (fear of missing out), fear and all the emotions in between.

As the Bitcoin enters its second decade, one thing is quite clear and that is Bitcoin, other cryptocurrencies and blockchains are not going away. Today, crypto assets boast a combined market cap in excess of \$900 billion<sup>1</sup>; major financial institutions, such as Fidelity Investments and CME Group are now heavily involved; large endowments as for Harvard University, Yale University, and Stanford University, are investing alongside such hedge fund legends as Paul Tudor Jones II. The crypto efforts of major companies, such as Tesla, Facebook, PayPal, Visa, and Square, are frontpage news; and central banks, from the US Federal Reserve to the People's Bank of China even our Bank of Jamaica, are discussing how to develop blockchain-enabled digital currencies of their own.



Despite all the excitement, however, significant challenges remain for investors approaching the market. For starters, the quality of information is poor. Even such basic data as accurate trading volume are hard to come by. Theories about the drivers of crypto-asset valuations are untested and often poorly designed, and they are rarely, if ever, published in peer-reviewed journals. Due diligence efforts from leading consultants are in their infancy stage, and few people have carefully thought through the role (if any) that crypto assets should have in a professionally managed portfolio. More fundamentally, few people even understand what a crypto asset really is or why it matters.

Increasingly however, people are deciding that now is the time to start answering the question of the role bitcoin can play in a portfolio. But Why? Well, last year Bitcoin's price appreciated by more than 300% and since the start of this year, has already jumped over 50%. Unsurprisingly, as is the case with many financial assets, Bitcoin gets the attention of speculators and the media after large price surges. For financial advisers, the reason it is getting attention is that clients are asking. For central bankers, it is because crypto and blockchains threaten to disrupt their markets. And for professional investors, it is because the returns and low correlations that crypto assets, such as Bitcoin, offer at this point are becoming hard to ignore.

The first publicly available trading data for Bitcoin goes back to July 2010, when Bitcoin was trading at about US\$0.05 per coin. As of December 31, 2020, Bitcoin traded at roughly US\$28,996, meaning a US\$100 investment in the crypto asset on its first trading in 2010, would have been worth approximately US\$58 million at the end of 2020.

<sup>1</sup><https://www.visualcapitalist.com/bitcoin-market-cap-compared-to-crypto/>

Perhaps the easiest way to visualize the historical performance of Bitcoin is to review the performance on a segmented calendar basis as in the Table I below. As the data has shown, Bitcoin has risen in nine (9) of the eleven (11) calendar years since its traded prices have been available and has posted triple digit returns or greater in seven of those years. These phenomenal returns make Bitcoin the best performing investment over the last decade and arguably at this point, the best ever performing publicly available investment.

<b>Table I. BITCOIN'S QUARTERLY AND CALENDAR-YEAR RETURNS, 17 JULY 2010–30 SEPTEMBER 2020</b>					
<b>Year</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>CY</b>
<b>2010</b>			25.03%	384.65%	505.94%
<b>2011</b>	161.54%	1952.74%	-68.08%	-8.16%	1473.76%
<b>2012</b>	4.03%	36.53%	84.59%	9.12%	186.08%
<b>2013</b>	604.58%	2.23%	43.02%	447.24%	5537.40%
<b>2014</b>	-40.31%	41.03%	-39.58%	-16.92%	-57.74%
<b>2015</b>	-24.00%	7.55%	-10.18%	82.17%	33.74%
<b>2016</b>	-3.33%	61.73%	-9.25%	58.44%	124.81%
<b>2017</b>	11.48%	127.63%	77.29%	222.10%	1349.04%
<b>2018</b>	-50.67%	-7.69%	3.40%	-44.17%	-73.71%
<b>2019</b>	11.14%	174.40%	-26.28%	-13.74%	93.95%
<b>2020</b>	-9.36%	41.12%	17.21%	170.81%	316.57%

These high returns, however, have been accompanied by high volatility, whether measured on an intraday, daily, annual, or peak-to-trough basis. As Table I shows, Bitcoin has experienced fifteen (15) negative-return quarters since its inception, along with two negative years, including the 74% pullback in 2018. Outside of the segmented calendar periods, Bitcoin's price has gone through six different peak-to-trough drawdowns of more than 70% since inception. The most major pullback occurred after Bitcoin hits its all-time daily closing price of US\$19,396 on December 16, 2017. From that point, the price of Bitcoin retreated rapidly until bottoming on December 14, 2018, when it traded for \$3,177 for a drawdown of 84%.

Dec. 16, 2017

**84%**

Dec. 14, 2018



An important characteristic of Bitcoin's historical returns, especially for portfolio managers, is that they have exhibited consistently low correlations with the returns of most major assets. Probably this should not have been surprising as Bitcoin remains an early-stage investment opportunity, and the core drivers of Bitcoin's value are distinct from the core drivers of other assets. Stocks, for example, are primarily driven by corporate profits, economic growth and interest rates while Bitcoin's value is driven by market adoption, network security, liquidity, inflation risks, supply changes, regulatory developments, technological developments and other factors.

Therefore, Bitcoin can play a role in diversifying a portfolio and has the potential to assist portfolio managers in generating outsized returns. However, the impact of adding various weightings in a portfolio context depends on the period over which the analysis is done. To quantify this, in our next article, we will explore how portfolio managers and investors can use Bitcoin exposure in a portfolio context.

## Currency Markets

### International Currency Market

Currency	12-Feb	5-Feb	DoD % Δ	WoW % Δ	YTD % Δ	YoY % Δ
EUR: USD	1.212	1.205	-0.08%	0.61%	-0.79%	11.46%
GBP: USD	1.385	1.370	0.26%	0.85%	1.33%	6.88%
USD: CAD	1.270	1.280	-0.04%	-0.44%	-0.20%	-4.15%
USD: JPY	104.950	105.390	0.19%	-0.42%	1.65%	-4.67%

### Local Foreign Currency Market

Currency	12-Feb	11-Feb	5-Feb	DoD % Δ	WoW % Δ	YTD % Δ
USD:JMD	150.71	150.62	148.88	0.06%	1.22%	5.65%
GBP:JMD	207.08	206.93	205.17	0.07%	0.93%	6.9%
CAD:JMD	119.69	119.52	118.47	0.14%	1.03%	7.4%

## Global Interest Rates

Rates	12-Feb	5-Feb	DoD Δ bps	WoW Δ bps	YTD Δ bps	YoY Δ bps
10 Year US Treasury Bond	1.20%	1.16%	4.00	4.00	29.00	-43.00
10 Year UK Gilt	0.52%	0.48%	5.00	4.00	32.00	-9.00
GOJ 2025 Global Bond	3.53%	3.49%	1.00	4.00	8.00	-33.00
5 Year US Treasury Bond	0.49%	0.46%	3.00	3.00	13.00	-96.00
5 Year UK Gilt	0.08%	0.08%	2.00	0.00	17.00	-40.00

## Commodities

Commodity	12-Feb	DoD % Δ	WoW % Δ	YTD % Δ	YoY % Δ
Crude Oil	59.63	2.39%	4.89%	22.90%	16.53%
Gold	1822.06	-0.19%	0.44%	-4.02%	16.35%
Silver	27.32	1.24%	1.47%	3.46%	56.21%
Aluminium	2089.5	0.48%	3.67%	5.56%	20.29%

## Week in Review: Feb 8 - Feb 12 2020

### Local Equity Market

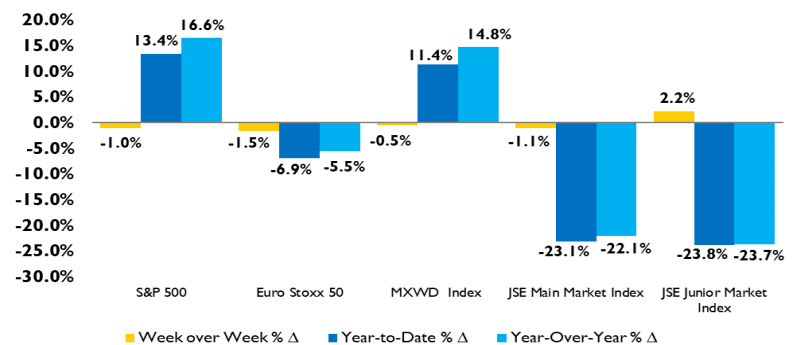
#### BEST AND WORST PERFORMERS

ADVANCERS		DECLINERS	
CBNY	45.71%	KEY	-17.73%
SCIJA	20.83%	SVL	-14.19%
QWI	15.84%	GENAC	-10.74%

JSE Main Market activity (excluding preference shares) resulted from trading in 44 stocks of which 24 advanced, 17 declined and 3 traded firm. Market volume (excluding preference shares) amounted to 104,021,334 units valued at over \$743,607,649. JSE Junior Market activity (excluding preference shares) resulted from trading in 40 stocks of which 20 advanced, 16 declined and 4 traded firm. Market volume (excluding preference shares) amounted to 52,574,714 units valued at over \$161,983,680.

### Global Equity Indices

Index	31-Dec	5-Feb	12-Feb	WoW % Δ	YTD % Δ	YoY % Δ
S&P 500	3,756.07	3,886.83	3,934.83	1.23%	4.76%	16.43%
Euro Stoxx 50	3,552.64	3,655.77	3,695.61	1.09%	4.02%	-4.12%
MXWD Index	646.27	670.56	682.29	1.75%	5.57%	17.43%
JSE Main Market Index	395,614.93	390,476.71	390,278.54	-0.05%	-1.35%	-18.61%
JSE Junior Market Index	2,643.38	2,796.97	2,814.15	0.61%	6.46%	-3.67%
JSE Combined Index	392,435.92	389,342.47	389,342.64	0.00%	-0.79%	-17.62%



### Upcoming Week: Feb 16 - Feb 19 2020

Country	Report	Period	Forecast	Prior
US	Initial Jobless	13-Feb	775,000	793,000
US	MBA Mortgage	12-Feb	--	-4.10%
US	Retail Sales	Jan	0.90%	-0.70%
US	Industrial	Jan	0.40%	1.60%
UK	CPI YoY	Jan	0.50%	0.60%
UK	CPI MoM	Jan	-0.40%	0.30%
CA	CPI YoY	Jan	--	0.70%
JN	Core Machine	Dec	-6.10%	1.50%

# LOCAL STOCK RECOMMENDATIONS

COMPANY NAME	PRICE MOVEMENTS	J\$	STATISTICS	COMPANY VITALS	INDUSTRY VITALS	RATIONALE
February 12, 2021						
JMMB Group Ltd (JMMBGL)	Current Price	\$32.30	EPS \$3.42	ROE 13.08%	ROE 20.26%	<p>JMMBGL is one of Jamaica's largest financial services corporations, entering the market in 1992 as the first Money Market Brokerage firm. The holding company, JMMB Group Limited, was formed as a parent to house the group of companies. To date, the JMMB Group Ltd. has extended its reach across the Caribbean, including the Dominican Republic and Trinidad and Tobago. The Group has over 316,000 clients and continues to grow steadily. We believe that in addition to its core businesses, key strategic partnerships such as the 22.2% stake in Sagor Financial Corporation allows JMMBGL to achieve further diversification and increased profitability.</p>
	52 Week High	\$46.45	BVPS \$26.13	P/E 9.45	P/E 17.10	
	53 Week Low	\$28.00	T12M Div. \$0.25	P/B 1.24	P/B 2.08	
	WoW %	1.48%	Div. Yield % 0.77%			
	YTD %	-6.90%				
BUY						
Derrimon Trading Co Ltd (DTL)	Current Price	\$2.59	EPS \$0.10	ROE 21.04%	ROE 13.11%	<p>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.</p>
	52 Week High	\$3.10	BVPS \$0.49	P/E 24.90	P/E 30.42	
	53 Week Low	\$1.40	T12M Div. \$0.01	P/B 5.24	P/B 3.03	
	WoW %	4.44%	Div. Yield % 0.46%			
	YTD %	8.98%				
BUY						
Seprod Ltd (SEP)	Current Price	\$67.65	EPS \$4.22	ROE 18.27%	ROE 16.32%	<p>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.</p>
	52 Week High	\$83.99	BVPS \$23.11	P/E 16.02	P/E 23.56	
	53 Week Low	\$30.00	T12M Div. \$0.30	P/B 2.93	P/B 3.50	
	WoW %	-4.53%	Div. Yield % 0.44%			
	YTD %	4.24%				
BUY						
Wigton Windfarm Ltd (WIG)	Current Price	\$0.72	EPS \$0.05	ROE 14.85%	ROE 5.99%	<p>We believe that Wigton Windfarm provides an advantage for investors in three main ways. The first is diversification, as it is an alternative energy investment which becomes more crucial in the midst of global warming. The second is an increase in medium to long term value driven by profitability. The third is liquidity as the availability of shares is wide and allows a tidy entry into or exit out of the investment. Wigton Windfarm has potential competition from MPC Caribbean and New Fortres Energy but they together form an ecosystem which is needed to move the Caribbean away from its reliance on Fossil Fuels, the 2nd most expensive item on Jamaica's import bill.</p>
	52 Week High	\$0.95	BVPS \$0.35	P/E 13.73	P/E 20.01	
	53 Week Low	\$0.50	T12M Div. \$0.00	P/B 2.04	P/B 1.11	
	WoW %	-4.00%	Div. Yield % 0.00%			
	YTD %	-4.16%				
HOLD						

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# LOCAL STOCK RECOMMENDATIONS

COMPANY NAME	PRICE MOVEMENTS J\$	STATISTICS	COMPANY VITALS	INDUSTRY VITALS	RATIONALE				
February 12, 2021									
Jamaica Broilers Group Ltd (JBG)	Current Price	\$28.96	EPS	\$1.50	ROE	10.36%	ROE	16.32%	<p>Having been in operation for over sixty years, JBG has grown into an iconic brand in Jamaica and now has an increasing presence in the region. The Company's Jamaican operations continue to have a significant impact in the local marketplace through its Best Dressed Chicken and Hi-Pro divisions. However, the local market is mature with growth expected to be low in the medium term. With operations already firmly set in Haiti, JBG moved further to cement a stronghold and presence along the supply chain in the US with its recent acquisitions. In our view, these acquisitions and other inorganic initiatives are expected to be the catalyst for JBG's growth going forward.</p>
	52 Week High	\$39.70	BVPS	\$14.48	P/E	19.30	P/E	23.56	
	53 Week Low	\$21.00	T12M Div.	\$0.31	P/B	2.00	P/B	3.50	
	WoW %	3.35%	Div. Yield %	1.07%					
	YTD %	-1.69%							
BUY									
Wisynco Ltd (WISYNCO)	Current Price	\$16.16	EPS	\$0.68	ROE	17.38%	ROE	16.32%	<p>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.</p>
	52 Week High	\$23.10	BVPS	\$3.89	P/E	23.92	P/E	23.56	
	53 Week Low	\$11.50	T12M Div.	\$0.18	P/B	4.16	P/B	3.50	
	WoW %	-1.94%	Div. Yield %	1.11%					
	YTD %	-4.06%							
HOLD									
Jamaica Producers Group (JP)	Current Price	\$20.34	EPS	\$3.41	ROE	23.55%	ROE	11.78%	<p>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.</p>
	52 Week High	\$26.00	BVPS	\$14.47	P/E	5.97	P/E	17.61	
	53 Week Low	\$15.00	T12M Div.	\$0.20	P/B	1.41	P/B	1.59	
	WoW %	3.72%	Div. Yield %	0.98%					
	YTD %	-3.14%							
BUY									

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# Mutual Funds



A member of the Group

## JN MUTUAL FUNDS

February 11, 2021

JN Mutual Funds	NAV Price	12 Months Growth Rate	YTD Growth Rate	Yield (Estimated Yearly Income)
<b>Global Diversified Income</b>	J\$13.8425	-2.57%	0.01%	2.10%
<b>Global Equity</b>	J\$14.9785	-11.33%	-0.51%	0.00%
<b>Global Fixed Income</b>	J\$12.8095	5.22%	1.21%	5.59%
<b>Global Money Market (US\$)</b>	US\$10.6544	3.50%	0.34%	3.53%
<b>Global Fixed Income (US\$)</b>	US\$10.9993	6.12%	-0.13%	4.69%
<b>Local Money Market</b>	J\$11.1419	4.25%	1.01%	4.29%

	Global Money Market Fund	Local Money Market Fund	Global Fixed Income Funds	Global Diversified Income Fund	Global Equity Fund
<b>Objective</b>	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.
<b>Strategy</b>	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.

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