Fund Managers Ltd.
A member of the JN Group
Insight!

Is the Time Right To Bring Out the Barbell?

Whether you are a businessman, a student or just a member of the public concerned about what's going on in the world, the yield curve is something you should care about. It is often said that the yield curve is probably the single best indicator of the direction of the market and perhaps the best indicator of an upcoming recession.

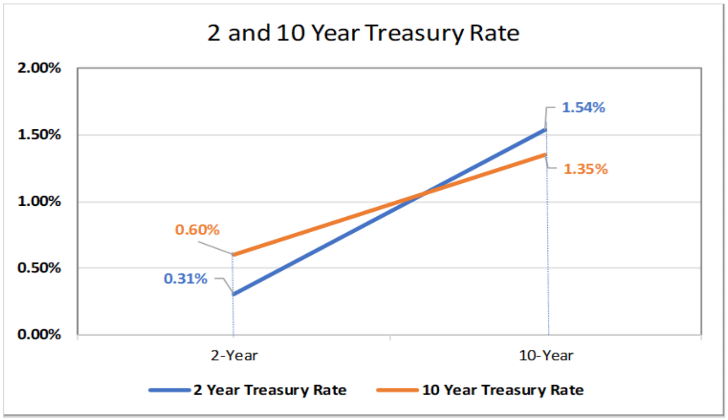
Many decisions, from how to invest the funds in your portfolio to what kind of job to take, would be impacted if you knew a recession was approaching, right? Business owners, armed with this kind of foresight, would be able to make more informed decisions about whether to expand capacity, raise equity capital, borrow funds, change floating rate debt to fixed-term debt or even exit their businesses.

The yield curve is created by plotting a graph of all the interest rates paid by a particular Government or corporation, after issuing multiple bonds with different duration. Typically, the longer the term of the bond, the higher the yield, because, under normal circumstances, money is worth more today than some other time in the future, bond holders will typically look for a premium to delay the spending and immediate consumption.

However, when investors perceive that a recession is near, they generally move to higher quality assets, a phenomenon known as flight to quality. They often gravitate to Government bonds, particularly those issued by governments considered "high quality" such as the U.S. Government. In such times, investors are concerned about preserving the value of their holdings in the medium to long-term. Hence, there is a so-called "tightening" of the yield curve as the premium investors usually require on long-term bond diminishes and in some extreme cases, the yield may even become inverted. An inversion of the yield occurs when investors are prepared to accept a lower yield on long term bonds than short term instruments. In other words, in such a risk-averse environment, investors are prepared to accept a discount to preserve their capital.

Currently, investors are concerned about the shape of the Treasury yield curve. Remember economists and portfolio managers often view a tightening of the yield curve as an indication of low economic growth and uncertainty. However, in this case, investors are concerned that surging inflation globally, will force the US Federal reserve to taper faster than expected and shorten the timeline to raise interest rates.

A shortened timeline to raise interest rates has pushed short term yields higher. Yields on short-dated notes have moved sharply higher in recent weeks, while those on longer-dated bonds have fallen. Evidence of this can be seen in the chart below where the 2-year Treasury which stood at 0.31% on September 28, 2021 declined to 0.60% on December 3, 2021 while the 10-year Treasury fell modestly from 1.54% on September 28, 2021 to 1.35% on December 3, 2021. This scenario, the flattening of the yield curve, is possibly a result of investors thinking that an increase in rates early will curtail inflation in the medium to long term and prevent the need to increase borrowing cost as high as projected previously over the longer term.



With a flattening yield curve, the barbell strategy may be a useful choice for portfolio managers. The barbell strategy involves purchasing short-term and long-term bonds but none or very limited amounts of those with intermediate maturities. The distribution on the two extreme ends of the maturity timeline creates a barbell shape and the strategy offers investors exposure to high yielding bonds with downside interest rate risk protection. Typically, short-term bonds have maturities up to five years while long term bonds have maturities extending beyond ten year. Intuitively, the higher yields on long term bonds compensate investors for the higher interest rate risk at that end of the curve.

The higher yield offered on long term bonds is the first advantage of a barbell strategy while the second advantage is that it decreases risk. This is possible as short-term and long-term bonds' returns are negatively correlated. Therefore, by holding bonds with different maturities in a portfolio, there is less downside risk. Additionally, as short-term bonds mature with relative frequently, the investor is provided with the liquidity and flexibility to deal with emergencies requiring cash if necessary, without selling the bond before maturity.

The reason the returns of long term versus short term bonds are negatively correlated is because of interest rates. If interest rates increase, the short-term bonds will be reinvested at a higher interest rate and this reinvestment will offset the decrease in the value of longer-term bonds. On the other hand, if interest rates decrease, the value of the longer-term bonds will increase and augment the portfolio return which will be negatively impacted by lower yields from rolling over the short-term bonds in a lower interest rate environment.

The barbell strategy is not a riskless strategy, however. The main risk in this approach comes at the longer end of the barbell as long-term bonds tend to be much more volatile than short term bonds. As a result, there is the potential for capital losses if interest rates increase at the long end of the curve more than at the short end. This worst-case scenario is called a steeping yield curve and usually indicate the start of an expansionary economic period. However, we believe the economic cycle is likely closer to the end than at the start at this point and a barbell strategy may be ideal for the investors who want to limit their downside risk without giving up too much income.

Currency Markets

International Currency Market

Currency	3-Dec	26-Nov	DoD % ∆	WoW % ∆	YTD% ∆	YoY% ∆
EUR: USD	1.131	1.132	0.06%	-0.08%	-7.43%	-6.88%
GBP: USD	1.324	1.330	-0.51%	-0.75%	-3.17%	-1.58%
USD: CAD	1.284	1.280	0.24%	0.39%	0.91%	-0.16%
USD: JPY	112.790	113.380	-0.28%	-0.52%	9.24%	8.62%

Local Foreign Currency Market

Currency	3-Dec	2-Dec	26-Nov	DoD % ∆	WoW % ∆	YTD% ∆
USD:JMD	156.26	156.28	156.91	-0.02%	-0.42%	9.54%
GBP:JMD	209.26	210.50	207.45	-0.59%	0.87%	8.1%
CAD:JMD	122.19	123.51	122.67	-1.07%	-0.39%	9.7%

Global Interest Rates

Rates	3-Dec	26-Nov	DoD ∆ bps	WoW ∆ bps	YTD ∆ bps	YoY ∆ bps
10 Year US Treasury Bond	1.35%	1.47%	-9.00	-12.00	44.00	44.00
10 Year UK Gilt	0.75%	0.83%	-6.00	-8.00	55.00	43.00
GOJ 2025 Global Bond	4.01%	3.95%	-2.00	6.00	56.00	29.00
5 Year US Treasury Bond	1.13%	1.16%	-8.00	-3.00	77.00	74.00
5 Year UK Gilt	0.59%	0.62%	-7.00	-3.00	68.00	59.00

Week in Review: Nov 29 - Dec 3, 2021

Local Equity Market

BEST AND WORST PERFORMERS

ADVANCERS		DECLINERS	
ROC	15.11%	MTLJA	-29.29%
PBS	15.06%	KLE	-25.16%
PJX	14.93%	SRFUSD	-16.44%

JSE Main Market activity (excluding preference shares) resulted from trading in **48** stocks of which **16** advanced, **29** declined and **3** traded firm. Market volume (excluding preference shares) amounted to **61,466,227** units valued at over **$1,451,413,783.** JSE Junior Market activity (excluding preference shares) resulted from trading in **40** stocks of which **15** advanced, **23** declined and **2** traded firm. Market volume (excluding preference shares) amounted to **157,138,857** units valued at over **$459,194,931.**

Global Equity Indices

Index	31-Dec	26-Nov	3-Dec	WoW % ∆	YTD% ∆	YoY% ∆
S&P 500	3,756.07	4,594.62	4,538.43	-1.22%	20.83%	23.77%
Euro Stoxx 50	3,552.64	4,089.58	4,080.15	-0.23%	14.85%	16.01%
MXWD Index	646.27	733.53	724.18	-1.27%	12.06%	15.22%
JSE Main Market Index	395,614.93	391,220.36	389,946.39	-0.33%	-1.43%	-1.39%
JSE Junior Market Index	2,643.38	3,371.57	3,337.47	-1.01%	26.26%	33.20%
JSE Combined Index	392,435.92	395,994.90	394,477.66	-0.38%	0.52%	0.94%

Upcoming Week: Dec 6 - Dec 10, 2021

Country	Report	Period	Forecast	Prior
US	Initial Jobless Claims	4-Dec	228,000	222,00
US	CPI MoM	Nov	0.70%	0.90%
US	U. of Mich. Sentiment	Dec P	67.40	67.4
UK	Industrial Production MoM	Oct	0.10%	-0.40%
JN	GDP SA QoQ	3Q F	-0.80%	-0.80%
JN	GDP Annualized SA QoQ	3Q F	-3.10%	-3.00%
JN	PPI YoY	Nov	8.50%	8.00%
CA	Bank of Canada Rate Decision	8-Dec	0.25%	0.25%

LOCAL STOCK RECOMMENDATIONS

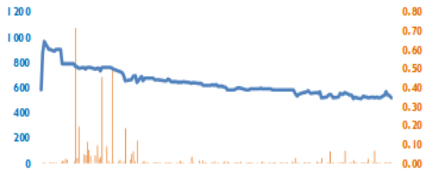
COMPANY NAME	PRICE MOVEMENTS J$	STATISTICS	COMPANY VITALS	INDUSTRY VITALS	RATIONALE

December 3, 2021

Guardian Holdings Ltd. (GHL)

BUY

Current Price	**$521.00**	EPS	$70.00
52 Week High	$1,134.90	BVPS	$457.75
53 Week Low	$500.01	T12M Div.	$4.04
WoW %	0.19%	Div. Yield %	0.69%
YTD %	-10.55%		



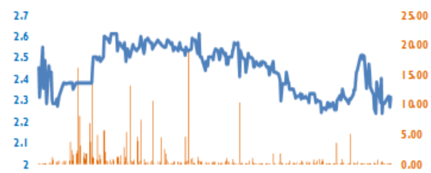
Company Vitals		Industry Vitals	
ROE	15.29%	ROE	14.53%
P/E	7.44	P/E	14.28
P/B	1.14	P/B	1.87

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	**$2.31**	EPS	$0.10
52 Week High	$2.79	BVPS	$1.19
53 Week Low	$2.00	T12M Div.	$0.00
WoW %	1.18%	Div. Yield %	0.00%
YTD %	-2.72%		



Company Vitals		Industry Vitals	
ROE	8.35%	ROE	16.61%
P/E	23.34	P/E	19.05
P/B	1.95	P/B	2.84

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	**$62.63**	EPS	$2.85
52 Week High	$85.00	BVPS	$24.72
53 Week Low	$53.79	T12M Div.	$0.80
WoW %	1.57%	Div. Yield %	1.24%
YTD %	-3.49%		

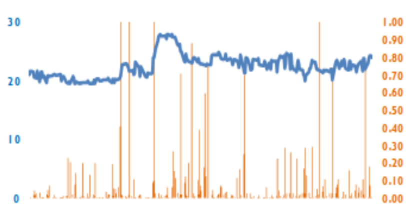
Company Vitals		Industry Vitals	
ROE	11.53%	ROE	16.36%
P/E	21.97	P/E	24.57
P/B	2.53	P/B	3.72

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	**$24.00**	EPS	$1.12
52 Week High	$31.00	BVPS	$14.38
53 Week Low	$19.60	T12M Div.	$0.20
WoW %	8.76%	Div. Yield %	0.95%
YTD %	14.30%		



Company Vitals		Industry Vitals	
ROE	7.80%	ROE	11.53%
P/E	21.41	P/E	14.51
P/B	1.67	P/B	1.59

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

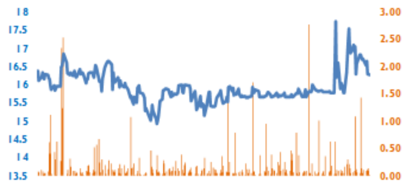
COMPANY NAME	PRICE MOVEMENTS J$	STATISTICS	COMPANY VITALS	INDUSTRY VITALS	RATIONALE

December 3, 2021

Wisynco Ltd (WISYNCO)

BUY

Current Price	**$16.26**	EPS	$0.85
52 Week High	$19.00	BVPS	$4.27
53 Week Low	$14.02	T12M Div.	$0.30
WoW %	-2.71%	Div. Yield %	1.83%
YTD %	-3.47%		



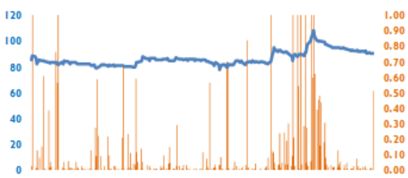
	Company Vitals	Industry Vitals
ROE	19.89%	16.36%
P/E	19.13	24.57
P/B	3.80	3.72

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	**$90.70**	EPS	$3.37
52 Week High	$109.50	BVPS	$29.88
53 Week Low	$75.00	T12M Div.	$3.78
WoW %	-0.17%	Div. Yield %	4.41%
YTD %	10.76%		



	Company Vitals	Industry Vitals
ROE	11.27%	14.53%
P/E	26.93	14.28
P/B	3.04	1.87

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	**$97.89**	EPS	$7.51
52 Week High	$105.99	BVPS	$65.39
53 Week Low	$58.01	T12M Div.	$1.93
WoW %	-1.11%	Div. Yield %	3.16%
YTD %	56.19%		

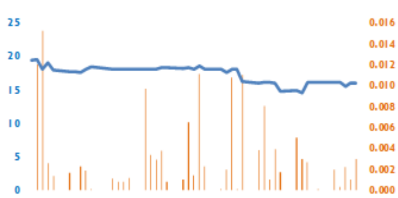
	Company Vitals	Industry Vitals
ROE	11.48%	11.53%
P/E	13.04	14.51
P/B	1.50	1.59

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	**$16.00**	EPS	$7.18
52 Week High	$22.20	BVPS	$19.19
53 Week Low	$14.05	T12M Div.	$0.00
WoW %	-0.06%	Div. Yield %	0.00%
YTD %	-11.32%		



	Company Vitals	Industry Vitals
ROE	37.39%	23.87%
P/E	2.23	3.52
P/B	0.83	0.72

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

Fund Managers Ltd.
A member of the JN Group

JN MUTUAL FUNDS
December 2, 2021

JN Mutual Funds	NAV Price	12 Months Growth Rate	YTD Growth Rate	Yield (Estimated Yearly Income)
Global Diversified Income	J$13.9668	1.65%	0.91%	2.14%
Global Equity	J$15.3983	2.27%	2.27%	0.00%
Global Fixed Income	J$13.2257	4.14%	4.50%	4.85%
Global Money Market (US$)	US$10.9579	3.51%	3.20%	2.44%
Global Fixed Income (US$)	US$11.2945	4.69%	2.55%	3.15%
Local Money Market	J$11.5701	4.78%	4.89%	4.26%

	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