CAPITAL MARKETS LIMITED

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Market Guide

THIS ISSUE

"Never stop investing. Never stop improving. Never stop doing something new." – Bob Parsons

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Is 2023 the Year of Alternative Investments?

2022 was a turbulent year for most investors with many major asset classes posting negative returns, with the exception of most alternative assets which reported positive returns. Conventional financial assets like stocks and bonds, bonds to a greater degree, struggled as geopolitical tensions raged, inflation soared and the central banks continuously raised interest rates in an attempt to bring down spiraling consumer prices. At the end of the year, the JSE Combined Index had declined by 9.65% while the Emerging Market Bond Index (EMBI) was down 24.67%. Considering these negative returns offered by traditional assets, the typical portfolio composition of just stocks and bonds is proving to be insufficient in delivering the total risk mitigation and returns needed by investors in the current climate.

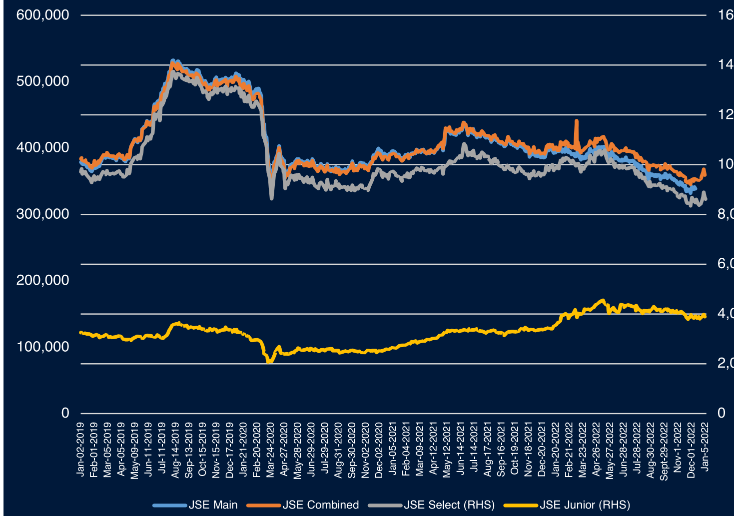
This rough period for the stock and bond markets is leading some investors to put money into what are known as alternative investments (AI), in the hopes that they will be able to partake of its attractive traits. Such traits include, inflation-hedging, portfolio diversification benefits, and above average returns. An alternative investment is a financial asset that doesn't fall within conventional asset categories such as stocks and bonds.

In 2022 AI instruments outperformed stocks and bonds and posted returns of 9.5% (EurekaHedge CTA hedge fund[1]), 9.4% (Real Estate NCREIF Property Index[2]) and -5.0% (Infrastructure EDHEC Infra300 Index[3]). The asset class has benefitted from increased rents tied to high inflation and strong demand for property in some commercial and industrial sub-sectors, demand for the flexibility offered by private debt, and non-cyclical demand that exists for real assets such as infrastructure. Owing to its performance, alternatives have played a key role in mitigating portfolio volatility, which has resulted in more investors shifting allocation toward the asset class. Although some traditional assets, especially bonds, could see a level of recovery in 2023 as aggressive monetary policy tightening continues to ease, markets will continue to face elevated volatility with rates still rising and recession risks increasing. These conditions should continue to create opportunities for AI. As investors start the year reviewing their investment goals and portfolios, non-traditional investments such as alternatives should be considered for addition to one's portfolio in this time of uncertainty. With inflation still at historically high levels and high volatility in the market, 2023 might just be the year for alternative investments as investors look to diversify their portfolio and maintain stability, while receiving alpha type returns.

There is growing demand

1. A sub-asset class from the hedge fund universe
2. An unlevered index of directly held properties in the US
3. An unlevered index of directly held infrastructure type assets in the US

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	2022% Change
Combined Index	360,607.78	-2.2%	-9.7%
Main Market Index	348,180.63	-2.2%	-12.2%
Select Index	8,640.66	-2.9%	-12.5%
Junior Market Index	3,900.78	-2.2%	13.7%

WINNERS & LOSERS (FOR THE WEEK ENDED JAN 6, 2022)

	$ Change	% Change
JPS7	+$2.73	+426.6%
EPLY7.25	+$4.8	+27.9%
PTL	-$0.35	-17.9%
PJX	-$1.61	-15.2%

MARKET OVERVIEW

The declining trend in major indicies seen in 2022, influenced by global market uncertainty, geopolitical events, rising consumer prices, and rising interest rates, has continued into the new year with all major indicies decreasing for the week ended January 6, 2023. The JSE Cross Listed Index and the JSE Financial Index declined the most by 4.2% and 3.5% respectively. The 9.7% decline in the share price of Guardian Holdings Limited (GHL) a large market capitalization stock contributed to the fall in the Cross-listed Index. While there was no news to support the decline in the GHL share price it should be noted that the stock recorded its highest closing price in 2022 on Decemebr 28 and as such the decline is likely linked to investors taking gains. In addition to the falloff in GHL, the decline in the Financial Index was also influenced by the depreciation in the prices for other large market capitalization stocks such as Sagicor Group Limited and Barita Investment limited of 9.9% and 3.7%, respectively.

Overall market activity resulted from trading in 127 stocks of which 59 advanced, 57 declined and 11 traded firm. The main advancer was JPS 7% preference share which posted a share price appreciation of 426.6%, but it should be noted that this stock trades on very thin volumes. Meanwhile, the top decliner was Paramount Trading Limited which declined by 17.9% possibly due to senior management changes.

Given that we are in the first month of the year, a rally due to the "January effect" is possible. This is a situation in which the stock price rises as a result of increased buying. With the holiday over, this increased buying could stem from investors using year-end cash bonuses to make investments in the month of January. This possibility coupled with the potential new listing of APEX points to a likely rally in some indices such as the Junior Market Index.

4. Datasource: Bloomberg YTD Performance as at Q3 (September 30, 2022)
5. Completed in partnership with Blue Vault, Cerulli polled more than 100 advisors on their use of alternative investments in 1Q and 2Q 2022 via its second annual survey focused exclusively on the use of the broadest range (liquid, intermittent liquidity, illiquid) of such investments.

for AI among investors to contend with high inflation and market volatility. Research indicates that more institutional investors and financial advisors are looking to further diversify client portfolios by turning to alternative investments in light of the downturns in the stock and bond markets. This is according to recent surveys[5] from Cerulli Associates. 44% of institutional investors want to increase their allocations to AI as a way to combat inflationary pressure. Similarly, the report found that alternative allocations were significantly higher in 2022, with polled advisors reporting allocating an average of 14.5% to alternatives and seeking to increase this to 17.5% in two years. While average industry allocations for alternatives and commodities may be closer to 10%, a surge for these assets is expected amid demand for income, higher returns, and volatility protection as more products become available (Cerulli). Almost 70% of respondents as seen in exhibit 1, said the top reason for alternative allocations is to "reduce exposure to public markets" and 66% aim for "volatility dampening" and "downside risk protection". Other top reasons for alternatives were income generation, diversification and growth[6]. Alternatives are able to provide diversification benefits as they typically have a low correlation with other asset classes such as stocks and bonds. They are also known to be a good inflation hedge, with assets such as real estate and commodities typically increasing in value in line with inflation. Other assets such as infrastructure tend to have more stable returns owing to the essential nature of the services provided. Average annual return on alternatives can range from over 15% for private equity to 50% for joint venture property investments. Ultimately, alternatives are becoming more valuable to portfolios, especially as stocks and bonds both underperform reversing their key historical risk-mitigating relationship in most portfolios.

The macroeconomic outlook for 2023 should continue to support demand for AI products; however, there are risks to consider when investing in such securities. Turning toward 2023, most central banks will continue to use monetary policy tightening in the fight against inflation. The US Fed though it has lowered the pace of rate increases, is expected to continue with rate hikes as inflation will remain above the 2% target until about 2024. Similarly, in Jamaica, while the BOJ decided to maintain its policy interest rate at the last policy decision meeting in December, inflation is not expected to fall within the bank's target until the December quarter of 2023 and therefore interest rates are expected to remain elevated for some time. Additionally, the global economy is projected to expand at a sluggish pace of around 1.6% in 2023 as financial conditions tighten, the winter aggravates China's COVID policy and Europe's natural gas problems persist. Major economies that impact local output are expected to face a tougher year with economists placing a 70% probability on the US going into a recession. These signs indicate that markets will continue to be volatile as these factors shape investor behaviour. Creative investment vehicles such as private credit, private equity, real estate, venture capital, hedge funds, structured notes, and commodities, might prove helpful to investors as they seek to protect their portfolios from these conditions while still generating good returns. Two-thirds of institutional investors surveyed by Natixis[10] said that they expected a portfolio that included a 20% allocation to alternatives would outperform a more traditional

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investment mix of 60% equities and 40% bonds, in 2023. NCB Capital Markets offers a suite of alternative investment options ranging from its Stratus Alternative Investment portfolios to various structured products, which can be used to capture some of the benefits offered by AIs. The Stratus Funds give exposure to assets in various sectors such as tourism, infrastructure, real estate and technology, yielding attractive returns north of 10% while structured products are expertly designed from other financial assets, tailored to give a desired return at different risk levels. However, given that they usually offer a high rate of return, it is no surprise that these investments can come with added risks. Some common risks of alternatives include; liquidity risk, fund manager risk, default risk and high costs such as management and performance fees. Another important consideration is the careful selection of alternative

6. Alternative Investments in 2022: Capitalizing on Markets in Turmoil (Daniil Shapiro and Wenyi Wei of Cerulli Associates) July 2022

7. Exploring 4 potential high return alternative investments (Alyssa Peterson) Updated

8. JP Morgan Research Insights- 2023 Market Outlook

9. Bloomberg

10. This is the 18th largest asset manager in the world on assets under management as of December 31, 2021 (Cerulli Global Markets 2022)

investments based on the investor's investment goals and objectives. For example, real estate and infrastructure type assets are typically suited for investors with a longer investment horizon while some structured products may be suitable for investors looking to cash out sooner. Despite the seemingly numerous considerations required when investing in these assets, the signs are pointing towards a reallocation of portfolios with greater alternatives concentration, accelerated by unprecedented worldevents. So, is 2023 the year of alternatives for you?

Foreign Exchange Market

The Jamaican dollar depreciated slightly by 0.75% relative to the USD, week over week, with the USD selling rate moving from J$152.05 on December 30, 2022, to J$153.19 on January 6, 2023. This depreciation was primarily due to increased demand over supply in the market. The Bank of Jamaica (BOJ) intervened in the foreign exchange market on January 6, 2023, selling US$20M to address the demand and supply imbalances in the market and to ease the depreciation of the local currency.

Selling	Close: 30/12/22	Close: 6/01/22	Change
J$/US$1	$152.05	$153.19	-$1.14
J$/CDN$1	$108.49	$113.05	-$4.56
J$/GBP£1	$182.09	$184.30	-$2.21

Global Bond Prices

The U.S. investment-grade primary bond market is kicking off 2023 with a rush of new offerings, as companies take advantage of a favourable market window to get ahead of potentially more volatility and a possible economic recession. Twenty corporate issuers raised $34.05 billion in the U.S. investment-grade primary market last Tuesday as long-dated U.S. Treasury yields fell, with the 10-year yield retreating after two straight weeks of gains. The fall in Treasury yields and a recent tightening of credit spreads made issuing debt more attractive.

Furthermore, last week's labour data was on the strong side of things, raising concerns in the market's mind that the Fed will continue to raise rates and refrain from pivoting to a rate-cut cycle anytime soon. However, things lightened up as headlines hit that there was moderation in average hourly earnings growth to 4.6% year-over-year from 4.8% in November and prices reverted resulting in higher levels trading. However, week over week prices were still down on printed bids. Additionally, the emerging markets saw lower prices week over week as Jamaican and Dominican prices decreased across the curve.

Bonds	Current Rating	Indicative Price	Yield	Recommendation
Sagicor Fin 2028 (5.30%)	BB-/ Stable	98.00	5.74%	BUY
TPHLTT 2029 (9.00%)	BB/ Stable	106.50	7.72%	BUY
MARFRIG 2026 (7.00%)	Ba2/ Positive	100.60	6.79%	BUY
BERMUD 2027 (3.72%)	A+/ Stable	98.75	4.06%	BUY
PETRO- 2026 (6.13%)	BB/ Positive	98.00	6.79%	BUY
NFE 2025 (6.75%)	BB-/ Stable	98.50	7.37%	HOLD
NFE 2026 (6.50%)	BB-/ Stable	96.25	7.67%	HOLD

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	106.95	5.23%
	2039	119.75	6.07%
	2045	115.25	6.57%

*NB: The rates quoted above are opening indicative levels on the international market and are subject to change as market conditions vary throughout the trading session. Additionally, the prices quoted to clients of NCB Capital Market Limited (NCBCML) are adjusted to reflect the costs associated with completing the transaction on the respective client's behalf.

Local Corporate Bonds

Name	Maturity	Coupn	Price	Yield
SJPC	2032	8.85%	104.00	8.22%
BDHR	2027	8.15%	100.50	8.00%
PBS	2025	6.5%	101.00	6.13%

Money Market

The 2023 GOJ maturity is expected to add liquidity to the market. As of the 5th of January, a total of J$13.30B was in the market, as represented by the BOJ's aggregated current balances. The aggregated closing current account balance declined by J$17.56B from J$30.87B on December 30th. The GOJ Variable Rate 2023 instrument, which represents a sizeable maturity of about J$43Bn, will mature in early January and is expected to add some liquidity to the market. However, the GOJ will reopen three of its existing notes to the market to refinance some of this maturity, which will soak up some of the liquidity.

Short-term interest rates have continued to increase. The average yield from BOJ's competitive price auction increased to 9.31% relative to 8.89% in the prior week. The auction was undersubscribed. Given the upcoming GOJ maturity and refinancing expected, investors were likely unwilling to lock up their funds for 30 days. Instead, they will likely use funds to invest in the longer-dated fixed income security that the GOJ will use to refinance its debt, allowing them to lock in high yields for longer as opposed to 30 days. Bids received in BOJ's competitive price auction totaled J$20.53B relative to the offer size of J$22.5B. The highest bid rate for full allocation was 10.60%.

The USD money market remains stable and moderately liquid. Broker market demand for USD remains at 30-days and longer-tenured funds, with some brokers offering as high as 5.50% for one year to clients.

Dates to watch this week

International Local

January 2023

MON	TUE	WED	THUR	FRI
09	10	11	12	13
Bank of Canada CPI (YoY) (Nov)	US Fed Chair Speaks	China CPI (YoY) (Dec)	US CPI (YoY) (Dec)	UK GDP (YoY)

Recommendations

Ticker	Closing Price (Jan. 9)	P/E	Avg. Sector P/E	Current Recommendation
WISYNCO	$17.46	14.9x	14.6x	**BUY**
LAB	$2.65	16.6x	24.7x	**BUY**
GK	$80.50	10.3x	9.95x	**BUY**
TROPICAL	$2.42	15.9x	17.2x	**HOLD**
ELITE	$3.25	20.2x	24.7x	**BUY**

Regional News

Remittances to Mexico Drop in November Amid Economic Crunch Fears (Reuters)

Remittances to Mexico from abroad dropped in November to $4.8 billion after a series of record months, data from the Mexican central bank showed on Monday, Jan. 2, 2023, amid fears of a global economic slowdown.Mexico had enjoyed six consecutive months of remittances over $5 billion since May, culminating with October's record of $5.36 billion. November marked a 3.9% seasonally-adjusted monthly decrease, though it was still up annually by 3%.

Mexican President Andres Manuel Lopez Obrador has been a strong supporter of remittances amid weak domestic economic growth and high inflation. It remains to be seen if the November slowdown in remittances translates into stalling overseas support for Mexican families.Remittances from January through November rose 13.5% annually to a total of $53.1 billion, the central bank said. Lopez Obrador had forecast remittances to reach $60 billion by the end of 2022.

Growth In Trinidad And Tobago To Be Driven By Private Demand, Hydrocarbons In 2023 (Fitch Solutions)

Fitch forecasts real GDP growth in Trinidad and Tobago (T&T) will slow to 1.9% in 2023, from an estimated 5.8% in 2022. Growth in 2023 will be driven primarily by private consumption, as well as a continued expansion of hydrocarbon exports.

However, private consumption will grow at a slower rate than in 2022 due to a reduction in price subsidies, as government fiscal consolidation efforts continue. Additionally, oil and gas prices will moderate from the highs seen in 2022 though they will remain elevated by historic standards while tourist arrivals growth cools, contributing to the slower growth rate. Higher oil and gas production will fuel continued export growth in 2023 and the years thereafter.

While Fitch expects growth in the hydrocarbons sector will not return to the levels seen in 2022, due to easing oil and gas prices, it is expected that hydrocarbon production and exports will continue contributing to GDP growth moving forward.

However, the tourism sector is not expected to drive significant services export growth in 2023, as the post-pandemic tourism rebound will likely continue to lose steam. As of September 2022, arrivals continued to lag behind other Caribbean markets, having only returned to 76.0% of September 2019 levels. Arrivals will see only minimal growth in the coming quarters as key tourism source markets, such as the US (1.8% in 2022 to 0.3% in 2023) and Canada (2.8% to 1.3%), experience slower GDP growth.

Risks to the growth forecasts remain slightly to the downside. While Fitch expects that hydrocarbon production and exports will be a major key driver of GDP growth in 2023, there is a risk that energy prices fall more dramatically than expected due to the global economic slowdown anticipated next year.

International News

Global Economy Faces Tougher Year In 2023, IMF's Georgieva Warns (Reuters)

For much of the global economy, 2023 is going to be a tough year as the main engines of global growth - the United States, Europe and China - all experience weakening activity, the head of the International Monetary Fund, Kristalina Georgieva, said on Sunday, Jan. 1, 2023.

In October, the IMF cut its outlook for global economic growth in 2023, reflecting the continuing drag from the war in Ukraine as well as inflation pressures and the high-interest rates engineered by central banks like the U.S. Federal Reserve aimed at bringing those price pressures to heel.Georgieva said, the U.S. economy is standing apart and may avoid the outright contraction that is likely to afflict as much as a third of the world's economies.

Inflation showed signs of having passed its peak as 2022 ended, but by the Fed's preferred measure, it remains nearly three times its 2% target. Last year, in the most aggressive policy tightening since the early 1980s, the Fed lifted its benchmark policy rate from near zero in March to the current range of 4.25% to 4.50%, and Fed officials last month projected it will breach the 5% mark in 2023, a level not seen since 2007.The U.S. job market will be a central focus for Fed officials who would like to see demand for labour slacken to help undercut price pressures. The first week of the new year brings a raft of key data on the employment front, including Friday's monthly nonfarm payrolls report, which is expected to show the U.S. economy minted another 200,000 jobs in December and the jobless rate remained at 3.7% - near the lowest since the 1960s.

Highly Immune Evasive Omicron XBB.1.5 Variant Is Quickly Becoming Dominant In U.S (CNBC)

The COVID omicron XBB.1.5 variant is rapidly becoming dominant in the U.S. because it is highly immune evasive and appears more effective at binding to cells than related subvariants, scientists say.

XBB.1.5 now represents about 41% of new cases nationwide in the U.S., nearly doubling in prevalence over the past week, according to the data published Friday by the Centers for Disease Control and Prevention.

Scientists at Columbia University, in a study published last month in the journal Cell, warned that the rise of subvariants such as XBB could "further compromise the efficacy of current COVID-19 vaccines and result in a surge of breakthrough infections as well as re-infections." The scientists described the resistance of the XBB subvariants to antibodies from vaccination and infection as "alarming."

Andrew Pekosz, a virologist at Johns Hopkins University, said XBB.1.5 is different from its family members because it has an additional mutation that makes it bind better to cells. He noted, however, that the boosters appear to be preventing severe disease.

NCB Capital Markets Ltd (formerly Edward Gayle and Co.) established in 1968 is Jamaica's oldest stockbrokerage. The company became a part of the National Commercial Bank (NCB) Group in 1994 and a fully owned subsidiary in October 2002. In December 2002, the then Edward Gayle and Co. was merged with another NCB subsidiary, NCB Investments. The products distributed by this combined subsidiary cover the traditional money market product offerings (J$ and US$ Repos), primary dealer services, stock brokerage and investment advisory services. Edward Gayle was renamed NCB Capital Markets Ltd. in October 2003.

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