



**West Indies Stockbrokers Limited**  
**Trinidad, West Indies.**  
**THE WISE CHRONICLE**

1<sup>st</sup> Floor, Albion Plaza, 22-24 Victoria Avenue,  
 Port of Spain  
 Tel: 625- WISE (9473); Fax: 627-5002

**Equity Research Team**

**Jason Gokool (Ext 2264)**

[jasang@wisett.com](mailto:jasang@wisett.com)

**Sreshtha Tewari (Ext 2225)**

[sreshthat@wisett.com](mailto:sreshthat@wisett.com)

**JANUARY 2006**

***Year End Review***

The calendar year 2005 would be remembered by many investors as an action-filled year. Coming off the heels of a three year “Bull-Run” in which the Composite Index grew by 25.65% (2002), 27.23% (2003) and an astonishing 54.8% in 2004, many predicted a slower rate of growth of 15-20%. After the first quarter, the market seemed poised to exceed expectations, especially with the advent of Electronic Trading on March 18, 2005. From that date to May 17, 2005 the Composite shot up 8% to reach the pinnacle of the year of 1,232.19 points. However, what unfolded next was an actual contraction of the local market as a corrective trend swept across the market. The Composite not only recaptured its earlier strides, but eventually slipped into negative territory closing the year at 1067.38 points, 0.67% below the value at the start of the year which was 1074.63 points.

A buoyant local economy, a falling interest rate environment and increased monetary liquidity fuelled demand for equity investment instruments, resulting in the growth demonstrated in the 2002-2004 period. The phenomenal increases in share prices left corporate earnings struggling to keep apace; pushing P/E multiples to over 20 times in a market that traditionally traded with multiples in the 10-15 times range (See Exhibit 1).

**Exhibit 1**

Sector	F.Y 2004	P/E as @ 17/05/05 @ Running EPS	P/E as @ 31/12/05 @ Running EPS
<b>BANK</b>	18.93	20.23	15.26
<b>CONGL</b>	16.47	19.58	15.86
<b>MAN &amp; TRAD NON BANK</b>	18.07	21.60	18.18
<b>FIN</b>	14.30	14.89	14.26

In 2005, corporate earnings either just met expectations or came in under the expectations of the investment public. Thus with the absence of significant improvements in earnings, pressures were placed on the other side of the valuation equation... Share Prices.

The initial shock to the market appeared to have spurred a spate of panic selling as investors sought to lock in earlier gains made. This influx of supply though, was unmet by an equivalent demand source resulting in a supply overhang which drove share prices even lower. The leading source of demand, the Institutional Investors, were faced with the problem of restructuring their investment portfolios, which in the wake of the staggering share price increases in the 2002-2004 period, fell out of alignment with regulatory requirements. The local legal framework for pension plans stipulates that no more than 50% of the investment portfolio be allocated in equity investments in order to manage the risk exposure of the participants. Thus, these institutions which once held the buying power brought supply pressure to the market. Another tell-tale sign of the lack of institutional presence was the diminished volumes on the market this year which fell significantly in comparison to 2004. In 2004, the total volume of shares changing hands was 311,877,113 with an associated value of \$2,985,804,241. This year the volume traded was 200,066,312 shares, less than two thirds of the volume in 2004, however, because of the increases in share prices, the associated value was \$3,929,771.93. This figure, however, includes the ‘put-through’ of 6,500,000 NCBJ shares which were

traded in September. The total volume of shares crossing the floor on the First Tier Market was 196,566,312 which was 37.94 per cent less than in 2004. The value of the shares was \$3,918,052,120.42.

The volume leader for the year was one of the more easily accessible shares on the market, RBTT Financial Holdings Limited with 34,727,247 shares changing hands which was 17.94 per cent of all shares traded for the year. Second was NCBJ with 27,491,717 shares crossing the floor or 14.20 per cent of all trades. Third was another Jamaican company, JMMB with 19,121,005 shares crossing the floor or 9.88 per cent of all trades.

At the end of the 2005, the advance to decline ratio stood 16:16, however depreciations in some of the “larger cap” stocks (Republic Bank Limited, RBTT Financial Holdings Limited, ANSA Mc Al, Guardian Holdings Limited, National Commercial Bank Jamaica Limited) weighed more heavily on the indices. The top spot in terms of relative appreciations was held by Caribbean Communications Network which moved 85% from \$10.50 to \$19.40 driven by the closure of one of its major competitors in the television market, National Broadcasting Network. BWIA claimed the second place in a late rally driven by speculation surrounding the reform of the airline and government intervention; however this share was suspended from trading in November. Trinidad Publishing Limited edged out Prestige Holdings Limited on the last day of trading to capture the third spot with an appreciation of 30% (see Exhibit 2A).

**Exhibit 2A**

	Top 5 Advances	01/01/05 TT\$	31/12/05 TT\$	% change
1	<b>CCN</b>	10.50	19.40	84.76%
2	<b>BWIA</b>	0.60	0.97	61.67%
3	<b>PUB</b>	10.00	13.00	30.00%
4	<b>PHL</b>	9.00	11.57	28.56%
5	<b>SBTT</b>	32.00	40.50	26.56%

Readymix Limited experienced the biggest price decline for the year (-45.32%) in response to the

consistently disappointing results during the year. For the second straight year Unilever Caribbean Limited and National Flour Mills were among the three biggest losers for the year (See Exhibit 2B).

#### Exhibit 2B

	Top 5 declines	01/01/05 TT\$	31/12/05 TT\$	% change
1	RML	6.95	3.80	-45.32%
2	UCL	29.00	17.28	-40.41%
3	NFM	2.85	1.78	-37.54%
4	PLD	21.60	14.50	-32.87%
5	CCMB	3.00	2.03	-32.33%

In 2004 the Composite Index outperformed the All T&T Index driven by the sterling performance of the cross-listed shares. In 2005, this scenario was reversed as many of the cross-listed shares, especially the Jamaican cross-listed shares, experienced significant declines. In the midst of the declining market, the All T&T Index was able to remain in positive territory, achieving growth of 2.54%. Regionally, the Jamaica Stock Exchange Market Index also ended the year lower than it started. The Barbados Stock Exchange Local Index, Standard & Poor's 500 Index and the Morgan Stanley Composite World Market Index ended the year higher than they began (See Exhibit 3).

#### Exhibit 3

	Index	31/12/05	31/12/04	% change
1	T&T	1,067.38	1,074.63	-7.26
2	BCSD	3,927.58	3,711.31	5.83
3	JSE	104,510.39	112,656.00	-7.23
4	S&P	1,248.29	1,211.92	3.00
5	MSCI	1,257.78	1,169.34	5.83

At the start of the year, WISE picked a five stock portfolio that we expected to give the best returns if invested in equally. Had you invested equally in our five picks for 2005, Republic Bank Limited, Caribbean Communications Network, Guardian Holdings Limited, Trinidad Cement Limited and Neal and Massy Holdings Limited, you would have made a gain of 18.37%, well above the performance of the

Composite Index (see Exhibit 4A).

#### Exhibit 4A

	WISE Top 5	01/01/05 TT\$	31/12/05 TT\$	% change
1	RBL	92.00	90.00	-2.17%
2	CCN	10.50	19.40	84.76%
3	GHL	35.10	32.08	-8.60%
4	TCL	8.05	10.00	24.22%
5	NML	48.00	44.95	-6.35%
	<b>Portfolio Return</b>			<b>18.37</b>

In 2006, the expectation is that overall the listed companies on the local market should continue to deliver financial results consistent with past performance. Following the share price corrections which have swept the market, the average multiples have come down to more tolerable levels, however, there are some specific larger cap shares which are still trading at higher levels. As a result, further corrections of a smaller nature may be demonstrated during the first half of the New Year, with stability coming into the market in the latter half. Thus even though Earnings are projected to achieve growth in the range of 15% to 20%, the Composite growth is projected in the range of a more reserved 5-10%.

The WISE top 5 for 2006, have been picked on the basis of good fundamental value, expectations of earnings growth and a good current valuation in terms of a low P/E. In no particular order, these are Caribbean Communications Network, Neal and Massy Holdings Limited, RBTT Financial Holdings Limited, Trinidad Cement Limited, and The National Commercial Bank Jamaica Limited.

#### WEST INDIES STOCKBROKERS LIMITED STOCK MARKET QUOTATIONS AS AT DECEMBER 31, 2005

	Hist Eps	Est Eps	Est Div	Curr Price	Est Yield %	Est P/E Ratio
<b>Bank</b>						
FirstCaribbean	106.5	106.5	26.8	13.44	1.99	12.62
NCB Jca	17.4	17.4	4.8	1.80	2.67	10.34
RBTT Fin Hold	268.0	312.0	135.0	40.50	3.33	12.98
Republic Bank	509.0	509.0	225.0	90.00	2.50	17.68
Scotiabank	193.0	193.0	80.0	40.50	1.98	20.98
<b>Non-Bank Fin</b>						
ANSA Fin & Merch	106.0	100.0	32.0	21.50	1.49	21.50
Capital & Credit	14.7	18.7	1.0	2.03	0.49	10.86
DB&G	26.5	30.0	2.0	2.00	1.00	6.67
Guardian Holdings	300.0	225.0	70.0	32.08	2.18	14.26
JMMB	11.3	11.3	1.5	1.85	0.81	16.37
National Enterprises	76.0	76.0	48.0	11.24	4.27	14.79
Sagior Financial Corp	78.0	155.0	60.0	13.91	4.31	8.97
<b>Conglomerates</b>						
Ansa Mcal Ltd	182.0	220.0	75.0	40.50	1.85	18.41
Bdos Ship & Trad	198.0	198.0	56.7	20.10	2.82	10.15
GraceKennedy	67.2	70.0	8.0	9.02	0.89	12.89
Neal and Massy	280.0	280.0	88.0	44.95	1.96	16.05
<b>Trading</b>						
Agostini's Ltd	91.5	91.5	33.0	10.24	3.22	11.19
BWIA *suspended*	0.0	0.0	0.0	0.97	0.00	0.00
Furness Trinidad	33.0	33.0	0.0	6.15	0.00	18.64
L J Williams Ltd. - 'A'	1.4	0.9	0.4	0.60	0.67	0.00
L J Williams Ltd. - 'B'	14.0	9.0	4.0	1.34	2.99	0.00
Prestige Holdings	39.1	45.0	27.0	11.57	2.33	25.71
<b>Property</b>						
PLIPDECO	126.0	130.0	22.0	14.50	1.52	11.15
Valpark	47.3	47.3	0.0	5.00	0.00	10.57
<b>Manufacturing</b>						
Angostura Holdings	29.0	29.0	12.0	5.76	2.08	19.86
Berger Paints	0.0	0.0	17.0	3.45	4.93	0.00
CCN	80.0	112.0	60.0	19.40	3.09	17.32
Flavorite Foods	45.2	72.0	21.0	4.95	4.24	6.88
National Flour Mills	13.6	11.0	9.0	1.78	5.06	16.18
Readymix WI	24.0	0.0	6.0	3.80	1.58	0.00
Trinidad Cement	67.0	70.0	24.0	10.00	2.40	14.29
Trinidad Publishing	50.0	60.0	33.0	13.00	2.54	21.67
Unilever Caribbean Ltc	119.0	119.0	110.0	17.28	6.37	14.52
WITCO	116.6	120.0	114.0	23.02	4.95	19.18

West Indies Stockbrokers Limited is a subsidiary of RBTT Financial Holdings Limited. From time to time West Indies Stockbrokers Limited and/or its staff may take positions in some or all of the shares mentioned in our report. West Indies Stockbrokers Limited welcomes your comments. E-mail: info@wisett.com