

Equity Research Team

Jason Gokool (Ext 2264)
jasong@wisett.com

Sreshtha Tewari (Ext 2225)
sreshthat@wisett.com

FEBRUARY 2006

The first month of the calendar year witnessed 23,955,653 shares changing hands, which was 37.14 per cent more than the comparative period for last year. The value of the shares traded was \$276,149,941.33 which was however 44.99 per cent less than the value of shares traded in January 2005 as the major players in the market at that time belonged to higher valued companies such as Neal & Massy and RBTT (See Table 1).

Table 1

	2006		2005	
	Volume Leader	Average Price	Volume Leader	Average Price
1	JMMB	1.85	NML	48.94
2	GHL	30.76	RBTT	39.72
3	TCL	10.91	CCMB	3.08

The Composite Index declined 2.21 per cent to 1,043.81 while the All T&T Index fell by a greater margin, 3.21 per cent to 1,280.46 as the market continued on its downward trend. The greater decline of the All T&T Index for the period under review suggest that the cross listed companies have already undergone a downward correction while the local Companies are still being subjected to such an adjustment. The Composite and All T&T Indices fell as low as 1,041.34 and 1,275.16 respectively during the month. This is the lowest that these indices have been over the last 52 weeks. It is without surprise that, advances were overshadowed by declines with 8 shares advancing and 17 shares declining.

The Company that lead the first four weeks of trading, JMMB, inevitably emerged the volume leader with 14,486,937 shares crossing the floor which was a whopping 60.47 per cent of all trades. It seems likely that this large volume could have been due in part to investors taking advantage of arbitrage opportunities that existed between the Trinidad & Jamaica equity markets. Guardian Holdings Limited (GHL) saw 1,982,961 shares crossing the floor or 8.28 per cent of all trades. Over 60.25 per cent of the GHL shares however were traded in one single day. TCL followed with 1,243,693 or 5.19 per cent of shares crossing the floor.

The share that advanced the most was Angostura Holdings Limited rising 30.21 per cent to close at \$7.50. This sudden appreciation came after the announcement by the Company's Chairman that Angostura hoped to conclude a €300 million deal in April which involved their investment in Belvedere SA, A French spirit's company. At this price Angostura is trading at a price/earnings multiple of 25.86 which is not only the highest ratio in its sector but is also the highest in comparison to the usual major drivers of the market, i.e. the banking, non banking and conglomerate sectors. TCL has already surpassed WISE's end of year target, rising 24.00 per cent to \$12.40 while DBG rose 5.00 per cent to \$2.10 rebounding from \$1.95 during the month after the release of their third quarter results.

The biggest loser of the month was PLIPDECO steadily declining 18.55 per cent to \$11.81. National Enterprises Limited followed falling 18.06 per cent to \$9.21 though the share fell as low as \$9.00 during the month while RBTT dropped 6.17 per cent to close the month at \$38.00.

From January 17 2006, the settlement period was changed by the Trinidad & Tobago Stock Exchange from five (5) working days to three (3) working days. Also effective from the January 17, Caribbean Communication Network (CCN) changed its name to One Caribbean Media Limited and is now identified by the symbol 'OCM'.

RBTT FINANCIAL HOLDINGS LIMITED

Results for the nine months ended December 31, 2005
WISE is a subsidiary of RBTT Financial Holdings Limited

RBTT Financial Holdings Limited (RBTT), after delivering two consecutive periods of impressive growth which resulted in the best first and second quarters ever delivered by the Group, failed to maintain the momentum generated in the third quarter. The total diluted EPS for the nine months to December 2005 was \$1.90 which represents an increase of \$0.18 or 9.6% over the comparative prior year period. This improvement though was driven by the strength of the previous two quarters, as the third quarter individually contributed \$0.60, a 23% fall in comparison to the third quarter ended December 31, 2004 (\$0.78). Whether the third quarter is compared to the preceding quarters or the corresponding quarters of the previous year, the results are not encouraging.

In the third quarter to December 2005, Net Interest Income the major contributor to the Group's top line, improved only marginally (3%) compared to the comparative prior year period, from \$430.9 million to \$442.5 million. Conversely, the Other Income category fell in the quarter ended December 2005. This is in direct contrast to the previous two quarters as Other Income contributed significantly to the growth demonstrated in the first half of the current financial year. At the half year to September 2005, Other Income, which is comprised mostly of Fees and Commissions, increased 44% from \$407 million in September 2004 to \$558 million in September 2005. Comparing the Q3-05 and Q3-06 financial periods, Other Income dropped 18% from \$256 million to \$211 million. Given the flat performance of Net Interest, this falling away of the performance of Other Income adds to the uncertainty of the ability of RBTT to generate the levels of growth demonstrated in the first half of the year.

Another difference in the financial statements of RBTT is the movement in the Provision for Credit Losses Net of Recoveries from year to year. In the Q3-05, there was a "write-back" (effectively an inflow into the Profit and Loss Account) of \$12.6 million, whereas the Total Net Income, with the deteriorated top line in the Total Net Income, with the deteriorated top line in the quarter, this \$0.10 movement in pre-tax profits per

share becomes significant. Non Interest Expenses increased by 8% over the comparative third quarter, which compounded the poor operational result. Operating Profit dropped by a significant 27%, from \$353 million in Q3-05 to \$256 million in Q3-06. This drop in performance filtered to the bottom line which experienced a 23% decline from \$265 million to \$203 million. Thus even though the Profit after Tax for the nine month period showed an 11% improvement from \$589.5 million in December 2004 to \$652.4 million in December 2005, it is notable that this is against the backdrop of a 38% improvement at the half year.

The Chairman's Report outlined "a number of factors which impacted the second and third quarters." The first was an impairment charge of \$39 million arising out of the restructuring of the Government of Grenada Debt. It should be noted that the amount attributable to the third quarter was \$14 million as \$25 million was allocated at the half year.

Exclusive to the third quarter was the reversal of Interest accrued (\$19 million) on a loan that was re-categorized as a non-performing loan. This sort of re-classification is not uncommon and makes up part of the regular business activity of the Group; however, it is uncommon that this level of reversals would occur regularly.

The adoption of the International Financial Reporting Standards that deals with Share-Based Payments (IFRS 2) resulted in a new charge to the financial statements which was absent in previous financial years of \$12 million to date, with \$4 million being attributed to the third quarter.

Also affecting the Profit and Loss Account was "losses of \$46 million on structured products and other securities". The unfriendly investment environment in 2005 affected the investment portfolios of many companies, especially those that "mark to market". The combination of declining regional equities markets which affected equity based instruments, and rising interest rates which would have affected fixed coupon rate instruments would have contributed to the level of losses reported in the period under review.

The movement of Shareholders' Equity of RBTT in the three months from September 30, 2005 to December

31, 2005 is also an area of concern. In September 2005, Total Shareholders' Equity stood at \$4.3 billion and at December 31, 2005 totalled \$4.18 billion. The Chairman's statement outlined that the Shareholders' Equity was impacted by mark-to-market losses as a result of fair value changes in the investment portfolio. The drop in Shareholders' Equity reflected was over \$100 million in one quarter.

The Retail and Commercial Banking and Trust and Asset Management Business Segments performed creditably achieving growth of 19% and 37%. The Investment Banking Segment, which was the traditional driver of the Group's growth in the past, experienced an undisclosed decline in performance, which would have significantly contributed to the overall declining performance by the Group.

RBTT is a company in a changing competitive environment. Further the company is at a stage of corporate restructuring, both to meet the challenges of the changing environment and to recover from the loss of key personnel in the Group's flagship RBTT Merchant Bank Limited in 2004. Also, RBTT has embarked on an extensive technological transformation drive to further enhance competitiveness. Given the history of RBTT's performance and growth, the Group has a good long term appeal as RBTT has shown its ability in the past to adapt to change. The short run though continues to be affected by a lethargic local equity market that has lost the majority of the buying power of the institutional investors.

At the current price of \$38.00 and a running EPS of \$2.86, the shares of RBTT are trading at the relatively low multiple of 13.29 times. It is notable though that prior to 2004, the shares traded at multiples between 10 and 13 times. In light of the third quarter results which was affected by significant items and declining Investment Banking Income we revise our forecasted EPS for the year-ended March 31, 2006 downward from \$3.12 to \$2.95. . In the final analysis, we continue to recommend that this stock be considered for any long-term portfolio, but given the current climate of uncertainty and share price volatility, we revise our short-term recommendation to a HOLD.

WEST INDIES STOCKBROKERS LIMITED STOCK MARKET QUOTATIONS AS AT JANUARY 31, 2006

	Hist Eps	Est Eps	Est Div	Curr Price	Est Yield %	Est P/E Ratio
Bank						
FirstCaribbean	106.5	106.5	26.8	13.41	2.00	12.59
NCB Jca	17.4	17.4	4.8	1.80	2.67	10.34
RBTT Fin Hold	268.0	295.0	135.0	38.00	3.55	12.88
Republic Bank	509.0	509.0	225.0	88.00	2.56	17.29
Scotiabank	193.0	193.0	80.0	39.80	2.01	20.62
Non-Bank Fin						
ANSA Fin & Merch	106.0	100.0	32.0	20.30	1.58	20.30
Capital & Credit	14.7	18.7	1.0	2.11	0.47	11.28
DB&G	26.5	30.0	2.0	2.10	0.95	7.00
Guardian Holdings	300.0	225.0	70.0	30.11	2.32	13.38
JMMB	11.3	11.3	1.5	1.85	0.81	16.37
National Enterprises	76.0	76.0	48.0	9.21	5.21	12.12
Sagicor Financial Corp	78.0	155.0	60.0	14.00	4.29	9.03
Conglomerates						
Ansa Mcal Ltd	182.0	220.0	75.0	40.10	1.87	18.23
Bdos Ship & Trad	198.0	198.0	56.7	19.51	2.91	9.85
GraceKennedy	67.2	70.0	8.0	8.60	0.93	12.29
Neal and Massy	280.0	280.0	88.0	44.45	1.98	15.88
Trading						
Agostini's Ltd	91.5	91.5	33.0	10.28	3.21	11.23
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	11.30	2.39	25.11
Property						
PLIPDECO	126.0	130.0	22.0	11.81	1.86	9.08
Valpark	47.3	47.3	0.0	5.00	0.00	10.57
Manufacturing						
Angostura Holdings	29.0	29.0	12.0	7.50	1.60	25.86
Berger Paints	0.0	0.0	17.0	3.45	4.93	0.00
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
One Caribbean Media	80.0	112.0	60.0	20.00	3.00	17.86
Readymix WI	24.0	0.0	6.0	3.86	1.55	0.00
Trinidad Cement	67.0	70.0	24.0	12.40	1.94	17.71
Trinidad Publishing	50.0	60.0	33.0	13.05	2.53	21.75
Unilever Caribbean Ltc	119.0	119.0	110.0	16.50	6.67	13.87
WITCO	116.6	120.0	114.0	23.00	4.96	19.17

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