

Equity Research Team

Gia Singh (Ext 2264)
gias@wisett.com

Sreshtha Tewari (Ext 2225)
sreshthat@wisett.com

JULY 2006

Half Year Review

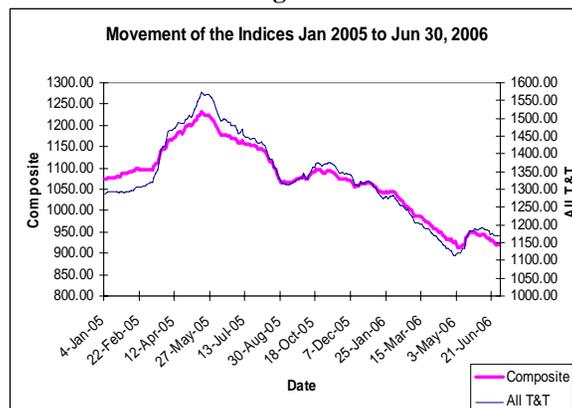
Investors have been hoping for a turnaround in the equity market since it began to fall in May 2005 did not find any relief in the first half of 2006. The year started with a change in the settlement period from T+5 to T+3. The frequency of settlement however did little to affect the market as it continued on its downward trend failing to sustain any positive momentum needed to fuel a recovery. The bearish period was marked by declines in the Indices, low volumes due to lack of institutional buyers and share price declines outnumbering advances. The period was in fact, the flip side of the coin of what happened in the market for the same period in 2005.

During the first half of 2005, the market was still engaged in a 'bull-run'. There was a great presence of institutional buyers and a large amount of confidence in the market. This period also saw the introduction of Electronic Trading in March which saw prices quickly appreciating to values which better represented the demand and supply of shares. Given that at that point in time there was great interest in the Stock Market and demand frequently outstripped supply, share prices were rising steadily. The Indices rose steadily until May 17 after which the Composite Index fell 5.03 per cent and the All T&T declined 5.88 per cent to close the half year. Overall however, from December 31, 2004, the Composite and All T&T Indices rose 8.90 per cent and 14.71 per cent respectively to the end of June 2005.

The first half of 2006 however saw the Composite Index falling 13.78 per cent from its close at the end of December 2005 and now resides at 25.31 per cent

below its peak. The All T&T Index fell at a slower pace, down 11.69 per cent and is now 25.69 per cent below its peak. Though, the first couple weeks of May saw some positive movement in the Indices, such momentum has not been sustained.

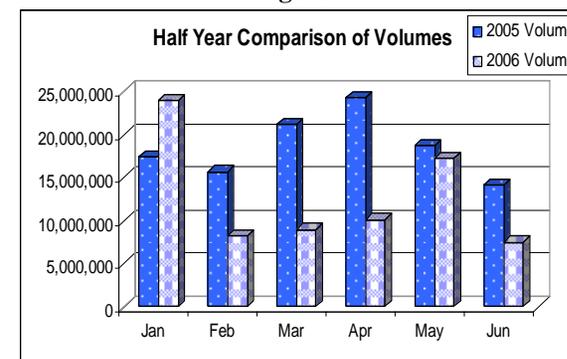
Figure 1



Market Activity

The total volume of shares traded was 75,946,475 which was 31.94 per cent lower than the similar period in 2005. The weak volume was largely as a result of the absence of institutional buyers in the market. The absence of these players in the market was as a result of more strict enforcement of the local legal framework for pension plans which stipulates that no more than 50 per cent of their investment portfolio could be allocated to local equity investments. Thus having to operate within these constraints, institutional demand on the market has been weak. The impact of these investors on the market this year can be seen in Figure 2 where for four out of the six months the volumes of shares traded for 2006 were remarkably less than that of 2005. The total value of shares traded for the period was \$1.420 billion which was 38.29 per cent less than the value of shares crossing the floor in the first half of 2005.

Figure 2



Leading volumes for the half year was Jamaica Money Market Brokers (JMMB) with 19,544,932 shares changing hands which was 25.74 per cent of the market. Over 74 per cent of these shares were traded in the first month of the year. At that time, arbitrage opportunities existed between the local & Jamaican equity markets which may have contributed to the large volumes. Second was Republic Bank with 8,129,730 shares changing ownership or 10.70 per cent of all trades. Over 40 per cent of these trades were executed over three days in the latter part of the half year. National Flour Mills (NFM) saw 7,393,469 shares traded or 9.74 per cent of all trades. NFM's volume however was mainly attributable to one trading day in April which saw over 4 million NFM shares traded.

The Non-Banking Finance Sector was the busiest with total trades reaching 33,704,841 which was 44.38 per cent of that market. JMMB however accounted for 57.99 per cent of all the shares traded in the sector for the period. The Banking sector was next capturing 25.93 per cent of the market while the Manufacturing sector followed with 23.77 per cent of all trades.

Price Changes

In stark comparison to HY-2005 when advances beat out declines by a 24 to 8 margin, advances were outnumbered by declines by a 5 to 24 ratio for the period under review.

Figure 3

Advances			
Share	Opening Quote	Closing Quote	Change
PUB	\$ 13.00	\$ 18.49	42.23%
AGL	\$ 10.24	\$ 10.74	4.88%
ULC	\$ 17.28	\$ 18.00	4.17%
OCM	\$ 19.40	\$ 20.00	3.09%
FFL	\$ 4.95	\$ 5.05	2.02%
Top 5 Declines			
PHL	\$ 11.57	\$ 7.10	-38.63%
PLD	\$ 14.50	\$ 9.31	-35.79%
GKC	\$ 9.02	\$ 6.00	-33.48%
JMMB	\$ 1.85	\$ 1.25	-32.43%
CCMB	\$ 2.03	\$ 1.44	-29.06%

The five advances, all belonged to Trinidad based Companies. As can be seen in Figure 3, Trinidad Publishing Limited (PUB) was clearly the biggest winner with a 42.23 per cent appreciation in price to \$18.49. After dropping 32 cents from its close at the end of December 2005, this share rose steadily to its current price. The increase in price however was over light trading activity totalling 262,016 (0.35 per cent of the market). Agostini's Limited followed rising to \$10.74 over the trading of 60,224 shares (0.08 per cent of the market) while Unilever Caribbean Limited witnessed a 4.17 per cent increase in price while capturing 0.09 per cent of the market. It is interesting to note though that, with the exception of PUB, the rest of the advances were less than 5.00 per cent while all the major declines were above 29.00 per cent.

Falling the most was Prestige Holdings Limited (PHL) down 38.63 per cent to \$7.10. PHL's earnings per share (EPS) was put under pressure over the panic caused by the Aspergillosis fungus found in chickens in Trinidad. PLIPDECO (PLD) followed falling 35.79 per cent. The Company's year end results showed that without the high unrealized fair value gains previously experienced, its weak operating performance has now become more transparent. This Company still fails to show any reasonable growth from its core operations.

GraceKennedy followed falling 33.48 per cent to \$6.00. This Company experienced problems stemming from the cement shortage in Jamaica which lead to a number of construction projects being delayed thereby affecting its Hardware & Lumber operations. The cement shortage also affected approximately 100,000 people who suffered from reduced disposable income. This spawned a lack of consumerism which pressured sales in its trading divisions. This share however is still considered an attractive long-term buy.

Figure 4 shows a summary of the contrast between HY 2005 and HY 2006.

Figure 4

  Two sides of the Coin		
	Half Year 2005	Half Year 2006
Market	Generally Bullish	Bearish
Composite Index Movement	8.90%	-13.78%
Volume Traded	111,592,706	77,459,848
Adv/Dec Ratio	24/8	5/24

Despite the buoyancy of the economy, the fate of the Stock Market for the second half of the year would be dictated by the quality of results from the listed Companies. If there is the release of a spate of good results, this may serve to win back the confidence of investors and inject some positive movement into the Stock Market. The return of large investors would of course also support positive price movements and strides in the Indices. Given the current circumstances however, it does not seem likely that the Indices would be able to recapture its earlier strides in order to end the year in positive territory. Volumes remain comparatively low and there is no sign of any prominent return of the institutions in the market. It is however important to keep in mind that this is one of the most attractive times for investing in the Stock Market especially for clients with a long term horizon.

WEST INDIES STOCKBROKERS LIMITED STOCK MARKET QUOTATIONS AS AT JUNE 30, 2006

	Hist Eps	Est Eps	Est Div	Curr Price	Est Yield %	Est P/E Ratio
Bank						
FirstCaribbean	106.5	70.0	18.0	11.35	1.59	16.21
NCB Jca	17.4	20.3	4.8	1.41	3.40	6.95
RBTT Fin Hold	268.0	310.0	124.0	32.00	3.88	10.32
Republic Bank	509.0	510.0	225.0	88.49	2.54	17.35
Scotiabank	193.0	225.0	92.0	39.94	2.30	17.75
Non-Bank Fin						
ANSA Fin & Merch	121.0	145.0	32.0	19.89	1.61	13.72
Capital & Credit	19.3	19.0	2.5	1.44	1.74	7.58
DB&G	27.5	29.0	8.0	1.70	4.71	5.86
Guardian Holdings	185.0	0.0	0.0	23.48	0.00	0.00
JMMB	11.3	11.3	1.5	1.25	1.20	11.06
National Enterprises	81.0	81.0	79.0	8.26	9.56	10.20
Sagicor Financial Corp	163.0	147.0	60.0	13.73	4.37	9.34
Conglomerates						
Ansa Mcal Ltd	261.0	325.0	65.0	40.03	1.62	12.32
Bdos Ship & Trad	198.0	160.0	58.0	18.00	3.22	11.25
GraceKennedy	61.1	65.0	10.4	6.00	1.73	9.23
Neal and Massy	280.0	325.0	97.0	40.00	2.43	12.31
Trading						
Agostini's Ltd	91.5	93.0	33.0	10.74	3.07	11.55
BWIA *suspended*	0.0	0.0	0.0	0.97	0.00	0.00
Furness Trinidad	47.0	47.0	0.0	6.15	0.00	13.09
L J Williams Ltd. - 'A'	0.8	0.5	0.2	0.60	0.33	0.00
L J Williams Ltd. - 'B'	8.0	5.0	2.0	1.30	1.54	0.00
Prestige Holdings	46.4	30.0	13.0	7.10	1.83	23.67
Property						
PLIPDECO	116.0	116.0	22.0	9.31	2.36	8.03
Valpark	47.3	47.3	0.0	5.00	0.00	10.57
Manufacturing						
Angostura Holdings	180.0	5.0	12.0	5.42	2.21	108.40
Berger Paints	24.0	7.0	17.0	3.40	5.00	0.00
Flavorite Foods	54.0	54.0	21.0	5.05	4.16	9.35
National Flour Mills	8.6	8.6	8.0	1.50	5.33	17.44
One Caribbean Media	109.0	109.0	60.0	20.00	3.00	18.35
Readymix WI	-210.0	20.0	3.0	3.80	0.79	0.00
Trinidad Cement	66.0	58.0	15.0	8.00	1.88	13.79
Trinidad Publishing	91.0	91.0	32.0	18.49	1.73	20.32
Unilever Caribbean Ltc	133.0	145.0	120.0	18.00	6.67	12.41
WITCO	137.4	137.4	135.0	23.00	5.87	16.74

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