

Equity Research Team

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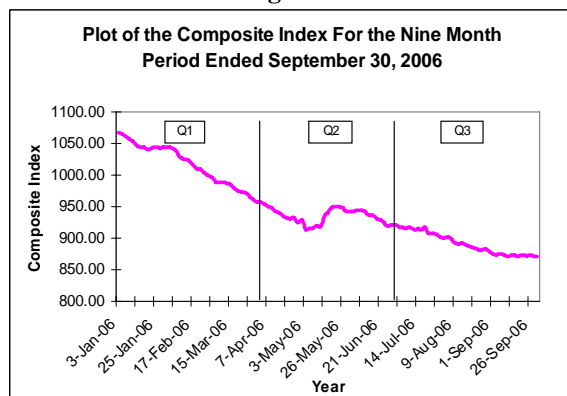
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OCTOBER 2006

Nine Month Review

The stock market failed to charm investors in the first nine months of the year with bearish activity and thin volumes prevailing. Though there was some hope in the second quarter of a turnaround as the market swung upward in May (See Figure 1), these hopes were dashed as the Indices once again started to move downward. This trend generally continued into the third quarter. The fall in Q3 however was not as sharp as that of Q1 as the Composite Index was down 7.66 per cent in the third quarter compared to 10.19 per cent in the first quarter. Incidentally, for the comparative third quarter period in 2005, the Composite Index fell by a similar margin of 7.47 per cent. For the nine month period under review, the Composite Index fell 18.42 per cent to 868.7772 while the All T&T declined 17.33 per cent to 1,090.2477.

Figure 1

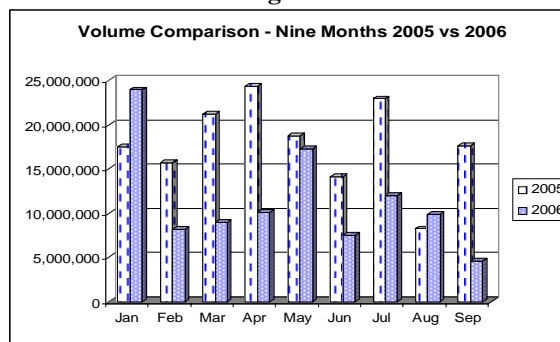


Market Activity

Activity for the nine month period was slow compared to 2005 with a total of 102,379,347 shares changing ownership. This was in fact 36.17 per cent

less than 2005's activity of 160,403,023. This stark difference is in part due to the absence of institutional investors in the market. The lack of these players came as a result of stricter enforcement of the local legal framework for pension plans which stipulates that no more than 50 per cent of the investment portfolio could be allocated to local equity investments. Thus, constrained by this rule institutional demand on the market has since been weak. The impact this has had on the market can be seen in Figure 2.

Figure 2



In addition, a quarterly analysis reveals that Q3 was actually the slowest period of the year with a total of 26,433,372 shares crossing the floor. This was also the slowest period in 2005. However Q3 2006 traded 25.84 per fewer shares than Q3 2005.

The total value of shares traded for the nine month period in 2006 was \$1,680,672,415 which was approximately 49 per cent less than 2005's value of \$3,318,465,545. The difference in value is not only owed to lower volumes, but to the fact that the volume leaders for this year belong to lower priced stocks.

Similar to the half year, Jamaica Money Market Brokers (JMMB) drove the market for the nine month period compared to 2005 in which RBTT Financial Holdings (RBTT) was the volume leader for the same period. The year 2006, has seen 23,130,590 JMMB shares changing hands which was 22.59 per cent of the market. National Flour Mills (NFM) followed with 14,193,366 shares traded or 13.86 per cent of the market. NFM has in fact become the target of speculative activity as its price reached a low of 68 cents as the Company had

problems in 2005 which resulted in poor earnings. As the share reached this low price, with the advent of its two year turnaround plan, investors have been speculating with regard to the price and the possibility of a successful turnaround. Over 28 per cent of these shares however were traded in one day in April. Republic Bank Limited was third with 8,637,622 shares crossing the floor which was 8.44 per cent of the market. Only 5.88 per cent of these trades however took place in the third quarter.

Price Changes

The presence of bearish market conditions for 2006 is reflected in the advance to decline ratio of 8 to 23 with the major advances changing by much smaller margins than the major declines (See Figure 3). The top five advances remained the same as at the half year.

Figure 3

Top 5 Advances				
	COMPANY	Open \$	Close \$	Change
1	Trinidad Publishing	13.00	18.50	42.31%
2	Agostini's	10.24	11.00	7.42%
3	Unilever	17.28	18.00	4.17%
4	Flavorite	4.95	5.14	3.84%
5	One Caribbean Media	19.40	19.94	2.78%
Top 5 Declines				
	COMPANY	Open \$	Close \$	Change
1	PLIPDECO	14.50	5.25	-63.79%
2	Prestige Holdings	11.57	5.50	-52.46%
3	Capital & Credit	2.03	1.04	-48.77%
4	GraceKennedy	9.02	5.50	-39.02%
5	Trinidad Cement	10.00	6.10	-39.00%

Trinidad Publishing Limited (PUB) was the major advance enjoying a 42.31 per cent increase in price to \$18.50. This price is the current 52 week high for PUB. This increase in price however was over thin volumes totalling 374,736 (0.37 per cent of the market). Agostini's Limited (AGL) followed rising 76 cents or 7.42 per cent to \$11.00. This share however traded as high as \$11.25 before falling to its current close. The drop was aided by the fact that the Chairman stated in the Company's Nine Month Results that improved results were not expected in the current year. This was in part due to high employee turnover and a tight labour market.

Third was Unilever Caribbean Limited (UCL) which rose 4.17 per cent to \$18.00. This was the same increase as at the end of the half year. However, the stock traded down as low as \$17.50 in the third quarter before rising back up to \$18.00. One Caribbean Media (OCM), last year's major advance for this period, followed with a 2.78 per cent appreciation to \$19.94 though the share has traded as high as \$21.25 during the year. Flavorite Foods Limited (FFL) was next advancing 2.02 per cent to \$5.05.

The major decline for the period was PLIPDECO (PLD) falling 63.79 per cent to \$5.25. Together with the depressed market, this fall was fuelled by PLD's falling Earnings Per Share (EPS). This is because without the high unrealized fair value gains previously experienced, this Company's weak operating performance has now become more transparent. PLD has recently announced that they are going to be reporting its earnings on a quarterly basis.

Prestige Holdings Limited (PHL) followed dropping 52.46 per cent which was 13.83 per cent less than its half year close. PHL was affected by problems stemming from the panic caused by the Aspergillus fungus found in chickens in Trinidad together with a labour shortage that affected a lot of its north outlets. Capital & Credit Merchant Bank (CCMB) was next falling 48.77 per cent to \$1.04. At this price, there may be some speculative buying due to its low price/earnings ratio as CCMB's second quarter results were not encouraging.

GraceKennedy Limited (GK) followed dropping 39.02 per cent to \$5.50 though it traded as low as \$5.00 during the year. GK's Hardware & Lumber division was affected by the cement crisis in Jamaica as a number of construction projects were delayed. In addition, due to the fact that a number of people suffered from reduced disposable income, the lack of demand spawned by this affected sales in its trading divisions. In addition, GK has recently announced the merger of several businesses within its Food Trading operations. According to a press release, this is part of an overall thrust to increase efficiencies and productivity across the Group. This share is still considered a good long-term buy.

Fifth was Trinidad Cement Limited (TCL), which declined 39.00 per cent to \$6.10 though the share traded as low as \$5.70. This Company began the year with problems at Caribbean Cement Company (CCC) in Jamaica affecting its bottom line. CCC previously enjoyed somewhat of a monopoly in that market but all barriers had to be removed after sub-standard cement was produced earlier this year.

Recent Events

During the year there was an announcement by the Securities Exchange Commission that there was a move to delist BWIA. We recently heard of the Government's intention to close down the airline. However, nothing has since been communicated to shareholders from the Company. The latter half of the nine month period also saw a Bonus Issue by Scotiabank (SBTT) shares and a new issue of OCM shares.

Outlook

Despite favourable results from Companies such as Ansa McAl and SBTT, there still is the lack of investor confidence in the market. Coupled with this is the fact that institutions have been cautious in making a grand re-entrance into the market.

In the National Budget Presentation for 2006/2007 the Honourable Prime Minister has stated that the Central Bank is working expeditiously to reform existing legislation governing private pension plans. He further stated that the reform will reduce dependence on absolute limits on particular asset classes in favour of a more general risk-management approach. It remains to be seen what measures would be put in place and how it would influence the market.

The end of the year usually brings a 'pick-up' in the stock market as clients invest some of their savings and bonuses earned. If this happens, without the underlying support of institutional investors any appreciation will be very slow. It however still remains that there are attractive buying opportunities existing for investors with a long-term horizon.

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

	Hist Eps	Est Eps	Est Div	Curr Price	Est Yield %	Est P/E Ratio
Bank						
FirstCaribbean	106.5	70.0	18.0	10.85	1.7	15.5
NCB Jca	17.4	20.3	4.8	1.65	2.9	8.1
RBTT Fin Hold	268.0	295.0	124.0	28.00	4.4	9.5
Republic Bank	509.0	510.0	225.0	85.95	2.6	16.9
Scotiabank	193.0	220.0	92.0	25.50	3.6	11.6
Non-Bank Fin						
ANSA Fin & Merch	121.0	120.0	32.0	19.49	1.6	16.2
Capital & Credit	19.3	19.0	2.5	1.04	2.4	5.5
DB&G	27.5	27.0	8.0	1.87	4.3	6.9
Guardian Holdings	185.0	0.00	35.0	19.60	1.8	0.0
JMMB	11.0	11.0	1.5	1.15	1.3	10.4
National Enterprises	81.0	81.0	79.0	7.90	10.0	9.8
Sagicor Financial Corp	163.0	147.0	60.0	12.59	4.8	8.6
Conglomerates						
Ansa Mcal Ltd	261.0	325.0	80.0	40.63	2.0	12.5
Bdos Ship & Trad	198.0	100.0	56.0	17.00	3.3	17.0
GraceKennedy	61.1	60.0	10.4	5.50	1.9	9.2
Neal and Massy	280.0	325.00	97.0	37.10	2.6	11.4
Trading						
Agostini's Ltd	91.5	70.0	33.0	11.00	3.0	15.7
BWIA *suspended*	0.0	0.0	0.0	0.97	0.0	0.0
Furness Trinidad	47.0	60.0	0.0	6.15	0.0	10.3
L J Williams Ltd. - 'A'	0.8	0.5	0.2	0.59	0.3	0.0
L J Williams Ltd. - 'B'	8.0	5.0	2.0	1.30	1.5	0.0
Prestige Holdings	46.4	30.0	13.0	5.50	2.4	18.3
Property						
PLIPDECO	116.0	70.0	22.0	5.25	4.2	7.5
Valpark	47.3	47.3	0.0	5.00	0.0	10.6
Manufacturing						
Angostura Holdings	180.0	20.0	12.0	4.00	3.0	20.0
Berger Paints	24.0	7.0	19.0	3.40	5.6	0.0
Flavorite Foods	54.0	54.0	21.0	5.14	4.1	9.5
National Flour Mills	8.6	-58.0	8.0	1.59	5.0	0.0
One Caribbean Media	109.0	150.0	75.0	19.94	3.8	13.3
Ready mix WI	-210.0	50.0	3.0	3.83	0.8	0.0
Trinidad Cement	66.0	52.0	8.0	6.10	1.3	11.7
Trinidad Publishing	91.0	130.0	45.0	18.50	2.4	14.2
Unilever Caribbean Ltd	133.0	145.0	120.0	18.00	6.7	12.4
WITCO	137.4	172.0	160.0	23.15	6.9	13.5

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