



## *What's In Your Portfolio?*

So you have 'sold' your RBTT shares to its former parent, and I imagine some of you have bought other shares to replace RBTT in your portfolios. Others have opted for a safer haven of Money Market Funds, and still some may have adopted a 'never me again' approach.

One thing you all have in common though is that you are all shareholders of Royal Bank of Canada (RBC). Royal Bank of Canada is that nation's largest bank. Headquartered in Toronto, RBC offers varied financial services in North America and internationally. The bank operates in four segments, Canadian Banking, Wealth Management, US and International Banking, and Capital Markets. The bank has been in acquisition mode for the last two years, acquiring no less than eleven companies, RBTT Financial Holdings amongst these.

In the most recent financial quarter ended April 30 2008, total assets amounted to US\$617.4 billion; with earnings per share in the trailing twelve month period at US\$3.68. Total pre-tax charges related to sub prime and other debt securities reached US\$1.26 billion during the first six months of fiscal 2008. It is estimated by analysts at Genuity Capital Markets that RBC will take further pre-tax charges of between US\$855 million to US\$1.5 billion in the current financial quarter that ends July 31 2008.

The charges emanate primarily from securities backed by bond insurer MBIA Inc. in the USA. The company lost its triple A rating from Standard and Poor's and Moody's Investors Services. On the plus side, the analysts also commented that RBC's capital structure is adequate and the bank will not need to raise new capital.



Source: Stock USA Investments

The graph above shows the performance of RBC (RY: xNYS) since the amalgamation deal with RBTT Financial was announced on 28 September 2007. The picture is not pleasing as the share price has broken the support level at US\$43.50 and was trading at US\$41.77 as at the time of writing on 11 July 2008.

As former RBTT shareholders would have acquired RBC shares at US\$48.98, the current price is 15 per cent below the 'purchase' price. Taking the ongoing financial market turmoil into consideration, this decline is not as precipitous as some might think. Several other financial institutions such as American International Group, Citigroup, Merrill Lynch, and Lehman Brothers have seen climactic declines in share prices owing to sub prime exposure.

We share the opinion of Genuity Capital Markets and recommend a HOLD on RY as we believe the bank has the capital structure to withstand the credit crises in the financial markets at the moment.

It is an initial disappointment that investors have not been given their choice of broker with whom they can deposit or sell their RBC shares. Through a series of strategically placed obstacles, the only immediate option eliminated most of the local brokers in the country. However, other choices benefiting clients are now being made available.

Shareholders can contact CMMB should they wish to liquidate or deposit their RBC shares at minimal cost.

***\*\*Edgar Pariagh did not own any RBTT shares prior to the amalgamation agreement with RBC, nor does he hold any RBC shares.***

***Acknowledgements: Yahoo Finance, Bloomberg, Stock USA Investments, Royal Bank of Canada investor relations.***

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### ***Current Happenings in Local and International Markets:***

- Food service company Prestige Holdings writes off Puerto Rico - Takes TT\$13m hit
  - Sagicor earmarks US\$100m to build up US business
  - Flour price up again
  - Nutrimix reopens after \$63m upgrade
  - Big rush for GOTT bonds
  - Petrojam asset sealed sugar deal - Ethanol plant 60% of sale price
  - Jamaican dollar gathers downhill momentum
  - Oil sets new record above \$147 a barrel
  - Freddie, Fannie shares sink on bailout concerns
  - New Apple iPhone goes on sale with lines worldwide
  - Citi sells German retail banking for \$7.7 billion
  - Bank of England Keeps Benchmark Interest Rate at 5%
  - China's Aluminum Producers Agree to Cut Output by 10%
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**Table 1: Regional Market Performance (as at 10 July 2008)**

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	1,157.09	0.21	2.28	17.54	26.79
All Trinidad	1,531.72	0.98	3.01	26.95	34.30
JSE Index	109,281.69	-0.41	-0.99	1.64	21.27
JSE Select	3,036.75	-0.69	-0.59	4.45	25.98
All Jamaica	110,496.54	-0.69	-0.58	4.38	23.40
BSE Composite	1,080.41	0.31	1.26	5.02	12.87

**Table 2: International Market Performance (as at 10 July 2008)**

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,253.39	-0.75	-7.73	-13.39	-17.00
Nasdaq Composite	2,257.85	0.56	-7.80	-13.48	-14.45
Dow Jones Industrial	11,229.02	-0.53	-8.63	-13.91	-16.83
German Dax	6,305.00	-0.77	-6.88	-20.68	-20.84
FTSE 100	5,406.80	-1.27	-7.22	-15.74	-18.46
Nikkei 225	13,067.21	-1.49	-6.80	-14.64	-28.41
Hang Seng	21,821.78	2.73	-6.65	-20.82	-4.65
Eurostoxx	3,283.01	-1.44	-8.16	-24.34	-26.62

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