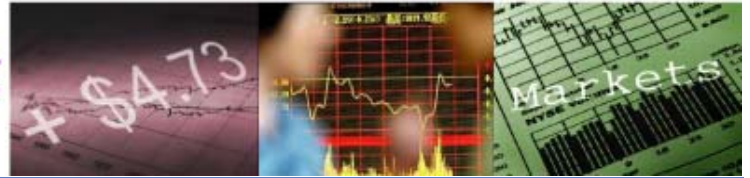




Stock Market Weekly



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Guardian Holdings Limited- 2005 and Beyond

On the 19th April 2006, the share price of Guardian Holdings Limited (GHL) stood at TT\$18.00, down 77% since the beginning of the year. This raised several burning questions, What has caused the accelerated decline in GHL's share price movement? Should investors sell down their holdings of GHL stock? What is the outlook for GHL? To answer these questions, shareholders and investors alike would need to take a more detached and holistic view of GHL rather than give in to emotion-driven investment choices.

GHL ended its fiscal year 2005 with a significant decline in profitability with EPS down 38% from \$2.98 to \$1.85. Management has attributed this to GHL's choice under the new financial reporting standards which takes any unrealized fair value gains or losses to income, as well as the existence of a large equity portfolio. Equity is currently 47% of the Trinidad investment portfolio, of which 70% represents shares in RBTT. In 2005, both the TTSE and JSE were down 1% and 7% respectively. GHL's largest equity holding, RBTT reported a small positive change in share price of 1.3%. Given the performance of RBTT's share price performance which accounts for 70% of the equity portfolio, one can reasonably question whether it was the remaining 30% of the portfolio or GHL's holdings of Jamaican equity securities which accounted for the significant fall in fair value gains.

For 2005 fair value gains related to GHL's equity holdings fell from \$528 million to a loss of \$24 million. A small gain on investment properties of \$31 million cushioned the effect a bit resulting in a net gain of \$7 million. With such a large exposure to one company, volatility will continue to plague GHL's results especially given the current outlook for the regional stock markets especially in the context of rising interest rates. Management has indicated an intention to rebalance the portfolio but would like to maximize value from any sell-off decision

It should be noted that, despite the negative impact of the marking to market of the RBTT investment, on the whole total revenue increased by 22%, hinting at the robustness of GHL's other sources of income. Net Premium income which represents new income was up 56% for Guardian Life of the Caribbean. Thus GHL continues to be a force to be reckoned with in the Caribbean Insurance market.

GHL's clearly stated strategy has been one of diversification both by geography and by product line. Based on this GHL acquired Link and Zenith which are based in the UK and which fall under the property and casualty line of business rather than the dominant life insurance segment. The strategy of diversification has been successful to some extent; revenues from outside the Caribbean region now account for 74% of Guardian General's profits. Noteworthy is that Guardian General accounted for the largest proportion (54%) of the Group's profit. This is clearly a step in the right direction for a company that has previously been predominantly driven by revenues from its life insurance segment.

However concern remains about the current softening of the UK general insurance market which has been characterized by aggressive price cutting by larger market players. How long this situation will continue is debatable, given that many in the industry believe that premium rates need to rise in order to compensate for the growth in the cost of claims. There is inevitably some concern about profitability in the industry. As small players in the relatively mature UK insurance market, Link and Zenith would have little control over the downward movement in general insurance rates.

In 2005, net claims increased by 45% which were attributed mostly to Zenith and largely responsible for the deterioration in the group's operating profit margin from 23% to 11%. In fact the combined ratio for the Group's international division increased from 76.4% and 98.4%. The combined ratio is defined as a formula used by insurance companies to relate premium income to claims, administration and dividend expenses. It is calculated by dividing the sum of incurred losses

and expenses by earned premium. Management has chosen to focus on cost control rather than growth in revenue as a way of combating these difficult conditions. On the whole, GHIL has managed to keep its combined ratio below 100% at 95.3% (Budgeted Target: 87.7%).

The management of GHIL has indicated that, while concerns may have surfaced about the performance of the Group, the long term prospects remain sound. GHIL is committed to a strategy of acquisition, geographical expansion and investment of new lines of business around the core life insurance segment. The fruits of these diversification efforts are being realized with revenues from its Property and Casualty business now exceeding 50% of total revenues. From a geographical standpoint this is also evident with a substantial amount of GHIL's revenues derived from outside the active Atlantic hurricane belt (Caribbean region). Unfortunately the hedging strategy is under strain since both the life and property segments are experiencing challenging conditions due to the simultaneous softening of the regional equity markets and the UK insurance industry.

Overall GHIL maintains a firm track record of growth and expansion. Return on Equity has averaged 19% over the last five years. From a risk perspective GHIL's level of diversification both by product line and geography is commendable. In addition over the long run given a reversal of trends in the UK, Link and Zenith should return to the levels of profit seen in 2004. Finally with interest rates trending upward in the region, this bodes well for GHIL's investment income. At \$18.00 GHIL is now trading at Book Value. Given the stated plans and projections, if realized, the trend in the share price should reverse in the not-too-distant future.

Regional Market Review

As we near the end the 2005 calendar year, investors may have to wait a bit longer for the much hoped for turnaround in the regional equity markets. On the whole, trading volumes and positive price movements have not shown any strong surges and market returns continue to fluctuate. Locally, the TTSE Composite and All T&T produced negative returns of 0.26% and 0.7% for the period 29th November 2005 to 06th December 2005. Declining stocks were clearly dominant with 14 stocks declining and 9 stocks advancing. Some of the major declines included Unilever (-15.89%), Plipdeco (-14.34%) and Readymix (-9.95%). Advances included JMMB (19.84%), Agostini (9.41%) and Sagicor (1.75%). Total Volume traded for the week was 13% lower at approximately 3 million shares.

In Jamaica, after a much welcome rally in the previous week, market indices have managed to stay in positive territory for the week under review. The JSE Composite reported marginal gains of 0.74% while the All Jamaica and JSE Select fared a bit better with returns of 1.51% and 1.67% respectively. In contrast to the Trinidadian market, advances outnumbered declines 14 to 11 with 10 stocks trading firm. The top advances included First Life (15.08%), JMMB (14.00%) and Jamaica Gleaner (8.00%). Declining stocks included Mobice (-34.29%), Salf (-18.18%) and Ciboney (-14.29%).

In Barbados, the local index reported a marginal decline of -.02% to end the week at 3,941.71. Six stocks reported movements in price, uncharacteristic for the typically dormant Barbadian market. Four stocks advances and included WIB (6.06%) and TCL (4.65%) while the two declining stocks included Almond Resorts (-3.23%) and Banks Holdings (-0.11%).

Table:1 Regional Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	939.61	-0.91	-4.03	-11.92	TTSE
All Trinidad	1,141.39	-1.09	-4.36	-13.70	All Trinidad
JSE Index	84,439.31	0.38	-9.19	-18.61	JSE Index
All Jamaica	85,015.87	2.78	-4.35	-17.75	All Jamaica
JSE Select	2,333.74	2.98	-4.07	-18.04	JSE Select
BSE Local	3,900.10	-0.61	-0.54	-0.77	BSE Local

Current Happenings

- Beer Prices go Up
- Rollingson takes over at NFM
- Antigua and Barbuda: Government of Antigua & Barbuda's EC\$17M Treasury Bill Issue Oversubscribed
- Guyana: Elections 2006 Extended Parliament should have limits on spending, law-making -private sector

Table:1 International Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,307.28	1.61	3.57	3.03	S&P 500
Nasdaq	2,356.14	1.98	4.21	5.01	Nasdaq
Dow Jones	11,268.77	1.62	3.10	3.88	Dow Jones
German Dax	5,902.58	-0.10	0.34	8.09	German Dax
FTSE 100	6,044.10	-11.17	-10.92	6.38	FTSE 100
Nikkei 225	17,232.86	-1.06	5.47	6.96	Nikkei 225

International Market Review

US stock markets were mixed with the Dow Jones reporting a marginal decline of 0.29% while the S&P and Nasdaq both reported gains for the period 29th November 2005 to 06th December 2005. Good economic data and productivity reports including news from the Labor Department of the fastest increase in productivity in more than two years would have helped to reinforce confidence in the market rally. The stock market in general has been staging a traditional year-end rally during the last five weeks, benefiting from data pointing to economic strength and oversold conditions.

In Europe, the Euro Stoxx and German Dax reported healthy returns of 1.54% and 1.95% respectively. Investors were encouraged by gains from the telecom sector and strong productivity data from the US. In particular, Ericsson AB shares surged 4.5% after it said that it had won an exclusive contract to run the network and IT infrastructure of Hutchison. Japan's Nikkei was by far the best performer for the week with impressive returns of 3.32%. The gains came after the Ministry of Finance reported that the combined capital investment of non-financial companies in the July-September quarter rose 9.6% from a year earlier, increasing for the 10th straight quarter.

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