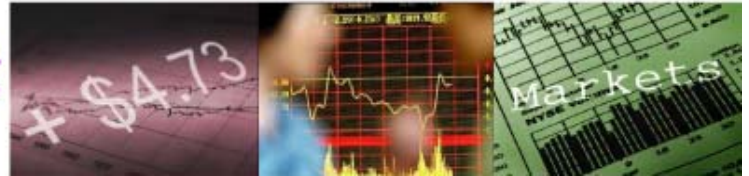




Stock Market Weekly



By Nesha Debysingh, Research Analyst

nesha.debysingh@mycmmmb.com

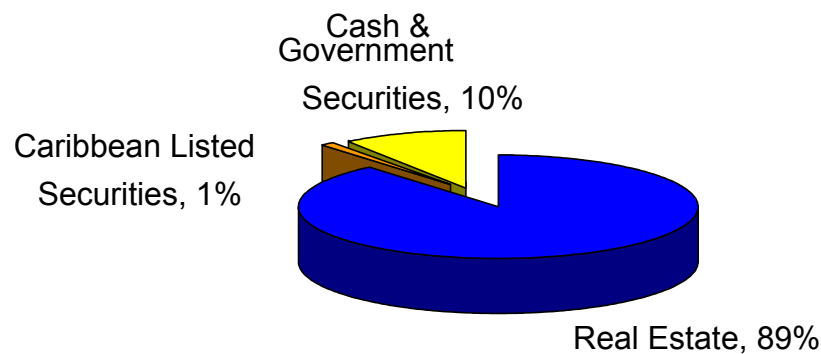
T&T welcomes Fortress Caribbean Property Fund

The Trinidad and Tobago Stock Exchange (TTSE) welcomed another listing on Friday 20th January 2006. Fortress Caribbean Property Fund (CPF), a Barbadian mutual fund company listed at TT\$5.04, roughly the equivalent of its price on the Barbados Stock Exchange of BD\$1.60, with 33,500 shares changing hands on the first day alone.

What is the Fortress Caribbean Property Fund?

CPF is a closed ended mutual fund company which means that the investment company will issue only a fixed number of shares which it does not generally redeem (buy back) on an ongoing basis. The objective of Fortress is to achieve long-term returns through a diversified portfolio of real estate, shares in other property companies or funds and Government Securities predominantly in the Caribbean. Sources of revenue arise from capital appreciation of the underlying assets plus rental income, dividends and interest. The following pie chart illustrates the current asset allocation of the CPF.

Portfolio Asset Allocation



Source: Fortress Caribbean Property Fund Prospectus

As expected, real estate is the dominant asset class with assets ranging from land, office and retail space, luxury villas and smaller residential developments. The Fund also partners with developers by investing in listed and unlisted securities of property development funds or companies, which are considered to have significant capital growth potential. The remaining assets are invested in various marketable securities including local and international bonds and equity. This allocation seeks to balance the Fund's exposure to fluctuations in property values.

To ensure diversification, CPF will invest only in properties with values more than BD\$500,000.00 and does not invest in any single property a value which exceeds 40% of the Fund's current value.

Fund Performance

The performance of CPF has been fairly inconsistent over the last five years with EPS ranging from BD\$0.02 in 2003 to

BD\$0.13 in 2005. The five year growth in top line revenue is 91% but this is skewed by an extraordinary pick up in revenue in 2002 due to an increase in fair value gains from \$51 million in 2001 to \$3454 million in 2002. Adjusting for this outlier results in an average contraction in the revenue growth rate of -1%.

Rental revenue continues to account for an average 82% of total revenue. With the exception of 2002, fair value gains on property holdings have not factored significantly in the revenue stream for CPF. On a positive note, CPF has managed to keep operating expenses relatively stable actually declining marginally by -4% and -5% in 2004 and 2005, respectively.

Asset growth has been quite tame over the last two years with a noticeable increase of 11% to BD\$73.5 million. Liabilities have remained quite stable with single digit growth figures being reported over the last three years. The debt to asset ratio has remained fairly constant at about 28% over the last three years. As a result, the NAV of CPF has a five year average growth rate of about 1%.

Overall, investors would have benefited from an internal rate of return (IRR) of 7.3% since inception of the Fund to June 2005. As at FYE 2005, the Fund's share price of BD\$1.60 was trading at a significant premium particularly in the latter half of 2005 over the 2005 net asset value (NAV) per share of BD\$1.28. This results in an IRR of 11.4% for any investor who held shares since inception and had exercised the warrants.

Caribbean Real Estate Outlook and Prospects for CPF

The Caribbean is on the crest of a real estate boom and is attracting significant interest from major international players who before now had considered the region too risky. While the outlook is different on a sectoral and territorial basis, in general the residential boom spans the entire region. Major construction projects are underway in Jamaica, Tobago, St Lucia, Grenada and Antigua, contributing in these economies.

The North American vacation home market is also in an unprecedented boom and expected to positively impact regions like Anguilla, Turks and Caicos and St Bart's. Trinidad is in the midst of a strong construction expansion in office/commercial properties due to buoyant economic conditions.

While stock market conditions in both Barbados and Trinidad are not the most favorable at the moment, an investment in the buoyant real estate sector is a prudent move for the long run. A real estate investment is generally considered to be less volatile than stocks and bonds and as such should bring some degree of stability to any portfolio. CPF is already invested in quite a number of sectors and geographic locations and is continuing to expand through a number of good prospects. In fact the rights issue in 2005 was aimed at raising funds to facilitate some of these investments. New prospects include:

The CS&C Joint Venture- Barbados
Cap Estate Residential Development- St Lucia
Lime Grove Residential/Commercial development- Barbados
Rockley Resort residential development- Barbados
Development of Polo's Manor- Barbados
Development of Lot #102 Tobago Plantations- Tobago

The major risk factors facing the CPF include:

- * Reduced liquidity size due to the size of the transaction. Transactions can sometimes take several years to be executed.
 - * Valuations of properties are subjective since appraisals are based on several assumptions such as estimates of replacement costs, similar market values and projected rental income.
 - * Rising incidence of natural disasters though this particular risk is mitigated to some extent through insurance coverage and geographical diversification.
-

Table:1 Regional Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	1 Year Change (%)
TTSE Composite	1,042.64	-0.15	-2.03	-2.26
All Trinidad	1,277.71	-0.37	-3.00	-3.39
JSE Index	101,992.76	-0.51	-1.75	-1.69
All Jamaica	98,804.54	0.32	-5.04	-4.41
JSE Select	2,756.09	1.04	-4.43	-3.21
BSE Local	3,930.26	-0.05	0.25	0.00

Regional Equity Market Review

All three markets were in negative territory including Barbados with the smallest decline of -0.5%. The Trinidadian and Jamaican stock markets continued to report negative returns. For the period 17th January 2006 to 24th January 2006 the TTSE reported a marginal decline of 0.15%. Declining shares still dominate with an advance decline ratio of 11 to 12. The top advancing shares include Angostura Holdings (12.2%), TCL (6.8%) and DB&G (5.6%). Declining shares included NEL (-9.9%), Grace Kennedy (-1.0%) and Angostini Limited (0.97%). During the week the Central Bank of Trinidad and Tobago announced another increase in the repo rate to 6.25% in response to persistently high inflation rates. Banks have subsequently announced an increase in the prime lending rate which continues to signal an upward momentum for local interest rates. Stocks market returns are typically negatively correlated to both inflation and interest rates. The ultimate impact of these policies on the local stock market remains to be seen for the most part.

Despite significant declines in both prices and valuations on the Jamaican market the market continues to underperform. The JSE Composite index reported a return of -0.76% while the all Jamaica index and Jamaica Select index were both down by 0.22%. Surprisingly despite the fall in the index advances outnumbered declines 22 to 9. Top advancing stocks included Ciboney (12.5%), RBTT (11.4%) and Pegasus (11.1%). On the declining side, Mobay Freeport (-11.1%), Lascelles (-3.6%) and Life of Jamaica (-2.2%) topped the list.

Activity in Barbados increased substantially with volumes increasing by 111% over the previous week. Seven stocks reported movement in prices with 4 stocks declining and 3 stocks falling. In the news, the Barbadian Prime Minister presented the national budget during the week under review. The outlook for 2006 is a positive one. Interest rates are expected to remain unchanged and this bodes well for the equity market if investors transfer capital flows to publicly listed shares as they search for higher yields.

Current Happenings

- Fortress Caribbean Property Funds Cross Lists in Trinidad
- Central Bank of Trinidad and Tobago raises Repo rate to 6.25%
- CL World Brands Expands in Europe
- **BWIA's fate to be known by 01 April 2006.**

Table: 2 International Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	1 Year Change (%)
S&P 500	1,264.90	-1.41	3.57	-0.31
Nasdaq	2,256.06	-2.03	4.21	0.55
Dow Jones	10,691.65	-1.88	3.10	-1.44
German Dax	5,334.30	-2.31	-1.56	-2.31
FTSE 100	5,649.10	-6.22	-4.39	-0.57
Nikkei 225	15,648.89	-0.99	-2.85	-2.87
Hang Seng	15,530.57	-0.29	2.29	3.92
Eurostoxx	3,532.68	-3.07	-1.62	-2.26

International Market Review

International Markets were in negative territory for the period 17th January 2006 to 24th January 2006. In the US the S&P Index and Dow Jones were down 1.4% and 1.9% respectively. This was attributed to the fact that a rise in long-term interest rates and weaker-than-expected housing data outweighed a drop in crude-oil prices and some solid earnings reports. A survey showing slowed fourth quarter growth for the German economy would have contributed in part to the -2.31% return on the German Dax and -3.07% return on the Euro Stoxx. In Asia, investor confidence would have been affected by the Tokyo Stock Exchange which was forced to halt trading for the second time in its 56-year history as a jump in orders overloaded its computer systems. Stocks also recorded declines after earnings from Intel Corp. disappointed some investors. Samsung Electronics Co. and Tokyo Electron Ltd. led the slide.

DISCLAIMER

The information contained in this documentation is for your information only. All information contained in this documentation has been obtained from and is based on sources, including but not limited to, newspaper and magazine articles that CMMB believes to be accurate and reliable. However such information, facts, calculations, methodology, assumptions and estimates contained in this documentation have not been verified by us. All opinions and estimates constitute the Author's judgment as of the date of the documentation which are subject to change; however neither its accuracy and completeness nor the opinions based thereon are guaranteed. As such, no warranty, express or implied, as to the accuracy, timeliness or completeness of this documentation is given or made by CMMB in any form whatsoever. Consequently, CMMB assumes no liability for the accompanying information, which is being provided to you solely for general information.
