



Sagicor: Strongest performance in four years

Sagicor Financial Corporation recorded its strongest performance in its four year existence as a demutualised financial institution for the financial year ending December 2005. The Group's performance was characterised by:

1. A substantial improvement in Earnings per share (EPS) of 100%
2. Acquisitions in 2005 including, Pan Caribbean Financial, the insurance operations of First Life Insurance Company, Laurel Life Insurance Company in the US, American Founders Life Insurance Company, Cayman General Insurance Company and a 20% interest in FamGuard Corporation Limited.
3. Significant 40% increase in total Revenue attributed to one off gains related to the sale of 18% interest in Life of Jamaica which reduced the company's interest in the company to 60% from 78%.
4. Sagicor Life Inc, the Group's main operating company received a BBB+ rating from Standard and Poor's, confirming the group's operational capacity and financial health.

The Group's stellar performance must be taken in the context of an aggressive global expansionary strategy, which therefore depends on many factors including whether or not the company can successfully integrate the new operations on time and within budget to benefit from synergistic benefits and continue to increase shareholder value.

Earnings Per Share (EPS) increased significantly as a result of the inclusion of the company's one-off gain from business combinations and acquisitions of BS39 million which boost Total Revenue by 40% year on year. Adjusting for this one time gain would put the Group's EPS at around BS.42 or TT\$1.33. Growth in Life and health insurance accounted for a rise in Net Premium revenue of some 19%, (Sagicor's main source of revenue). However, the company's main revenue earner lost some momentum, accounting for 63% of total revenue as compared to 74% in the prior year. This was due to strong growth in Net Investment income which soared by 123% to BS415 million which was boosted by increasing interest income from the company's debt securities. This was not surprising given that financial investments doubled from BS2.3 billion in 2004 to BS4.7 billion in 2005. Operational efficiency measured by the ratio of administration expenses to total revenue remained flat at 4.5% compared to 4.4% in 2004.

Total assets climbed by an astounding 105% to BS3.3 billion. The debt position as evidenced by the debt to equity and debt to assets ratios increased to 84% and 5.5% as opposed to flat growth in 2003 and 2004 of around 77.5% and 3.4%. Total Equity grew by BS233 million due mainly to an increase in minority interest of BS146 million which was expected given the number of acquisitions during this fiscal year. Noteworthy was a fall of 40% in the Group's Reserve. This may be as a direct result of a revaluation of the group's investment portfolio. SFC in accordance with accounting standards takes any unrealized gains or losses arising out of the mark to market of its investments directly to shareholder's equity.

Unlike its regional peer Guardian Holdings, the company's portfolio has less weighting in equities and has adopted a more conservative approach, by securing more fixed income securities and government instruments in its investment portfolio. Sagicor now has more exposure to the Jamaican economy given

that the acquisition of insurance operations in Life of Jamaica and Pan Caribbean Financial Services accounts for 30% of total assets. The company attempted to mitigate this risk by employing capital against same however changes in Jamaica's and Barbados' stable outlook could negatively impact the Group if these ratings were to head south. This strategy to diversify away from the Caribbean hurricane belt and expand into U.S markets should ease the Group's exposure to the upcoming hurricane season especially in light of the Cuba National Weather Institution's prediction of 15 tropical storm carded and a minimum of 9 full fledged hurricanes.

The long-term insurance industry has little growth prospect considering that it is already in a mature stage. Therefore the Group's strategy to achieve organic growth by expanding its product line both regionally (Jamaica and the Cayman Islands) and extra regionally (penetrating the U.S. markets) is on course with other regional financial institutions seeking to maintain organic growth and maintain a competitive stance especially in light of impending free trade agreements. However it is too early to decipher if this aggressive strategy of geographic expansion through acquisitions is successful given that many M&A studies portend that up to 70% of M&A's fail.

The stock is currently trading at TT\$13.95 and BS\$4.40, the highest for the year on both markets. Interest for the stock is already improving as the stock emerged as a top performer in terms of volumes traded in both markets in the past week. The company's combined strategy of global expansion for increased international competition; low risk and calculated growth continue to warrant sustained growth. We maintain a positive outlook on the stock which is fairly valued in the range of \$16.49 to \$16.82 or BS\$5.29 to BS\$5.40.

Regional Market Review

The TTSE Composite continued to be weighed by less positive price performance of listed stocks recording returns of -1.42% and seemed to be weighed mainly by the poor performance of the Banking Sector which declined by 3.3%. The TTSE closed at 914.90 points while the All T&T Index closed with 1,120.26 points. The advance/ Decline ratio was 9 to 6 with the majority of shares (18) trading firm. Investor interest seems to be building as volumes inched up to 1.9 million compared to 1.6 million in the prior week. Accordingly market values climbed to TT\$45 million, an improvement of 52 % at the close of trade on May 3rd, 2006. Sagicor emerged as the top performing stock in terms of volumes traded (Sagicor accounted for 36% of total trades) and price appreciation; the share shot up 12% after recording healthy returns for fiscal year ending 2005. RBTT followed in second with a high volume of 335,280 shares crossing the floor out of a total 1.9 million for the review period. National Flour Mills recorded share price appreciation of 9.5%; the shares increased from \$.74 to \$.89, given that it is trading below its book value. National Enterprises and Prestige Holdings had the largest losses after falling 11.9% and 9.9% respectively.

In Barbados, the BSE Composite was characterized by a flat performance advancing by a mere .61 points. However volumes seemed to be picking up pace with total volumes traded at 396,607 points compared with lower volumes traded in the prior weeks. Some 51% of total trades were due to an increase in shareholder interest in the Sagicor stock; a total of 203,754 shares traded. Sagicor climbed to 11.4%, its highest for the year to close at BS\$4.40, while Insurance Corporation of Barbados and Banks Holdings grew 8.8% and 8.1% in value. Declining stocks for the period were Almond Resorts (-2.4%), Barbados Shipping and Trading (-1.7%) and Goddard Enterprises (-1.1%)

After showing signs of improved performance all three Jamaican Indices recorded less stellar returns. The JSE and All Jamaica Indices both fell marginally during the review period and recorded losses of -15.3% and -15% respectively year to date on par with Trinidad's TTSE (-14%) and ALL T&T Index (-15.3%). Cable and Wireless Desnoes and Geddes and Supreme Ventures all vied for top spots in terms of volumes trading each accounting for 16% of total volumes traded. Top advancers were Salada foods which improved by 18% while GraceKennedy and Carreras rose 6% and 5% respectively. Ciboney retreated by 14% followed closely by Dyol (-12.5%) and Jamaica Broilers fell to -9.2% to J\$3.27.

Table:1 Regional Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
TTSE Composite	914.90	-1.42	-3.16	-14.24	-24.60
All Trinidad	1,120.26	0.53	-2.92	-15.29	-26.99
JSE Index	87,878.83	-0.24	4.55	-15.30	-25.88
All Jamaica	87,923.27	-0.54	6.45	-14.94	-30.68
JSE Select	2,406.50	-0.63	6.37	-15.49	-27.62
BSE Local	3,889.27	0.02	-0.88	-1.04	0.08

Current Happenings

- TCL gets an extension till May 31st to report for financial year 2005
- FCIB looks to set up a retail branch in T&T
- Barbados part of extension in proposal in World Trade Organisation
- Central Bank of Barbados Governor revealed that domestic exports grew by 53.4%
- Mayberry back in black

Table:1 International Market Performance

Index	Closing Value	Weekly Change (%)	Monthly Change (%)	YTD Change (%)	1 Year Change (%)
S&P 500	1,325.14	0.90	3.57	4.44	12.41
Nasdaq Composite	2,338.25	1.23	4.21	4.21	18.11
Dow Jones	11,639.77	1.96	3.10	7.30	12.09
German Dax	6,140.72	2.88	2.29	12.45	43.06
FTSE 100	6,105.60	1.59	0.64	7.46	24.34
Nikkei 225	17,190.91	0.22	-1.53	6.70	53.88

International Market Review

The U.S market recorded little change for the period as concerns on whether the Federal Reserve would increase interest rates are again impacting the markets. Speculation on rate increases seemed to temper gains but the Dow Jones Industrial still outperformed its Index peers rising by 2% after General Motors Corporation released healthy results. S&P 500 moved up 1% and the Nasdaq gained 28 points to close

at 2,338.25 points. European stocks recorded a five-year high after good profit growth from companies. The German Dax recorded year to date growth of 12.5% while the FTSE 100 and Euro Stoxx recorded positive returns of 7.7% and 7.5% respectively.

The dollar fell by 7.2% against the Euro and close to an eight month low against the Yen on concerns of increases on U.S. interest rates. A weaker U.S dollar could translate into fewer Yen for dollar-denominated sales and declining competitive position for the goods of Japanese exporters. The weak currency resulted in a fall in the performance of Asian stock indices.

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