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**Fortress Caribbean Property Fund**

	<b>CPF</b>
<b>RECOMMENDATION</b>	<b>HOLD</b>
<b>Current Price</b>	\$5.00
<b>Running EPS (Jca)</b>	Bds 13 cents
<b>Projected EPS</b>	Bds 15 cents
<b>Dividend Yield (FY 2005)</b>	3.60%
<b>Return on Assets (Avg)</b>	6.01%
<b>Return on Equity (Avg)</b>	10.11%

**Half Year ended March 31, 2006**

*All Figures Quoted in Barbados Dollars*

Fortress Caribbean Property Fund (CPF) had a flat half year as it reported Earnings Per Share of 4 cents for the period ended March 31, 2006 following the issue of 22.3 million new shares at \$1.40 which raised \$30.8 million. A quarterly comparison however reveals growth in Earnings Per Share of 50.00 per cent from 1.6 cents (Q1-06) to 2.4 cents (Q2-06).

In comparison to the Half Year ended March 31, 2005, the total assets of the Fund increased by 64.49 per cent to \$107.876 million while total net assets rose 51.11 per cent \$22.062 million. The Fund's Rental Properties including BET Building Joint Venture and the new CS&C Joint venture are performing well while Carlisle House has improved significantly as the building is now fully tenanted with the exception of one unit on the ground floor. Though the majority of the Fund's assets are in Property Investments (70.00 per cent), the Fund also comprises of \$11.883 million in Cash, Deposits & Marketable Securities, \$5.129 million in Available for Sale Securities, \$2.590 million in Real Estate Available for Sale and \$12.067 million in Real Estate Development. (See Figure 1) The Fund's Net Asset Value rose 8.80 per cent to \$1.36 (approximately TT\$4.20). (See Figure 2)

Total Revenues increased 41.02 per cent to \$4.047 million in 2006 from \$2.870 million in 2005 driven by a 29.30 per cent increase in Net Rental Income as its Property Investments increased 25.21 per cent. The Fund also had Fair Value Gains of \$0.214 million while Gain on Available for Sale Items fell 36.81 per cent to \$0.204 million. Interest Income however rose 22,163.04 per cent to \$0.360 million as Cash, Deposits & Marketable Securities rose 158.19 per cent to \$11.883 million. Other Income however fell 64.89 per cent to \$0.008 million.

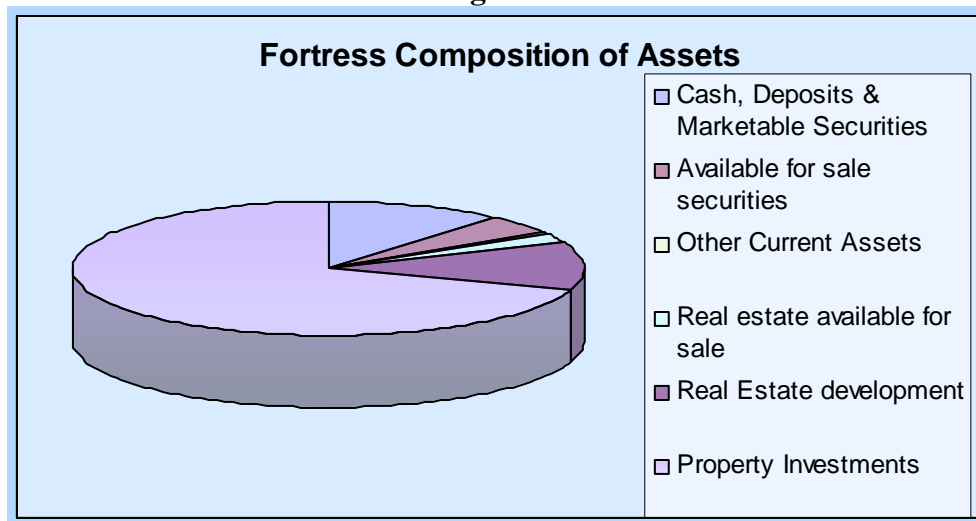
Total Expenses increased 57.34 per cent to \$1.567 million in 2006 from \$0.996 million in 2005 driven by a 61.30 per cent increase in Interest Expense to \$0.940 million and a 64.63 per cent increase in Fund Management & Adviser Fees to \$0.484 million. The increase in Fund Management & Adviser Fees may have been due to the fact that the Fund's portfolio of assets was under some reconstruction. Professional & Other Fees increased 26.97 per cent while Office & Administrative Expenses dropped 0.36 per cent to \$0.014 million. Ultimately, Net Income increased 40.94 per cent between 2005 to 2006 and 56.59 per cent between Quarter 1 to Quarter 2.

The Managers of the Fund have reached an agreement to sell the unit at Villas on the Beach at a price just above the appraised value. Construction has also commenced on construction of a villa at Tobago Plantation. The Managers have also paid deposits for the purchase of lots of land at two upscale golf and polo developments in Barbados.

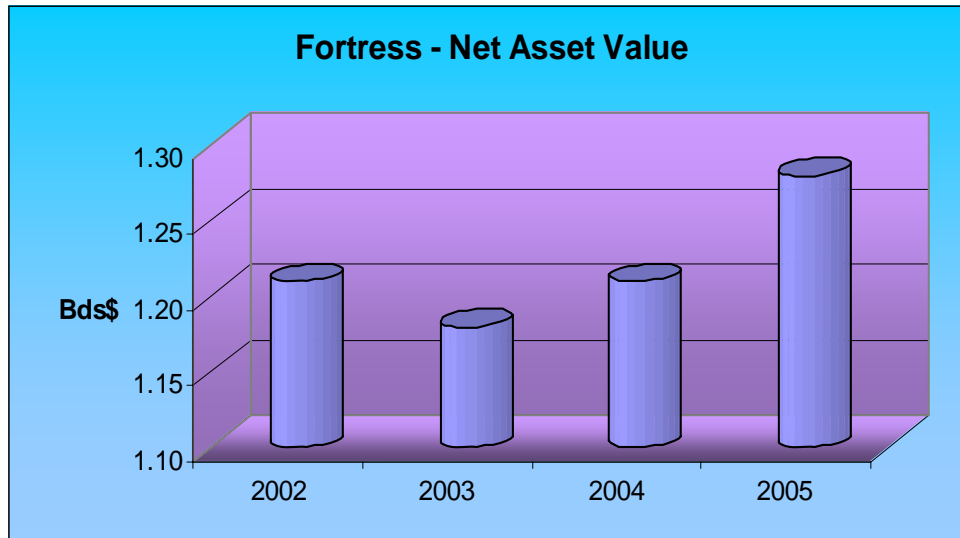
The expectation is for this Fund to grow slowly over the next two years as projects are currently more developmental in nature. It is however thought that the Fund will do well when the investments begin to mature.

In Trinidad, the share price of CPF has been stable since it was cross-listed (See Figure 3). CPF is currently trading at TT\$5.00. Given that there are expectations for a cooling in the property market in the US which could impact the Caribbean, in addition to the fact that recent increases in interest rates and the growing supply of new developments may slow the growth in property values in certain segments of the property market, we currently recommend a HOLD on this share.

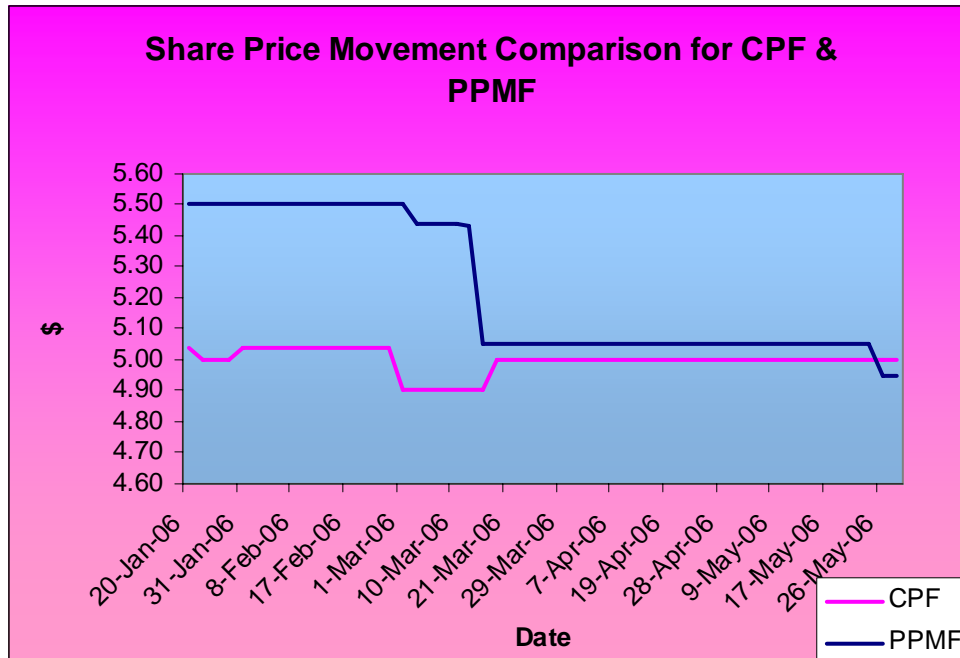
**Figure 1**



**Figure 2**



**Figure 3**



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