

Fortress Caribbean Property Fund

All figures quoted in Barbados Dollars unless otherwise stated

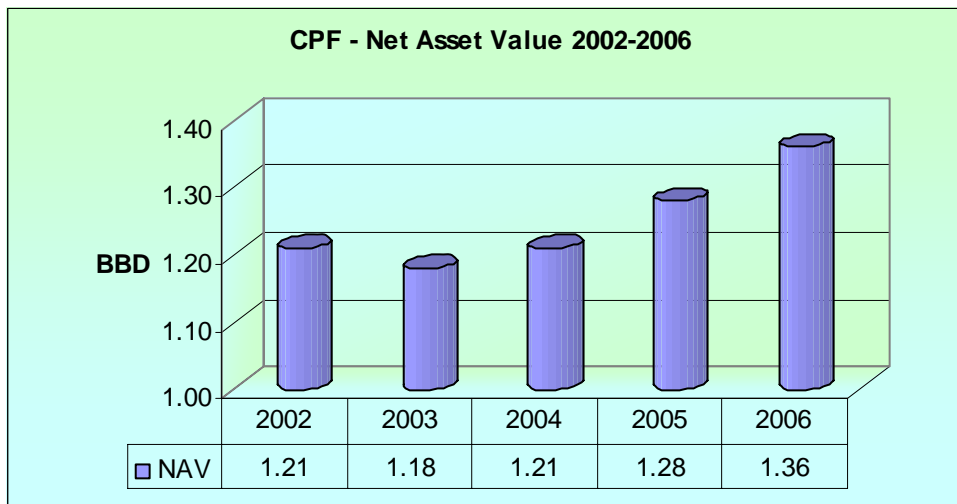
	CPF
RECOMMENDATION	HOLD
Current Price	TT\$ 4.90
Running EPS	\$ 0.10
Projected EPS	\$ 0.10
P/E at Projected EPS	15.71 times
Return on Assets	5.61 per cent
Return on Equity	7.52 per cent

Results for the Year Ended September 30, 2006

Net Asset Value

Fortress Caribbean Property Fund (CPF) reported an increase in its Net Asset Value (NAV) from \$1.28 as at September 30, 2005 to \$1.36 at the year ended September 30, 2006. Over the past five years the NAV has increased from \$1.21 to \$1.36 at a compound annual growth rate of 2.36 per cent.

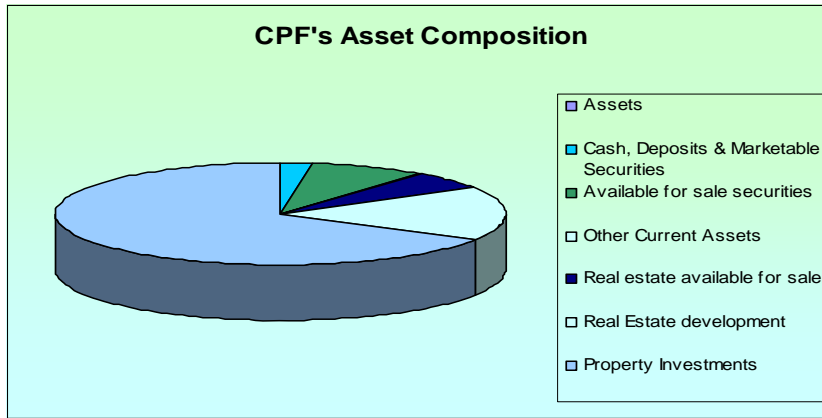
Figure 1



Asset Base

Total Assets rose 53.75 per cent to \$113.071 million with Property Investments remaining the biggest component of Total Assets and increasing 23.54 per cent from 2005. There were sizable increases in Real Estate Development of 634.47 per cent from \$2.596 million to \$19.065 million and Available for Sale Securities which rose from \$2.064 million to \$9.551 million.

Figure 2



Financials

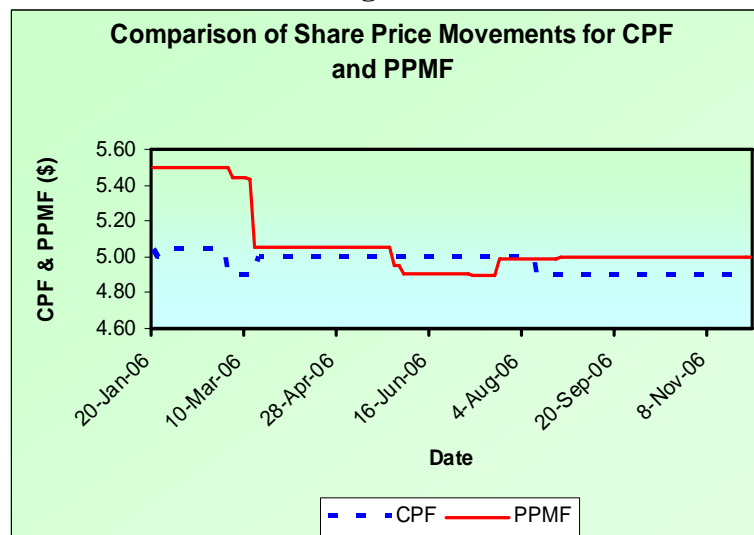
Revenues totaled \$9.679 million up 31.37 per cent from \$7.367 million in 2005. The main contributor to Revenue was Net Rental Income which made up over 67 per cent of the total. This item rose 28.44 per cent from 2005 to \$6.489 million in 2006. Fair Value Gains increased 42.03 per cent to \$2.590 million while Interest Income enjoyed a sizable increase from \$0.002 million to \$0.427 million. Gain on Available for Sale Items fell 73.27 per cent to \$0.122 million.

Expenses however rose by a larger margin than Revenues due to hefty increases in Interest Expenses and Fund Management & Adviser Fees. Total Expenses actually grew 52.49 per cent to \$3.141 million while Interest Expenses and Fund & Adviser Fees rose by 41.39 per cent and 78.90 per cent respectively.

Ultimately, Net Income before Minority Interest rose 23.17 per cent to \$6.538 million while Net Profit on Ordinary Activities rose 24.39 per cent to \$5.236 million.

Share Price

Figure 3





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The shares of CPF have been unable to recapture the price of TT\$5.04 at which it listed in January. Subsequent to listing, after trading flat for a couple months, the share fell to TT\$5.00 before settling at its current price of TT\$4.90. This activity is also comparable to the other property based mutual fund share in the Mutual Fund Market, Praetorian Property Mutual Fund (PPMF) which also trades flat for long periods of time (See Figure 3).

Outlook & Recommendation

Given these results we are forecasting Earnings Per Share of \$0.10 for the year ended September 30, 2007. At the current market price of TT\$4.90, CPF is trading at a high price/earnings ratio of 15.71 times. Its market to book value is approximately 1.15 times. It was stated in CPF's Annual Report for 2005 that the Managers of the Fund expect it to grow slowly over the next two years due to the developmental status of the Fund. Despite the fact that the Fund is trading at a relatively low market to book value, due to the cooling of the property market in the US which could impact the Caribbean coupled with the growing supply of developments, we currently recommend a HOLD on this share.



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Figure 4

Caribbean Fortress Property Fund			
Financial Data			
	Year End	Year End	
	BBD	BBD	
Revenues	30-09-06	30-09-05	% Change
Net Rental Income	6,488,999	5,052,207	28.44%
Fair Value Gains	2,590,356	1,823,774	42.03%
Gain on available for sale	121,691	455,251	-73.27%
Interest Income	426,710	1,618	26272.68%
Other Income	50,878	34,616	46.98%
Total Revenues	9,678,634	7,367,466	31.37%
Expenses			
Interest Expense	1,747,416	1,235,926	41.39%
Fund Management & Adviser Fees	1,113,050	622,170	78.90%
Professional & Other Fees	217,999	141,712	53.83%
Valuation Fees	15,000	33,006	-54.55%
Office & Admin Expenses	33,584	15,000	123.89%
Directors Fees	15,000	12,000	25.00%
Total Expenses	3,141,049	2,059,814	52.49%
Net Income before minority interest	6,537,585	5,307,652	23.17%
Minority Interest	-1,302,073	-1,098,664	18.51%
Net Income	5,235,512	4,208,988	24.39%
Earnings Per Share	0.10	0.13	-23.08%
Price as at September 30, 2006	\$ 4.90	Not Listed in T&T	
Dividends	\$ 0.06		
Dividend Yield	3.50%		
Dividend Payout Ratio	55.00%		
Net Asset Value Per Share-	1.36	1.28	6.25%
Market To Book Ratio	1.15		
Shares Outstanding	33,490,261	33,490,261	

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