



Praetorian Property Mutual Fund

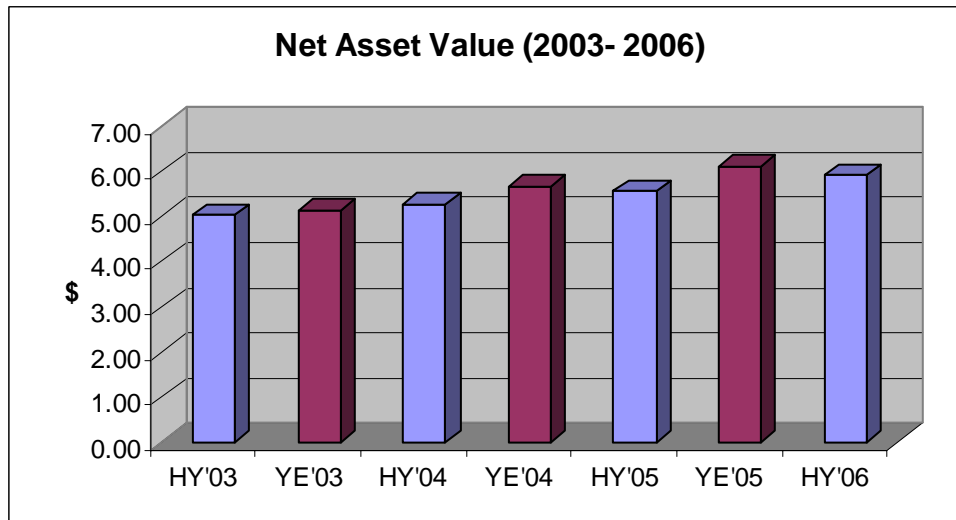
	PPMF
RECOMMENDATION	LONG TERM BUY
Net Asset Value (Unit)	\$5.92
Current Price	\$4.90
Running EPU	\$0.66
Running P/E	7.42
EPU (HYE 2006)	\$0.12
Projected EPU (FY 2006)	\$0.70
Dividend Yield (FY 2005)	6.12%
Return on Assets	1.92%

Half Year Ended March 31, 2006

Net Asset Value

For the half year ended March 31, 2006, Praetorian Property Mutual Fund (PPMF) reported a Net Asset Value (NAV) of \$5.92, which was 3.00% lower than the September 30, 2005 NAV of \$6.11. While the half year NAV is lower than the prior year end NAV, the general trend for the fund is a minimal but steady growth in NAV year on year. (See Exhibit I)

Exhibit I



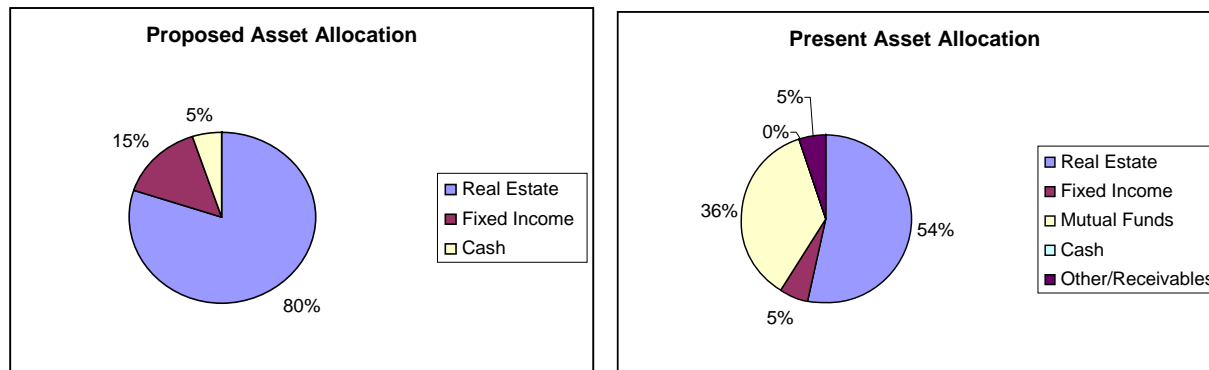
Asset Allocation

The Fund's Total Assets decreased 3.59% from \$251.90 million as at September 30, 2005 to \$242.85 million in the current period. Investment Properties grew 8.99% to \$129.77 million and continued to be the largest component of Total Assets (53.44%). PPMF's holdings in Mutual Funds fell 18.80% to \$88.47 million and now represent 36.43% of the funds portfolio of assets; compared to 43.25% as

COMPANY UPDATE

at September 30, 2005. Fixed Income Investments for the period amounted to \$12.60 million which was up by a marginal 0.40 % on the prior year end period.

The Fund's Proposed Asset Allocation is Real Estate 80%; Fixed Income Securities (15%) and Cash Reserve (5%). However, the Present Asset Allocation is Real Estate (54%); Fixed Income Securities (5%); Mutual Funds (36%); Cash (-0.02%) and other/Receivables (5%).(See Charts Below)



As at the end of the period, the property classes held by the fund included (as a percentage of Total Net Assets): Residential (9%); Commercial (35%); Resort/Leisure (10%); Retail (2%). (N.B. there may be small percentage differences due to rounding off of figures)

Dividends

Dividends of \$12 million, representing 30 cents per Unit, were paid to Unit holders in January 2006 for the period ended September 30, 2005. For the year ended September 30, 2004, the fund paid out dividends in the amount of \$10 million or 25 cents per Unit.

Earnings per Unit (EPU)

The EPU of PPMF stands at \$0.12 for the half year ended March 31, 2006, which is 14.29% or \$0.02 lower than the prior half year period ended March 31, 2005.

Financials (See Table I)

Total Income for the period increased marginally by 5.59% from \$8.72 million at the half year ended March 31, 2005 to \$9.21 million for the current period. The main income driver was Rental Income, which increased by 16.98% from \$4.47 million in 2005 to \$5.23 million in 2006 which contributed 56.77% to Total Income.

Total Expenses for the period increased considerably by 38.48% from \$3.26 million in the comparable prior half year period to \$4.52 million in the current period. Fees, Commissions and Service Charges made up 95.99% of Total Expenses.

Net Investment Income before Taxation decreased by 14.08% from \$5.46 million in the prior half year ended March 31, 2005, to \$4.69 million in the current period. The Effective Tax Rate increased



from 0.16% to 0.58% over the comparable periods. Net Investment Income after Taxation decreased by 14.44% from \$5.45 million to \$4.66 million.

TABLE I – INCOME STATEMENT COMPARISON (HY 2006 and HY 2005)

	HY'06	HY'05	% Change
Income			
Interest Income	2,960,859	3,480,545	-14.93%
Service Charge	695,113	664,885	4.55%
Rental Income	5,228,385	4,469,382	16.98%
Net Realized and Unrealized Exchange Gains	325,524	107,119	203.89%
Total Income	9,209,881	8,721,931	5.59%
Expenses			
Fees, Commissions and Service Charges	(4,339,740)	(3,162,524)	37.22%
Other Expenditure	(181,478)	(102,272)	77.45%
Total Expenses	(4,521,218)	(3,264,796)	38.48%
Net Investment Income Before Taxation	4,688,663	5,457,135	-14.08%
Taxation	(27,181)	(8,721)	211.67%
Net Investment Income After Taxation	4,661,482	5,448,414	-14.44%

Property Acquisitions

PPMF made two purchases in St. Lucia: a luxury penthouse unit at Discovery, Marigot Bay and a condominium at the Landings at Rodney Bay. The penthouse is one of 57 units of a resort and marina development and will be managed by GLA Hotels International. It is expected to be completed by July 2006. Early rentals are expected to be strong for the condominium because of the upcoming Cricket World Cup in 2007.

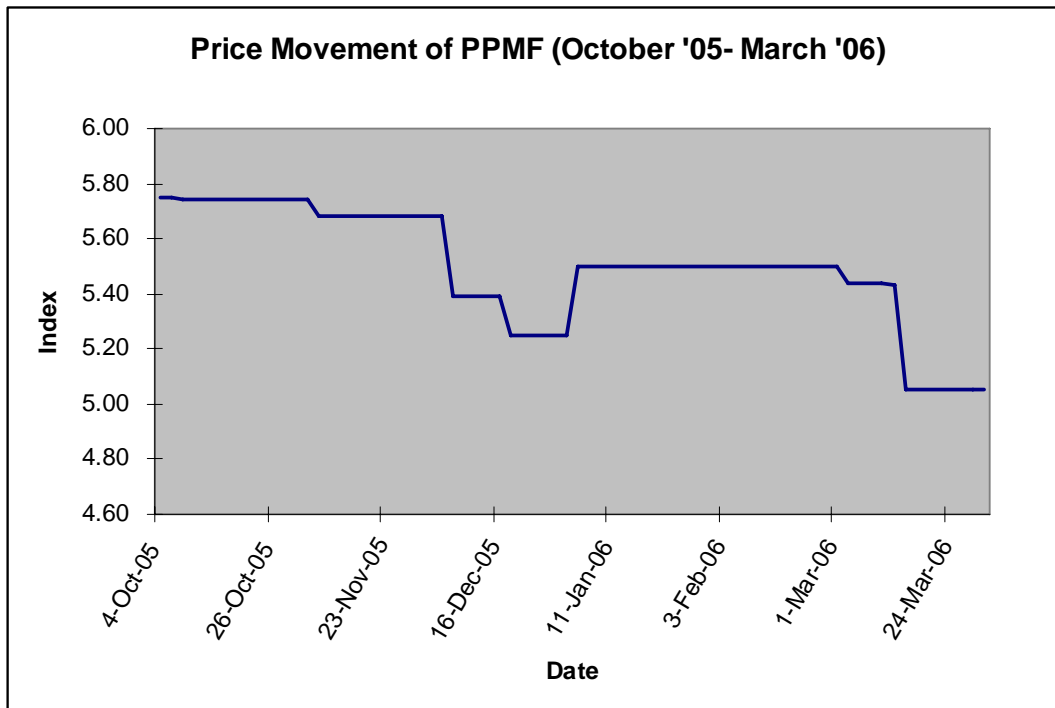
A major Retail acquisition agreement in St. Maarten was terminated as the PPMF was unable to negotiate successfully with the developer on certain structural modifications. Additionally, expansion opportunities in the Resort and Residential areas of Jamaica and Martinique were turned down due to low cash yields and higher vacancy rates in the sectors within these markets.

The Portfolio Managers of the fund have also shown interest in a Lot in the Apes Hill Development in Barbados and expect to conclude this transaction within the financial year.



Recommendation

The Market Price of the PPMF is currently \$4.90 per Unit, and is therefore trading at a discount of 17.23% to the NAV as at March 31, 2006. For the half year ended March 31, 2006, market prices moved within the range of \$5.05 to \$5.75, which were also below the Net Asset Value. At a current price of \$4.90 and Running EPU of \$0.66, the units of PPMF are trading at a low P/E multiple of 7.42 times. Property Revaluations for the fund are usually done at year end, as such earnings are usually greater in the second half of the fiscal year. Taking this and other factors into consideration, we forecast an EPU for 2006 of approximately \$0.70, which at the current price translates to a P/E multiple of 7 times. Thus, given these fundamentals: discounted price of \$4.90; low P/E multiple and attractive Dividend Yield of 6.12%- we recommend a **LONG TERM BUY**.



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