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Praetorian Property Mutual Fund(PPMF)

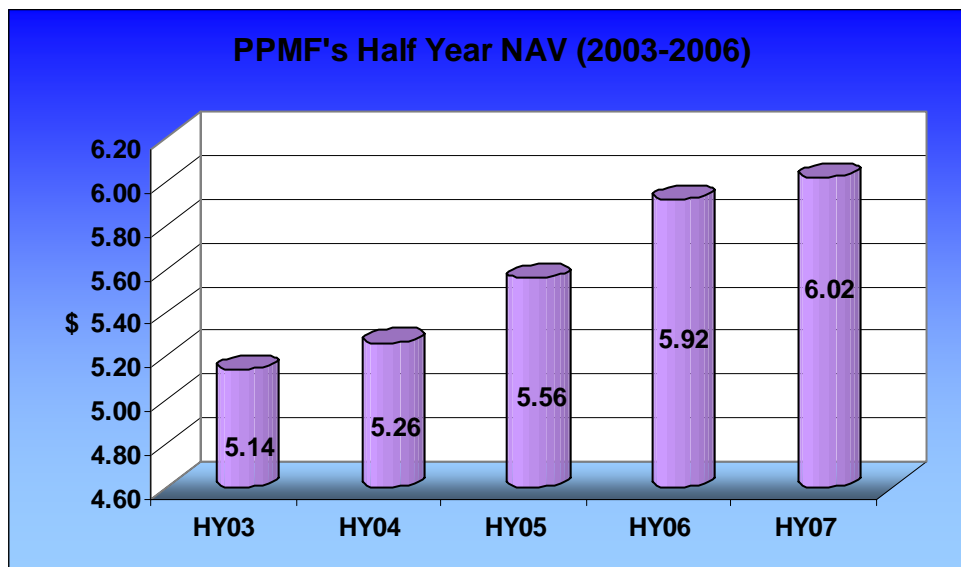
	<u>PPMF</u>
RECOMMENDATION	Long Term BUY
Current Price	\$5.00
NAV@ Half Year Ended March 31, 2007	\$6.02
Estimated Dividend	\$0.36
Dividend Yield @ Estimated Dividend	7.20 %
Return on Assets	4.14%
Return on Equity	4.28%

Results for the Half Year Ended March 31, 2007

Net Asset Value

For the Half Year Ended March 31, 2007, Praetorian Property Mutual Fund (PPMF) reported a Net Asset Value (NAV) of \$6.02, which was 3.22 per cent lower than the September 30, 2006 NAV of \$6.22. However, during the Half Year Ended March 31, 2007, the trustees of PPMF paid a dividend to unit holders as at January 13, 2007 of 33 cents, representing a 10 per cent increase over the previous year. Thus, if the NAV as at September 30, 2006 is adjusted for the proposed distribution, the NAV for HY07 would be up 2.21 per cent on the adjusted NAV of \$5.89. **Graph 1** below shows the Half Year NAV for PPMF over the period 2003-2007.

Graph 1



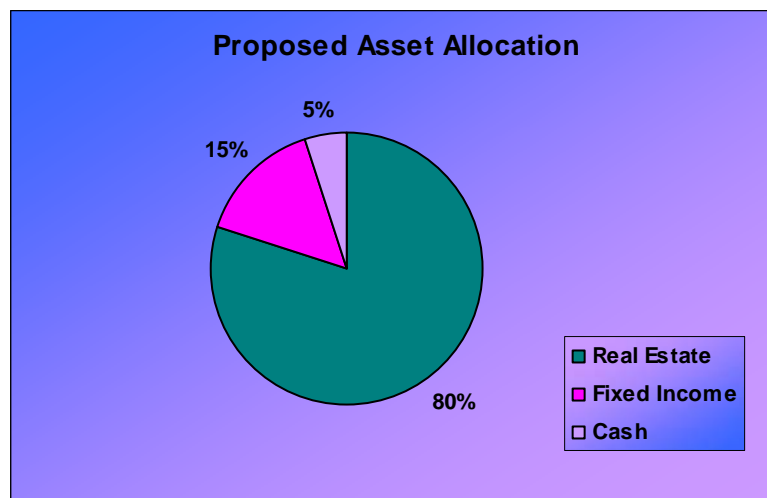


Assets

The Fund's Total Assets decreased by 3.22 per cent from \$257.08 million as at September 30, 2006 to \$248.80 million in the period under review. For the Half Year Investment Properties stood at \$145.02 million, up 7.03 per cent on the figure for FY06. Rental Income Receivable saw the largest increase moving from \$8.74 million as at September 30, 2006 to \$11.48 million in the period under review, an increase of 31.30 per cent. PPMF's holdings in Mutual Funds fell a significant 20.37 per cent to \$78.90 million and as at March 31, 2007 represented 31.71 per cent of the Fund's portfolio of assets.

Following the signing of the Heads of Agreement in March 2007 for the purchase of a property in Bridgetown, Barbados, PPMF's technical and legal advisors were busy with the due diligence process. After which, the Portfolio Managers engaged the Vendor in several negotiations which led to the signing of a Purchase Agreement. The completion of this transaction would bring the property portfolio at 80 per cent of the Fund, which at inception was the target allocation for this asset class. (See Graph 2 for Proposed Portfolio Asset Allocation)

Graph 2



The Accumulated Surplus for the Half Year stood at \$40.93 million which brought the Total Fund Value to \$240.93 million.

Financials

Total Income for the Half Year under review amounted to \$9.93 million, up 7.78 per cent on the comparable figure of \$9.21 million for HY06. The main income driver was Rental Income which increased 10.21 per cent to \$5.76 million and contributed 58.05 per cent to the Total Income. While Net Realized and Unrealized Exchange Gains saw the largest increase of 122.52 per cent, moving from \$0.33 million in HY06 to \$0.72 million in HY07.

Total Expenses ended the period at \$4.67 million, up a marginal 3.25 per cent from \$4.52 million in the corresponding period of FY06. Fees, Commissions and Service Charges made up 98.42 per cent of Total Expenses to end the period at \$4.59 million, up 5.87 per cent on the comparable figure for HY06.



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Net Investment Income Before Taxation stood at \$5.26 million, up 12.14 per cent or \$0.57 million on the same period in the last financial year. The Effective Tax Rate for the period under review was 0.37 per cent compared to a Tax Rate of 0.58 per cent for the Half Year Ended March 31, 2006. Thus, Net Investment Income After Taxation was \$5.24 million, up 12.38 per cent on the same figure for FY06.

Table 1 shows PPMF's Half Year Financials over the period 2005-2007

Table 1

Praetorian Property Mutual Fund Half Year Financial Comparison 2005 - 2007							
	HY07	\$ Change HY07 on HY06	% Change HY07 on HY06	HY06	\$ Change HY06 on HY05	% Change HY06 on HY05	HY05
Income							
Interest Income	2,821,932	(138,927)	-4.69%	2,960,859	-519,686	-14.93%	3,480,545
Service Charge	617,835	(77,278)	-11.12%	695,113	30,228	4.55%	664,885
Rental Income	5,761,992	533,607	10.21%	5,228,385	759,003	16.98%	4,469,382
Net Realized and Unrealized Exchange Gains	724,372	398,848	122.52%	325,524	218,405	203.89%	107,119
Total Income	9,926,131	716,250	7.78%	9,209,881	487,950	5.59%	8,721,931
Expenses							
Fees, Commissions and Service Charges	4,594,333	254,593	5.87%	4,339,740	7,502,264	-237.22%	(3,162,524)
Other Administrative Expenses	73,884	(107,595)	-59.29%	181,479	283,751	-277.45%	(102,272)
Total Expenses	4,668,217	146,998	3.25%	4,521,219	7,786,015	-238.48%	(3,264,796)
Net Investment Income Before Taxation	5,257,914	569,251	12.14%	4,688,663	-768,472	-14.08%	5,457,135
Taxation	19,492	(7,689)	-28.29%	27,181	35,902	-411.67%	(8,721)
Net Investment Income After Taxation	5,238,422	576,940	12.38%	4,661,482	-786,932	-14.44%	5,448,414



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Table 2 shows PPMF's Year End Financials for 2005 & 2006

Table 2

Praetorian Property Mutual Fund Year End Financial Comparison 2005 & 2006			
Income Statement	YE'06	YE'05	Change
	\$	\$	%
Income			
Interest Income	6,129,062	6,983,478	-12.23%
Service Charge	1,086,644	1,208,772	-10.10%
Rental Income	11,114,700	9,850,364	12.84%
Net Realized and Unrealized Exchange Gains	35,054	40,430	-13.30%
Unrealized investment gains	0	62,867	-100.00%
Market value Appreciation	6,974,784	17,128,773	-59.28%
Total Income	25,340,244	35,274,684	-28.16%
Expenses			
Fees, Commissions and Service Charges	(8,234,745)	(7,815,399)	5.37%
Other Administrative Expenses	(369,661)	(136,553)	170.71%
Total Expenses	(8,604,406)	(7,951,952)	8.20%
Net Investment Income Before Taxation	16,735,838	27,322,732	-38.75%
Taxation	(96,675)	(54,128)	78.60%
Net Investment Income After Taxation	16,639,163	27,268,604	-38.98%
Earnings per Share (cents)	41.60	68.17	-38.98%
Market Price @ Financial Year End	5.00	5.75	-13.04%
P/E Ratio @ Financial Year End	12.02	8.43	
Dividend (cents)	33.00	30.00	10.00%
Dividend Payout Ratio (%)	79.33%	44.01%	
Dividend Yield	6.60%	5.22%	
Net Asset Value	6.22	6.11	1.80%
Market to Book Ratio	0.80	0.94	-14.58%
Return on Assets	6.54%	11.57%	-43.47%
Shares Outstanding	40,000,000	40,000,000	



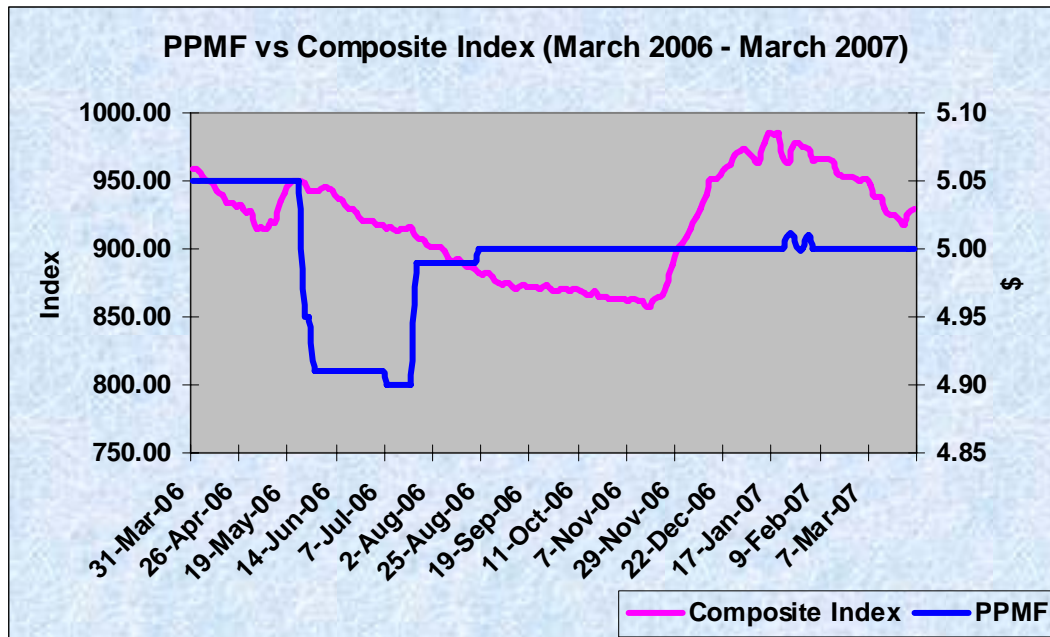
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Share Price

Over the 52 week period March 2006 to March 2007, PPMF saw a high of \$5.05 and a low of \$4.90 before ending the twelve months at \$5.00. The share has traded mostly flat since August 2006. **Graph 3** below shows PPMF's share price movement against the Composite Index over the period March 2006 to March 2007.

Graph 3



Recommendation

PPMF last closed at a price of \$5.00 on the local exchange and is therefore trading at a discount of 20.40 per cent to the NAV as at March 31, 2007. We continue to recommend a **Long Term BUY** on PPMF.

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