

Praetorian Property Mutual Fund

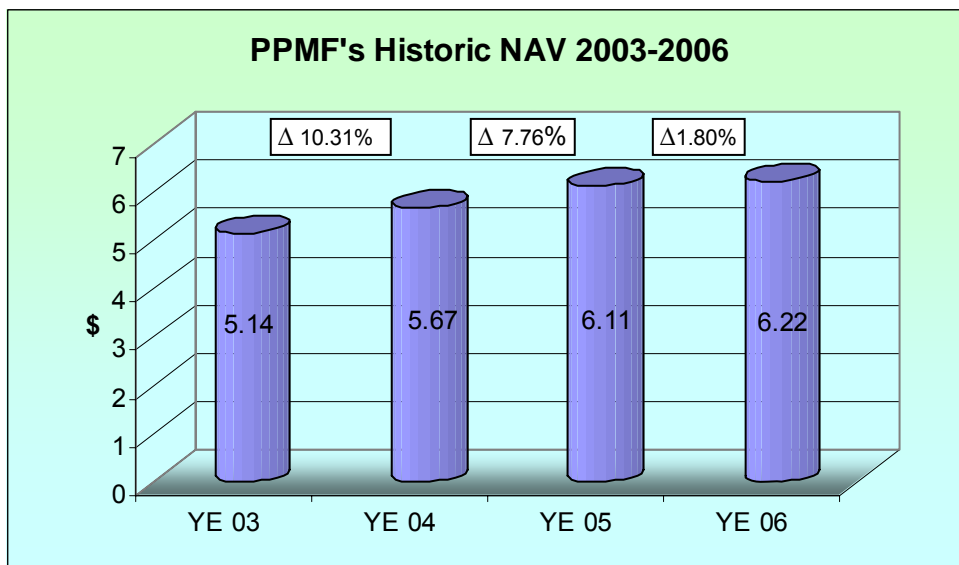
	PPMF
RECOMMENDATION	Long Term Buy
Current Price	\$5.00
Running EPS	41.60 cents
Projected EPS	45 cents
P/E at Projected EPS	11.11 times
Projected Dividend	35 cents
Dividend Yield	7.00 per cent
Return on Assets	6.54 per cent
Return on Equity	6.74 per cent

Results for the Year Ended September 30, 2006

Net Asset Value

Praetorian Property Mutual Fund (PPMF) reported an increase in its Net Asset Value (NAV) of 1.80 per cent from \$6.11 to \$6.22 for the year ended September 30, 2006. This is somewhat short of the projections done in the Prospectus which initially approximated a NAV of \$6.58 at September 30, 2006. The NAV after distribution of dividend would amount to \$5.89. The accumulated surplus was recorded at \$35.7 million compared to \$32.2 million for 2005. Over the past four years, PPMF's NAV climbed over 10 per cent from 2003/2004 but was not able to maintain this momentum in 2005 and 2006. (See Figure 1)

Figure 1



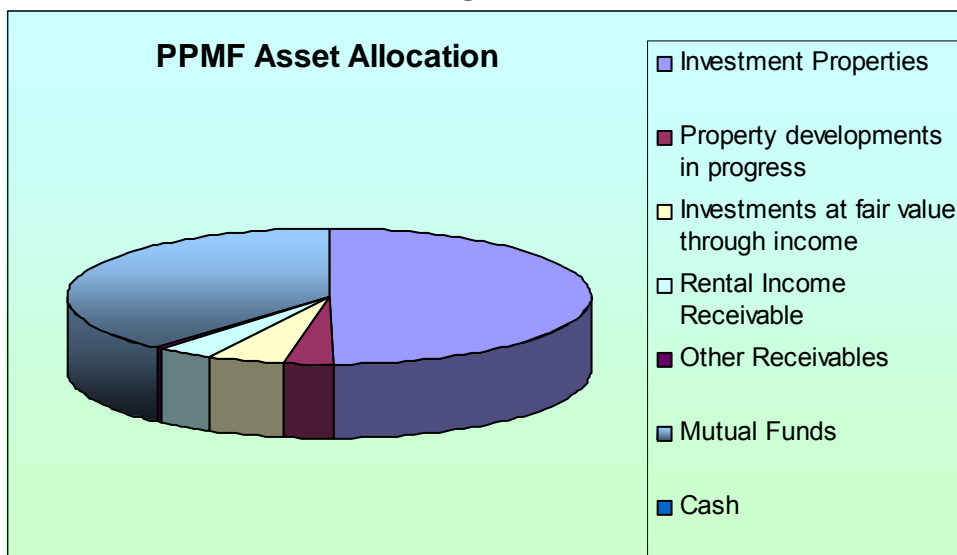
Assets

Total Assets increased 2.06 per cent to \$257.078 million with Investment Properties increasing 1.11 per cent to \$127.758 million as all investment properties in the Fund continued to enjoy appreciation in market value.

At the end of the year, the property classes held by the Fund as a percentage of the investment properties were as follows: Residential - 17 per cent, Commercial – 63 per cent, Resort/Leisure - 20 per cent. Investment Properties collectively accounted for 52.71 per cent of the Fund. Successful due diligence on a Barbados commercial property and subsequent acquisition would place investment properties at 80 per cent which is the Fund’s optimum target.

\$99.081 million are still held in short term funds to facilitate property purchases. Hence, Mutual Funds still comprise a sizable portion of the Fund making up 38.54 per cent of the Fund’s assets compared to 43.25 per cent at the end of 2005 (See Figure 2). If the commercial property in Barbados is acquired approximately 11 per cent of the Fund would remain in short term funds.

Figure 2



Financials

Total Income fell 28.16 per cent to \$25.340 million in large part due to a smaller increase in Market Value Appreciation compared to 2005. The year 2005 saw an increase in the market value of \$17.129 million compared to \$6.974 million in 2006. Interest Income fell 12.23 per cent to \$6.129 million while Service Charges dropped 10.10 per cent to \$1.087 million. The only source of income showing an increase was Rental Income which rose 12.84 per cent to \$11.115 million.

Total Expenses rose 8.20 per cent to \$8.604 million as Fees, Commissions & Service Charges rose 5.37 per cent to \$8.235 million while Administrative Expenses rose 170.71 per cent to \$0.369 million.



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Net Investment Income Before Tax fell 38.75 per cent to \$16.736 million while the Effective Tax Rate fell from 0.20 per cent in 2005 to 0.58 per cent in 2006. Net Investment Income After Taxation ultimately fell 38.98 per cent to \$16.639 million.

Dividends

The Trustees have declared a dividend of 33 cents per unit which represents a 10 per cent increase over 2005. The dividend payment will apply to unit holders on the Register as at January 13, 2007. At the current price, the dividend yield is an attractive 6.60 per cent.

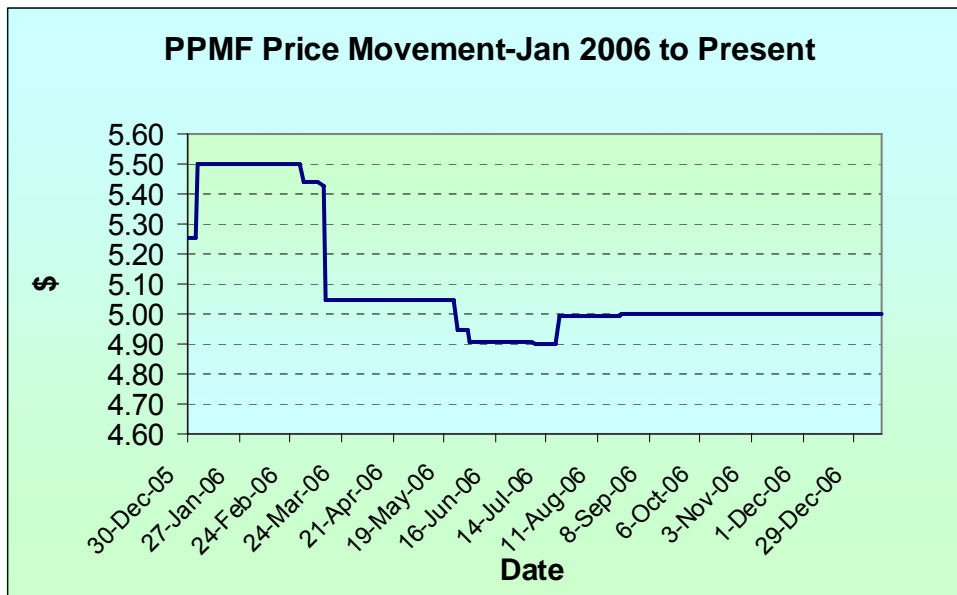
Property Development

The Portfolio Managers continued their aggressive pursuit of investments in the Region intending to catch opportunities from the Cricket World Cup 2007 to be hosted in the Caribbean. In this regard, the Unit at Discovery in Marigot Bay and the Landings at Rodney Bay both in St Lucia are on course for completion.

Share Price

For the past year this share has traded as high as \$5.50 and as low as \$4.90. It started the year 2006 at \$5.25 and subsequently climbed to \$5.50 before falling \$5.05. It traded as low as \$4.90 before advancing to its current price of \$5.00 (See Figure 3).

Figure 3



Recommendation

The market price of PPMF is currently \$5.00 which means that it is trading at a discount of 19.61 per cent to the NAV. Given this information coupled with the attraction of the Fund's dividend yield, we maintain our recommendation of a Long Term Buy.



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Figure 4

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 Realised and Unrealised Exchange Gains	35,054	40,430	-13.30%
Unrealised 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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