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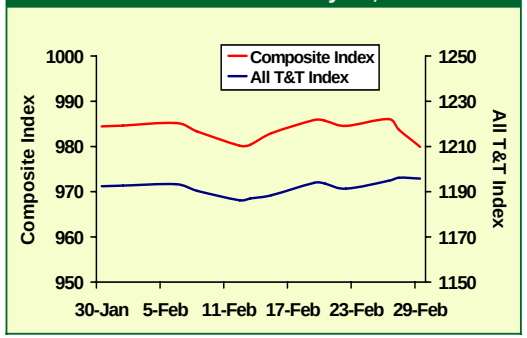
THE WISE CHRONICLE
February 2008

Local Market Summary

Trading activity picked up in February as 12,735,297 shares crossed the floor compared to 5,062,958 shares in the previous month. Also, when compared to the same period in 2007, the volume traded was up a healthy 20.94 per cent from 10,530,138 shares traded. However, the value of shares traded for the month under review was $132,755,243.42 down a substantial 52.07 per cent on February 2007. This was mainly due to the fact that the comparable month in 2007 had significant trading activity in the highest priced share on the market (RBL).

The Indices ended February in mixed territory. The Composite Index dropped 4.5254 points or 0.46 per cent to close at 979.9157; while the All T&T Index gained 3.3908 points or 0.28 per cent to end the month at 1,195.7962. Advances outnumbered declines in a close ratio of 12 to 10.

TTSE Market Summary for the Month Ended February 29, 2008



Volume Leaders

The volume leader for a second consecutive month was National Commercial Bank (Jamaica) Limited (NCBJ) with 5,071,371 shares traded or 39.82 per cent of the market. FirstCaribbean International Bank Limited (FCI) was next in line with 1,802,518 shares traded or 14.15 per cent of the total market. While Jamaica Money Market Brokers Limited (JMMB) dropped one spot from last month to be the third volume leader with 1,270,458 shares traded or 9.98 per cent of all trades.

Major Advances & Declines

GraceKennedy Limited (GKC) was the major advance for the month, up 10 per cent or $0.70 to end at $7.70. National Flour Mills Limited (NFM) was next in line, moving up 8.05 per cent or $0.07 to $0.94. While National Enterprises Limited (NEL) followed as the third major advance up 7.03 per cent or $0.46 to close the month at $7.00.

Leading the declines was Prestige Holdings Limited (PHL) which dropped a significant 18.21 per cent or $1.00 to close at $4.49. Dehring, Bunting and Golding Limited (DBG) was the second major decline, down 6.82 per cent or $0.15 to end the month under review at $2.05. The third major decline went to Ansa Merchant Bank Limited (AMBL) which fell by 4.35 per cent or $1.00 to close at $22.00.

Jamaica Market Summary

The Jamaican Market also ended the month in mixed territory. The Market Index declined by 29.75 points or 0.03 per cent to close at 108,463.97; the Select Index rose 218.70 points or 6.82 per cent to 3,206.04 and the All Jamaican Composite climbed 7,688.41 points or 6.58 per cent to 116,805.27. Advances outnumbered declines by a ratio of 26 to 14.

Trading activity resulted in 338,339,906 shares changing hands valued at over JMD3,669,542,820.56. Cable and Wireless Jamaica Limited (CWJA) was the volume leader commanding 23.60 per cent of the market with 79,848,881.00 shares traded. The major advance for a second consecutive month was Ciboney Group Limited (CBNY) which rose 150 per cent or JMD0.03 to close at JMD0.05; while the major decline was Capital and Credit Merchant Bank Limited (CCMB) which fell 16.53 per cent or JMD1.98 to close at JMD10.00.

FCI Releases First Quarter Results (Q108)

Results for the First Quarter Ended January 31, 2008

All figures quoted in United States Dollars unless otherwise stated

Earnings Per Share

The first quarter of fiscal 2008 was a rare yet challenging quarter for FirstCaribbean International Bank Limited (FCI). The Bank reported Earnings Per Share (EPS) of 2.7 cents, down a significant 48.15 per cent on the comparable period in fiscal 2007. However, this was due to the fact that the prior year's comparative included a one off gain of $15.4 million in relation to changes of policy health benefits while the quarter under review included a one off loss of $7.2 million in relation to hedge accounting (See Below). If we exclude the two one off items: year on year, the Net Income was up 6.5 per cent and EPS would be up 6.7 per cent from approximately 3 cents (Q107) to 3.2 cents (Q108).

Two significant factors affecting Q108's Earnings:

1) Global Credit Spreads- Earnings on US dollar investment portfolios continued to be adversely impacted by widening of credit spreads which started during the third quarter of last fiscal year. Earnings on the portfolios for the quarter were $15.9 million below the prior year's comparative.

2) Hedge Accounting- In the prior year the Group was unable to claim hedge accounting for certain interest rate hedges. The impact on the current quarter was an accounting loss of $7.2 million greater than the prior year comparative. The Group has since reinstated these hedges from an accounting perspective and as such accounting losses are not expected to occur in the future quarters.

Financials

- Net Interest Income amounted to $105.63 million, down a marginal 0.24 per cent on the figure for Q107.
- Operating Income totalled $17.5 million, down a significant 37.20 per cent on Q107.
- Net Loans & Advanced stood at $6.3 billion, up 3.18 per cent on the year end value.
- Customer Deposits & Other Borrowings amounted to $9.5 billion, down on the year end value by 5.8 per cent.

Impact of VISA Restructuring
In the last quarter of fiscal 2007, FCI estimated the impact of the VISA restructuring on its earnings to be a gain of $52.4 million. However, on February 25, 2008, VISA announced its intent to proceed with an initial public offering of its class A shares in the range of $37 to $42 per share. This suggests that the fair value of VISA shares is $15 million to $19 million lower than FCI's book value. As a result, should the IPO and mandatory redemption of shares occur in the second quarter of fiscal 2008, FCI will likely record a loss on sale in respect of those shares.

Recommendation
Although the Bank's core operations were up approximately 6.5 per cent, year on year; the overall EPS has been affected by one off items and with the anticipated negative impact with respect to the VISA IPO, we are revising our Forecasted EPS downwards to 11.5 cents (TT$0.73). At the price of TT$12.50 (as at February 29, 2008) and the revised Forecasted EPS this share is trading at a high multiple of 17.12 times. Thus, we recommend a **SELL** on this share

GKC Releases Year End Results

Results for the Year Ended December 31, 2007

All figures quoted in Jamaica Dollars unless otherwise stated

Earnings Per Share
GraceKennedy Limited (GKC) had a commendable fiscal 2007. For the Year Ended December 31, 2007, the Jamaican conglomerate reported Earnings Per Share (EPS) of $10.45, up a significant 86.3 per cent or $4.84 on the comparable EPS of $5.61 in fiscal 2006. This exceptional growth is largely due to the fact that the Group completed the sale of 25 per cent of its shareholding in GraceKennedy Money Services Caribbean SRL (GKMS Caribbean) to the Western Union affiliate MT Caribbean Holdings (Western Union) for a consideration of US$29 million. The actual profit realized from the sale was approximately 62 per cent of the consideration value or $1.3 billion. Excluding this one-off gain, the Group's EPS was still up an outstanding 35.3 per cent year on year, from $5.61 (FY06) to approximately $7.59 (FY07).

Financials

- Revenue increased a significant 35.1 per cent or $12.7 billion to $48.7 billion.
- Expenses rose 33.1 per cent or $11.4 billion to $45.7 billion.
- Operating Income amounted to $3.0 billion, up a noteworthy 74 per cent or $1.3 billion on FY06
- Profit Before Taxation ended the fiscal year at $4.8 billion, up a commendable 90.2 per cent or $2.3 billion on the previous financial year.

- Return on Equity and Return on Assets (excluding the impact of the gain on the sale) was 11.3 per cent and 3 per cent respectively. For FY06, these performance indicators stood at 11 per cent (ROE) and 2.9 per cent (ROA).

Dividends
A second dividend payment of 70 cents per share was paid on December 10, 2007 bringing the total dividend paid for the year to $1.15 (2006: $1.05).

Outlook
It is evident from the Group's performance in fiscal 2007, that GKC is starting to reap the benefits from the reorganized corporate structure established in December 2006. After showing negative growth in EPS over the period 2004 to 2006, the Group has made a healthy turnaround in fiscal 2007. The improved efficiencies, the expansion of the Grace line into the international market, and developments within their financial services division will continue to serve the Company well in fiscal 2008.

Recommendation
For FY08, we have forecasted an EPS of $0.83, which at the price of $7.70 (as at February 29, 2008) translates to a P/E of 9.3 times. At the forecasted EPS and a multiple of 10 times, this share has an expected return of approximately 8 per cent on the current price or a target price of $8.30. We continue to recommend a **BUY** on this share.

A Member of the RBTT FINANCIAL GROUP

West Indies Stockbrokers Limited (WISE) is a subsidiary of RBTT Financial Group. From time to time WISE and/or its staff may take positions in some or all of the shares mentioned in our report. WISE welcomes your comments. Please e-mail us at info@wisett.com.

WISE STOCK MARKET QUOTATIONS AS AT FEBRUARY 29, 2008

	Hist Eps	Est Eps	Est Div	Curr Price	Est Yield %	Est P/E Ratio
Bank						
FirstCaribbean	107.0	73.0	28.0	12.50	2.24	17.12
NCB Jca	25.0	28.0	7.0	2.09	3.35	7.46
RBTT Fin Hold	276.0	270.0	125.0	34.72	3.60	12.86
Republic Bank	834.0	725.0	300.0	83.04	3.61	11.45
Scotiabank	210.4	230.0	90.0	29.50	3.05	12.83
Non-Bank Fin						
ANSA Fin & Merch	177.0	200.0	85.0	22.00	3.86	11.00
Capital & Credit	6.5	7.0	0.0	0.90	0.00	12.86
DB&G	29.0	30.0	12.0	2.05	5.85	6.83
Guardian Holdings	-114.0	0.00	15.0	22.04	0.68	0.00
JMMB	7.0	7.0	1.8	1.01	1.78	14.43
National Enterprises	46.0	80.0	70.0	7.00	10.00	8.75
Sagicor Financial Corp	158.0	190.0	48.0	15.30	3.14	8.05
Conglomerates						
Ansa Mcal Ltd	276.0	350.0	95.0	46.84	2.03	13.38
Bdos Ship & Trad	150.0	165.0	66.0	27.93	2.36	16.93
GraceKennedy	91.7	83.0	9.0	7.70	1.17	9.28
Neal and Massy	415.0	475.00	140.0	48.00	2.92	10.11
Trading						
Agostini's Ltd	103.0	115.0	46.0	10.00	4.60	8.70
Furness Trinidad	68.0	80.0	0.0	6.15	0.00	7.69
L J Williams Ltd. - 'A'	0.8	0.5	0.2	0.60	0.33	120.00
L J Williams Ltd. - 'B'	15.0	25.0	9.0	1.20	7.50	4.80
Prestige Holdings	23.9	36.0	20.0	4.49	4.45	12.47
Property						
PLIPDECO	372.00	410.0	20.0	8.00	2.50	1.95
Valpark	47.3	47.3	0.0	5.00	0.00	10.57
Manufacturing						
Angostura Holdings	91.0	0.0	0.0	5.00	0.00	0.00
Berger Paints	-27.0	7.0	19.0	3.50	5.43	50.00
Flavorite Foods	67.0	80.0	35.0	5.14	6.81	6.43
National Flour Mills	-45.0	0.0	0.0	0.94	0.00	0.00
One Caribbean Media	133.0	140.0	77.0	17.37	4.43	12.41
Readymix WI	129.0	305.0	3.0	7.54	0.40	2.47
Trinidad Cement	60.0	75.0	8.0	7.75	1.03	10.33
Trinidad Publishing	117.0	145.0	60.0	19.00	3.16	13.10
Unilever Caribbean Ltd	133.0	153.0	125.0	17.24	7.25	11.27
WITCO	186.0	200.0	196.0	28.00	7.00	14.00

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