

APRIL 2011

*Staying Connected*

For the Alumni of the ECCB's Savings and Investments Course

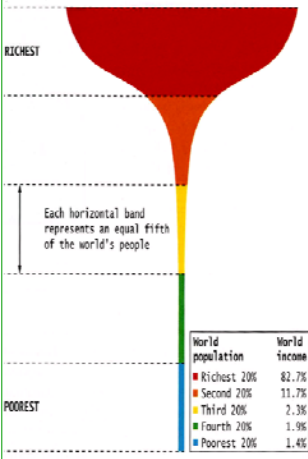
YOUR FINANCES .....YOUR FUTURE



**RATING  
DEBT**

**Building Wealth  
From Nothing.**

Champagne-Class Distribution



**Window of  
Opportunity**

**Those Who  
Seek, Find:  
Finding And  
Preserving A  
Business  
Opportunity**



**ECSE Securities as at April 26 2011**

Name	Trading Symbol	Date Listed	Last Closing Price	Shares Outstanding	Market Cap	Country	Sector/ Industry
Bank of Nevis	BON	19-Oct-01	\$5.75	9,347,687	\$53,749,200.25	Nevis	Financial Services - Banking
East Caribbean Financial Holding Company	ECFH	19-Oct-01	\$13.10	24,465,589	\$320,499,215.90	Saint Lucia	Financial Services
St Lucia Electricity Services	SLES	16-May-03	\$25.00	11,200,000	\$280,000,000.00	Saint Lucia	Utilities - Energy
TDC	TDC	26-Jun-03	\$1.85	52,000,000	\$96,200,000.00	St Kitts	Conglomerate
St Kitts Nevis and Anguilla National Bank Ltd	SKNB	13-Nov-03	\$2.48	135,000,000	\$334,800,000.00	St Kitts	Financial Services - Banking
Dominica Electricity Services	DES	31-Jul-03	\$3.00	10,417,328	\$31,251,984.00	Dominica	Utilities - Energy
S L Horsford & Co. Ltd	SLH	23-Jun-04	\$1.95	30,148,430	\$58,789,438.50	St Kitts	Conglomerate
<b>FirstCaribbean Int'l Bank*</b>	<b>FCI</b>	<b>20-Jul-05</b>	<b>\$5.50</b>	<b>1,525,176,762</b>	<b>\$8,388,472,191.00</b>	<b>Barbados</b>	<b>Financial Services - Banking</b>
<b>Trinidad Cement Limited*</b>	<b>TCL</b>	<b>15-Dec-06</b>	<b>\$3.40</b>	<b>249,765,136</b>	<b>\$849,201,462.40</b>	<b>Trinidad</b>	<b>Manufacturing</b>
Cable & Wireless St Kitts & Nevis Limited	CWKN	30-Jan-08	\$5.75	33,130,418	\$190,499,903.50	St Kitts	Telecommunication
Republic Bank (Grenada) Limited	RBGL	25-Jun-08	\$55.00	1,500,000	\$82,500,000.00	Grenada	Financial Services - Banking
Grenada Electricity Services Limited	GESL	16-Jul-08	\$11.00	19,000,000	\$209,000,000.00	Grenada	Utilities - Energy
Grenreal Property Corporation Limited	GPCL	21-Jul-08	\$5.40	7,662,598	\$41,378,029.20	Grenada	Real Estate
<b>Total Market Cap</b>					<b>\$10,936,341,424.75</b>		

\* Cross listed securities

Market Capitalisation - No of shares outstanding x closing price of the shares

Shares Outstanding - Number of shares issued by a company

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# RATING DEBT

by S.L. Welsh

INTERPRETATION	MOODY'S	STANDARD AND POOR'S
INVESTMENT GRADE		
<b>Highest Quality</b>	<u>Aaa</u>	<b>AAA</b>
<b>High Quality</b>	Aa1	<b>AA+</b>
	Aa2	<b>AA</b>
	Aa3	<b>AA-</b>
<b>Strong Payment Capacity</b>	A1	<b>A+</b>
	A2	<b>A</b>
	A3	<b>A-</b>
<b>Adequate payment capacity</b>	Baa1	<b>BBB+</b>
	Baa2	<b>BBB</b>
	Baa3	<b>BBB-</b>
SPECULATIVE GRADE		
<b>Likely to fulfill obligations ongoing uncertainty</b>	Ba1	<b>BB+</b>
	Ba2	<b>BB</b>
	Ba3	<b>BB-</b>
<b>High risk obligations</b>	B1	<b>B+</b>
	B2	<b>B</b>
	B3	<b>B-</b>

CariCRIS Rating Scale		
DEFINITION	REGIONAL	NATIONAL
LONG TERM RATING SCALE		
<b>Highest</b>	<u>CariAAA</u>	<b>**AAA</b>
<b>High</b>	<u>CariAA (+/-)</u>	<b>**AA(+/-)</b>
<b>Good</b>	<u>CariA(+/-)</u>	<b>**A(+/-)</b>
<b>Adequate</b>	<u>CariBBB(+/-)</u>	<b>**BBB(+/-)</b>
	)	
<b>Speculative</b>	<u>CariBB(+/-)</u>	<b>**BB(+/-)</b>
<b>Weak</b>	<u>CariB(+/-)</u>	<b>**B(+/-)</b>
<b>Very weak</b>	<u>CariC(+/-)</u>	<b>**C(+/-)</b>
<b>Default</b>	<u>CariD(+/-)</u>	<b>**D(+/-)</b>
SHORT TERM RATING SCALE		
<b>Very Strong</b>	CariP1/P1+	<b>**P1/P1+</b>
<b>Strong</b>	CariP2/P2+	<b>**P2/P2+</b>
<b>Adequate</b>	CariP3/P3+	<b>**P3/P3+</b>
<b>Speculative</b>	CariP4	<b>**P4</b>
<b>Default</b>	CariP5	<b>**P5</b>

Rating agencies provide an independent, easy-to-use tool to judge the credit quality of investments (*relative credit risk*). A rating reflects a borrower's capacity to meet its financial commitments on a timely basis. As such, those ratings are used by investors to guide their investment decisions. An investor who is seeking an investment with the least risk would seek investments of the highest quality rating e.g. AAA or Aaa. Although credit rating agencies have come under huge criticisms following the 2008 financial crisis where some securities given the highest ratings turned out to be poor investments, their ratings still serve as yardsticks to assess credit risks in the absence

of an alternative independent and credible credit risk measurement tool.

On April 18 2011, Standard and

Poor's (S&P) revised its outlook on the long-term rating of US sovereign debt from stable to negative. An S&P outlook notation indicates the possible direction in which a rating may

Outlook Downgrade			
The S&P lowered its outlook on the U.S. government's debt to 'negative' from 'stable.'			
	LONG-TERM CREDIT RATINGS	LONG-TERM CREDIT OUTLOOK	GROSS DEBT AS A PERCENTAGE OF GDP, 2010
Japan	AA-	Stable	<b>220.3%</b>
U.S.	<b>AAA</b>	<b>Negative</b>	<b>91.6</b>
Canada	AAA	Stable	<b>84</b>
France	AAA	Stable	<b>81.8</b>
Germany	AAA	Stable	<b>80</b>
U.K.	AAA	Stable	<b>77.2</b>
Brazil	BBB-	Stable	<b>66.1</b>
Spain	AA	Negative	<b>60.1</b>
Norway	AAA	Stable	<b>54.3</b>
Argentina	B	Stable	<b>47.8</b>
Australia	AAA	Stable	<b>22.3</b>
China	AA-	Stable	<b>17.7</b>

Sources: Standard & Poor's (long-term credit); International Monetary Fund (debt)

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## RATING DEBT ... Cont'd

move over the next two to three years and can either be (i) Positive *i.e. the outlook may be raised;* (ii) Negative - *it may be lowered;* (iii) Stable – *outlook unlikely to change* or iv. Developing – *outlook may be raised or lowered.*

The negative outlook rating came about, in the words of Standard and Poor's; *“Because the U.S. has, relative to its 'AAA' peers, what we consider to be very large budget deficits and rising government indebtedness and the path to addressing these is not clear to us, we have revised our outlook on the long-term rating to negative from stable.”*

I know what you are thinking – **‘What does this revised outlook has to do with me?’** Probably, nothing unless this materialises into a downgrade of the US sovereign debt rating which would then have implications for the rest of the world including the ECCU as the US currency is the international currency of trade.

However, from an individual stand point, what this discussion on credit ratings should do, if nothing else, is give us reason to reflect on our personal debt situation and consider how our credit ratings would fare if

we were to have a similar rating process as the one used to rate sovereign debt.

For the purpose of this mental exercise, a fictitious credit rating report of a Mr ABC a la Standard and Poor's April 2011 review of US sovereign debt has been crafted in an effort to draw parallels between the assessment of a country's long term debt situation and that of an individual. See below the side-by-side comparison statements.

### S&P's Review of the United States of America

- We have affirmed our 'AAA/A-1+' sovereign credit ratings on the United States of America.
- The economy of the U.S. is flexible and highly diversified, the country's effective monetary policies have supported output growth while containing inflationary pressures, and a consistent global preference for the U.S. dollar over all other currencies gives the country unique external liquidity.
- Because the U.S. has, relative to its 'AAA' peers, what we consider to be very large budget deficits and rising government indebtedness and the path to addressing these is not clear to us, we have revised our outlook on the long-term rating to negative from stable.
- We believe there is a material risk that U.S. policymakers might not reach an agreement on how to address medium- and long-term budgetary challenges by 2013; if an agreement is not reached and meaningful implementation is not begun by then, this would in our view render the U.S. fiscal profile meaningfully weaker than that of peer 'AAA' sovereigns.

### Fictitious Review of Mr ABC

- *We have affirmed our AA+ credit rating of Mr ABC*
- *The income sources of Mr ABC are flexible and diversified. The industry in which Mr ABC operates is booming and as such he is in a strong earning position.*
- *However, because Mr ABC has what we consider to be large monthly budgetary deficits, increasing personal debts and no clear path to addressing ongoing budgetary challenges, we have revised our outlook on his debt situation to negative from stable.*
- *We believe there is a material risk that Mr ABC might not reach a decision as to how to address medium and long term budgetary challenges by 2013; if a clear decision is not taken and meaningful implementation of spending cuts as part of a comprehensive budgetary reform plan is not begun by then, this would in our view render Mr ABC's financial profile meaningfully weaker.*

Clearly like the United States, Mr ABC has some hard choices ahead as it relates

*What this discussion on credit ratings should do, if nothing else, is give us reason to reflect on our personal debt situation.*

to his long term debt position and measures that need to be adopted now to ensure that he brings his unmanageable debt situation to a sustainable level in order to avoid risking his future.

It is worth noting that within Caricom, five of the eight ECCU

member countries have sought credit ratings.

Investors should incorporate this information into their evaluation of investments within the region.

The chart overleaf shows the credit ratings for select Caricom countries as at April 2011:

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## Credit Ratings as at April 2011

COUNTRY	RATING AGENCY	INSTRUMENTS DENOMINATED IN LOCAL CURRENCY	INSTRUMENTS DENOMINATED IN FOREIGN CURRENCY
Anguilla	CariCRIS	CariA	CariA
Antigua & Barbuda	N.A.	N.A.	N.A.
Dominica	N.A.	N.A.	N.A.
Grenada	Standard & Poors	B-/Stable	B-/Stable
Montserrat	Standard & Poors	BBB-/positive	BBB-/Positive
St Kitts & Nevis	N.A.	N.A.	N.A.
Saint Lucia	CariCRIS	CariBBB+	CariBBB+
St Vincent and the Grenadines	Moodys	B1	B1
Barbados	Standard & Poors CariCRIS	BBB-/Stable	BBB-/Stable CariAA
Jamaica	Standard & Poors	B-/Stable	B-/Stable
Trinidad & Tobago	Standard & Poors CariCRIS	A+/Stable	A/Stable CariAAA
Belize	Standard & Poors	BBB+/Stable	BBB+/Stable
The Bahamas	Standard & Poors	BBB+/Stable	BBB+/Stable
Bermuda	Standard & Poors	AA/Stable	AA/Stable

Source: \*CariCRIS, Standard &amp; Poor's, and Moody's

## UPCOMING AUCTIONS ON THE REGIONAL GOVERNMENT SECURITIES MARKET

Govt.	issue	Auction Date	Ceiling Rate	Previous Rate
SVG	\$20.00m 91-day T-Bill (C)	25 May	5.820	4.250
NIA	\$20.00m 365-day T-Bill (C)	23 June (TD)	6.750	6.750
SVG	\$20.00m 91-day T-Bill (C)	29 June	5.820	4.250

NIA— Nevis Island Administration SVG— St. Vincent and the Grenadines C— Competitive Price Auction TD—Tentative Date

# Building Wealth From Nothing

## Building an Enduring Financial Legacy

- ◆ Don't wait...Seek out and Seize Every Opportunity
- ◆ Get understanding
- ◆ Start small ...but think BIG
- ◆ Make contacts anywhere and everywhere

Kate and Prince William's wedding has, understandably so, gripped the interests of millions. However, what is equally fascinating is the rise of the Middleton family from rags to self-made wealth over a period of ninety years and three generations. This brings us to the issue of how to build a family legacy of increasing and enduring wealth?

How do families who have compelling rags to riches stories achieve this level of enduring success while so many others who begin from similar starting positions do not? How can an individual change his family economic structure in a manner that shapes the legacy of future generations?

It is not simply about making money but, rather, of creating a wealth foundation that endures. Certainly, we know of many stories of families who accumulated wealth in one generation but by the next generation hardly any of the

wealth amassed remained in the possession of the current generation.

The key therefore is not simply about making money but sustaining the wealth creation trajectory. What is the formula? Or is there a formula?

Is it through hard work alone? Probably not! We all know persons who have worked hard all their lives and yet were never able to accumulate much for themselves or for future generations.

Is it through formal education? That does not appear to be the deciding factor.

Now, if the saying 'money follows money' is true, then it is a sad forecast of the wealth possibilities frontier for people who do not have.

The prospects to move from poverty to wealth seem even more dismal if one were to become

demotivated by the following findings of the paper Wealth Mobility and Volatility in Black And White America by Dalton Conley and Rebecca Glauber, July 2008:

- What family an individual comes from explains three-quarters of where they end up in the wealth distribution as adults.
- Individuals are more likely to maintain wealth than to attain wealth or more precisely low wealth children are unlikely to become high wealth adults while high wealth children are very likely to be high-wealth adults.
- The strongest predictor of an adult's relative wealth status is his or her income, which in turn is highly predicated on his or her parents' income and wealth.

Yet, the story of the Middleton's family move from the coal mines to the business world mirrors many Caribbean stories that run counter to the wealth trajectory identified in the findings by Conley and Glauber. These

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## Intergenerational Wealth...Cont'd

persons did not allow their humble beginnings to define or determine their destiny.



One such Caribbean story is that of Albert Applebaum Richardson Lake. Born into humble

circumstances, Mr Lake supported by his wife, has built up a diverse set of businesses which provide a strong inheritance for generations to come. His real estate holdings in Anguilla are vast and include close to 100 income properties and significant land holdings. The Lakes 'business' World includes Albert's Wholesale and Marketplace, Albert's Sol Service Station, Lake's Do It Best Hardware, Lake's Home Décor, Lake's Quarry and Elodia's Beach Resort.

Trying to unravel the guiding philosophies to building success was the objective of a tête-à-tête between YFN and Mr Albert Lake.

How could this individual born in 1926 who had to forego schooling at a very early age to

work, rise to such level of success? Mr Lake recalls that growing up in Anguilla, as a young man, there were no high schools, no trucks, no banks, and probably only two old motor cars. This modest environment shaped his first success philosophy - ***"You have to sow to reap."***

As a farmer, Mr Lake grew several crops including corn and sugar cane. When he recognised that there was a glut on the Anguillan market in relation to corn, Mr Lake shipped his corn to Guadeloupe where it was exchanged for rum which he then sold in Anguilla and reaped a profit. He also recognised that he could make more money from the thatch of the cane plant, which was used in the construction of thatch houses, than he could make from selling cane.

When asked about his drive, he responds in his matter of fact manner ***"Everyone will get ahead according to one's ambition... According to your ambition you will do any work."*** This philosophy of doing what he had to do to get ahead, saw Mr Lake tendering cattle and maintaining pastures in

St. Maarten; working as a water carrier in the cane fields of St. Kitts and cutting cane in Santo Domingo as a teenager. Mr Lake also engaged in land surveying, making coals, making blocks by hand and a long list of other jobs that undoubtedly shaped his keen business outlook and acumen. He ventured into each business - farming and husbandry, rum shop, grocery store, stone crushing, with the philosophy that all honest work is good work and kept improving on existing businesses or adding new businesses.

When asked what motivated him to venture into so many businesses, he responded *"The demand was there ... and I had the understanding of how to improve the demand"*. This leads us to his third success philosophy; ***"It will never be a bed of roses to make money if you don't have the right understanding. Style and business do not agree."***

Mr Lake is a very analytical and observant individual. He assesses what works, what does not work and what can work before making each business decision. When the boat he built to do freight became too much trouble to operate, he sold it to the Jolly Roger

## Intergenerational Wealth...Cont'd

Company and used the money to invest in land. This turned out to be a shrewd investment as the land value has appreciated to over eighty times the purchase price.

Mr Lake's investment philosophy is simple. He says **"I don't believe in putting up money. Once you get money you find ways to invest it."** Mr Lake is also careful to note that *"A man should try to balance his budget by spending within a range he can*

*manage."* This philosophy is one that he not only preaches but also practices and never acquired his many holdings through debt financing. His approach he sums up as follows; **"I built one property and then when I earned enough money I kept going ahead with another one."**

In seeking markets with which to trade Mr Lake made many contacts, with persons in foreign countries that he never visited.

He speaks about trading with business people in Australia, Honduras and other countries. He noted that he was never afraid to make contacts. Another success philosophy.

At age 85 and counting, Mr Albert Lake exudes a strength of character that provides the best insight into his success... Not only do the strong (in character) survive, they also succeed. **SLW**

## Those Who Seek, Find: Finding And Preserving A Business Opportunity

**Publisher Name:** RajaGupta

Article Source: <http://business.ezinemark.com/those-who-seek-find-finding-and-preserving-a-business-opportunity-17d1123fd80.html>

Nice enterprise opportunities come to those who look for them. Bad business opportunities come to those that await them to reach and ring their doorbell. Give it some thought: nice enterprise ideas came from the ingenious brains of the ambitious. They noticed a necessity, thought of a way to meet it, and then began working. Those that have experienced failed enterprise opportunities, alternatively, usually are

victims of those smarter than them that see the opportunity to reap the benefits of someone who merely wants wealth without the work.

**Window of Opportunity**

to find a business opportunity will find a terrific one if they only know where to look and observe a few basic principles.

Thus those who are trying

To start with, those who have succeeded at business have begun with themselves. They usually saw a need in their very own lives, after which they considered what they might do to have that need met. Next they thought-about what others would do to have that need met, and so they contrived a means that they could meet that need. Definitely they may have used gimmicks or clever advertising and marketing strategies, however finally, they noticed a

## Those Who Seek, Find: Finding And Preserving A Business Opportunity Cont'd

necessity, and they strove to satisfy it before another person took the chance away from them. Thus as you seek a great enterprise opportunity, take into account your needs. Open your eyes as much as the chances of "what if" you had that need met.

Secondly, we replicate these we hang around with. If folks want to be successful business entrepreneurs, they may hang around with profitable people. They are going to examine the habits of successful people. Principally, an excellent leader was once an excellent pupil, and thus if a person desires to grow to be a leader in the business world, someone who sees the chance and grabs it earlier than it gets away, he should first grow to be a student of the successful.

He'll domesticate habits of the profitable far before he has gained that business alternative he is searching for. Those that succeed in enterprise may have been working towards these personal habits of self-discipline and integrity far earlier than they grabbed their own enterprise opportunity.

When seeking an enterprise opportunity, individuals must also contemplate beginning small and growing slowly. Those business alternatives which regularly crumble are the ones that have not taken the time to construct a strong foundation. Think about the dot com companies of the late 1990s. These firms started with hopeful guarantees of success, however their fast development additionally led

to fast decline. They didn't follow the necessary precept of slow and regular development as a substitute of rapid and erratic. Managed progress prevents crumbling. Do not purchase into the parable that one must have cash to make money. Pay for issues as you acquire them, and grow as debt-free from an enterprise as you presumably can. This will even ensure longevity for when the market turns south and your corporation logically declines. You'll still have your shirt if the enterprise does not end up as you had hoped.

Enterprise opportunities abound in our opportunistic world. Discovering a dependable one after which practicing a few, strong business rules will result in a successful future.

### *Laugh It Off*

One day a friend of the Russian writer-polyglot Oleg Palamarchuk called him up:  
 "I want to share my joy with you. I have just won 1000 dollars at a lottery."  
 "OK, give me half the sum and I will share your joy."

SOURCE: WWW