

BF&M INVESTMENT NEWSLETTER

For the **GOLDEN ACCUMULATOR PLAN**

2nd Qtr 2007

Investment Overview as of 27-July-2007

Like a rising tide that lifts all boats, rising global equity markets lifted the returns across all risk profiles, especially those emphasizing equities. The global bond markets did not fare so well. Acting as an anchor line that may have been a bit too short, some of the bond markets ended the six month period with their nose under water. The US dollar continued to tank with the British Pound hitting over 2.01, the Euro crossing 1.35 and the Canadian Dollar pushing 94-cents to the US Dollar.

International equities benefited from these multi-year highs. Equity markets overall sustained their upward momentum on the strength of surging economic growth, which increased during the 2nd quarter. As a result, stock markets in the US, Europe, and Asia reached new records. As the economies heat up, wages have been rising and commodity prices increasing. Higher prices can translate into inflation that can erode stock and bond prices.

Strong earnings growth for US multi-national corporations has been assisted by a weaker dollar, making products more affordable overseas. European markets excelled over the last year and remain compelling over the longer-term, as stock prices are a better value as compared to their growth potential. US stocks may dominate this year. Asian and Latin American markets offer the potential for exceptional returns, but only in exchange for a lot of volatility and downside risk.

Since the market downturns of the early 2000's, many corporations amassed large cash reserves. This has enabled them to buy-back their shares, meaning more profit to split among fewer shares-outstanding. The cash 'cherry' has also made corporations ripe for the picking by other companies and by 'private equity' firms. Those are groups of investors who invest some of their own money and then borrow the rest, to buy-up promising companies. This Merger & Acquisition (M&A) activity put froth on an already bubbling equities market.

In order to stave off inflation, many central banks have increased key lending rates. The Bank of England upped their rate to 5.75% recently and the European Central Bank rate is now 4.0%. Even the Canadian Central Bank hiked rates to 4.5%. These are likely to still go higher. The US have kept their rate at 5.25% since last summer and investors have changed their expectations from a rate-cut this summer to a rate hike later this year. Higher rates can have huge impacts on the economy, with the intention to slow corporate and consumer spending.

Rate hikes also had a significant impact on the returns in the bond markets. Short-term interest rates peaked at over 5% in the US and the UK and over 4.5% in Canada and Europe. This pushed the market price lower for longer-term bonds, leading to negative returns for the period. The crisis in the US mortgage market and resultant problems in hedge funds invested in mortgages were additional pressures. A cascade of selling into a declining market pushed prices below their intrinsic value.

Problems in the mortgage-markets hurt financial companies, now faced with writing-off the bad debts. Concerns mounted about the financial health of financial companies, along with companies acquired through M&A and financed with debt. Investors are demanding a higher return for the increased risk that these companies might not be able to service their debt. As a result, the corporate bond market had a greater downturn than government bonds.

What does this all mean to people saving for their retirement? Stay the course. Risk Profiles for the pension plans are designed to provide the right amount of upside potential as compared to the potential downside risk. The longer you have, or the more money you have for retirement, the more aggressive you can be. If you are approaching retirement years, preserve your account from the greater volatility in the equity markets by being more moderate. Resist the temptation to make your long-term decisions on the short-term variations in the financial markets. Navigate safely toward your retirement goals.

Written by Patrice Horner, Vice President of North Atlantic Asset Management Limited, a subsidiary of BF&M Limited. Horner holds an MBA in Finance, and a NASD Series 7 license. She is a Certified Financial Planner (CFP) and a founding member of the Financial Planning Association of Bermuda (FPAB). North Atlantic Asset Management is licensed to conduct investment business by the Bermuda Monetary Authority under the Investment Business Act.

FINANCIAL PERFORMANCE BENCHMARKS

Indexes for Mutual Fund Comparisons
through June 30,2007

INDEX NAME	6 Mos	1 Year	3 Years	5 Years	COMPARISON FOR
NASDAQ Composite Index	7.35%	24.71%	11.75%	14.41%	US Growth Equities
S&P Barra Value Index	6.15%	19.02%	12.55%	10.36%	US Value
S & P 500 Index	6.00%	13.41%	9.64%	8.71%	US Equities
Russell 2000 Index	5.85%	15.09%	12.13%	12.49%	US Small Cap Equities
MS US Sml Co Growth Index	13.38%	20.05%	14.08%	15.51%	US Sml Cap Grw
MSCI World-Dev'lp USD Index	8.01%	21.46%	14.69%	12.02%	Global Equities(All)
MSCI Global Sml Cos Index	9.65%	20.15%	17.87%	18.09%	Global Smaller Cos
MSCI Emr Mrkt Index	16.11%	41.89%	34.88%	27.05%	Emerging Market Equities
MSCI EAFE Index	9.05%	24.18%	19.45%	15.02%	Europe, Asian & Far East
MS Nrth Amer Comp Index	1.54%	5.76%	4.42%	4.93%	Nrth Amr Corp Bonds
ML US Corp&Gov Mstr	1.00%	6.05%	3.90%	4.72%	US Corp Bonds
JPM Gib Gov Bond Index	-0.33%	3.32%	3.74%	6.70%	Global Government Bonds
JP Morgan EMBI Global Index	0.94%	11.71%	11.99%	14.07%	Emerging Market Bonds
Ryan Labs US 10 Yr Index	-0.91%	4.76%	3.00%	4.16%	US Government Bonds
Ryan Labs Cash Index	2.71%	5.40%	3.83%	2.75%	Money Market Funds

BF&M Golden Accumulator Pension Plan

Summary Performance-June 2007

SEG PLAN



For the
Period of

CURRENT GIA CREDITING RATE 4.5%

PERFORMANCE BY PROFILE

Guaranteed Interest

Annualized

5 Yrs

3 Yrs

1 Yrs

6 Mos

Benchmark

2.87%

3.03%

4.36%

2.10%

2.75%

3.82%

5.38%

2.71%

Conservative Risk

Annualized

5.68%

5.99%

7.72%

3.03%

Benchmark

5.87%

6.12%

8.04%

3.15%

Moderate Risk

Annualized

6.53%

7.21%

9.61%

3.61%

Benchmark

6.77%

7.19%

9.69%

3.64%

Accumulator

Annualized

9.00%

9.97%

12.99%

4.56%

Benchmark

9.48%

9.36%

12.37%

4.09%

Stable Growth

Annualized

9.91%

11.47%

14.81%

5.49%

Benchmark

10.38%

10.32%

13.76%

5.03%

Growth Risk

Annualized

9.69%

11.87%

14.98%

5.80%

Benchmark

10.01%

10.50%

13.98%

5.47%

Aggressive Risk

Annualized

12.52%

15.77%

20.05%

7.96%

Benchmark

12.83%

13.17%

17.86%

7.26%

PAST & CURRENT FUNDS

PERFORMANCE BY FUND

Guaranteed Interest

Account

5 Yrs

3 Yrs

1 Yrs

6 Mos

RT Cash Index

Index

2.87%

3.03%

4.36%

2.10%

2.75%

3.82%

5.38%

2.71%

MFS Strategic Inc/MS Global Bo

Fund

5.91%

2.81%

2.77%

0.32%

JPM GIB Bnd Index Brd

Index

6.71%

3.73%

3.31%

-0.33%

FT Mutual Beacon

Fund

11.32%

14.52%

20.54%

7.47%

S&P Value Index

Index

10.37%

12.53%

18.96%

6.15%

Vontobel GIB/ MS GIB Eq

Fund

11.02%

15.30%

26.33%

8.52%

EAFE/ MS World Indexes

Index

12.73%

15.86%

25.20%

9.05%

MFS Res Int'l/Putnam Intl

Fund

14.07%

22.31%

25.77%

9.57%

EAFE Index

Index

15.04%

19.43%

24.10%

9.05%

TFM US Aggr/MS US Sml Cap/Fi

Fund

13.42%

13.87%

18.39%

8.64%

Russell 3000/ 2000 Grwth Index

Index

13.09%

9.75%

14.71%

7.63%

Past performance is no guarantee of future returns. The value of the shares of the mutual funds held within each portfolio may go up as well as down and any income received may vary. Investments involves risk, disclosed in the fund prospectus, available upon request. Currency fluctuations based on the stocks and bonds owned within a fund also affects returns. Individual performance may vary based on the actual amount and timing of contributions.

Education Corner

In April, the MFS Strategic Income Fund replaced the Morgan Stanley Global Bond Fund as the global bond fund in your pension plan. The MFS Strategic Income Fund is a diversified bond fund that is better positioned for today's markets.

Learn more about planning for your financial future and North Atlantic Asset Management at its updated website: www.assetmanagement.bm.

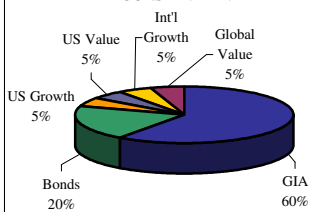
Contact BF&M retirement advisors at 295-5566 x 2006 for more pension information, or call North Atlantic Asset Management Limited at 296-8288.

LOW RISK

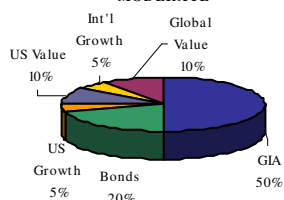


GIA
100%

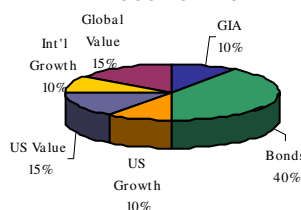
CONSERVATIVE



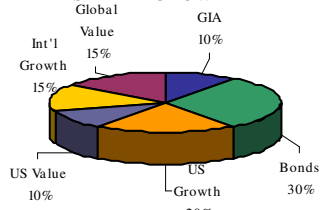
MODERATE



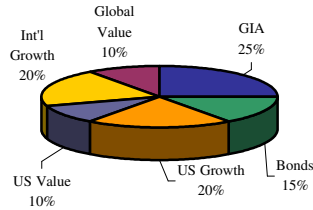
ACCUMULATOR



STABLE GROWTH



GROWTH



AGGRESSIVE

