

BF&M INVESTMENT NEWSLETTER

For the **GOLDEN ACCUMULATOR PLAN**

4th Qtr 2007

Investment Overview as of 25-January-2008

There were two distinct investment phases in 2007. The first six months was marked by a strong upswing in equities. The story changed dramatically in July. There were waves of write-downs of mortgage investments which led to severe losses by leading financial institutions. This was combined with a shrinking housing market and the companies supporting it. Home mortgage companies Countrywide in the US and Northern Rock in the UK were both facing bankruptcy. The linchpin that had held the market together was the liquidity or ability to borrow or lend money to keep the economic wheels turning.

Money or short-term lending markets were headed for a standstill in November as lendable funds evaporated with the losses. This prompted a coalition of central banks from the US, UK, Europe, and Switzerland to make billions available to keep the loans flowing. In December, rates were cut a quarter of a percent in the US, after the one-half point cut in September. These were topped by a three-quarter point chop in January bringing rates to 3.5% and another one in the offing, all designed to reduce the cost of borrowing and stimulate spending.

The dollar dropped by close to 10% in 2007 on a trade-weighted basis. Indications are it is now oversold based on its purchasing power. The US deficit has been a drag on the dollar. It narrowed recently, as exports picked-up. It also lost due to the interest rate differential in favor of the Euro and the Pound. The Bank of England will likely cut rates again soon, after their quarter point decline to 5.5% in December. This has put pressure on the Pound as well. The European Central Bank prefers to keep their rate at 4% to control inflation. This has supported the Euro.

The equity markets grew increasingly volatile as a result of all the turbulence. They would spike-up on positive economic indicators and tank on negative news. Returns varied between equity types. Growth-oriented and larger companies with strong exports delivered positive returns for the six month period. Smaller-companies reliant on domestic markets faltered and failed. Non-US equities benefited from returns denominated in other currencies.

Over the last six months, bond returns were the strongest, rising by some 5-11%. Bonds tend to rise when interest rates drop. Government-issued treasuries were particularly buoyant driven by investors who grew uncomfortable with the rising market uncertainty. Corporate bonds were bid-lower when investors demanded a higher yield due to deterioration in their bond interest-coverage and credit-downgrades resulting from severe losses in the financial sector.

Foreign interests came to the rescue of financial firms. Citigroup received \$7.5 billion from Abu Dhabi. UBS sold an \$11.5 billion stake to strategic investors in Singapore and the Middle East. And Merrill Lynch/Blackstone obtained a \$3 billion bail-out from China. This provided them with the capital to meet reserve requirements, damaged from recent write-offs. Even US bond agency FNMA looked to raise \$6 billion. While the companies that insure against corporate bonds from default, were themselves facing a credit downgrade.

By the end of the year, US and UK consumers were dept-ridden and their home equity was eroded as property prices fell. This cast doubt on whether they could continue to spend their countries out of an economic malaise. On a positive note, US consumer confidence rose in January. However, their spending power had been eroded by rising inflation with crude oil crossing \$100 a barrel. Inflation rose in Europe as well, over 3% in December.

Signs are that manufacturing has slowed globally due to a decline in corporate capital spending as well as home construction and related expenditures. The service sector has also slowed, being comprised largely by financial services. Profits for most companies outside of the financial sector were positive in the latter part of the year. Many still have cash to spend and take-over activity has resumed, although profit growth slowed last year, with the rate of increase projected to be 6% in 2008.

The developed world may have moved from an expansionary economy in 2007 to a slowdown which is expected to last through the first half of 2008. This environment typically favors bonds and cash-like investments. A great deal of upside has already been captured in government bonds and risk remains in some areas of the corporate bond arena. Money markets rates are declining in tandem with government rate cuts. Equities still play a role, with large US multi-nationals, along with Europe ex-UK and Pacific ex-Japan regions favored. Volatility is expected to remain high, with smaller company stocks expected to under-perform. The important point is to have a mix of investments which match individual financial objectives.

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

through December 31,2007

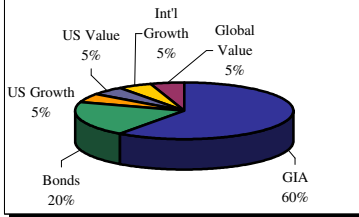
INDEX NAME	6 Mos	1 Yr	3 Yrs	5 Yrs	COMPARISON FOR
NASDAQ Composite Index	1.88%	9.81%	6.83%	14.70%	US Growth Equities
S&P Barra Value Index	-6.20%	-0.43%	6.75%	12.19%	US Value
S & P 500 Index	-2.33%	3.53%	6.61%	10.78%	US Equities
Russell 2000 Index	-14.18%	-8.12%	5.54%	14.86%	US Small Cap Equities
MS US Sml Co Growth Index	-3.51%	9.40%	9.81%	18.13%	US Sml Cap Grw
MSCI World-Dev'lp USD Index	-0.85%	7.09%	10.76%	14.92%	Global Equities(All)
MSCI Global Sml Cos Index	-9.30%	-0.55%	9.57%	9.36%	Global Smaller Cos
MSCI Emr Mrkt Index	17.54%	36.48%	31.95%	33.63%	Emerging Market Equites
MSCI EAFE Index	-0.39%	8.62%	14.14%	18.78%	Europe, Asian & Far East
ML US Corp&Gov Mstr	6.21%	7.27%	4.52%	4.45%	US Corp Bonds
JPM Glb Gov Bond Index	11.17%	10.81%	3.37%	7.08%	Global Government Bonds
JP Morgan EMBI Global Index	5.29%	6.28%	8.94%	12.66%	Emerging Market Bonds
Ryan Labs US 10 Yr Index	11.03%	10.01%	4.73%	4.12%	US Government Bonds
Ryan Labs Cash Index	2.47%	5.25%	4.39%	3.08%	Money Market Funds

LOW RISK



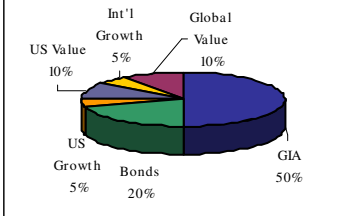
GIA
100%

CONSERVATIVE



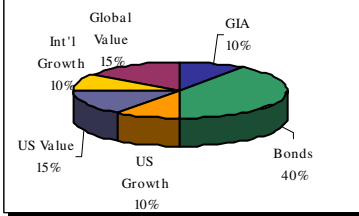
GIA 60%
Bonds 20%
US Growth 5%
Int'l Growth 5%
US Value 5%
Global Value 5%

MODERATE



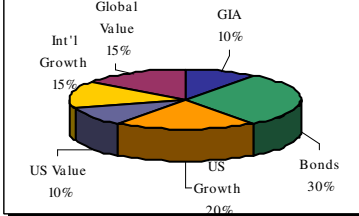
GIA 50%
Bonds 20%
US Growth 5%
Int'l Growth 10%
US Value 10%
Global Value 10%

ACCUMULATOR



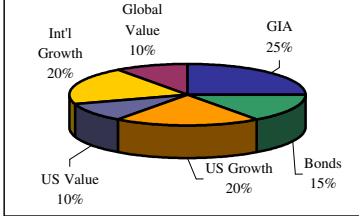
Bonds 40%
US Growth 10%
Int'l Growth 10%
US Value 15%
Global Value 15%
GIA 10%

STABLE GROWTH



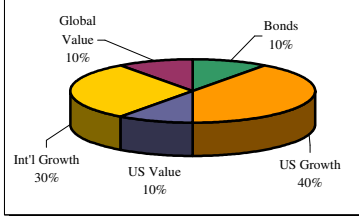
Bonds 30%
US Growth 20%
Int'l Growth 15%
US Value 10%
Global Value 15%
GIA 10%

GROWTH



Bonds 15%
US Growth 20%
Int'l Growth 20%
US Value 10%
Global Value 10%
GIA 25%

AGGRESSIVE



Int'l Growth 30%
US Value 10%
US Growth 40%
Global Value 10%
Bonds 10%

BF&M Golden Accumulator Pension Plan



Summary Performance - December 2007

SEG PLAN

PERFORMANCE BY PROFILE	For the Period of			
	5 Yrs	3 Yrs	1 Yrs	6 Mos
Guaranteed Interest	Annualized 2.89%	3.45%	4.25%	2.10%
	<i>Benchmark</i> 2.89%	3.45%	4.25%	2.10%
Conservative Risk	Annualized 6.98%	5.02%	5.41%	2.29%
	<i>Benchmark</i> 6.55%	4.55%	4.89%	1.42%
Moderate Risk	Annualized 8.29%	5.88%	5.88%	2.17%
	<i>Benchmark</i> 7.71%	5.16%	4.87%	0.88%
Accumulator	Annualized 11.70%	7.40%	7.06%	2.36%
	<i>Benchmark</i> 10.82%	6.24%	5.52%	0.19%
Stable Growth	Annualized 13.65%	9.27%	9.31%	3.56%
	<i>Benchmark</i> 12.16%	7.30%	6.50%	0.53%
Growth Risk	Annualized 13.59%	9.90%	9.33%	3.29%
	<i>Benchmark</i> 11.97%	7.65%	6.38%	0.56%
Aggressive Risk	Annualized 18.08%	13.44%	13.14%	4.77%
	<i>Benchmark</i> 15.53%	9.77%	7.97%	0.36%

PERFORMANCE BY FUND	For the Period of			
	5 Yrs	3 Yrs	1 Yrs	6 Mos
Guaranteed Interest	Account 2.89%	3.45%	4.25%	2.10%
	<i>NTB GIA Index</i> 2.89%	3.45%	4.25%	2.10%
MFS Strategic Inc/MS Global Bond	Fund 4.80%	-0.32%	2.08%	1.76%
	<i>Composite Index/ JPM Glb Bnd Index</i> 5.93%	1.52%	4.97%	1.94%
FT Mutual Beacon	Fund 13.27%	8.57%	0.50%	-6.48%
	<i>S&P Value Index</i> 12.20%	6.75%	-0.43%	-6.20%
Vontobel Glb/ MS Glb Eq	Fund 17.47%	15.08%	17.66%	8.43%
	<i>EAFA/ MS World Indexes</i> 15.75%	12.07%	8.62%	-0.39%
MFS Res Int'l/Putnam Intl	Fund 20.25%	18.16%	11.88%	2.11%
	<i>EAFA Index</i> 18.79%	14.14%	8.62%	-0.39%
TFM US Aggr/MS US Sml Cap	Fund 20.21%	13.53%	18.88%	9.43%
	<i>Russell 3000/ 2000 Grwth Index</i> 15.72%	8.40%	10.18%	2.36%

CURRENT GIA CREDITING RATE 3.75%

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. North Atlantic is licensed to conduct investment business by the BMA under the Investment Business Act of 2003.

Education Corner

Many times our retirement arrives before we are ready. Check the "Financial Calculators" from the www.bfm.bm home page to see if you are on the right track. (You will need to have Java installed on your computer to access the service.) You can navigate amongst a host of calculators to see what income your current pension savings will provide or what you will need to save to reach your desired income in retirement. Just change the info in the boxes to reflect your personal circumstances.

For more assistance Contact BF&M financial advisors at 295-5566 x 2006, or call North Atlantic Asset Management Limited at 296-8288.