

# Bermuda Fund

## Objective

To achieve long-term capital growth and income by investing in a diversified portfolio of Bermuda assets.

## Investment Policy

To invest in the equity securities of companies incorporated in Bermuda or having a substantial presence in Bermuda as well as the debt securities of those companies and of the Bermuda Government

## Investment Process

The Fund will alter the mix of debt and equity holdings as changes in the economic prospects of companies and asset classes warrant.

## Fund Review

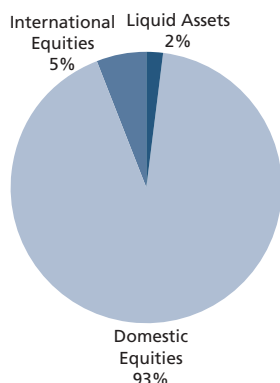
The total return for the quarter was -13.03%, compared to the -11.63% total return of the Bermuda Stock Exchange Index (assuming a 4% annual dividend yield). The current dividend for the fund translates into a 3.4% annual dividend yield.

During the quarter, Bank of Bermuda fell 23% while Bank of Butterfield was up 1%. Butterfield posted record quarterly results while Bank of Bermuda's flat results were mainly attributable to the weak global equity environment. We believe that the lack of news surrounding the outstanding litigation, coupled with no news on the proposed listing, have caused the lack of demand for Bank of Bermuda. Bank of Bermuda may be possibly holding off on their listing until the global equity environment improves and when international financial stocks are more in favour.

The international component declined during the period and the weighting now stands at 5%. In light of the recent attacks in the USA, Ace and XL have held up extremely well and are only down 13% and 4% respectively from the attacks. Continued weakness was seen in the Global Crossing and Flag Telecom positions.

During the quarter we used cash inflows to increase the positions in Belco and Argus. Due to modest fund redemptions, we trimmed back on some of the international positions along with Bank of Bermuda for liquidity.

## Asset Allocation



## General Information

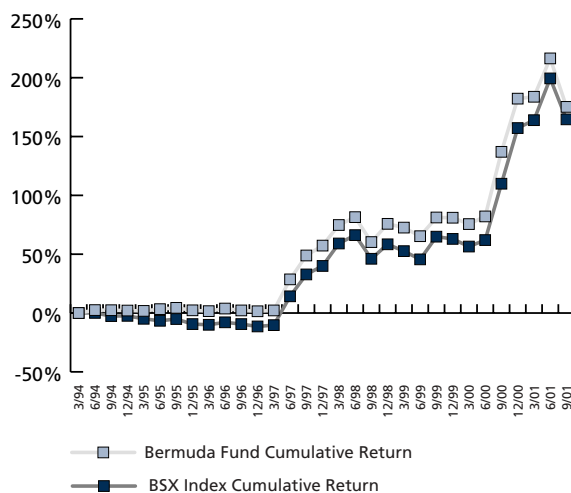
Currency: BHD  
Units Available: Accumulation  
Size of Fund (millions): BHD 23.2

Fiscal Year End: June 30th  
Min. Investment: BHD 500  
Valuation: Wednesday

## Top 10 Holdings

	Fund (%)	Bermuda Index(%)
1. Bank of Bermuda	51.8%	49.6%
2. Bank of NT Butterfield	28.5%	28.5%
3. Bermuda Electric Light	5.3%	5.2%
4. Argus Insurance	3.1%	6.7%
5. Bermuda Commercial Bank	2.5%	1.4%
6. XL Capital	2.4%	0.0%
7. ACE	1.6%	0.0%
8. Tyco	1.3%	0.0%
9. Bermuda Aviation Services	1.3%	0.3%
10. Global Crossing	0.2%	0.0%

## Bermuda Fund Versus BSX Index



## Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years
16.12%	19.73%	21.92%	15.17%