

### Objective

To offer a convenient vehicle for investing in an international portfolio of fixed income mutual funds, which are anticipated to provide the best opportunities for income and capital growth.

### Investment Policy

To invest in a diverse range of top performing offshore fixed income mutual funds as well as a number of top quality individual securities in order to control costs.

### Investment Process

A quantitative analysis of fund performance is undertaken relative to peer groups to ensure the consistency of performance. This is followed with a qualitative analysis to understand the manager's philosophy, process and style.

### Fund Review

The net asset value (NAV) per share of the Fund increased from \$12.81 to \$13.29 over the quarter, an increase of 3.75% against a benchmark return of 2.6%.

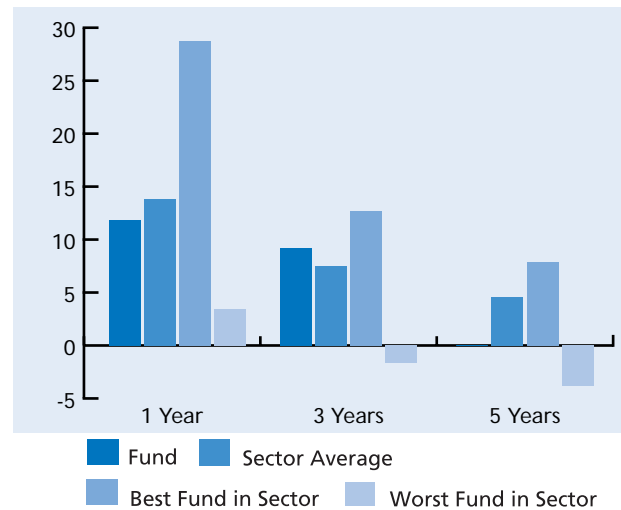
Following a trend that started in the fall of 2002, high yield and emerging market bonds continued to rally during the past three months. High yield bonds are benefiting from a steadily decreasing default rate, a very attractive yield and continuous strong inflows from investors. Similarly, emerging markets in general are experiencing improved economic fundamentals and strong investors' interest.

The second quarter of 2003 was also a good quarter for government and corporate bonds. With the 10-year US Treasury yield at a 40-year low and investment-grade corporates yielding only about 4.0%, many experts consider these sectors, especially government bonds, to be over-extended. We don't disagree with that view but also believe that, in the absence of the unlikely event that inflationary pressures reappear, the probability of a massive sell-off is relatively slim.

The Fed, increasingly concerned about the possibility of a substantial fall in inflation, or even deflation, reduced the Fed funds rate to 1% in June. Given the fact that the economy has yet to exhibit sustainable growth, it is widely believed that the Fed is ready to ease again if the economic data fails to improve in the near term.

Over the past three months, we added one CMBS to the Fund and replaced Baring's High Yield Bond Fund with PIMCO's High Yield Bond Fund. PIMCO's High Yield Fund has demonstrated over the years its ability to consistently outperform its peers and the index without added volatility.

### Comparative Performance



### Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
11.87%	9.20%	n/a	n/a	n/a

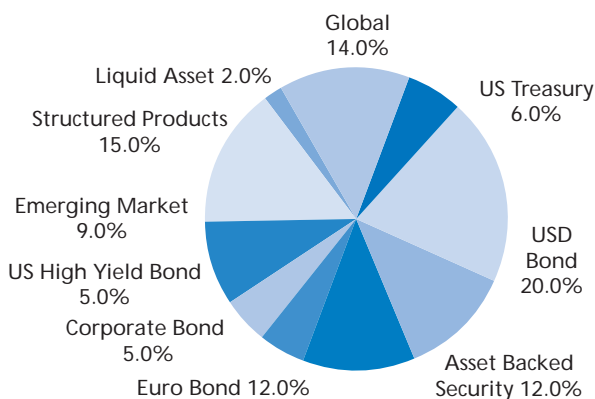
### Asset Breakdown

<b>Global</b> Schröder Global Corporate Bd	<b>Euro Bond</b> Vanguard Euro Investment Grade Bond Index
<b>US Treasury</b> 10yr Benchmark	<b>Corporate Bond</b> World Bank
<b>USD Bond</b> Butterfield Capital Appreciation Bd Butterfield USD Bond Fund	<b>US High Yield Bond</b> PIMCO High Yield Bond Fund
<b>Asset Backed Security</b> CMBS - JP Morgan CMBS - Merrill Lynch	<b>Emerging Markets</b> Ashmore Emerging Mkt. Liq. Inv. Ashmore Asian Recovery Fund
<b>Structured Products</b> Argent Classic Convertible-C	<b>Liquid Asset</b> Butterfield Money Market

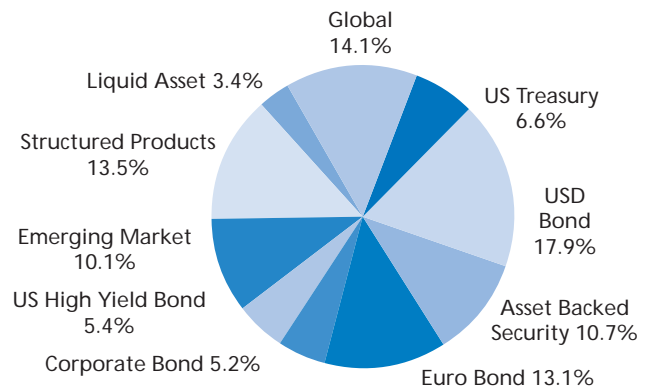
### Benchmark Composition

80% JP Morgan Government Bond - Local Currency US
20% JP Morgan Hedged USA Dollar GBIX-USA

### Asset Breakdown Target



### Asset Breakdown Actual



### General Information

Currency: USD  
Units Available: Accumulation  
Size of Fund (millions): USD 37

Fiscal Year End: June 30th  
Min. Investment: USD 10,000  
Valuation: Thursday

Dealings: Friday  
Management Fees: 0.875%  
NAV per share (30.06.03): USD 13.29

Front End Fee: None