

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

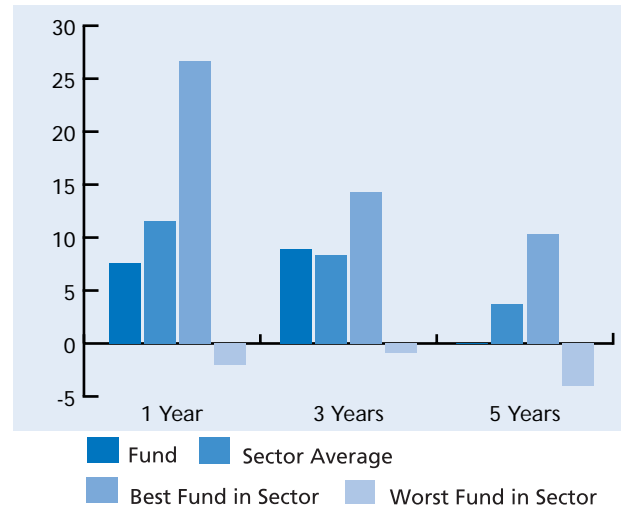
The net asset value (NAV) per share of the Fund increased from \$13.29 to \$13.33 over the quarter, an increase of 0.3% against a benchmark return of -0.9%.

The deflation-reflation tug-of-war continues, but market participants are increasingly convinced that the reflation trade should continue to outperform. The combination of massive fiscal stimulus, the Fed's willingness to keep short-term interest rates low for a long time and the dollar decline will likely promote growth and prevent deflation. Growth in the US is now expected to average well above 3% in the next 12 to 18 months. The by-product of these aggressive policy stimuli is an environment flooded with liquidity that will continue to encourage fixed income managers to move out on the credit curve in order to pick up yield.

Within the Fund, we continue to hold an overweight position in high yield and emerging market bonds, which are performing well and have continued to attract new institutional inflows. We remain bearish on Treasury bonds and will be looking at liquidating the small position left in the Fund as other opportunities arise. Our position in Argent Class C has also provided protection in the sell-off experienced in mid June and July and continues to be an attractive alternative to conventional bond funds. The Argent product offers a guaranteed yield plus a participation in the convertible bond market.

While the outlook remains generally positive for bonds (the absence of inflationary pressures in the short term will continue to attract interest to the long end of the yield curve), fixed-income returns are likely to be lower going forward.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
7.59%	8.94%	n/a	n/a	n/a

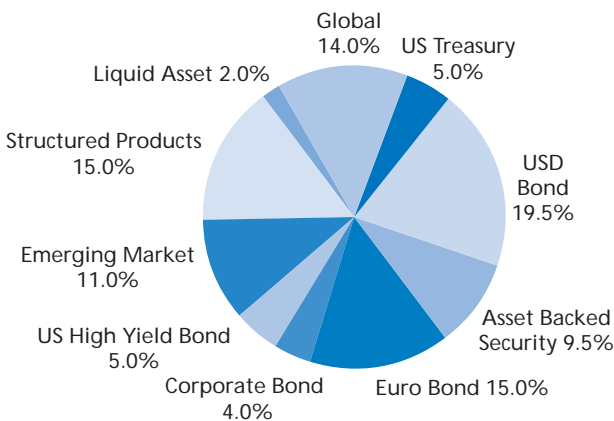
Asset Breakdown

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

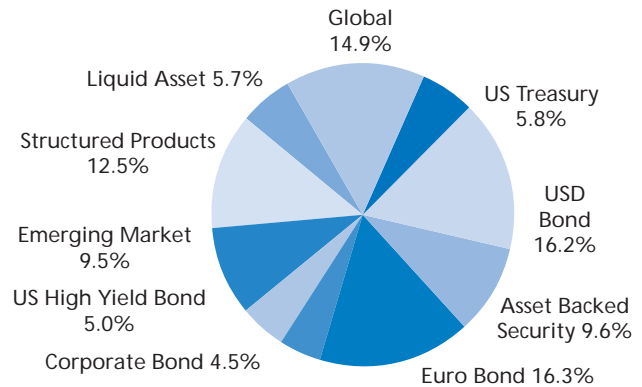
Benchmark Composition

- 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 43

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

Dealings: Friday
Management Fees: 0.875%
NAV per share (30.09.03): USD 13.33

Front End Fee: None