



**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 \$13.33 to \$13.45 over the quarter, an increase of 0.9% against a benchmark return of -0.4%.

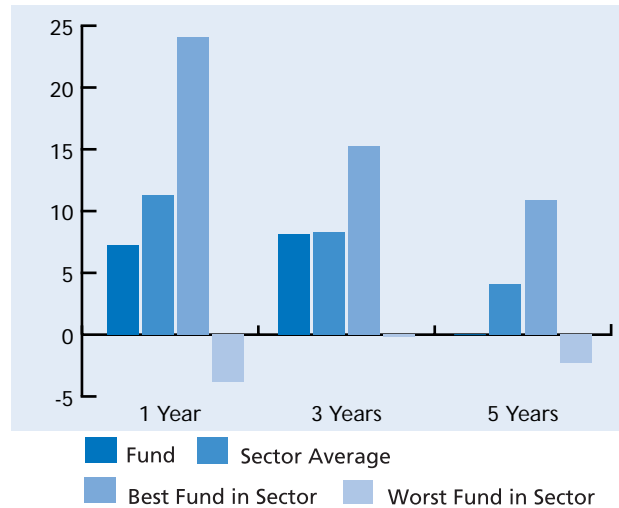
Better economic data and rising equity markets have continued to put pressure on bond yields this past quarter. Despite reassurance from the Fed that short-term rates can stay low for a "considerable period", bond managers have continued to shorten the duration of their portfolios. There is a growing feeling that the Fed is behind the curve and taking inflation risk as it looks for reassurance that the economy doesn't falter again. Although we believe the Fed will not tighten before mid-2004, it should be noted that Australia and the U.K have already raised rates and we think that higher rates around the globe should gradually develop next year.

In order to protect the assets of the Fund against a potential rising rate environment, we have maintained an overweight exposure to high yield and emerging market bond funds. These bonds have very low correlation to both US and global bond indices and are currently benefiting from very favorable fundamentals and strong inflows from investors. Given our outlook for continued strong global growth in 2004 and growing investors' appetite for yield pickup, we believe that these bonds will continue to outperform.

We also maintained an important exposure to Argent Class C. The fund offers a guaranteed yield plus a participation in the convertible bond market.

There were no fund additions or liquidations this past quarter. Overall, the Fund remains well positioned to continue to produce above benchmark returns in the year ahead.

**Comparative Performance**



**Average Annual Compound Returns**

1 Year	3 Years	5 Years	7 Years	10 Years
7.26%	8.17%	n/a	n/a	n/a

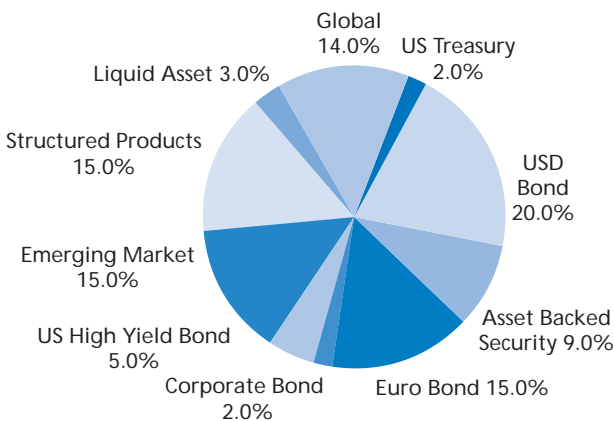
**Asset Breakdown**

- 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**  
Blue Stripe Limited  
Butterfield Money Market

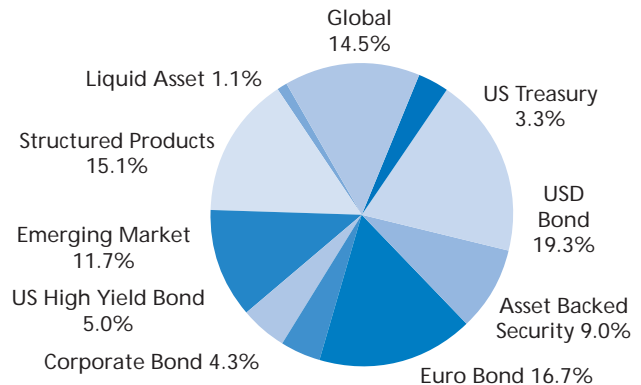
**Benchmark Composition**

- 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 45

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

Dealings: Friday  
Management Fees: 0.875%  
NAV per share (31.12.03): USD 13.45

Front End Fee: None