

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

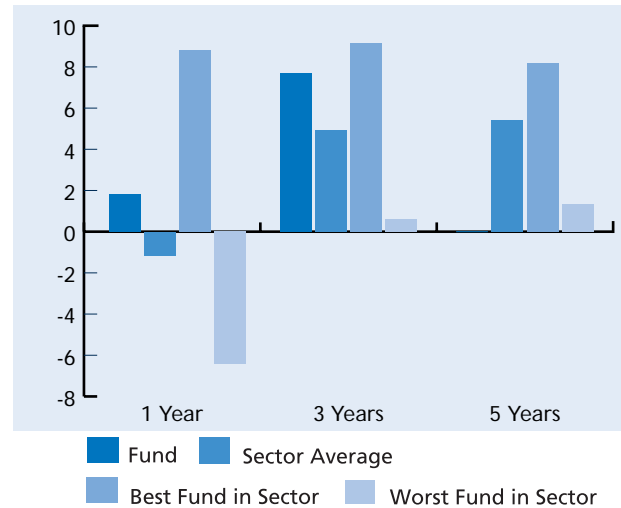
The net asset value (NAV) per share of the Fund declined from \$13.78 to \$13.53 over the quarter, a decrease of 1.8% against a benchmark return of -2.8%. Over the last 12 months, the performance relative to the benchmark was exceptional with the Fund up +1.8% against a benchmark return of -1.4%.

In our past quarterly comments, we correctly warned that US employment would likely surprise on the upside in coming months, putting upward pressure on US treasury yields. With it, the lingering uncertainty about the sustainability of the US recovery continued to abate while inflation fears accelerated sharply. Bond markets quickly adjusted to this new reality by pushing 10-Year Treasury yields from 3.84% to 4.58% in the past 3 months. The Fed also responded by raising interest rates 25bps at its June 30th meeting. Although market participants continue to expect the Fed to increase short-term rates at a "measured" pace, its ability depends primarily on the inflation outlook. In recent months, various reports have indicated a pickup in US inflation and we are concerned that the risks are still on the upside in the short term. On the other side of the Atlantic, the Bank of England (BOE) has continued to raise rates to restrain credit growth and the housing bubble. Meanwhile the European Central Bank (ECB) and the Bank of Japan (BOJ) remained very accommodative and will surely lag the Fed in the tightening process.

Within the Fund, we continue to favour funds/sectors that have a very low correlation to both US and Global bond indices. We also favour Euro area bonds over US equivalents as we believe Euro area yields are unlikely to rise sharply until markets begin to discount a more aggressive ECB.

Over the quarter, we added one direct security to the portfolio, a BundesObligation (German sovereign debt), which is AAA rated and Euro denominated. As we do with the vast majority of our non-US denominated positions/funds in the portfolio, we immediately hedged the currency exposure back to the US dollar.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
1.81%	7.71%	n/a	n/a	n/a

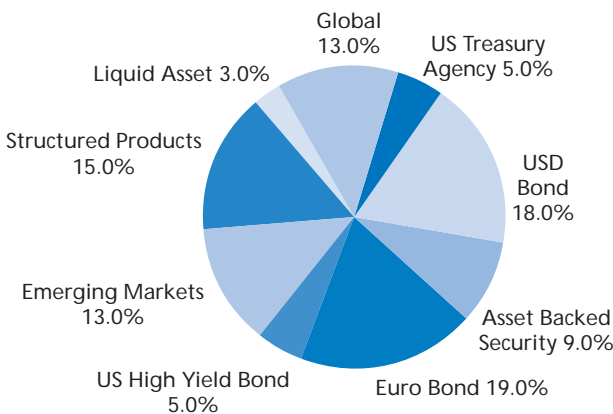
Asset Breakdown

- Global**
Schroder Global Corporate Bd.
- U.S. Treasury/Agency**
Fannie Mae
10yr Benchmark
- U.S. Dollar Bond**
Butterfield Capital Appreciation Bd.
Butterfield U.S. Dollar Bond Fund
- Asset Backed Security**
CMBS - JP Morgan
CMBS - Equity One
CMBS - GE Capital
- Euro Bond**
German Government Bond
Vanguard Euro Investment Grade Bond Index
- U.S. High Yield Bond**
PIMCO High Yield Bond Fund
- Emerging Markets**
Ashmore Emerging Mkt. Liq. Inv.
Ashmore Asian Recovery Fund
- Structured Products**
Argent Classic Convertible-C
- Liquid Asset**
Blue Stripe Limited
Butterfield Money Market

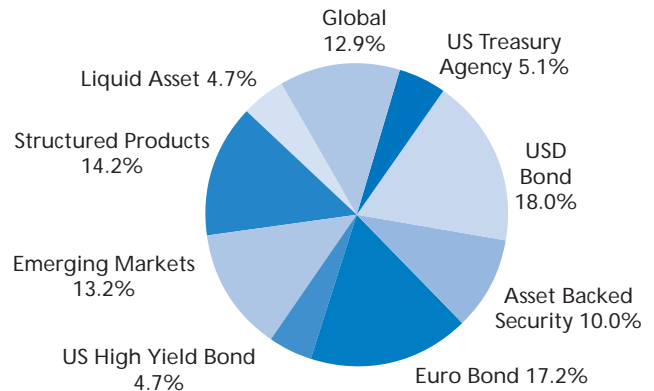
Benchmark Composition

- 80% JP Morgan Government Bond - Local Currency U.S.
- 20% JP Morgan Hedged USA Dollar GBIX-USA

Asset Breakdown Target



Asset Breakdown Actual



General Information

Currency: USD Fiscal Year End: June 30th Dealings: Friday Front End Fee: None
 Units Available: Accumulation Min. Investment: USD 10,000 Management Fees: 0.875%
 Size of Fund (millions): USD 57.1 Valuation: Thursday NAV per share (30.06.04): USD 13.53