

**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 \$13.53 to \$13.97 over the quarter, an increase of +3.25% against a benchmark return of +3.3%.

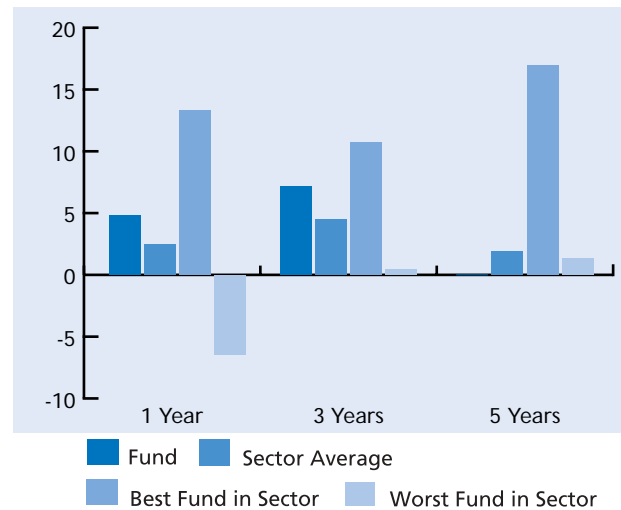
Bond markets rallied strongly over the summer as the spike in oil prices and the softening global economic conditions increased risk aversion. Despite strong commodity prices, recent inflation reports have remained subdued and it appears as if unit labor costs are still well contained. 10-Year Treasury yields celebrated the news by dropping more than 45 basis points during the quarter. Meanwhile, corporate, high-yield and emerging market bonds continued to outperform treasuries.

In the short term, it is unlikely that bond yields will move significantly higher until the global economy regains some traction. However, we believe that the longer-term cyclical outlook for bonds remains unfavorable. Global interest rates are low and remain accommodative, but they will eventually have to move toward equilibrium levels as central banks around the globe continue to tighten monetary policy.

Within the Fund, we favor Euro area bonds due to the sluggish economic backdrop in Europe and a lagging central bank. We also continue to overweight funds/sectors that have a very low correlation to both US and Global bond indices.

Over the quarter, we took some profits on our positions in emerging markets as the appreciation in prices made these positions too large relative to the rest of the Fund. We also added one direct security to the Fund, a AAA rated residential mortgage backed security collateralized by first lien mortgage loans originated in the US.

**Comparative Performance**



**Average Annual Compound Returns**

1 Year	3 Years	5 Years	7 Years	10 Years
4.80%	7.20%	n/a	n/a	n/a

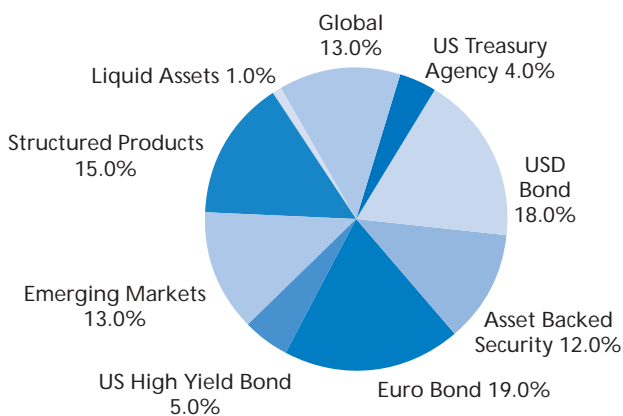
**Asset Breakdown**

- Global**  
Schroder Global Corporate Bd.
- U.S. Treasury/Agency**  
Fannie Mae  
10yr Treasury
- U.S. Dollar Bond**  
Butterfield Capital Appreciation Bd.  
Butterfield U.S. Dollar Bond Fund
- Asset Backed Security**  
CMBS - JP Morgan  
CMBS - GE Capital  
CMBS - Equity One  
HEL - Equity One  
HEL - Residential Asset Mortgage
- Euro Bond**  
Vanguard Euro Investment Grade Bond Index  
German Government Bond
- 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**  
Butterfield Money Market

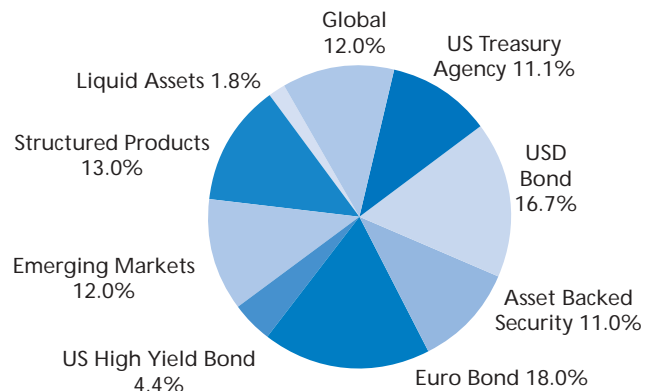
**Benchmark Composition**

- 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 63.4      Valuation: Thursday      NAV per share (30.09.04): USD 13.97