

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

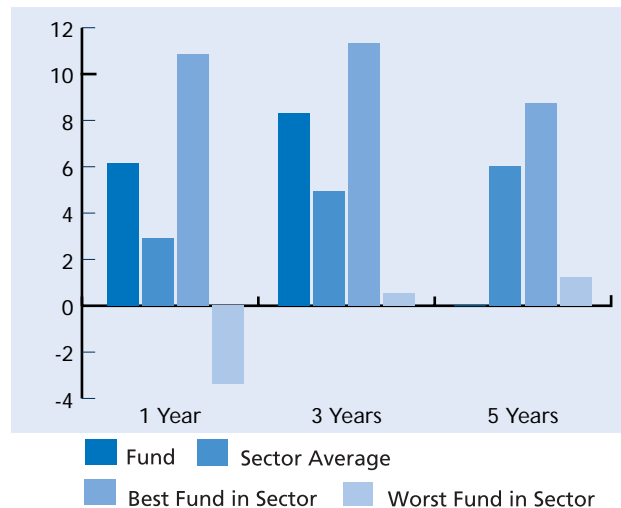
The net asset value (NAV) per share of the Fund increased from \$13.97 to \$14.28 over the quarter, an increase of +2.2% against a benchmark return of +0.8%. For the calendar year just completed, the Fund returned +6.2%.

Ten-year US Treasury yields were up slightly over the quarter. George W. Bush's decisive election victory increased concerns that bolder policies (like privatizing Social Security) could exacerbate the already burgeoning fiscal and current account deficits. Market participants were also wondering if the decline in the dollar and rising commodity prices could eventually set the stage for a potential upside surprise in inflation. The Fed raised rates by 50 bps over the last three months and as a result, the yield curve flattened dramatically. Meanwhile, European, Canadian and Japanese bonds found immunity from the US dollar weakness on the notion that the relative strength of their domestic currencies would crimp growth and inflation. Corporate bonds, high-yield and emerging market bonds continued to generate strong excess returns as the yield spread over government bonds maintained the downtrend.

Within the Fund, we continue to favor non-US dollar bonds relative to our benchmark. We also have a large exposure to Argent Class C. The fund offers a guaranteed yield that increases with short-term rates plus a participation in the convertible bond market.

During the quarter, we realized some gains in our positions in emerging market funds. The strong appreciation in prices in 2004 made these positions too large relative to the rest of the Fund. We also liquidated our position in the ten-year US Treasury. The proceeds were reinvested into a AAA rated CMBS and a AA- rated subordinated note from Fannie Mae.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
6.17%	8.29%	n/a	n/a	n/a

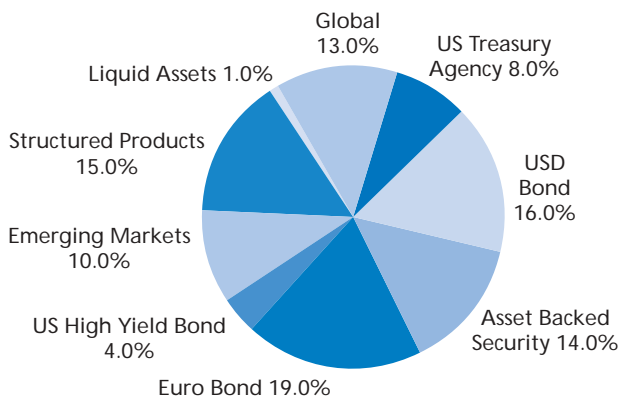
Asset Breakdown

- Global**
Schroder Global Corporate Bd.
- U.S. Treasury/Agency**
Fannie Mae
Freddie Mac
- U.S. Dollar Bond**
Butterfield Capital Appreciation Bd.
Butterfield USD Bond Fund
- Asset Backed Security**
CMBS - JP Morgan
CMBS - GE Capital
CMBS - Wachovia
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

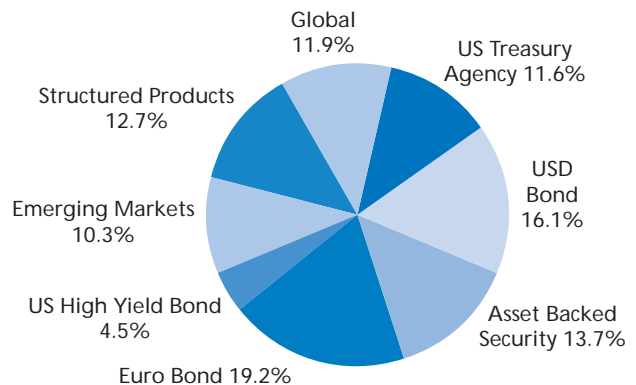
Benchmark Composition

- 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 65.8 Valuation: Thursday NAV per share (31.12.04): USD 14.28