

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

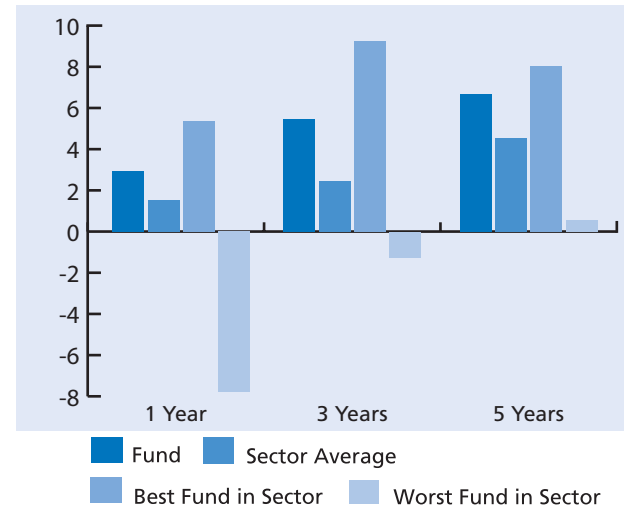
The net asset value (NAV) per share of the Fund increased from \$14.63 to \$14.70 over the quarter, an increase of +0.5% against a benchmark return of +0.8%.

The Federal Reserve increased interest rates twice, taking the federal funds rate to 4.25% at the end of the quarter. Market participants expect the Fed to raise rates two more times in 2006. Longer-term yields, which are mostly influenced by inflation, remained relatively stable despite the rise in short-term rates. This created the first inverted yield curve since 2000. In Europe, the European Central Bank raised rates by 25 bps to 2.25% in December while the Bank of England continues to follow its "wait and see" policy. Meanwhile, the Bank of Japan is preparing to reduce quantitative easing next year in response to an improving economy.

The gradual normalization of monetary policy in Europe and Japan could create more volatile bond markets in 2006. While we do not expect a decisive selloff, we will remain cautious on both these markets for the time being. The US bond market should remain in a trading range in 2006 with some downward pressure on yields if growth slows and core inflation remains muted as we expect.

Over the quarter, we purchased an additional Fannie Mae, AAA agency bond. We also added two positions in the "Asset-Backed Security" category. Both securities are AAA rated commercial mortgage-backed securities. We continue to maintain a good mix of individual securities and funds in order to keep the total expense ratio of the Fund as low as possible.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
2.94%	5.44%	6.70%	n/a	n/a

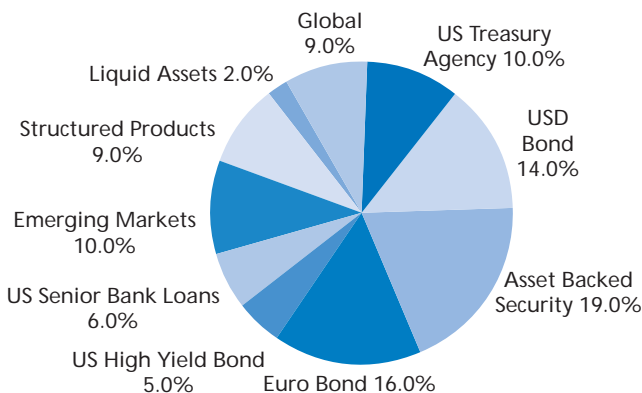
Asset Breakdown

- Global**
Schroder Global Corporate Bond
- US Treasury/Agency**
Fannie Mae
Freddie Mac
- US Dollar Bond**
Butterfield Capital Appreciation Bond
Butterfield US\$ Bond Fund
- Asset Backed Security**
CMBS - GE Capital
CMBS - Wachovia
CMBS - JPMorgan Chase
CMBS - UBS
HEL - Equity One
HEL - Residential Asset Mortgage
- Euro Bond**
Vanguard Euro Investment Grade Bond Index
German Government Bond
- US High Yield Bond**
PIMCO High Yield Bond Fund
- US Senior Bank Loans**
Cypress Leveraged Alternative Income Fund
- Emerging Markets**
Ashmore Emerging Mkt. Liq. Inv.
Ashmore Asian Recovery Fund
- Structured Products**
Argent Classic Convertible - C
- Liquid Asset**
Butterfield Money Market Fund

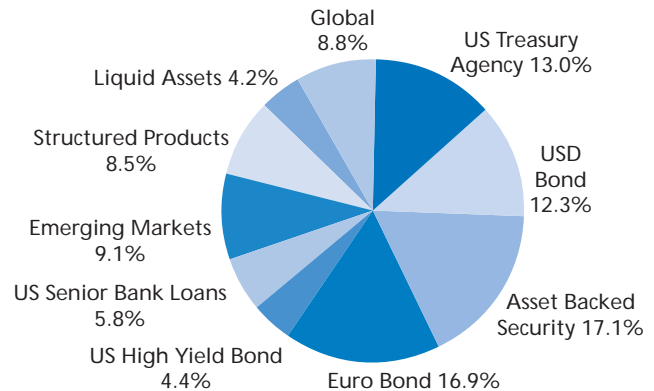
Benchmark Composition

- 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 Fiscal Year End: June 30th Dealings: Friday Front End Fee: None
 Units Available: Accumulation Min. Investment: USD 10,000 Total Expense Ratio: 1.14%
 Size of Fund (millions): USD 84.5 Valuation: Thursday NAV per share (31.12.05): USD 14.70