

BF&M INVESTMENT NEWSLETTER

For the **GOLDEN ACCUMULATOR PLAN**

2nd Qtr 2006

Investment Overview as of 25-July-2006

Inflation fears and record high \$70 a barrel oil prices sent shock waves through the markets in May and June, erasing much of the equity gains gathered in the first quarter. Missile launches by North Korea and then military strikes by Israel ignited a panic that the stock markets might collapse. Investors began to shift their money from the more volatile equities into the safer, yet lower returning bonds. Indications from the U.S. Federal Reserve that economic growth was moderating calmed the markets with the anticipation that rate increases would stop before choking off economic growth.

Seven central banks raised rates in June alone, including the U.S. and the Eurozone. Bonds dropped in value as interest rates have increased over the last year. The overall return generated from bonds was low or negative. Over the last year bonds denominated in foreign currency suffered more as the U.S. dollar strengthened. This trend has reversed as the U.S. dollar has declined. Globally, bond prices fell at a slower pace in June than in May. Lower quality bonds and Emerging Market Debt posted the largest declines. As the pressures of rising interest rates in the U.S. ease, bond prices will rise. In anticipation, the U.S. bond markets posted positive returns in June and July.

The currency exchange markets have a large impact on investment returns. There may be increasing pressure on the U.S. dollar in the foreign exchange markets. Foreign investors have been funding the U.S. deficit, now 6.7% of GDP, by investing in U.S. Treasury bonds. Should the rates in other developing countries become more appealing than the 5.25% offered by the U.S., foreign investors may take their money elsewhere. Asian and Arabian currencies have been undervalued for sometime. Those countries now hold \$2.4 trillion dollars in surplus foreign reserves. China is expected to allow their currency to gain on the U.S. dollar. The Euro and the British Pound may also pull ahead. Investors holding non-dollar denominated investments are likely to benefit.

In the long-run, the driver of equity prices is corporate earnings. Global economic conditions continue to appear sound, supportive of corporate earnings and equity prices. Valuations are still reasonable. Corporate profits have remained strong in the U.S. and elsewhere. The rate of growth in corporate profits may slow from the current rate, yet record high global purchasing of manufacturing equipment suggests there is still scope to expand. The surge in corporate acquisitions is another good sign of management optimism. However, investors will not pay as much for equities, as they are seen to be more risky in a riskier world. In addition, the rate of return on equities might be lower than the 10-20+% experienced over the last couple of years. The prospects for stocks are better in Asia and the Eurozone, where the economies are in the earlier stages of the economic expansion. There is a rotation to larger companies in the countries with higher interest rates.

Written by Patrice Horner, Vice President of North Atlantic Asset Management Limited, a subsidiary of BF&M Limited. Horner holds an MBA in Finance, and a NASD Series 7 license. She is a Certified Financial Planner (CFP) and a founding member of the Financial Planning Association of Bermuda (FPAB). North Atlantic Asset Management is licensed to conduct investment business by the Bermuda Monetary Authority under the Investment Business Act.

FINANCIAL PERFORMANCE BENCHMARKS

Indexes for Mutual Fund Comparisons
through June 30, 2006

INDEX NAME	6 Mos	1 Year	3 Years	5 Years	COMPARISON FOR
NASDAQ Composite	-1.5%	5.6%	9.8%	0.1%	US Growth Equities
S&P Barra Value	5.0%	9.8%	12.5%	2.1%	US Value
S & P 500	1.8%	6.4%	8.9%	0.7%	US Equities
Russell 2000	7.6%	12.7%	17.3%	7.2%	US Small Cap Equities
MS US Sml Co Growth	5.8%	13.6%	15.7%	2.9%	US Small Cap Growth
MSCI World-Dev'lp USD	4.9%	15.0%	14.7%	4.0%	Global Equities(All)
MSCI Global Sml Cos	5.7%	20.1%	23.9%	13.1%	Global Smaller Cos
MSCI Emr Mrkt Index	5.8%	31.7%	30.5%	18.3%	Emerging Market Equites
MSCI EAFE	8.5%	24.3%	21.2%	7.6%	Europe, Asian & Far East
Topix 500 Index	-2.9%	35.4%	19.6%	3.4%	Japanese Stocks
MSCI World IT	1.3%	15.0%	8.4%	-9.1%	Global Technology Equities
MSCI Health	1.3%	6.5%	6.9%	1.8%	World Healthcare Equities
MS Nrth Amer Comp	-0.9%	-0.1%	2.1%	5.5%	Nrth Amr Corp Bonds
GSI US Corp Bond	-1.4%	0.7%	3.2%	5.2%	US Corp Bonds
JPM Gov Bd Unhedged	2.7%	0.8%	4.2%	8.8%	Global Government Bonds
JP Morgan EMBI	-0.7%	4.8%	9.5%	10.8%	Emerging Market Bonds
Ryan Labs US 10 Yr	-3.8%	-4.4%	0.3%	5.0%	US Governement Bonds
Ryan Labs Cash	2.2%	4.0%	2.2%	2.2%	Money Market Funds

Past performance is no guarantee of future returns

BF&M Golden Accumulator Pension Plan



Summary Performance-June 2006

for the McLean Budden Funds

PERFORMANCE BY PROFILE

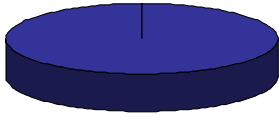
		5 YEARS	3 YEARS	1 YEAR	For the Period of 6 Mos
Guaranteed	Annualized	2.86%	2.16%	3.00%	1.84%
	Benchmark	2.21%	2.32%	4.04%	2.22%
Fixed Income	Annualized	3.26%	2.08%	1.95%	1.08%
	Benchmark	2.67%	2.20%	2.47%	1.15%
Conservative	Annualized	3.98%	6.18%	6.05%	2.82%
	Benchmark	2.99%	5.92%	5.89%	2.16%
Moderate	Annualized	4.21%	8.11%	7.56%	3.47%
	Benchmark	2.77%	7.36%	6.82%	2.31%
Aggressive	Annualized	4.81%	10.83%	10.66%	4.74%
	Benchmark	3.42%	10.15%	9.67%	3.22%

PERFORMANCE BY FUND

		5 YEARS	3 YEARS	1 YEAR	For the Period of 6 Mos
Money Market	Fund	2.16%	2.33%	3.99%	2.49%
	RT Cash Index	2.21%	2.32%	4.04%	2.22%
Global Bonds	Fund	5.15%	1.69%	-2.19%	-1.84%
	JPM Global Bonds	4.03%	1.84%	-2.21%	-2.06%
Diversified	Fund	6.05%	10.13%	8.62%	3.91%
	Weighted Index	4.35%	13.41%	13.36%	4.59%
American Equity	Fund	4.12%	12.17%	9.59%	4.55%
	S&P 500 Index	0.74%	9.24%	6.62%	1.76%
International Equity	Fund	7.26%	19.70%	23.57%	10.06%
	Europe, Asia, FarEast	7.64%	21.13%	23.69%	8.50%

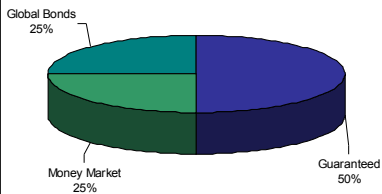
Past performance is no guarantee of future returns. Fund prices can decrease as well as increase. North Atlantic is licensed to conduct investment business by the Bermuda Monetary Authority under the Investment Business Act of 2003.

GUARANTEED RETURN



GIA
100%

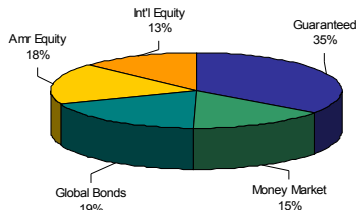
FIXED INCOME



Money Market
25%

Guaranteed
50%

CONSERVATIVE



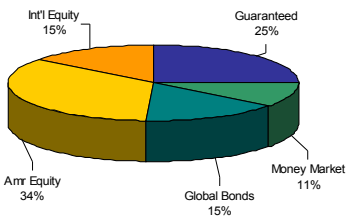
Amr Equity
18%

Global Bonds
19%

Guaranteed
35%

Money Market
15%

MODERATE



Int'l Equity
15%

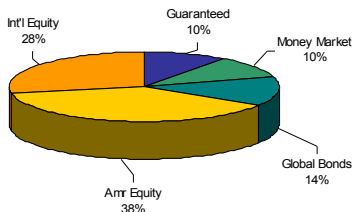
Guaranteed
25%

Amr Equity
34%

Global Bonds
15%

Money Market
11%

AGGRESSIVE



Int'l Equity
28%

Guaranteed
10%

Money Market
10%

Amr Equity
38%

Global Bonds
14%

Education Corner

When reviewing investment performance of the risk profiles, it is important to remember that while the Aggressive and Moderate Profiles can generate the highest returns at times, they are also subject to more variability. They can skyrocket or nose-dive. That is why those Profiles are selected when there are 10 or so years before the funds are needed. This variability goes in cycles. Over the long-run the Aggressive and Moderate Profiles will pull ahead. However, if there is not sufficient time to wait for the rebound prior to requiring the funds, a Conservative or Fixed Income Profile may be more appropriate.

For more information contact BF&M retirement advisors at 295-5566 x2006.