

# BF&M INVESTMENT NEWSLETTER

For the **GOLDEN ACCUMULATOR PLAN**

**4th Qtr 2006**

## Investment Overview as of 19-January-2007

The year 2006 ended on a strong note, with equity markets reaching new record highs in the U.S., Europe, and Asia. The second-half was a profitable period for investors, as both the bond and equity markets prospered. This was due to a resolution to the crisis in Lebanon, a cessation of rate hikes by the U.S. Federal Reserve Bank and the sharp decline in crude prices. Companies were buying other companies, which set off a merger mania especially in the European markets. There was a record \$4 trillion in takeovers and mergers in 2006.

By year-end, the U.S. economy was settling into a moderate level of economic expansion. The depressed U.S. housing market showed signs of improvement. Consumer spending was maintained and new equipment orders were continued. The U.K., European, and Asia x-Japan economies were still in a strong growth stage, as their local markets became less reliant on the U.S.. There are differing investment opportunities in the different locales, with larger companies better positioned in the U.S. and medium sized companies likely to prevail in Europe.

The U.S. dollar had dominated other currencies during 2005 when U.S. rates rose from 1% in 2004 to 5.25% in August this year. This attracted investors, who in turn bid-up the dollar. The trend has begun to reverse. The dollar has also been undermined by growing budget and trade deficits. The demand is declining and dollars are flowing into the other country's coffers. The Bank of England and the European Central Bank (ECB), along with several Asian countries have begun raising their interest rates in latter 2006. The resultant increasing value of the Euro and Sterling has enhanced the investments returns in those currencies.

The U.K. raised its lending rate two times in 2006 and again in early January 2007 to 5.25%. The ECB has signaled a likely rate increase in March from its current 3.5%. The U.S. Federal Reserve has rates on hold at 5.25%. It is unclear what or when will be the next step. Sterling or Euro Bonds are under pressure, as the interest rates ratchet higher. The total returns will be harmed, even though the interest rate portion is going up. The total return for U.S. bonds has benefited from the pause in U.S. rate hikes. Should rates decline, this would continue. There is some risk in U.S. corporate bonds. The difference in the interest rate spread between government and corporate bonds is near historic lows. Should that spread increase, their market prices will be squeezed.

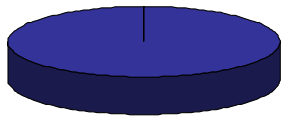
The markets are well positioned for 2007. Equities are anticipated to continue their upward rise in value, as indications are they remain a good value in both historic terms and as compared to bonds. The bonds will benefit when governments begin to reduce their lending rates. However, the future is never certain. Economic growth could be harmed should interest rates rise too high. Holding a mixture of stocks, bonds, and money markets, as guided by individual time-horizons, is always the safest course of action.

*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.*

| Indexes for Mutual Fund Comparisons |              |                            |         |         |                             |
|-------------------------------------|--------------|----------------------------|---------|---------|-----------------------------|
| through December 31, 2006           |              |                            |         |         |                             |
|                                     |              | 1 Year                     | 3 Years | 5 Years |                             |
| <b>Index Name</b>                   | <b>6 Mos</b> | <b>Annualized Return %</b> |         |         |                             |
| <b>NASDAQ Composite</b>             | 11.20%       | 9.55%                      | 6.44%   | 4.37%   | <b>US Growth Equities</b>   |
| S&P Barra Value                     | 12.07%       | 18.08%                     | 11.47%  | 6.73%   | US Lrg Cap Value            |
| S & P 500 Index                     | 11.66%       | 13.66%                     | 8.46%   | 4.32%   | US Lrg Cap Equities         |
| Russell 2000 Grw Index              | 9.19%        | 8.25%                      | 6.06%   | 1.96%   | US Sml Cap Grwth            |
| <b>MSCI World-Developed</b>         | 12.40%       | 18.01%                     | 12.72%  | 8.14%   | <b>Global Equities(All)</b> |
| MSCI Global Sml Cos                 | 9.52%        | 15.83%                     | 17.51%  | 15.90%  | Global Smaller Cos          |
| MSCI EM                             | 22.09%       | 29.27%                     | 27.29%  | 23.54%  | Emerging Market Equites     |
| MSCI EAFE                           | 13.80%       | 23.54%                     | 17.21%  | 12.43%  | Europe, Asian & Far East    |
| <b>GSI US Corp Bond</b>             | 5.58%        | 4.03%                      | 3.53%   | 5.01%   | <b>US Corp Bonds</b>        |
| JPM Glb Gov Brd Bonds               | 3.65%        | 6.51%                      | 3.37%   | 8.82%   | Global Government Bonds     |
| JP Morgan EMBI Global               | 10.64%       | 9.91%                      | 10.79%  | 14.09%  | Emerging Market Bonds       |
| Ryan Labs US 10 Yr                  | 5.71%        | 1.67%                      | 3.15%   | 5.20%   | US Government Bonds         |
| <b>Ryan Labs Cash Index</b>         | 2.60%        | 4.89%                      | 3.05%   | 2.38%   | <b>Money Market Funds</b>   |

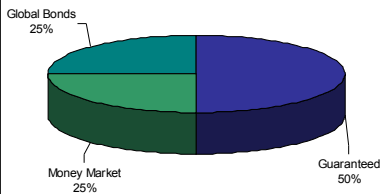
*Data compiled from information provided by Bloomberg Financial Services*

**GUARANTEED RETURN**



GIA  
100%

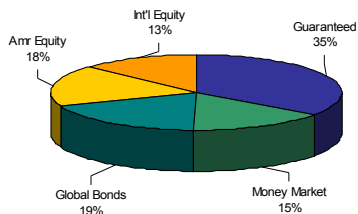
**FIXED INCOME**



Money Market  
25%

Guaranteed  
50%

**CONSERVATIVE**



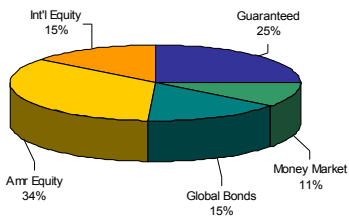
Amr Equity  
18%

Global Bonds  
19%

Guaranteed  
35%

Money Market  
15%

**MODERATE**



Int'l Equity  
15%

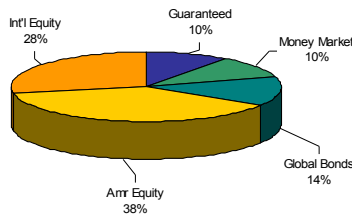
Guaranteed  
25%

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%

**BF&M Golden Accumulator Pension Plan**  
Summary Performance-December 2006  
**for the McLean Budden Funds**



| PERFORMANCE BY PROFILE |                        | Annualized returns for |              |               | For the      |
|------------------------|------------------------|------------------------|--------------|---------------|--------------|
|                        |                        | 5 YEARS                | 3 YEARS      | 1 YEAR        | Period of    |
|                        |                        |                        |              |               | 3 Mos        |
| <b>Guaranteed</b>      | <b>Profile Returns</b> | <b>2.87%</b>           | <b>2.62%</b> | <b>4.09%</b>  | <b>1.07%</b> |
|                        | <i>RT Cash Index</i>   | 2.38%                  | 3.05%        | 4.88%         | 1.26%        |
| <b>Fixed Income</b>    | <b>Profile Returns</b> | <b>3.33%</b>           | <b>3.00%</b> | <b>4.20%</b>  | <b>1.05%</b> |
|                        | <i>Weighted Index</i>  | 2.97%                  | 3.10%        | 4.51%         | 1.15%        |
| <b>Conservative</b>    | <b>Profile Returns</b> | <b>5.34%</b>           | <b>6.18%</b> | <b>8.95%</b>  | <b>2.78%</b> |
|                        | <i>Weighted Index</i>  | 5.21%                  | 6.68%        | 9.44%         | 3.35%        |
| <b>Moderate</b>        | <b>Profile Returns</b> | <b>6.21%</b>           | <b>7.63%</b> | <b>11.06%</b> | <b>3.60%</b> |
|                        | <i>Weighted Index</i>  | 5.97%                  | 8.16%        | 11.62%        | 4.40%        |
| <b>Aggressive</b>      | <b>Profile Returns</b> | <b>7.65%</b>           | <b>9.83%</b> | <b>14.38%</b> | <b>4.75%</b> |
|                        | <i>Weighted Index</i>  | 7.81%                  | 10.75%       | 14.99%        | 5.83%        |

| PERFORMANCE BY FUND         |  | Annualized returns for |               |               | For the      |
|-----------------------------|--|------------------------|---------------|---------------|--------------|
|                             |  | 5 YEARS                | 3 YEARS       | 1 YEAR        | Period of    |
|                             |  |                        |               |               | 3 Mos        |
| <b>Money Market</b>         | <b>Fund</b>                              | <b>2.34%</b>           | <b>3.04%</b>  | <b>5.15%</b>  | <b>1.27%</b> |
|                             | <i>ML 91 Day T-Bill Index</i>            | 2.43%                  | 3.07%         | 4.85%         | 1.26%        |
| <b>Global Bonds</b>         | <b>Fund</b>                              | <b>5.24%</b>           | <b>3.70%</b>  | <b>3.49%</b>  | <b>0.79%</b> |
|                             | <i>Citigroup Treasury/Gov Bond Index</i> | 4.68%                  | 3.21%         | 3.43%         | 0.84%        |
| <b>Diversified</b>          | <b>Fund</b>                              | <b>8.19%</b>           | <b>9.92%</b>  | <b>13.87%</b> | <b>4.85%</b> |
|                             | <i>Weighted Index</i>                    | 8.43%                  | 10.25%        | 13.43%        | 5.33%        |
| <b>American Equity</b>      | <b>Fund</b>                              | <b>7.54%</b>           | <b>10.42%</b> | <b>15.10%</b> | <b>5.35%</b> |
|                             | <i>S&amp;P 500 Ttl Rtrn Index</i>        | 6.19%                  | 10.44%        | 15.79%        | 6.70%        |
| <b>International Equity</b> | <b>Fund</b>                              | <b>12.61%</b>          | <b>17.08%</b> | <b>25.75%</b> | <b>8.44%</b> |
|                             | <i>EAFE Ttl Rtrn Index</i>               | 15.43%                 | 20.41%        | 26.86%        | 10.40%       |

*Past performance is no guarantee of future returns. The value of the securities held within each fund may go up as well as down and any income received may vary. Investments involves risk, disclosed in the Statement of Investment Policies and Procedures, available upon request. Currency fluctuations within a fund also affect returns. Individual performance may vary based on the actual amount and timing of contribution. North Atlantic is licensed to conduct investment business by the BMA under the Investment Business Act of 2003.*

**Education Corner**

Your pension plan is established to help you prepare for your retirement. The balance you accumulate will be used to provide a life-time income for you after you reach the age of 65. How much you amass and what that means in terms of annual retirement income will depend upon your years in the plan and your risk profile. The amount is not guaranteed and will change depending upon market returns and your contribution level. Use the BF&M Financial Calculators at [www.bfm.bm](http://www.bfm.bm) to estimate your possible retirement income. The Calculators are found on the first line of the home page. They are easy to use and free of charge.

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