CARIBBEAN COURT OF JUSTICE TRUST FUND

Annual Report

2008

Annual Report 2008

The samaan epitomises
Growth, Stability, Protection and Longevity.

On taking root, the samaan matures to colossal proportions. As long as it stands, it never stops growing.

The trunk and branches of the samaan are hard and strong, and even the highest winds cannot break its steadfast resolve. At the approach of rain, its leaves fold into a protective canopy, offering shelter to all within its embrace.

Its sheer majesty reflects strength, stability and timelessness.

The nature and character of the samaan
is rooted in the purpose of the
Caribbean Court of Justice Trust Fund.

"…funding the Caribbean Court of Justice in perpetuity…"

Annual Report
2008

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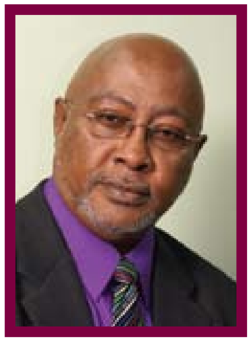
BOARD OF TRUSTEES

Dr. Rollin Bertrand
Chairman

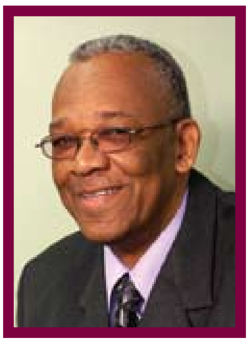
Gerry Brooks
Deputy Chairman and
Chairman - Finance & Investment

Garth Kiddoe
Chairman - Audit

Wilfred Abrahams
Trustee

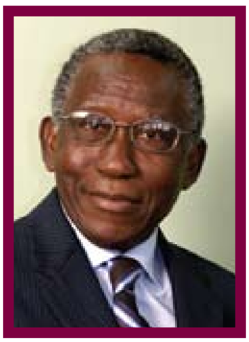


Michael Archibald
Trustee

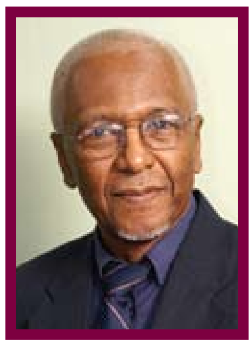


Oswald Barnes
Trustee

Dr. Anthony Bowrin
Trustee



Chief Justice
Abdulai Conteh
Trustee



Prof. Harold Lutchman
Trustee

REPORT OF THE BOARD OF TRUSTEES

The calendar year 2008 was the most unusual and turbulent period that international financial markets experienced in more than 75 years. Nevertheless, on behalf of the Board of Trustees, it is with assurance that I report on the progress of the Caribbean Court of Justice Trust Fund through this challenging period.

Background

The Caribbean Court of Justice Trust Fund ("the Trust Fund") was endowed with its initial capital in April 2005 with the mandate to provide the financial resources to maintain the Caribbean Court of Justice ("the Court") in perpetuity. As such, the Trustees have managed the resources of the Trust Fund in accordance with the following philosophy:

"The fund will be invested prudently with a long-term investment horizon in a wide range of tax-efficient international instruments so as to produce an optimal gross rate of return with reasonable security of its capital."

Accordingly, the Board developed Investment Guidelines for the fund which were approved by the CARICOM Heads. In order to have a reasonable chance of satisfying the Board's mandate to fund the Court in perpetuity, these Guidelines permit a significant exposure to international equities that historically have been able to exceed inflation over the long term.

This strategy performed admirably over the period from receipt of the endowment in April 2005 to December 2007. At the start of the financial year under review, the Trust Fund had produced annual rates of return, net of investment management fees, of +10.4% and +9.2% for the complete calendar years 2006 and 2007 respectively. The annualised net rate of return from April 2005 to December 31, 2007 was +9.3% p.a.

During the financial year, as part of its customary due diligence, the Trustees initiated a review of the investment advisory services and structures available to a portfolio of similar nature and size, and invited proposals from suitable candidates to provide advisory services for the portfolio. Following a thorough review of the submissions, the Board of Trustees appointed Hammond Associates Institutional Fund Consultants Inc. ("Hammond Associates") as the Trust Fund's independent investment adviser in March 2008.

This represented an innovative move for asset management within the region as it was a departure from the traditional "wrap" programme, under which the Trust Fund entered into a single contract with the investment adviser for the provision of investment advisory, brokerage and custodial services. This investment adviser would then provide access to a number of asset managers available on their proprietary trading and brokerage platform for the investment of funds. Under the new "unbundled" approach the Trust Fund separated the functions of the independent investment adviser, asset managers and the custodian, entering into distinct contractual arrangements with each. This provided enhanced governance and access to a wide range of institutional asset managers at a total cost unlikely to exceed that under the "wrap" arrangement. The Trust Fund finalised custody arrangements with State Street Bank and Trust Corporation in the third quarter of 2008, and entered direct arrangements with a number of unconnected asset managers recommended by Hammond Associates as independent investment adviser.

The Board of Trustees continues to uphold its fiduciary responsibility to manage the assets of the Trust Fund prudently to fulfil its long-term objective. Accordingly, during the course of the year, the full Board met six times, the Finance & Investment Committee seven times, the Audit Committee twice, and the Legal and Compensation Committees once each.

Overview of 2008 Performance

The balance of the fund as at December 31, 2007 was US$115,010,247, of which investments and operating accounts ("the total earning assets") totalled US$114,882,826. During the financial year 2008, a third party capital contribution of US$1,017,778 was received from the Government of The Bahamas. Disbursements to the Court for 2008 amounted to US$5,661,943.

Overview of 2008 Performance (Continued)

The total earning assets of the fund as at December 31, 2008 amounted to US$85,859,381 incorporating a total annual return of -19.5% net of fees and expenses.

In my statement last year, I reported on signs of weakening of international investment markets, and advised that volatility would likely prevail in 2008. This forward-thinking approach prompted the Board, on the advice of Hammond Associates, to adopt a strong strategic allocation across a wide range of diversified asset classes during 2008. However, nothing could have prepared investors for the worst market crisis since the Great Depression. In view of these unprecedented market events, the Trustees took various defensive tactical actions during the year, which mitigated the full impact of the global investment downturn on the value of the portfolio. In an environment in which there were literally no safe havens, the fund was not completely immune to the worldwide reduction in investment values.

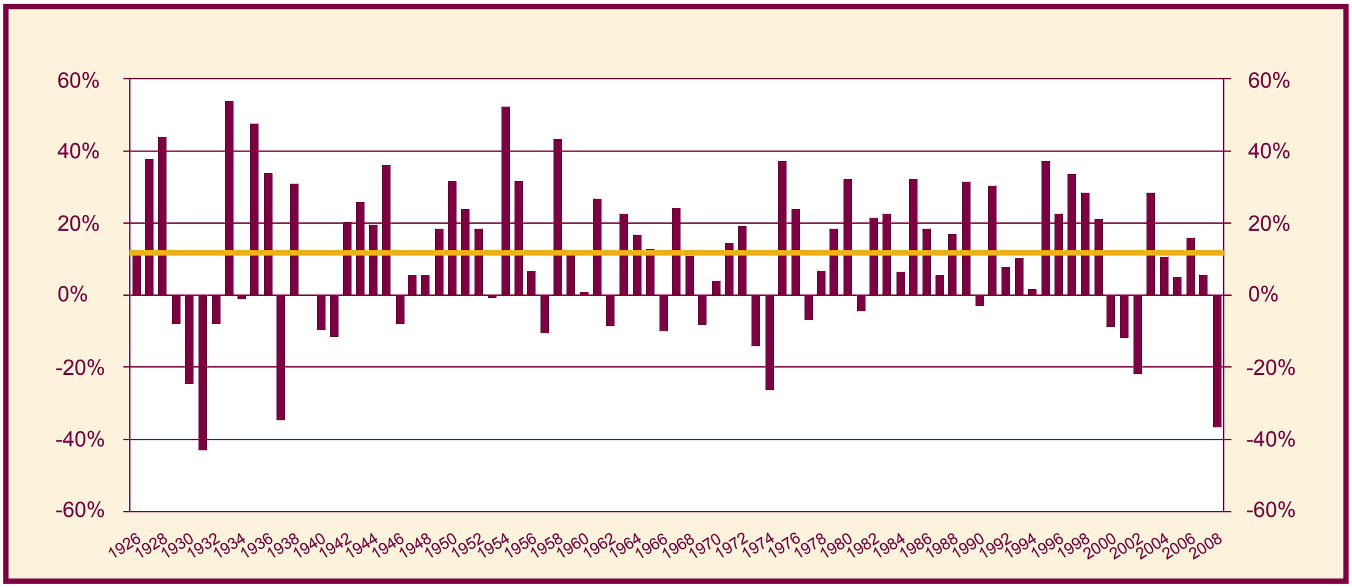
The Markets in 2008

2008 proved to be a year that most investors would prefer to forget. There were no safe asset classes, as what started in 2007 as a relatively minor fall-out in the US housing market, spiraled into a global financial crisis and world economic slowdown. This, the worst economic crisis since the 1930s, caused the world financial system to arrive at a point of near collapse. Governments and Central Banks took unified and unprecedented actions to counteract the credit crisis that arose, and stem the collapse of global markets.

International equity investors felt the pain of bear market conditions throughout 2008. The U.S. stock market, as measured by the DJIA 30, the S&P 500 and the broad-based DJ Wilshire 5000 indices posted annual returns of -33.8%, -38.5% and -38.7% respectively in 2008. Even though the downturn initially arose in the US, the impact spread to non-US markets precipitating the global crisis. The MSCI EAFE Index, a broad based performance indicator for the developed markets, produced a return of -45.1% for 2008. Not only did investors have to contend with steep losses, they were also subject to a continuous wave of market shocks and record breaking daily movements in the markets. The VIX index, which measures the implied volatility on the S&P 500 futures, exceeded 80% during 2008, implying the probability of average daily moves in the S&P index of 5% in either direction.

Chart 1 below uses the broad-based S&P 500 US equity index to demonstrate the variability of annual equity returns over its eighty-two year history (1926 to 2008). It illustrates the fluctuation of these annual returns around the long-term average rate of return of 11.7% per annum over that period. The annual return of -38.5% in 2008 is shown in the context of these historic returns.

Chart 1: S&P 500 Index - Annual Returns 1926 to 2008



Source: Hammond Associates

Not surprisingly, investors fled to quality in the face of worsening equity market and credit conditions. US Treasury yields fell to record lows as US government debt remained the safe haven of choice for nervous investors. The yield on the 10-year US Treasury fell from 4.0% at the start of the year to 2.2% at December 31, 2008. At the same time, credit spreads on corporate debt widened to levels last seen in the 1930s, reflecting the increased perception of risk. Regionally, there was a slow-down and rethinking of corporate decisions to launch longer-term US$-denominated paper, with some corporate borrowers electing to postpone borrowing or instead seeking short-term debt.

Commodities also experienced a volatile year. Oil prices continued their run-up from 2007 throughout the first half of 2008, reaching a peak of US$145 per barrel in July. However, signs of a global recession severely impacted oil prices, which fell by more than US$100 to end 2008 at US$44 per barrel. The Dow-Jones AIG commodity index, a broad-based indicator for commodity prices, fell almost as much as equities in 2008, ending the year down -35.6%.

Regionally, the equity markets were not immune to the lack of investor confidence and the effects of the perceived global economic slowdown. Companies in the financial services sector with international portfolios felt the effects of negative price movements on foreign investments. There was also the negative effect of decreasing income earnings on foreign cash holdings as interest rates in the US and the Eurozone fell. Conglomerates with international distribution networks or holdings were subject to reduced current and projected demand for products as a result of the economic malaise. All three of the regional stock indices, the JSE Market Index, the BSE Composite Index and the TTSE Composite Index fell in the second half of the year displaying returns for the period July 1 to December 31, 2008 of -27.0%, -15.9% and -26.7% respectively. The regional stock markets erased all gains arising in the first half of 2008 as a result of the precipitous decline in the latter half of the year producing annual returns for 2008 of -25.8% (Jamaica), -11.6% (Barbados) and -14.2% (Trinidad and Tobago).

Investment Portfolio

In spite of the pro-active defensive actions undertaken by the Trustees during the year, the total earning assets of the Trust Fund were not impervious to the collapse of international asset prices and produced an audited total return for the year of -19.5% net of fees and expenses. In comparison, two international portfolios managed regionally, produced returns of -31.9% and -54.4% for the same period. The performance of the Trust Fund portfolio puts it in the top 25% of 541 comparable-sized funds within the Russell Mellon Universe of US Endowment Funds as at December 31, 2008.

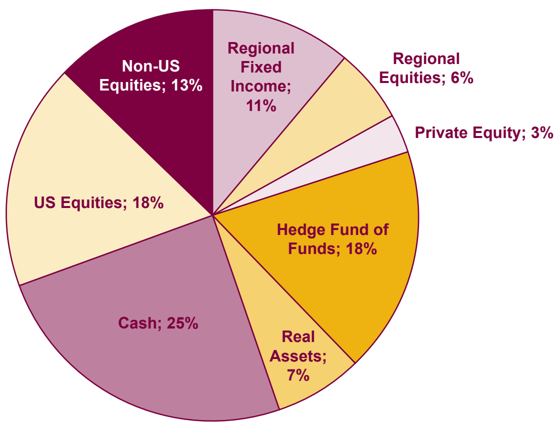
The audited total rates of return net of fees and expenses show that the total earning assets of the Trust Fund returned +0.7% per annum since receipt of its endowment in April 2005 down from +9.3% one year ago.

Table 1: Audited Fund Returns

	Period Return	Annualised Rate from Inception
April 7 – December 31, **2005**	+ 5.7%	
January 1 to December 31, **2006**	+ 10.4% p.a.	+ 9.3% p.a.
January 1 to December 31, **2007**	+ 9.2% p.a.	+ 9.3% p.a.
January 1 to December 31, **2008**	- 19.5% p.a.	+ 0.7% p.a.

The investment allocation of the portfolio as at December 31, 2008 is shown in the chart below:

Chart 2: Portfolio Allocation as at December 31, 2008



Investment Portfolio (Continued)

Based on the advice of Hammond Associates, the Trust Fund underwent a strategic portfolio re-allocation in mid-2008, significantly reducing its exposure to International Equities (US and Non-US) from 66% at the beginning of the year. As at December 31, 2008, the portfolio comprised a 31% exposure to International Equities, split between US Equities (18%) and Non-US Equities (13%). In retrospect, this strategic re-allocation proved to be prudent as it removed approximately 35% of the fund's value from the volatility and downturn in the equity markets experienced from July to November 2008. This proactive approach reduced the impact on, but did not fully insulate the portfolio from the effects of collapsing equity market prices.

The Regional Equity markets were affected by loss in investor confidence and reduced activity. As previously mentioned the TTSE Composite Index reversed all of its first half gains producing presented a -14.2% return for 2008, while the Jamaican Market Index displayed an annual return of -25.8%. The portfolio's regional equity holdings comprise mainly high quality equities in the banking and financial services sector and conglomerates with international holdings or distribution networks. The current and projected earnings for these companies were affected by the forecasted global economic recession and the prevailing negative investment climate. These factors contributed to negative price movements over the second half of the year.

The Trust Fund strategically diversified its portfolio allocation by increasing its exposure to the Hedge Fund of Funds asset class. Hedge Funds are viewed as risk and volatility reducing assets and, under normal market conditions, typically generate absolute rates of return in excess of traditional equity returns. However, in the face of continued government interventions and restrictions, as policy makers struggled to control a deepening global financial crisis, Hedge Funds experienced difficult investment conditions. This contributed to overall negative performance in an investment landscape where no asset class proved to be immune. Whilst the hedge fund indices produced negative returns over the period, with the benchmark HFRI Fund of Funds index posting a return for 2008 of -21.0%, this was significantly better than equity indices, which posted returns ranging from -38.7% to -45.1%.

The Trust Fund further diversified its allocation to include inflation-protected investments through its allocation to Real Assets. This class traditionally provides investors with returns in excess of inflation and represents good long-term prospects. The financial year 2008 proved to be turbulent for this asset class as deflationary conditions prevailed and continued negative credit and economic news inundated the beleaguered investment markets. As previously mentioned, oil prices ended the year down 70% from the high attained in July 2008.

The Trust Fund's investment in Private Equity is in its early stages, and is subject to the negative returns expected in the initial life of this type of investment. Private Equity Funds are long-term investments with returns not expected to materialise until the medium to long term. However, they offer investors the opportunity for returns in excess of traditional equity investments. This allocation ideally suits the long-term objective of the Trust Fund and its mandate to fund the Court in perpetuity.

Regional Fixed Income holdings comprise medium to longer term fixed income instruments denominated in TT$ and US$. With yields ranging from 7.8% to 8.55% on individual bonds, the TT$-denominated fixed income holdings performed according to expectations. The Trust Fund increased its holdings in longer term instruments through its participation in three high quality corporate bond offerings during the course of 2008. The two US$-denominated internationally traded bonds held in this asset class were affected by widening credit spreads and risk aversion in the global financial markets.

The Trust Fund maintains a defensive high allocation to cash, with 25% of the portfolio held regionally and internationally. In combination with the 11% held in liquid Regional Fixed Income holdings, this represents in excess of four years' expected funding requirements for the Court, as well as the administrative expenses of the Trust Fund. The high level of liquidity maintained by the Trust Fund reduces the probability of a forced sale of assets to meet liabilities in adverse market conditions. This proactive and defensive stance also places the Trust Fund in a favourable position to increase its exposure to long-term investment opportunities as markets recover and revert to normality. The Trust Fund carefully monitors its exposure limits on a regional level, making cash investments with Board-approved counterparties only. Internationally, the cash held is invested in a money market mutual fund backed by US Government paper only.

Progress of the Fund

The fund experienced a deterioration in market value from US$115,010,247 at the start of the year to end the period at US$85,968,133 of which US$85,859,381 represented total earning assets.

US$9,319,072, an increase of 50% over the same period in 2007.

The innovative move to the "unbundled" approach, with separate investment adviser, asset manager, and custodial relationships, resulted in a reduction of Investment Fees in excess of 30% year on year. This savings, coupled with prudent containment of expenses by the Trust Fund in the face of global economic concerns, contributed to an increase in Net Income of 65% from US$5,034,310 in 2007 to US$8,287,727 in

Table 2: Statement of Movement in Fund Balance from Inception (April 2005)

	2008	2007	Apr. 2005 – Dec. 2008
Fund Opening Balance	**115,010,247**	**110,201,958**	**100,946,142**
Capital Contributions	1,017,778	1,017,778	7,014,852
	116,028,025	111,219,736	107,960,994
Interest and Dividends	3,348,710	2,889,652	10,896,054
Realised Gains	5,970,362	3,337,375	12,049,237
	9,319,072	6,227,027	22,945,291
Investment Management Fees	(384,763)	(567,934)	(1,869,511)
Net Investment Income	**8,934,309**	**5,659,093**	**21,075,780**
Trust Fund Expenses	(646,582)	(624,783)	(2,683,714)
Net Income	**8,287,727**	**5,034,310**	**18,392,066**
Disbursement to Court	(5,661,943)	(4,912,235)	(19,437,247)
Net Income After Disbursements	**2,625,784**	**122,075**	**(1,045,181)**
Unrealised Gains/ (Losses)	(24,831,214)	3,668,436	(13,093,218)
Impairment on Financial Assets	(7,854,462)	-	(7,854,462)
Net Change in Fund	(30,059,892)	3,790,511	(21,992,861)
Fund @ December 31	**85,968,133**	**115,010,247**	**85,968,133**

During the financial year 2008, a third party capital contribution of US$1,017,778 was received from the Government of the Bahamas.

Realised Gains increased by 82% from US$3,337,375 in 2007 to US$5,970,362 in 2008. Income earned from interest and dividends increased by a more modest 16% over the previous financial year. Income earned from interest, dividends and realised capital gains totaled

2008. Excluding charges for depreciation and year-end currency translation differences, the ratio of fees and adminstrative expenses of the Trust Fund expressed as a percentage of the average fund balance was 1.0%.

Disbursements to fund the expenses of the Court and Commission amounted to US$5,661,943 in the financial year ended December 31, 2008. Cumulative disbursements to the Court since inception amounted

Progress of the Fund (Continued)

to US$19,437,247. The Trust Fund has provided the majority of this sum from Net Income of US$18,392,066 accumulated since endowment, with US$1,045,181 of the capital being used to satisfy the balance.

The effects of the global investment crisis resulted in unrealised market losses of US$24,831,213 for the year 2008. From inception, the accumulated net investment income of US$21,075,780 was significantly diluted by virtue of the unprecendented market conditions during 2008 and the associated mark to market loss in asset values.

The effect of these market events was exacerbated by recent changes in the interpretation of International Accounting Standards ("IAS"), specifically the application of "IAS 39: Financial Instruments: Recognition and Measurement" as it relates to the impairment of equity financial assets. According to this Standard, impairment of a financial asset is deemed to have occurred if there is objective evidence that the cost of the asset may not be recovered as a result of one or more events. IAS 39 allows for the interpretation of impairment of equity related financial assets in the case of significant or prolonged declines in the fair value of the investment relative to its cost. In accordance with recent industry interpretation of IAS 39, a significant decline is deemed to be one in which the fair value of an investment in an equity instrument falls below its weighted-average cost by more than 30%, and a prolonged decline is one in which the fair value remains below the weighted-average cost for more than one year. This recent change resulted in the "realisation" of mark to market changes in prices of financial instruments in the sum of (US$7,854,462).

Outlook for 2009

The start of 2009 is not likely to provide a remedy to the problems of 2008, as negative market pressures remain strong. Worsening unemployment numbers at the start of the year indicate a rocky road ahead as depressed economic fundamentals continue to dominate market events. Poor earnings releases for the last quarter of 2008, expected to be released during the first quarter of 2009, will continue to depress equity markets. Any benefits of the proactive approaches by policy-makers acting individually and in concert are likely to be derived in the medium-term. The Trustees believe that the continued, coordinated actions of the global policy makers should have an impact and normal economic cycles will eventually prevail.

However, the Trustees also believe that the full year 2009 will continue to be challenging to investors as they navigate the following concerns:

(a) Slowing global economic growth projections: The IMF forecasts global economic growth at 0.5% for 2009, the worst in 60 years, in comparison to the estimated growth of 5% in 2008 predicted at the start of last year. The US, the UK and the Eurozone are projected to contract by roughly - 2.0% each;
(b) Deteriorating economic fundamentals in developed consumer markets leading to a full global recession;
(c) Vulnerability of developing markets to slowing demand and falling raw materials prices in most cases;
(d) Uncertainty about the length and depth of the global recession;
(e) Daily volatility of equity markets;
(f) Liquidity and credit concerns in financial markets;
(g) Volatility of the price of oil;
(h) An emerging period of low interest rates;
(i) The immediate and long-term impact of measures taken by the new US administration.

Therefore, market volatility is expected to continue in the upcoming year and the investment climate will continue to be challenging.

One possible response to these anticipated conditions would be to exit markets entirely and hold the portfolio in cash. However, whilst potentially protecting against further capital loss, such an approach would crystallise unrealised market losses, and would expose the fund to the possibility of missing any recovery in equity markets, which historically tends to be rapid and unpredictable.

The Trust Fund enjoys the benefit of a long-term perspective, and the Trustees believe that there is a strong probability that the actions of global policy-makers will be successful in returning financial markets to normality and increased strength in the medium term. A better response to the uncertain and volatile short-term investment conditions would be to maintain a balanced investment portfolio with a reasonable defensive allocation to cash, as well as a diversified strategic allocation to take advantage of the eventual recovery in markets.

The long-term focus of the Trust Fund enables the Trustees to commit to such a diversified strategic allocation to achieve its long-term objectives. Through its proactive and defensive approach in 2008, the Trust Fund is ideally positioned with sufficient cash to take advantage of the investment opportunities which will emerge, whilst maintaining adequate exposure to markets to take full advantage of the recovery.

Summary

In summary, I can report that the Trust Fund portfolio has withstood the most volatile international market conditions experienced in more than 75 years. The Trustees acted with foresight implementing the following strategic actions:

(a) Strengthening the corporate governance of the Trust Fund by adopting an "unbundled" approach to investment management, which also produced cost savings;
(b) Reducing the exposure to traditional equity markets and the associated volatility;
(c) Diversifying the long-term strategic allocation of the portfolio to reduce risk;
(d) Increasing the liquid portion of the portfolio to 35% reducing the probability of forced sale of assets to fund expenses, and positioning the portfolio to take advantage of emerging opportunites.

The revised allocation protected a significant portion of the assets from the traditional equity markets, mitigating the impact of record volatility and equity index returns. The Trust Fund recorded an audited net rate of return of -19.5% for the current year, with an annualised rate of return +0.7% since receipt of its endowment in April 2005. The 2008 portfolio return placed the Trust Fund in the top 25% among a universe of over 500 similar US Endowment Funds.

CARICOM Governments contributed a total of US$107.9MM since inception, and after total disbursements to the Court of US$19.4MM, the audited fund balance as at December 31, 2008 is US$86.0MM. By maintaining a high level of liquidity, the portfolio is strategically positioned to meet the expense requirements of the Court, and to take advantage of emerging opportunities as investment markets recover. However, the portfolio is not immune to volatility and possible negative returns over the short term. The Board of Trustees is confident that the strategic long-term positioning of the portfolio will enable the achievement of the fund's long-term objectives.

Appreciation

I would like to thank the current Board of Trustees, ably supported by its various Committees, for their prudent and proactive approach in guiding the Trust Fund through a difficult financial year. The Board would like to record appreciation for the contribution of our previous Investment Adviser, Oppenheimer Asset Management Inc., and welcome our new independent Investment Adviser, Hammond Associates Institutional Fund Consultants Inc., and Custodian, State Street Bank and Trust Corporation. The Board would also like to extend gratitude to the Management Team for their professional support and unending diligence in this most tumultuous year.

Dr. R. Bertrand
Chairman
Board of Trustees
July 20, 2009

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF CARIBBEAN COURT OF JUSTICE TRUST FUND

We have audited the accompanying financial statements of Caribbean Court of Justice Trust Fund, which comprise the balance sheet as at 31st December, 2008 and the revenue and expenditure account, statement of changes in fund balance and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material mis-statement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material mis-statement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material mis-statement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Trust Fund as of 31st December, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst + Young

Port of Spain,
TRINIDAD:
20th July, 2009

BALANCE SHEET AS AT 31ST DECEMBER, 2008

	Notes	2008 US$	2007 US$
Assets			
Cash and cash equivalents	5	13,142,209	14,193,212
Accounts receivable		7,369	7,077
Available-for-sale investments	6	72,488,654	100,332,837
Interest receivable		204,856	311,093
Dividends receivable		21,607	45,684
Other assets		36,381	50,822
Fixed assets	7	110,660	94,733
Total assets		86,011,736	115,035,458
Liabilities			
Accounts payable and accrued expenses		43,603	25,211
Total liabilities		43,603	25,211
Total net assets		85,968,133	115,010,247
Fund balance			
Capital contributions	8	107,960,994	106,943,216
Revaluation (deficit)/reserve		(13,093,218)	11,737,996
Retained deficit		(8,899,643)	(3,670,965)
Total fund balance		**85,968,133**	**115,010,247**

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board of Trustees and authorised for issue on 20th July, 2009 and are signed on their behalf by:

Trustee:

Trustee:

REVENUE AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2008

	Note	2008 US$	2007 US$
Revenue			
Interest income		1,877,983	1,779,734
Dividends		1,293,207	1,184,701
Realized gains on investments	3 (e)	5,970,362	3,337,375
		9,141,552	6,301,810
Investment management fees		(384,763)	(567,934)
Net investment income		8,756,789	5,733,876
Other income		15,598	–
Net gain/(loss) on foreign exchange		150,982	(74,783)
Gain on disposal of fixed assets		10,940	–
Net operating income		**8,934,309**	**5,659,093**
Impairment losses on investments	3(g)	(7,854,462)	–
		1,079,847	5,659,093
Expenditure			
Legal and professional fees		43,239	48,707
Staff costs		329,108	316,340
Board expenses	10	77,463	100,537
Depreciation		27,900	31,700
Property related expenses		75,811	68,633
General administrative expenses		93,061	58,866
		646,582	624,783
Net income for the year		**433,265**	**5,034,310**
Transfers to the Court	3(k)	(5,661,943)	(4,912,235)
		(5,228,678)	**122,075**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED 31ST DECEMBER, 2008

	Capital contributions US$	Revaluation (deficit)/ reserve US$	Retained deficit US$	Fund balance US$
Balance at 31st December, 2006	**105,925,438**	**8,069,560**	**(3,793,040)**	**110,201,958**
Available-for-sale investments				
- Realized gains transferred to net income	–	(3,611,022)	–	(3,611,022)
- Revaluation of investments	–	7,279,458	–	7,279,458
Income for the year recognized directly in fund balance	–	3,668,436	–	3,668,436
Members' contributions (Note 8)	–	–	–	–
Third party contributions (Note 8)	1,017,778	–	–	1,017,778
Current year income	–	–	5,034,310	5,034,310
Transfers to the Court (Note 3(k))	–	–	(4,912,235)	(4,912,235)
	1,017,778	3,668,436	122,075	4,808,289
Balance at 31st December, 2007	**106,943,216**	**11,737,996**	**(3,670,965)**	**115,010,247**
Available-for-sale investments				
- Realized gains transferred to net income	–	(6,062,013)	–	(6,062,013)
- Revaluation of investments	–	(26,623,181)		(26,623,181)
Income / (losses) for the year recognized directly in fund balance	–	(32,685,194)	–	(32,685,194)
Impairment losses transferred to net income	–	7,853,980	–	7,853,980
Members' contributions (Note 8)	–	–	–	–
Third party contributions (Note 8)	1,017,778	–	–	1,017,778
Current year income	–	–	433,265	433,265
Transfers to the Court (Note 3(k))	–		(5,661,943)	(5,661,943)
	1,017,778	(24,831,214)	(5,228,678)	(29,042,114)
Balance at 31st December, 2008	**107,960,994**	**(13,093,218)**	**(8,899,643)**	**85,968,133**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER, 2008

	Notes	2008 US$	2007 US$
Operating activities			
Net income for the year		433,265	5,034,310
Adjustments for:			
Depreciation		27,901	31,700
Gain on disposal of fixed assets		(10,940)	–
Translation difference		(466)	(185)
Operating income before working capital changes		449,760	5,065,825
Decrease/(increase) in interest receivable		106,237	(239,849)
Decrease/(increase)in accounts receivable, dividends receivable and other assets		38,226	(12,405)
Increase/(decrease) in accounts payable, accrued expenses and other liabilities		18,392	(20,209)
Net cash generated from operating activities		**612,615**	**4,793,362**
Investing activities			
Purchase of fixed assets		(52,583)	(476)
Net movement in regional equity investments		3,554,842	(527,977)
Net movement in regional fixed income instruments		3,786,007	(3,715,664)
Net movement in non-regional investments		(4,327,879)	7,009,582
Proceeds from disposal of fixed assets		20,160	–
Net cash provided by investing activities		**2,980,547**	**2,765,465**
Financing activities			
Third party contributions		1,017,778	1,017,778
Transfers to Court		(5,661,943)	(4,912,235)
Net cash used in financing activities		**(4,644,165)**	**(3,894,457)**
Net (decrease)/increase in cash and cash equivalents		**(1,051,003)**	**3,664,370**
Cash and cash equivalents at beginning of the year		**14,193,212**	**10,528,842**
Cash and cash equivalents at end of the year		**13,142,209**	**14,193,212**
Supplemental information:			
Interest received during the year		1,984,220	1,539,884
Dividends received during the year		1,317,283	1,396,211

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2008

1. Formation and principal activities

The Caribbean Court of Justice Trust Fund (the Trust Fund) was established by the CARICOM Heads of Government (the Members) in accordance with the "Revised Agreement establishing the Caribbean Court of Justice Trust Fund" (the Agreement) effective 27th January, 2004. The Board of Trustees was inaugurated on 22nd August, 2003, and operations commenced on May 1st, 2004. At its meeting of May 2004 the Board passed a resolution authorising all actions and ratifying all decisions taken by it between 22nd August, 2003 and 27th January, 2004.

The purpose of the Trust Fund is to provide the resources necessary to finance the capital and operating budget of the Caribbean Court of Justice (the Court) and the Regional Judicial and Legal Services Commission (the Commission) in perpetuity. Its principal activity is the management of an endowment fund invested in a range of regional (originating CARICOM territories) and non-regional assets. The investment objective is to seek medium to long-term capital growth through investment in a diversified portfolio of tax-efficient international instruments, including fixed income and equity securities, in order to produce an optimal gross rate of return with reasonable security of capital.

At the commencement of operations, the Trust Fund engaged the services of Oppenheimer Asset Management Inc. to act as the Program Manager of its non-regional assets. This provided a cost effective integrated program incorporating investment management advice, asset manager selection and custodial services. During the year the Trustees determined that these services should be segregated and appointed Hammond Associates Institutional Fund Consultants Inc. as independent Investment Adviser, and State Street Bank and Trust Company as Custodian to the Trust Fund.

Based on the advice of the Investment Adviser, the Trust Fund enters into direct agreements with asset managers and also makes direct purchases of appropriate mutual funds and other approved financial instruments. Each asset manager invests and reinvests the securities, cash and/or other investments held, in accordance with the Trust Fund's investment objectives. Investments may be made in, but are not limited to, securities of any kind, including stocks, warrants, options, rights, corporate or government bonds or notes issued by U.S. or foreign issuers and shares of money market mutual funds.

The Trust Fund operates as an international legal entity which is not amenable to the municipal jurisdiction of any one sovereign state and is domiciled in the Republic of Trinidad and Tobago. Its registered office is at 22 Cornelio Street, Woodbrook, Port of Spain, Trinidad and Tobago. The Trust Fund currently employs six full-time members of staff.

2. Privileges and immunities

The Agreement establishes certain privileges and immunities to enable the Trust Fund and its Officers to discharge its duties and responsibilities. In accordance with Article XII of the Agreement the Trust Fund, its assets, property, income and its operations and transactions are exempt from all taxation, all customs duties on goods imported for its official use and all other imports. Furthermore the Trustees, Officers and employees are exempt from direct taxation of salaries, remuneration and allowances paid to them by the Trust Fund. The privileges and immunities are encompassed in the Headquarters Agreement established with the Government of Trinidad and Tobago.

3. Significant accounting policies

The principal significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2008 (Continued)

3. Significant accounting policies (continued)

a) Basis of preparation

These financial statements are expressed in United States dollars and are prepared in accordance with International Financial Reporting Standards (IFRS) on the historic cost basis, except for available-for-sale investments which are carried at fair value.

b) Adoption of IFRS during the year

No new or revised standards and interpretations to existing standards are mandatory for adoption by the Trust Fund for the 2008 reporting year.

New and revised International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Committee (IFRIC) interpretations have been issued but are not yet effective.

The Trust Fund will apply "IAS 1, Presentation of Financial Statements" from 1st January, 2009. This standard will impact the presentation of the financial statements and will require the aggregation of information in the financial statements on the basis of shared characteristics, the preparation of a statement of comprehensive income and changes in the titles of some of the financial statements.

The following additional standards and interpretations to existing standards have been issued and become effective for reporting periods commencing on or after 1st July, 2008. The Trust Fund has evaluated the effect of these and determined that they do not apply to the activities of the Trust Fund.

- IFRS 1: First-time Adoption of International Financial Reporting Standards (Revised)
- IFRS 2: Share-based Payment – (Revised)
- IFRS 3: Business Combinations IFRS 8: Operating Segments – (Revised)
- IFRS 5: Non-current Assets Held For Sale and Discontinued Operations – (Revised)
- IFRS 8: Operating Segments
- IAS 16: Property, Plant and Equipment (Amendment)
- IAS 19: Employee Benefits (Amendment)
- IAS 20: Government Grants and Disclosure of Government Assistance (Amendment)
- IAS 23: Borrowing Costs (Amendment)
- IAS 27: Consolidated and Separate Financial Statements (Amendment)
- IAS 28: Investment in Associates (Amendment)
- IAS 29: Financial Reporting in Hyperinflationary Economies (Amendment)
- IAS 31: Interests in Joint Ventures (Amendment)
- IAS 32: Financial Instruments: Presentation (Amendment)
- IAS 36: Impairment of Assets (Amendment)
- IAS 38: Intangible Assets (Amendment)
- IAS 39: Financial Instruments: Recognition and Measurement (Amendment)
- IAS 40: Investment Property (Amendment)
- IAS 41: Agriculture (Amendment)
- IFRIC 13: Customer Loyalty Programmes
- IFRIC 15: Agreements for the Construction of Real Estate
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation
- IFRIC 17: Distributions of Non-cash Assets to Owners

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2008 (Continued)

3. Significant accounting policies (continued)

c) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

d) Financial instruments

Financial assets and liabilities are recognized in the balance sheet when the Trust Fund becomes party to the contractual obligation of the instrument. Regular purchase and sales of investments are recognized on the trade date – the date on which the Trust Fund commits to purchase or sell the asset.

A financial asset is derecognized when the rights to receive the cash flows from the asset have expired or where all the risks and rewards of ownership of the asset have been transferred. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

e) Available-for-sale investments

The Trust Fund classifies its investments as available-for-sale. Investments are comprised of regional and non-regional equities, equity-related securities and fixed income securities. Available-for-sale investments are securities which are intended to be held for an indefinite period of time but which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

All investments are initially recognized at cost, being the fair value of the consideration given including transaction costs associated with the investment. After initial recognition, available-for-sale investments are measured at fair value.

Unrealized gains or losses arising from changes in the fair value are recognized directly as a separate component of the fund balance until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously included in the fund balance is recognized in the revenue and expenditure account as realized gains or losses on investments.

f) Determination of fair value

The fair value for financial instruments traded in organized financial markets is based on their quoted market prices at the balance sheet date without any deduction for transaction costs.

Where the instrument is not actively traded or quoted on recognized exchanges, fair value is determined using discounted cash flow analysis. Where discounted cash flow techniques are used, future cash flows are based on best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions.

g) Impairment of financial assets

The Trust Fund invests its endowment assets with a view to generating a consistent long-term return to meet its long-term mandate. Given this perspective, investments are initiated with a medium to long-term holding period. The Trust Fund assesses at the end of each reporting period, whether there is objective evidence that any of its

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2008 (Continued)

g) Impairment of financial assets (continued)

financial assets or group of assets is impaired. As far as possible, the assessment is done on an individual security basis.

Equities and equity-related securities are considered to be impaired if there is objective evidence that the cost of the investment may not be recovered. Objective evidence of impairment of an equity instrument includes observable data that comes to the attention of the Trust Fund about loss events, information about significant changes with an adverse effect that have taken place in the business environment in which the issuer operates, and indicates that the cost of the investment may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. A significant decline is deemed to be one in which the fair value of an investment in an equity instrument falls below its weighted-average cost by more than 30%, and a prolonged decline is one in which the fair value remains below the weighted-average cost for more than one year.

Fixed income securities are considered to be impaired if there is objective evidence that a loss event has occurred which brings into doubt the willingness or ability of the issuer to meet its contractual payment obligations on the security. A decline in fair value of an investment in a debt instrument due to changes in the risk-free interest rate does not represent evidence of a loss event.

When a decline in the fair value of a financial asset has been recognized directly in revaluation reserves, and there is objective evidence that the financial asset is impaired, the cumulative loss that had been recognized in revaluation reserves is reclassified from the revaluation reserves to the revenue and expenditure account as an impairment loss. The amount of the cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in the revenue and expenditure account.

At subsequent balance sheet dates, any further declines in fair value are recognized as impairments. If the fair value of a debt security instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment shall be reversed through the revenue and expenditure account. If the fair value of an equity-related security increases, impairment losses shall not be reversed through the revenue and expenditure account, even when the reasons for impairment no longer exist.

h) Fixed assets

Fixed assets are stated at cost net of accumulated depreciation. Depreciation is provided for at rates expected to write off the cost of the assets over their estimated useful lives. Leasehold improvements are depreciated over the period of the lease. Depreciation on all classes of fixed assets is computed as follows:

	Rate	**Basis**
Motor vehicles	25%	Reducing balance
Equipment, furniture and fittings	12%-50%	Straight line
Leasehold improvements	33%	Straight line

Gains and losses on disposal of fixed assets are determined by reference to their carrying amounts and are taken into account in determining net income. Costs of repairs are charged to the revenue and expenditure account when the expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2008 (Continued)

i) Operating lease

Operating leases are leases that do not transfer substantially all the risks and rewards of ownership to the lessee. The Trust Fund has entered into a three year operating lease for the occupation of its registered office with the option to renew the lease at the end of the period for two further periods of three years, each at terms agreed with the Lessor. Either party has the option to determine the agreement by serving notice in writing. Lease payments are recognized as an expense in the revenue and expenditure account on a straight-line basis over the period of the lease.

j) Members' contributions

Members' contributions are accounted for on a receipts basis.

k) Transfers to the Court

The Court submits biennial budgets in relation to the cash flow requirements of the Court and the Commission. These projections are considered by the Board of Trustees and after consultation, the necessary financing is remitted to the Court. These amounts are treated as distributions out of the fund balance and are accounted for when disbursed.

l) Foreign currency translation

The functional and presentation currency of the Trust Fund is the United States dollar (US$). Transactions in foreign currencies are translated at exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rate at balance sheet date and any gains or losses arising are taken to the revenue and expenditure account. Non-monetary items that are measured in terms of historical cost in foreign currencies are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rates at the date the fair value was determined. Foreign exchange gains or losses thus arising are recognised consistently with the fair value gains or losses, directly in the fund balance or the revenue and expenditure account as appropriate.

m) Revenue and expenditure

Income and expenditure are accounted for on the accruals basis. Interest income includes coupons earned on fixed income investments as well as accrued discounts on treasury bills and other discounted investments.

n) Comparative figures

Certain changes in presentation have been made in these financial statements. These changes have no effect on the operating results of the Trust Fund for the current and previous year.

4. Significant accounting judgements and estimates

Management has made the following judgements in the application of accounting policies which may have the most significant effect on the amounts recognized in the financial statements:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2008 (Continued)

4. Significant accounting judgements and estimates (continued)

Determining fair value

The Trust Fund has applied IAS 39 in its classification of investment securities which requires measurement of securities at fair value. For financial instruments that trade infrequently and have little price transparency, fair value requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Impairment of financial assets

Management makes judgments at each balance sheet date to determine whether financial assets are impaired. The determination of what is significant or prolonged requires judgement including factors such as share price volatility and market factors.

5. Cash and cash equivalents

	2008 US$	2007 US$
Cash at bank	192,472	199,006
Money market accounts	6,558,088	5,314,175
Treasury bills	–	2,105,876
Short term deposits	2,532,694	5,208,908
Other	3,858,955	1,365,247
	13,142,209	**14,193,212**

6. Available-for-sale investments

	2008 Carrying value US$	2008 Fair value US$	2007 Carrying value US$	US$ Fair value US$
Debt securities	8,953,975	9,116,142	11,122,459	11,122,459
Equities	37,711,824	37,711,824	71,237,973	71,237,973
Private equity fund of funds	2,178,936	2,178,936	1,650,000	1,650,000
Hedge fund of funds	15,676,321	15,676,321	6,516,037	6,516,037
Short term instruments	7,967,598	7,967,598	9,806,368	9,806,368
	72,488,654	**72,650,821**	**100,332,837**	**100,332,837**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER, 2008 (Continued)

7. Fixed assets

	Motor vehicles US$	Equipment & furniture US$	Leasehold improve. US$	Total US$
Cost				
At beginning of year	110,922	76,749	12,572	200,243
Transfers of work in progress	–	–	–	–
Additions at cost	23,753	28,830	–	52,583
Exchange adjustments	44	969	(27)	986
Disposals	(23,605)	(1,078)	–	(24,683)
At end of year	111,114	105,470	12,545	229,129
Accumulated depreciation				
At beginning of year	(60,889)	(33,443)	(11,178)	(105,510)
Charge for the year	(15,025)	(11,870)	(1,006)	(27,901)
Exchange adjustments	(144)	(350)	(26)	(520)
Disposals	14,384	1,078	–	15,462
At end of year	(61,674)	(44,585)	(12,210)	(118,469)
Net book value at beginning of year	**50,033**	**43,306**	**1,394**	**94,733**
Net book value at end of year	**49,440**	**60,885**	**335**	**110,660**

8. Capital contributions

	2008 US$	2007 US$
At beginning of year	106,943,216	105,925,438
Members' contributions	–	–
Third party contributions	1,017,778	1,017,778
At end of year	**107,960,994**	**106,943,216**

Members' contributions and escrow interest

The initial capital totalling US$99,500,000 was raised by the Caribbean Development Bank (CDB) on behalf of the Members on 16th July, 2004 and remitted to the Trust Fund on 7th April, 2005 along with escrow interest earned of US$1,446,142. Additional contributions amounting to US$3,961,518 were received in 2006.

Third party contributions

The Members have accepted a third party contribution of US$9,160,000 from the Government of the Commonwealth of the Bahamas, payable over a period of nine years in the sum of US$1,017,778 per annum commencing July 2006. This contribution is premised on the key condition that any such amounts paid shall be converted into membership contributions should the Government of the Bahamas become a Member of the Court.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2008 (Continued)

9. Financial instruments - fair value

The Trust Fund determines the fair value of all financial instruments at the balance sheet date and separately discloses this information where these fair values are different from carrying amounts (Note 6).

For financial assets that are liquid or have a short term maturity (less than three months), the carrying value is assumed to approximate their fair values. These include cash and cash equivalents, interest receivable and other assets.

The Trust Fund's regional equities and non-regional investments are traded in organized financial markets. Regional equities are valued based upon the market price at the last trade date prior to the financial year end.

Non-regional equities and fixed income investments are traded in non-regional financial markets and are valued based upon the market values at year end or on the last trade date prior to year end as quoted on major exchanges. Transactions are recorded on a trade date basis with dividends and interest recognized when earned.

10. Related parties

Parties are considered to be related if (a) one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions or (b) the party is a member of key management personnel. No commercial transactions are entered into by the Trust Fund with related parties in the normal course of business.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the organization or have the power to participate in the financial and operating policy decisions of the Trust Fund. Short term benefits for key management total US$255,184 (2007: US$228,988). Honoraria payments to Trustees total US$15,600 for the year (2007: US$16,200).

11. Financial risk

The Trust Fund is exposed to a variety of financial risks through the financial instruments it holds. Financial risk includes liquidity risk, credit risk and market risk. Market risk arises through the effects of changes in interest rates, foreign currency and debt and equity prices.

The effects of these risks are disclosed in Notes 13 to 15 and enable users to evaluate the nature and extent of risks arising from the financial instruments. These disclosures have no quantitative impact on the financial statements.

12. Financial risk management

Risks inherent in the Trust Fund's investment activities are managed through a process of ongoing identification, measurement and monitoring within the framework of investment limits and other controls.

The Board is responsible for the overall risk management approach and for approving the investment principles and strategies as detailed in the Investment Guidelines. The Board through the Finance and Investment Committee is responsible for the development of the risk strategy, as well as the approval and monitoring of the relevant risk decisions.

The Trust Fund manages risk primarily by investing in a diversified portfolio of assets and by selection of high credit quality investments amongst other strategies. The Fund is long-term in its objective and investments are made in accordance with strategic exposure limits encompassed in the Board approved Investment Guidelines.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2008 (Continued)

12. Financial risk management (continued)

The Trust Fund's investments are diversified across a wide range of asset classes. Allocations to each asset class are determined after strategic analysis of the fundamentals and prospects for each. An optimum allocation is maintained between regional and non-regional assets to match known liabilities on the basis of currency and tenor. Maximum exposure limits are determined on the basis of asset class allocation, specific sectors within these asset classes, investment category and entity. Management regularly reviews the portfolio distribution to ensure that asset class, geographical and individual company exposures are within the prescribed limits.

13. Liquidity risk

Liquidity risk arises from fluctuations in cash flows. Liquidity risk management ensures that the Trust Fund is able to honour all of its financial commitments as they fall due.

The Trust Fund manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities, as well as by ensuring that sufficient cash and marketable instruments such as treasury bills are available to meet short-term requirements. More specifically, at the start of each year the Trust Fund sets aside in liquid assets the amount required to meet the annual financial requirements of the Court, Commission and the Trust Fund.

Except for Private Equity and Hedge fund of funds holdings, the balance of the Fund's portfolio is invested widely in regional and non-regional marketable assets which are traded in active and liquid markets, and can therefore be liquidated in the event of an unforeseen interruption of cash flow. All investments are held as available-for-sale and can be disposed of during the course of any financial year.

Fund of funds assets exhibit unique liquidity characteristics, with the actual underlying assets typically being more illiquid in nature than direct equity holdings. These funds of funds may include an initial minimum holding (lock-up) period, contractual terms for redemption frequency, as well as the right of the Fund of Funds manager to suspend redemptions. Redemption suspensions may occur to protect the interests of redeeming and continuing investors when there is a significant decrease in liquidity.

As at financial year ended December 31, 2008, one of the Fund of Funds holdings was subject to an initial lock-up period expiring June 30, 2009, as well as a suspension of redemptions from the Fund. This holding represented 6% of the total portfolio.

14. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge a contractual obligation.

The Board of Trustees has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults and has established guidelines for investment in institutions which meet certain minimum criteria.

All cash and cash equivalent instruments are placed with financial institutions which have a minimum investment rating or financial profile as established by the Board. The credit risk on non-regional liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

All transactions in listed securities are paid for or settled after trade, using portfolio managers or brokers approved by the Board. The risk of default is considered minimal as payment is made on a purchase once the securities have

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2008 (Continued)

14. Credit risk (continued)

been received by the portfolio manager or broker. Delivery of securities sold is only made upon receipt of payment by the asset manager or broker.

In the non-regional portfolio, selected approved asset managers are authorized to purchase suitable securities on a discretionary basis based on an analysis by the asset manager of the companies' prospectuses and due diligence procedures. Asset managers who participate in the fixed income space are limited to investment grade securities.

With respect to investments selected for the regional portfolio, the Trustees consider analyses presented by Management to ensure that the securities satisfy standards established by the Board.

Investments in private equity and hedge fund of funds are effected through asset managers who themselves invest in a diversified range of funds that select the underlying investments. At each stage of the process, due diligence is conducted to identify appropriate and suitable investments. The purpose of investing in these investment funds is for increased diversification and reduction of volatility in portfolio returns.

The carrying amount of financial assets recorded in the financial statements represents the Trust Fund's maximum exposure to credit risk. The Trust Fund's available-for-sale investments are analyzed by the following asset classes and geographical regions:

	Regional US$	Non-Regional US$	Total US$
2008			
Debt securities			
Government bonds	1,993,758	–	1,993,758
Government agency bonds	1,358,062	–	1,358,062
Corporate bonds	5,602,155	–	5,602,155
	8,953,975	–	8,953,975
Equities	5,328,031	32,383,793	37,711,824
Private equity fund of funds	–	2,178,936	2,178,936
Hedge fund of funds	–	15,676,321	15,676,321
Short term instruments	824,231	7,143,367	7,967,598
	15,106,237	**57,382,417**	**72,488,654**
2007			
Debt securities			
Government bonds	1,981,379	897,404	2,878,783
Government agency bonds	1,507,100	2,681,204	4,188,304
Corporate bonds	2,076,820	1,178,552	3,255,372
Municipal bonds	–	800,000	800,000
	5,565,299	5,557,160	11,122,459
Equities	8,029,047	63,208,926	71,237,973
Private equity fund of funds	–	1,650,000	1,650,000
Hedge fund of funds	–	6,516,037	6,516,037
Short term instruments	6,206,646	3,599,722	9,806,368
	19,800,992	**80,531,845**	**100,332,837**

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