The calendar year 2009 presented investors with fresh challenges in the aftermath of the turbulent and unusual events of the preceding year. On behalf of the Board of Trustees, I am pleased to report on the noteworthy performance of the Caribbean Court of Justice Trust Fund during the year ended December 31, 2009.

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 necessary to maintain the Caribbean Court of Justice ("the Court") and the Regional Judicial Legal Services Commission ("the Commission") in perpetuity. As such, the Board of Trustees has 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 has developed Investment Guidelines for the Fund, which were approved by the CARICOM Heads of Government. In order to have a reasonable likelihood of satisfying the funding requirements, these approved Guidelines permit a significant exposure to growth assets, such as equities, across a diversified portfolio. During the course of the year, the full Board met five times; the Finance & Investment Committee twice; and the Audit and Compensation Committees once each.

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%, +9.2%, and -19.5% for the complete calendar years 2006 to 2008 respectively. The annualised net rate of return from April 2005 to December 31, 2008 was +0.7% p.a.

Overview of Performance

Despite the volatile market conditions that prevailed in early 2009, the portfolio achieved a significant recovery after the unprecedented events of 2008. The balance of the Fund as at December 31, 2008 was US$85,968,133, of which total earning assets amounted to US$85,859,381. A third party capital contribution of US$1,017,778 was received from the Government of The Bahamas during the financial year ended December 31, 2009. The Trust Fund disbursed US$4,590,155 in 2009 to cover the funding requests as per the biennial budget 2009/2010 set forth by the Court and the Commission.

The Fund increased its market value over the period to end the financial year ended December 31, 2009 with a balance of US$94,109,341 after all disbursements and expenses, of which total earning assets amounted to US$93,955,155, reflecting a net annual return of +15.9% for 2009.

In my statement last year, I noted that the Trustees expected that market volatility would continue to characterize 2009 and that the investment climate would remain challenging. One possible response to these anticipated conditions would have been to exit markets entirely to seek to protect the capital of the Fund by holding all assets in cash. However, to have done so would have amounted to an abandonment of the Board’s carefully considered and approved long-term asset allocation strategy. Such action would also have crystallised unrealised "mark to market" losses into realised losses without allowing the Fund the opportunity to benefit from the potential rebound that is a common feature of volatile investment markets. In the face of uncertainty of the timing of such a rebound, the Board maintained its commitment to the diversified strategic asset allocation that was deliberately designed to weather the vagaries of the market. By so doing the Fund reaped the rewards of the rebound in the markets which commenced in March 2009, and which has continued up to the time of writing this report.
The Markets in 2009

2009 proved to be another eventful year, with the first quarter bringing international equity markets to new lows. Investors were inundated with bad news throughout 2008 so that most became unwilling or in many cases unable to take advantage of the investment opportunities at hand, due to a lack of liquidity. Despite attractive buying opportunities appearing in the first quarter, the situation seemed so uncertain to many investors that they largely shielded away from entering the markets.

Just as investors feared the continuation of the precipitous fall which dominated the last quarter of 2008, the markets turned upwards from the lows of March 9, 2009, beginning a fairly consistent trend of monthly gains. The U.S. stock market, as measured by the broad-based DJ U.S. Total Stock Market, the S&P 500, and the closely watched DJIA 30 posted annual returns of +28.6%, +26.5% and +22.7% respectively in 2009. The non-US developed market equities index, the MSCI EAFE, produced a return of +31.8% for the year, whilst the MSCI Emerging Markets Index rewarded investors with a resounding +78.5% return for the same period.

In the U.S., 3-month US Treasury yields ended the year at 0.05% from 0.08% at the start of the year. The 10-year US Treasury yield ended the year at 3.84% from a yield at the start of the year of 2.21%. Regionally, the fixed income markets continued to be influenced by excess liquidity in the markets as well as economic concerns. With respect to short-term interest rates, the 91 day Jamaican T-Bill yield at the end of December 2009 stood at 15.5% in comparison to 20.9% at the end of December 2008. In Trinidad and Tobago, the yield on the 91 day T-Bill was 1.4% at the end of December 2009, in comparison to 7.0% at the end of the previous year. In Barbados, the yield on the 91 day T-Bill moved to 3.4% at the end of 2009 from 4.8% in December 2008.

Commodity markets experienced some volatility throughout the year as mixed economic indicators prevailed. Oil prices fluctuated widely, but ultimately ended the year at $79.36 from US$44.60 per barrel at the start of the year. Gold provided another success story with a price appreciation from US$884.30 per oz to US$1,096.20 per oz, peaking within the year on December 2, 2009 at US$1,215.70 per oz.

Regionally, equity markets were mixed. The Jamaica Stock Exchange (JSE) Market Index experienced significant increases in value, but also in volatility in the last two months of the year. In local currency terms (JMD), the JSE Market Index ended the year with a + 3.8% return for 2009. While the JMD/ USD exchange rate stabilised over the last 9 months of the year, there was an adverse movement of -10.7% from a rate of JMD79.90 at the start of year to JMD 89.425 as at December 31, 2009. This adverse currency movement resulted in an annual return of - 7.3% on the JSE Market Index, expressed in USD terms. The Trinidad and Tobago Composite Index exhibited a consistent downward trend for the year, resulting in a year-to-date loss of - 9.9%, expressed in USD. The Barbados Stock Exchange Cross List Index also provided investors with negative results for the year, producing a return of - 21.7% expressed in USD.

Management of the Portfolio

The Trust Fund is an institutional endowment fund and the management of the portfolio is conducted with the long-term focus necessary to achieve the objective of funding the Court and Commission in perpetuity. The Trust Fund has the benefit of the expertise of an independent investment advisor with a solid track record in advising endowment funds and trusts.

The Board of Trustees approved a revised, diversified strategic asset allocation in mid-2008, structured to meet the Trust Fund’s need for a reasonable long-term rate of return within acceptable portfolio risk parameters. The allocation provides the portfolio with a diversified exposure to growth assets, in the form of public and private equities. The risk generally associated with growth assets is balanced.
Management of the Portfolio (Continued)

by an allocation to risk-reducing assets, in the form of fixed income instruments and hedge funds. The portfolio is further diversified by an allocation to real assets and other securities designed to protect against inflation.

Given the mixed indicators of recovery in the global developed economies and the financial markets that prevailed in 2009, the Trustees took a measured approach to attaining in full within 2009 the strategic allocation to various asset classes that was approved in 2008. The liquidity levels that were maintained in 2008 allowed the Trust Fund to take advantage of investment opportunities as they presented themselves, without the need to sell assets at heavily discounted prices under adverse conditions. With the options market pricing in equal probabilities of a +/- 20% movement in the US equity markets at the start of the year (which implied a higher than normal level of volatility), the decision was taken to adopt a phased increase of the Fund’s equity exposure. Despite this cautious approach, the portfolio was able to significantly benefit from the rally in the international equity markets through its 40% holding in US and Non-US Equities.

The audited total rates of return net of fees and expenses show that the total earning assets of the Trust Fund have returned +3.5% per annum since receipt of its endowment in April 2005, up from +0.7% per annum one year ago.

**TABLE 1: AUDITED FUND RETURNS**

<table>
<thead>
<tr>
<th>Period Return</th>
<th>Annualised Rate from Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 7 to December 31, 2005</td>
<td>+ 5.7%</td>
</tr>
<tr>
<td>January 1 to December 31, 2006</td>
<td>+ 10.4%</td>
</tr>
<tr>
<td>January 1 to December 31, 2007</td>
<td>+ 9.2%</td>
</tr>
<tr>
<td>January 1 to December 31, 2008</td>
<td>- 19.5%</td>
</tr>
<tr>
<td>January 1 to December 31, 2009</td>
<td>+15.9%</td>
</tr>
</tbody>
</table>

The investment allocation of the portfolio as at December 31, 2009 is shown in the chart below:

**Chart 1: PORTFOLIO ALLOCATION AS AT DECEMBER 31, 2009**

During the year, the Fund increased its exposure to US and Non-US Equities from 31% to 40% of the portfolio, in line with the long-term strategic asset allocation strategy. Regional equities as an asset class underperformed international and US equities by a wide margin and consequently constituted a drag on portfolio performance, in addition to triggering impairment losses which the Fund had to record. The Fund therefore disposed of certain non-performing regional equity holdings for which medium term outlooks for price appreciation were not likely. In the Real Assets sector, one holding for which the outlook for price recovery within the year was pessimistic was sold with a view to immediate reinvestment in a substitute holding within the same asset class.
Movement in Fund Balance
The Fund experienced an appreciation in market value from US$85,968,133 at the start of the year to end 2009 at US$94,109,341 of which US$93,955,155 represented total earning assets.


<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
<th>Apr 2005 to Dec 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opening Balance</strong></td>
<td>85,968,133</td>
<td>115,010,247</td>
<td>100,946,142</td>
</tr>
<tr>
<td>Additional Contributions</td>
<td>1,017,778</td>
<td>1,017,778</td>
<td>8,092,630</td>
</tr>
<tr>
<td></td>
<td>86,985,911</td>
<td>116,028,025</td>
<td>108,978,772</td>
</tr>
<tr>
<td><strong>Interest and Dividends</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,189,462</td>
<td>3,348,710</td>
<td>12,085,516</td>
</tr>
<tr>
<td><strong>Realised Gains/ (Losses)</strong></td>
<td>(501,863)</td>
<td>5,970,362</td>
<td>11,547,374</td>
</tr>
<tr>
<td></td>
<td>687,599</td>
<td>9,319,072</td>
<td>23,632,890</td>
</tr>
<tr>
<td>Investment Management Expenses</td>
<td>(186,808)</td>
<td>(384,763)</td>
<td>(2,056,319)</td>
</tr>
<tr>
<td><strong>Net Investment Income</strong></td>
<td>500,791</td>
<td>8,934,309</td>
<td>21,576,571</td>
</tr>
<tr>
<td>Trust Fund Expenses</td>
<td>(628,297)</td>
<td>(646,582)</td>
<td>(3,312,011)</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>(127,506)</td>
<td>8,287,727</td>
<td>18,264,560</td>
</tr>
<tr>
<td>Disbursement to Court &amp; Commission</td>
<td>(4,590,155)</td>
<td>(5,661,943)</td>
<td>(24,027,402)</td>
</tr>
<tr>
<td><strong>Net Income After Disbursements</strong></td>
<td>(4,717,661)</td>
<td>2,625,784</td>
<td>(5,762,842)</td>
</tr>
<tr>
<td>Unrealised Gains/ (Losses)</td>
<td>14,918,159</td>
<td>(24,831,214)</td>
<td>1,824,941</td>
</tr>
<tr>
<td>Impairment on Financial Assets</td>
<td>(3,077,068)</td>
<td>(7,854,462)</td>
<td>(10,931,530)</td>
</tr>
<tr>
<td><strong>Net Change in Fund</strong></td>
<td>7,123,430</td>
<td>(30,059,892)</td>
<td>(14,869,431)</td>
</tr>
<tr>
<td><strong>Closing Balance</strong></td>
<td>94,109,341</td>
<td>85,968,133</td>
<td>94,109,341</td>
</tr>
</tbody>
</table>
Movement in Fund Balance (Continued)

During the financial year 2009, a third party capital contribution of US$1,017,778 was received from the Government of the Bahamas.

Realised Losses were experienced within the financial year 2009 as assets which were not optimally performing were disposed of and the capital reinvested.

There was a 64% decline in Interest and Dividends from US$3,348,710 in 2008 to US$1,189,462 in 2009. This decline in interest and dividend income arose from the revised structure of the portfolio away from assets held with equity and fixed income asset managers, which traditionally pay interest and dividends which then require reinvestment.

The revised portfolio allocation had a positive effect on Investment Management Expenses which were reduced from US$384,763 in 2008 to US$186,808 in 2009, a 51% decline year on year. The Trust Fund continues to prudently manage its overhead expenses, even in light of the recovery in the portfolio, with a reduction of expenses from US$646,582 in 2008 to US$628,297 in 2009. As has been the trend since inception, the ratio of fees and administrative expenses of the Trust Fund, excluding charges for depreciation and year-end currency translation differences, expressed as percentage of the average fund balance was 1.0%.

The disbursements to the Court and Commission amounted to US$4,590,155 in the financial year ended December 31, 2009, bringing total disbursements since inception to US$24,027,402. The Trust Fund has paid a significant portion of this from the Net Income earned on the portfolio of US$18,264,560, utilising just US$5,762,842 of capital to satisfy the balance.

The recovery of international financial markets in 2009 resulted in Unrealised Gains on the portfolio of US$14,918,159 for the financial year as compared to Unrealised Losses of US$24,831,214 in 2008.

Following on the events of 2008, the portfolio has returned to a net Unrealised Gains position since inception of the Fund in April 2005, amounting to US$1,824,941, as compared to a net Unrealised Loss position at the end of 2008 of US$13,093,218.

The portfolio was once again affected by the International Accounting Standard, “IAS 39: Financial Instruments: Recognition and Measurement” as it relates to the impairment of equity financial assets. In accordance with this Standard, impairment is deemed to have occurred if there is objective evidence that the cost of an asset may not be recovered as a result of one or more events, and allows for the impairment of equity-related financial assets on the basis of a prolonged or significant decline in fair value relative to cost. In 2008, the Trust Fund adopted the industry interpretation of IAS 39 as it applies to equity-related financial assets as follows: a significant decline is deemed to be one in which the fair value of an investment 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. Whilst the international markets staged a significant recovery in 2009, asset prices were not brought back to pre-2008 levels. As such, the portfolio recorded impairments in equity-related securities in the amount of US$3,007,068.

Through its commitment to the strategic asset allocation, the portfolio significantly benefited from the rally in international financial assets in 2009. As such, the Fund experienced a positive net change in value of US$7,123,430 (after disbursements to the Court and Commission of $4,590,155 and total expenses of the Trust Fund of US$815,105) resulting in a fund balance of US$94,109,341 at the end of the financial year 2009.
Outlook for 2010

There are mixed views in the market on the sustainability of global economic recovery. Economists are forecasting moderate global growth in the range of 3%. When viewed in terms of developed versus developing economies, the outlooks are varied. Economies in developing Asia and Pacific are predicted to generate more than 6% growth in GDP for 2010, while GDP growth in developed Europe and the U.S. is estimated at around 2%. These positive signs could be an indicator of a period of self-sustaining growth, which could translate into a cycle of business expansion. However, some investment houses hold the view that it is too early to be bullish and there remains a significant risk of double-dip recession.

Similarly, there are mixed expectations in respect of the continuation of the equity rally which began in 2009. Should global GDP growth be sustained, 2009 could be the start of a multi-year upward trending market cycle. However, should the experience of the last three quarters in 2009 turn out to be a bear market rally, the lows of 2008/2009 may be repeated within the current year.

Investor sentiment is bullish on equities at the time of writing, but caution should be exercised as most of the major equity markets may be approaching full valuation in comparison to historical averages. In addition, there is the strong likelihood of the continuation of a volatile trading environment.

Generally there is an expectation for higher interest rates, but the timing of policy makers’ intervention is uncertain. A further steepening of the yield curve is likely as investors anticipate higher inflation rates arising from the stimulus packages and the current low interest rate environment.

Higher expectations for GDP growth in developing economies, particularly China and other commodity-demand economies, are beneficial to the commodity markets. As such the outlook for commodities is fairly positive based on current market expectations.

Regionally, companies in all sectors are likely to experience continued difficult operating environments, with the consequent impact on earnings. Low demand for equities is likely to continue into 2010, resulting in a lacklustre return expectation for regional stock markets.

The outlook for the full year 2010 remains uncertain for investors as the following factors are clarified:

- Sustainability of global GDP growth and recovery
- Probability of double-dip recession
- Continued choppy trading environments
- Uncertainty over whether current market conditions constitute a bear market rally or the start of a multi-year upward trend

The importance of a diversified strategic allocation is underlined in the face of such uncertainty. The Trust Fund’s portfolio is not concentrated in correlated investments, and the resultant diversification effect reduces the inherent risk of the portfolio. The portfolio enjoys the benefit of a long-term focus and the Board will continue to protect existing capital and position the Fund strategically to take advantage of the investment market cycles through its commitment to the approved strategic asset allocation.
Summary

The Trustees continue to act with foresight and prudence in the management of the Trust Fund. The Trust Fund as an endowment is by nature long-term in its focus. As a result, the Trustees have chosen an appropriate long-term diversified asset allocation strategy to achieve the Fund’s objectives. In 2009, the Trustees ensured that the portfolio held sufficient liquid assets to take advantage of investment opportunities, and positioned the portfolio to benefit from the rally in the financial markets when it occurred.

The Trust Fund recorded an audited net rate of return of +15.9% for the current year, with an annualised rate of return of +3.5% since receipt of its endowment in April 2005.

CARICOM Governments contributed a total of US$108,978,772 since inception, and after total disbursements to the Court of US$24,027,402, the audited Fund balance as at December 31, 2009 is US$84,109,341.

Whilst the portfolio is not immune to volatility and possible negative returns over the short term, the diversified asset allocation strategy allows the Trust Fund to earn the required rate of return on capital required to fulfill its long-term objective within acceptable portfolio risk constraints. The Board of Trustees remains 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, and those former Trustees who served during the year, for their prudent and proactive approach in guiding the Trust Fund through another noteworthy year. The Trustees who left the Board during the year were Mr. Michael Archibald, Dr. Anthony Bowrin, Mr. Garth Kiddoe, Chief Justice Abdullah Conteh, and Professor Harold Lutchman. I would like to thank in particular, Chief Justice Conteh and Professor Lutchman, who served from the inception of the Board of Trustees. In addition I wish to record my appreciation to Mr. Garth Kiddoe who served as Chairman of the Audit Committee during his entire tenure as a Trustee. I would also like to recognize the members of the Finance and Investment Committee whose guidance saw the Fund through an especially difficult period in financial markets which began in 2008.

The Board would like to record appreciation for the contribution of our previous Executive Officer, Mr. Richard Kellman, who left the Trust Fund in October 2009, and welcome our new Executive Officer, Mr. Glenn Cheong who joined us in April 2010. The Board would also like to extend gratitude to the Management Team and the Investment Advisor, Hammond Associates Institutional Fund Consultants, for their continued professional support.

Dr. R. Bertrand
Chairman
Board of Trustees
May 12, 2010