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.

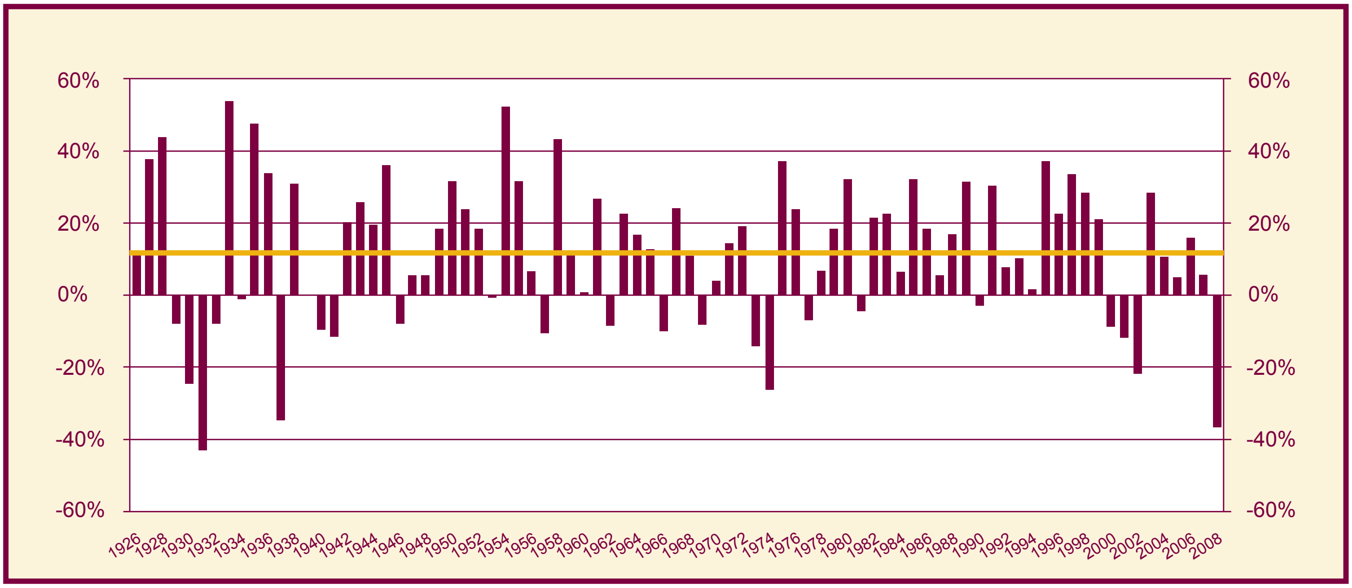
The Markets in 2008

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.

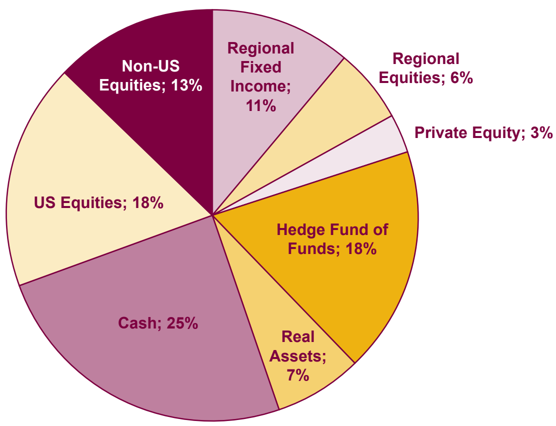
The audited total rates of return net of fees and expenses show that the total earning assets of the Trust Fund returned +0.7% per annum since receipt of its endowment in April 2005 down from +9.3% one year ago.

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