REPORT OF THE BOARD OF TRUSTEES

The calendar year 2010 presented investors with continued volatile market conditions following the encouraging recovery in the preceding year. Despite these challenges, I am pleased to report, on behalf of the Board of Trustees, on the performance of the Caribbean Court of Justice Trust Fund for the year ended December 31, 2010.

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 and 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, within a diversified portfolio completed by allocations to risk-reducing and inflation protection assets.

At the start of the current financial year under review, the Trust Fund had produced annual rates of return, net of disbursements and contributions, expenses and investment management fees, of +10.4%, +9.2%, -19.5% and +15.9% for the complete calendar years 2006 to 2009 respectively. The annualised net rate of return from inception in April 2005 to December 31, 2009 was +3.5% p.a., while the cumulative net rate of return for the same period was +16.9%.

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. During the course of the year, the full Board met five times, the Finance & Investment Committee four times, the Audit Committee twice and the Compensation Committee once.

As part of its customary governance procedures, during the previous financial year, the Trust Fund invited proposals for the provision of external audit services from suitable candidates, including the incumbent firm, Ernst & Young. Following a thorough review of the submissions, the Board of Trustees re-appointed the incumbent for a further three-year audit period (2010 to 2012), with an option to extend for an additional two years.

Overview of Performance

The balance of the Fund as at December 31 2009 was US$94,109,341 after all disbursements and expenses, of which investments ("total earning assets") amounted to US$93,955,155. During the financial year ended December 31 2010, the Trust Fund disbursed US$5,328,762 to cover the funding requests as per the biennial budget 2009/2010 of the Court and the Commission, and received a third party contribution of US$1,017,778 from the Government of the Commonwealth of the Bahamas.

Despite the global economic and market events which shook investor confidence during the year, the CCJTF portfolio continued to perform positively and exceeded its long-term annualised target rate of return in 2010.

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The balance of the Fund increased to US$97,993,654 at the end of financial year 2010, of which total earning assets amounted to US$97,891,435. This increase in market value, net of disbursements and contributions, investment management fees and expenses, reflected a net annual return of +10.3% for 2010, bringing the annualised and cumulative net returns since inception (April 2005) to +4.7% and +29.0% respectively.

The Markets in 2010

Investors continued to face challenges in 2010. The year got off to a modest start with most major equity indices recording gains in the first quarter of the year. The European debt crisis and the oil spill in the U.S. Gulf in the second quarter shook investor confidence, and the consequent pull-back in equities and widening of fixed income spreads retracted the gains of the first quarter and presented most investors with a negative second quarter return. The markets recovered in the latter half of the year, but were characterised by volatility arising from continued uncertainty in the Euro region and mixed economic signals on the potential for recovery in the U.S.

The U.S. stock market, as measured by the broad DJ U.S. Total Stock Market index, the S&P 500, and the DJIA 30 posted annual returns of +17.5%, +15.1% and +14.1% respectively in 2010. The non-US developed equities market index, the MSCI EAFE, and the emerging markets equity index, the MSCI EM, produced returns of +7.8% and +18.9% respectively for 2010. While these were comparatively modest returns compared to 2009, they nonetheless represented a continuation of the recovery in the equity markets compared to 2008. Natural Resources, as measured by the S&P Natural Resources index continued its upward trend with a +23.9% return for 2010 in comparison to a return of +37.5% in 2009. Global Fixed Income, as measured by the Barclays Aggregate index, increased in 2010 with a return of +6.5%, as compared to a +5.9% return in 2009.

The quarterly returns on these indices are provided in Table 1 and highlight the patterns and volatility experienced during the year:

Table 1: Major Indices - Quarterly and Annual Returns 2010

Index	Q1 2010	Q2 2010	Q3 2010	Q4 2010	2010
DJ US Total	6.2%	-11.1%	11.5%	11.7%	17.5%
S&P 500	5.4%	-11.4%	11.3%	10.8%	15.1%
DJIA	4.8%	-9.4%	11.1%	8.0%	14.1%
MSCI EAFE	0.9%	-14.0%	16.5%	6.6%	7.8%
MSCI EME	2.4%	-8.4%	18.0%	7.3%	18.9%
S&P Natural Resources	0.5%	-9.8%	12.6%	21.3%	23.9%
Barclays Aggregate	1.8%	3.5%	2.5%	-1.3%	6.5%

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Regionally, the main equity markets continued to be challenged by comparatively low trading volumes and anaemic investor interest, but still registered gains on two of the three main indices. In USD terms, the TTSE Composite Index (Trinidad & Tobago) produced a positive return of +8.5% for the year ended December 31, 2010, whilst the JSE Market Index (Jamaica) posted a return of +6.8%. The BSE Composite Index (Barbados) produced a -14.1% return for the year, in USD terms.

Management of the Portfolio

The Trust Fund is an institutional endowment fund and, with the aid of its investment advisor, Hammond Associates Institutional Fund Consultants Inc., manages the portfolio with the long-term focus necessary to achieve the mandate of funding the Court and Commission in perpetuity. Accordingly, the portfolio has been structured to meet the need for a reasonable long-term rate of return within acceptable risk parameters, and is diversified across a selection of growth, risk-reducing and inflation-protection asset classes.

The benefits of maintaining a diversified strategic long-term asset allocation have been proven through the periods of market uncertainty which have prevailed in the last two years (2009 and 2010), following the unprecedented and turbulent events of 2008. Proactive tactical changes to the portfolio have resulted in a two-fold benefit to the Trust Fund: 1) the portfolio held a higher than normal allocation to Cash and Fixed Income through the global downturn which continued to allow the Fund to meet its liability funding requirements without having to sell assets under adverse market conditions; and 2) the portfolio was well-positioned to reap the rewards of the rebound in investment markets which began in 2009.

In 2008 when international equity markets provided investors with returns in the range of -38.5% (S&P 500) to -45.1% (MSCI EAFE), the Trust Fund produced a top quartile performance of -19.5% in that difficult year[1] . The portfolio return of +15.9% in 2009 represented a healthy recovery, and this upward momentum has continued via the +10.3% portfolio return for the financial year 2010. The total rates of return (net of disbursements and contributions, investment management fees, and expenses) earned by the total earning assets of the Trust Fund are shown in Table 2.

Table 2: Fund Returns

	Period Return	Annualised Rate from Inception
January 1, 2006 to December 31, 2006	+10.4%	+ 9.3%
January 1, 2007 to December 31, 2007	+9.2%	+ 9.3%
January 1, 2008 to December 31, 2008	-19.5%	+ 0.7%
January 1, 2009 to December 31, 2009	+15.9%	+ 3.5%
January 1, 2010 to December 31, 2010	+10.3%	+ 4.7%

[1] Based on comparison to annual performance (as at December 31, 2008) of 541 comparable sized funds within the Russell Mellon Universe of US Endowment Funds

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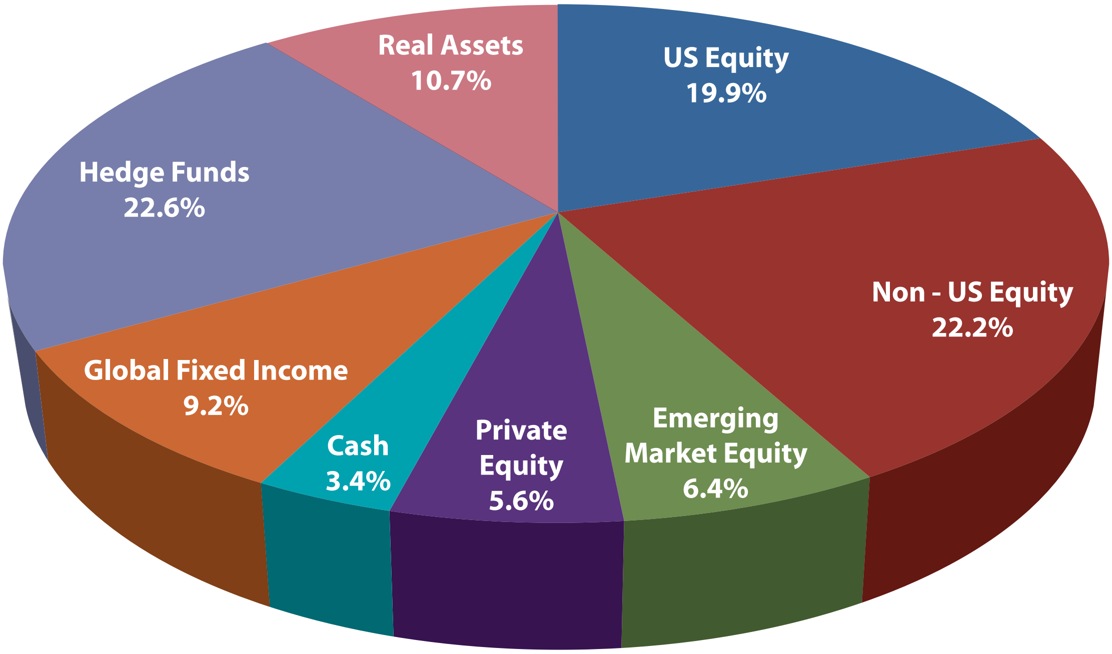
The portfolio allocation as at December 31, 2010 is provided in Chart 1.

Chart 1: CCJTF Portfolio Asset Composition as at December 31, 2010 (%)



During the financial year, the Fund maintained its overall exposure to US and non-US equities, in line with the long-term strategic asset allocation. The Trustees were mindful, however, of the mixed outlook for international equities in 2010, and the composition of this exposure was shifted to a more active management stance versus passive index funds to enhance the probability of excess return over the index. Regional equities as an asset class continued to underperform emerging, non-US and US equities by a wide margin, and once again triggered impairment losses which the Fund had to record. The Trustees maintained one holding for which the outlook remained fair into 2011, but reduced the other regional equity holdings. These reductions were replaced with holdings in Emerging Market equity funds which were more representative of the broad Emerging Markets asset class in terms of liquidity, trading volume and geographical diversification. This action contributed positively to the overall return on the portfolio. The phased investment in Private Equity continued into 2010 with the addition of a secondary private equity fund of funds investment. Capital calls from fund of funds managers increased over the year and this sector also contributed positively to the return on the portfolio.

With the healthy performance of growth assets in the portfolio, the Trustees felt it prudent to tactically increase the allocation to risk-reducing assets. After careful consideration this was achieved through an increase in the holdings of Hedge Funds (through a fund of funds vehicle), a sector that offers the potential

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twin benefits of reducing the volatility on the portfolio and maintaining returns commensurate with equities.

With the positive outlook for commodities in 2010, two holdings were added to the Real Assets sector in keeping with the strategic asset allocation to Inflation Protection assets.

These actions as a whole contributed positively to the overall return on the portfolio and this trend is expected to continue to benefit the Fund in the long-term.

Movement in Fund Balance

During financial year 2010, a third party capital contribution of US$1,017,778 was received from the Government of the Commonwealth of the Bahamas.

Realised Losses were experienced within the financial year 2010 as the Fund disposed of assets for which there was a poor performance outlook. The capital was reinvested in sectors for which there were positive expectations.

Table 3: Statement of Movement in Fund Balance – 2010, 2009 and From Inception (April 2005)

	2010	2009	April 2005 to December 2010
Opening Fund Balance	**94,109,341**	**85,968,133**	**100,946,142**
Additional Contributions	1,017,778	1,017,778	9,050,408
	95,127,119	86,985,911	109,996,550
Interest & Dividends[2]	1,386,655	1,189,462	13,472,171
Realised Gains/ (Losses)	(860,881)	(501,863)	10,686,493
	525,774	687,599	24,158,664
Investment Management Expenses	(232,218)	(186,808)	(2,288,537)
Net Investment Income	293,556	500,791	21,870,127
Trust Fund Administrative Expenses (including Depreciation)	(655,369)	(628,297)	(3,967,380)
Net Income	(361,813)	(127,506)	17,902,747
Disbursements to Court & Commission	(5,328,762)	(4,590,155)	(29,356,164)
Net Income After Disbursements	(5,690,575)	(4,717,661)	(11,453,417)
Unrealised Gains	8,727,519	14,918,159	10,552,460
Impairment on Financial Assets	(170,409)	(3,077,068)	(11,101,939)
Net Change in Fund Balance (excluding Contributions)	2,866,535	7,123,430	(12,002,896)
Closing Fund Balance @ December 31	**97,993,654**	**94,109,341**	**97,993,654**

[2] Net of Foreign Exchange Gains/ (Losses)

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Investment management expenses increased by approximately US$45,400 or 24.3%, as a result of increased asset values, as well as the shift from passive to active management strategies. The Trust Fund continued its trend of prudent management of administrative expenses with a minor increase of US$27,000 (4.3%) in expenditure in the current financial year. The ratio of investment management expenses plus administrative expenses of the Trust Fund, expressed as a percentage of the average fund balance, was maintained at 1.0%, consistent with previous years since inception of the portfolio in 2005.

Disbursements to fund the expenses of the Court and Commission amounted to US$5,328,762 in the financial year ended December 31, 2010, bringing cumulative disbursements to US$29,356,164. While more than half of these disbursements have been funded from Net Income accumulated since inception, the diversified strategic allocation adopted in 2008 brought about a shift away from dividend and income earning assets to assets from which greater capital appreciation is earned. Accordingly, Net Income After Disbursements for 2010 continues to be a negative figure despite the overall positive Net Change in Fund (excluding Contributions) of US$2,866,535 which takes into account the unrealised gains on the portfolio.

In summary, the Fund experienced a positive net change for 2010, resulting in a fund balance of US$97,993,654 (after disbursements to the Court and Commission of US$5,328,762 and total expenses of the Trust Fund of US$887,587) at the end of financial year 2010, from US$94,109,341 at the start of the year.

Outlook for 2011

Economists are once again forecasting subdued global economic growth, with varying growth expectations between developed market economies and emerging market economies. Commodity driven economies such as Qatar and Ghana (hydrocarbons) top the list for economic growth expectations in 2011 (Source: The Economist). Expectations in 2011 indicate that the business cycle may now be entering its expansionary phase, following the recovery which began in 2009.

Investor sentiment is currently bullish on equities, but caution should be exercised in chasing return in sectors that have outperformed in 2010 without reference to the underlying fundamental valuations. Despite the bullish equity sentiment, double digit returns for a third consecutive year may be difficult to generate solely from market momentum. Political uncertainty in the US markets also prevails as President Obama enters his third year in office. Active management may play an increased role in generating return in 2011.

Generally there is an expectation for higher interest rates and a steepening of the yield curve, but the timing of policy makers' intervention is uncertain. Forward curves are pricing in increased rates from mid-2011, but this was also the experience in 2010, where policy makers instead brought a second round of quantitative easing at the end of the year. This action was intended to lower rates, but ultimately had the converse effect as 10 year and 30 year US Treasuries rates increased in the last quarter of the year, after falling in the preceding quarters.

Higher expectations for GDP growth in developing economies, particularly the commodity-demand economies, are beneficial to the commodity markets.

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In fact, with oil demand increasing at almost twice the pace of supply, forecasters are predicting record oil prices in 2011. While the outlook for commodities is once again fairly positive for 2011 based on current market expectations, caution must be exercised as inflationary pressures in developing economies and tightening monetary policy could temper demand which has driven the rally of the last two years.

2011 will not be without its challenges as investors continue to be faced with uncertainty arising from, among other factors:

- Political risks; e.g. the Middle East, Libya, Syria and the upcoming US election cycle
- Uncertainty on the strength of the European economies, the European Union and the Euro currency itself
- Interest rate uncertainty – the eventual timing and direction of interest rate movements
- Tightening fiscal and monetary policies in the Emerging Markets
- The impact of natural and man-made disasters; e.g. the earthquake in Japan, and resultant dangers from a potential nuclear plant meltdown.

Summary

The CCJTF portfolio enjoys the benefit of a long-term focus, and the Trustees have strategically positioned the portfolio to weather market cycles and generate returns whilst protecting existing capital. Despite this strategic positioning, the benefits of which have been proven throughout the periods of market uncertainty which prevailed in the last two years (2009 and 2010), the portfolio is not immune to the vagaries of market conditions in the short term, and negative fluctuations in value and return may occur.

While the portfolio is not fully insulated from the effects of short-term market volatility and depressed market conditions, the Board of Trustees remains confident that, despite potential variability in annual returns, the strategic asset allocation of the portfolio will enable the achievement of the Trust Fund's long-term objectives.

In 2010, the Trustees made several pro-active investment decisions, and continued to position the portfolio to benefit from rallies in the market when they occur.

Contributions received from the CARICOM Governments and third party governments amounted to US$ 109,996,550 since inception. After total disbursements to the Court and Commission of US$29,356,164 and total expenses of the Trust Fund of US$6,255,917 since inception, the audited balance of the Fund as at December 31, 2010 was US$97,993,654, of which US$97,891,435 represented Total Earning Assets.

The Trust Fund recorded a return of +10.3% (net of disbursements, contributions, investment management expenses and administrative expenses) for 2010, which brought the annualised and cumulative net returns since inception (April 2005) to +4.7% and +29.0% respectively.

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Appreciation

I would like to thank the Board of Trustees, ably supported by its various Committees, for maintaining a prudent and proactive approach in guiding the Trust Fund along the path of fulfilling its long-term objective. The Board would especially like to record appreciation for the work of the Finance and Investment Committee working in conjunction with Management and our independent investment adviser, Hammond Associates Institutional Fund Consultants Inc., in producing another excellent return on the Fund in 2010. The Board would also like to extend gratitude to the Management Team for their professional support and continued diligence throughout the financial year.

Dr. Rollin Bertrand
Chairman
Board of Trustees