REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees is pleased to report on the positive performance of the Caribbean Court of Justice Trust Fund for the year ended December 31, 2012. However, 2012 was not a year without further challenges for investors, due to the continuing Eurozone sovereign debt crisis, uncertainty over US elections, the US "fiscal cliff", and fears of slowing global economic growth.

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 fund the Caribbean Court of Justice ("The Court") and the Regional Judicial Legal Services Commission ("The Commission") in perpetuity. The Board of Trustees manages 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 public and private equity, within a diversified portfolio complemented by allocations to risk-reducing and inflation protection assets.

The Board of Trustees continues to uphold its fiduciary responsibility to manage the assets of the Trust Fund prudently to fulfill its long-term objective. During the course of the year, the Board met four times, the Finance & Investment Committee three times, and the Audit Committee twice.

At the start of the financial year under review, the Trust Fund had produced annual rates of return, net of disbursements, contributions, administrative expenses and investment management expenses, of +10.4%, +9.2%, -19.5%, +15.9%, +10.3% and -1.8% for the complete calendar years 2006 to 2011 respectively.

Overview of Performance

The balance of the Fund as at December 31, 2011 was US$90,839,149 after all disbursements and expenses.

In light of the expectations for continued volatility and other challenges to investors, as noted in the Trustees' report of last year, the Board maintained its commitment to the diversified long-term strategic asset allocation, which has been deliberately designed to weather the vagaries of the market. Various tactical changes were implemented throughout the year to reposition the portfolio appropriately for market conditions, whilst staying true to the long-term objective. The Trust Fund was rewarded for its conviction and the portfolio exceeded its target rate of return in 2012.

The balance of the Fund increased to US$93,693,618 after disbursements, contributions, fees and expenses as at the end of the financial year. This increase in market value reflected a net annual return of +10.1% for 2012, bringing the annualised and cumulative net returns since inception (April 2005) to +4.5% p.a. and +39.5% respectively. During the financial year to December 31, 2012, the Trust Fund disbursed US$6,280,746 to cover the funding requests 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.

REPORT OF THE BOARD OF TRUSTEES

The Markets in 2012

The first quarter of the year provided investors with healthy gains and relatively low volatility. US equity markets delivered a strong performance during the first quarter based on solid fundamentals and improving US economic statistics. The VIX, a measure of market volatility, ended March 2012 at 15.55, a historically low value, well below the historical average since inception of 20.55.

However, global equity markets posted negative returns in April, based on softer US economic data, as well as sovereign fiscal pressures and growing political opposition to austerity measures in Europe. The VIX peaked for the year on June 1, 2012 at 26.66, though it remained below 2010 and 2011 levels. The extension of the US Federal Reserve's Operation Twist programme and news of short-term measures to alleviate Europe's debt crisis provided some relief to markets in June 2012. Global equity markets ultimately posted negative second quarter returns, though not sufficient to erase the positive first quarter, thus ending the half year to June 2012 with modest gains.

Overall, global equity markets posted robust gains for the third quarter. Global equities surged upward in September as the European Central Bank (ECB) and the US Federal Reserve announced new rounds of quantitative stimulus programmes. A series of corporate earnings disappointments and the uncertainty of the outcome of the US presidential election put pressure on US equity markets in October. The last quarter of the year was dominated by concerns in the US over the so-called "fiscal cliff" (the threat of rising tax rates and simultaneous reduced government spending), as well as the national debt ceiling. Markets floundered in November and December, and the VIX rose in the last week of the year as the possibility of a bi-partisan agreement to address these issues in the US before year end seemed dim.

However, global equity markets ultimately posted positive fourth quarter returns, bolstering the gains from previous periods.

Investment markets ended the year with double digit positive returns in most instances, as shown in Table 1 (see page 6) which highlights the quarterly and annual returns on major indices for 2012. In US equity markets, the broad DJ US Total Stock Market Index and the S&P 500 posted gains of +16.4% and +16.0% respectively, whilst the Dow Jones Industrial Average, which measures the performance of 30 blue-chip stocks, posted a +10.3% return for 2012.

Similarly, non-US developed market and emerging market equities provided investors with double digit positive returns as the benchmark indices of the MSCI EAFE and MSCI Emerging Markets ended the year with returns of +17.3% and +18.2% respectively. Natural resources and global fixed income provided investors with more modest positive returns. The benchmark S&P Natural Resources index posted a gain of +2.2% in 2012, whilst global fixed income, as measured by the Citigroup World Government Bond index, provided investors with a +1.6% return.

REPORT OF THE BOARD OF TRUSTEES

Table 1: Major Indices - Quarterly and Annual Returns 2012

Index	Q1 2012	Q2 2012	Q3 2012	Q4 2012	2012
DJ US Total	+12.9%	-3.1%	+6.2%	+0.2%	+16.4%
S&P 500	+12.6%	-2.8%	+6.4%	-0.4%	+16.0%
DJIA	+8.8%	-1.9%	+5.0%	-1.7%	+10.3%
MSCI EAFE	+10.9%	-7.1%	+6.9%	+6.6%	+17.3%
MSCI Emerging Markets	+14.1%	-8.9%	+7.7%	+5.6%	+18.2%
S&P Natural Resources	+4.2%	-9.7%	+11.5%	-3.1%	+2.2%
Citigroup WGBI	-0.5%	+0.9%	+3.0%	-1.7%	+1.6%

Source: Mercer Hammond Investment Consulting Monthly Market Updates

Management of the Portfolio

The Trust Fund is an institutional endowment fund and, with the aid of its investment advisor, Mercer Hammond Investment Consulting, manages the portfolio with the long-term focus necessary to achieve the mandate of funding the Court and the Commission in perpetuity. The portfolio has been structured to attain its target rate of return over the long-term, 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 throughout various periods of uncertainty and heightened market volatility which began in 2008.

The continuing commitment to its diversified long-term strategic asset allocation has rewarded the Trust Fund with a positive return in 2012, which exceeded the annualised long-term target rate of return.

The total rates of return (net of disbursements, contributions, administrative expenses, and investment management expenses) earned by the portfolio are shown in Table 2 (see page 7).

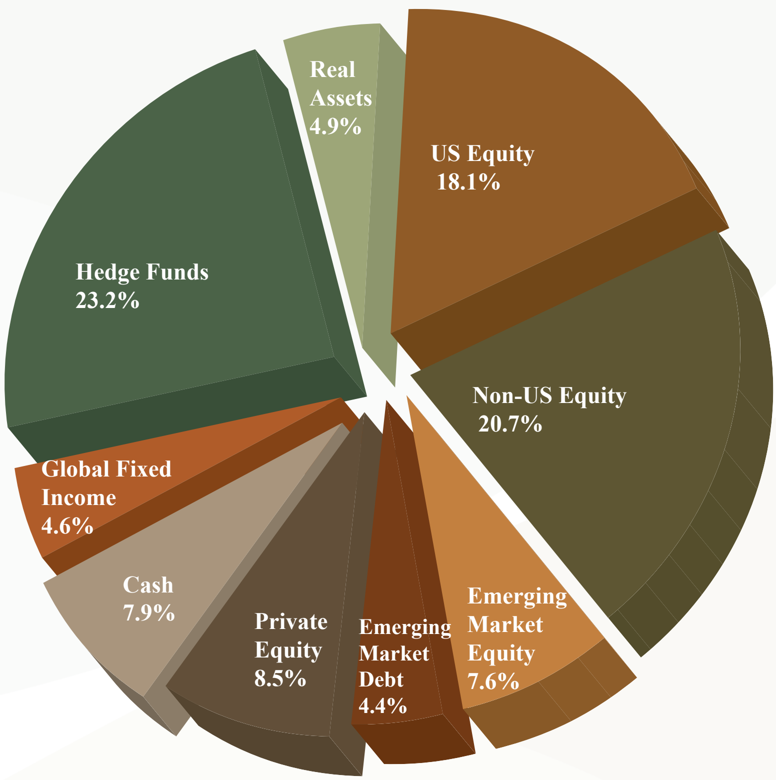
REPORT OF THE BOARD OF TRUSTEES

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%
January 1, 2011 to December 31, 2011	-1.8%	+3.7%
January 1, 2012 to Decemver 31, 2012	+10.1%	+4.5%

The portfolio allocation as at December 31, 2012 is provided in Chart 1:

Chart 1: Portfolio Asset Composition as at December 31, 2012 (%)



REPORT OF THE BOARD OF TRUSTEES

The Trust Fund remained mindful of the uncertainty prevailing in the financial markets throughout 2012, as well as the need to maintain the long-term focus of the Fund. Accordingly, while the overall exposure to US and non-US equities was retained, consistent with the long-term strategic asset allocation of the portfolio, rebalancing actions taken in 2012 benefitted the portfolio significantly as profits were realised and reinvested. The Trust Fund has consistently adopted a disciplined approach to rebalancing the portfolio in scenarios of increasing asset prices. This disciplined approach will continue to enhance the Trust Fund's prospects for crystallising unrealised gains, whilst potentially reducing volatility in the Fund's returns. Correspondingly, by reinvesting proceeds in underperforming asset classes, the Trust Fund may be able to enhance its long-term return potential.

Equity markets have been subject to relatively high levels of uncertainty and volatility over the last three years. During that period, the Trust Fund elected to decrease the portion of the portfolio managed through passive index funds, and increase the percentage held in active manager strategies to create the potential for excess return over an index (manager alpha), whilst remaining conscious of the incremental effect on expenses and net returns. The resulting mix of active/passive management is considered appropriate at this time.

The phased investment in private equity continued into 2012. This sector is expected to continue to contribute positively to return, as a diversified portfolio of private equity fund of funds investments is built to its full allocation.

Hedge fund of funds investments are expected to continue to fulfill a vital role in risk reduction without significantly sacrificing return in the long run. The Trust Fund increased its holdings in hedge fund of funds in 2010, in preference to other risk-reducing assets (cash, fixed income) for which the return outlook remained low. Hedge funds can create value through active management across different sectors, and this tactical stance was maintained throughout 2012.

The Trustees' actions as a whole are expected to continue to contribute positively to the overall return on the Fund in the long-term.

Movement in Fund Balance

The Fund experienced an increase in market value from US$90,839,149 at the start of the year to end 2012 at US$93,693,618 (see Table 3, Page 9).

REPORT OF THE BOARD OF TRUSTEES

Table 3: Statement of Movement in Fund Balance – 2012, 2011 and From Inception (April 2005)

	2012	2011	April 2005 to December 2012
Opening Fund Balance	**90,839,149**	**97,993,654**	**100,946,142**
Additional Contributions	1,017,778	1,017,778	11,085,964
	91,856,927	99,011,432	112,032,106
Interest & Dividends [2]	1,056,804	1,317,338	15,675,635
Realised Gains/ (Losses)	650,234	2,619,446	13,956,173
	1,707,038	3,936,784	29,631,808
Investment Management Expenses	(293,900)	(287,837)	(2,870,274)
Net Investment Income	1,413,138	3,648,947	26,761,534
Trust Fund Administrative Expenses (including Depreciation)	(646,158)	(608,333)	(5,051,193)
Net Income	766,980	3,040,614	21,710,341
Net Gain/ (Loss) in Fair Value on Investments	7,350,457	(5,496,033)	1,304,945
Net Gain/ (Loss) in Fund Before Disbursements	**8,117,437**	**(2,455,419)**	**23,015,286**
Disbursements to Court & Commission	(6,280,746)	(5,716,864)	(41,353,774)
Net Change in Fund Balance (excluding Contributions)	1,836,691	(8,172,283)	(18,338,488)
Closing Fund Balance @ December 31	**93,693,618**	**90,839,149**	**93,693,618**

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

During the financial year 2012, a third party capital contribution of US$1,017,778 was received from the Government of the Commonwealth of the Bahamas.

Realised Gains were recorded within the financial year 2012, as in the prior year, as the Fund executed its rebalancing strategy and crystallised mark to market gains on assets for which there had been a significant increase in market value.

Investment management expenses increased by approximately US$6,064 or 2%, as a result of the increased asset values and a minor shift from passive to active management strategies. The Trust Fund continued its trend of prudent management of administrative expenses, showing a minor increase of US$37,825 (6%) in expenditure in the current financial year. The average ratio of investment management expenses plus administrative expenses of the Trust Fund, expressed as a percentage of the average fund balance, was 1.0%, in line with the average maintained in the previous years since inception of the portfolio in 2005.

REPORT OF THE BOARD OF TRUSTEES

The Fund experienced a Net Gain in Fair Value on investments of US$7,350,457 in 2012, bringing the cumulative Net Gain in the Fund Before Disbursements since inception to US$23,015,286. Disbursements to fund the expenses of the Court and the Commission amounted to US$6,280,746 in the financial year ended December 31, 2012, bringing cumulative disbursements since inception to US$41,353,774. The Fund experienced a positive net change in 2012, after disbursements and total expenses, of US$1,836,691.

The fund balance, after disbursements to the Court and the Commission of US$6,280,746 and total expenses of the Trust Fund of US$940,058 in 2012, amounted to US$93,693,618 at the end of the financial year.

Outlook for 2013

Investors will continue to face several sources of uncertainty in 2013, including the continuing Eurozone debt crisis, generally high debt levels in developed nations, and potentially faltering global macroeconomic growth.

The uncertainties around the Eurozone debt crisis may well take years to resolve, as there is a growing realisation that a lasting solution requires both greater fiscal, banking and political policy integration across culturally and economically diverse member countries, as well as severe structural economic reform in the larger under-performing economies within the EU. However, investors stand to benefit by staying invested in financial markets while the Eurozone works on the resolution. The ECB has demonstrated strong support for the Euro and the Eurozone, and politicians and policymakers appear to be making the right steps towards a long term resolution.

Within the US, robust corporate earnings figures were reported throughout 2012. The first half of the year will likely see an economy assessing the effects of spending cuts and tax increases, and a continuing debate over raising the US$16.4 trillion national debt ceiling when short-term measures expire. Nevertheless, the potential for upside remains, and there remains a cautiously positive outlook for US equities on the basis of strong corporate earnings expectations and improving economic data.

With the exception of the US, stocks remain relatively inexpensive in comparison to long term normalised fair valuations, even after rallying in 2012. The outlook for global equities remains positive overall, and therefore equities are likely to offer an attractive risk premium. Emerging market economies generally have a stronger structural base than developed economies with lower levels of public and private debt, current account surpluses as opposed to deficits, large currency reserves, declining inflation rates, improving governance and rising domestic consumption. China, India and Indonesia have intensified efforts to restructure their economies away from investment-led expansion to a more consumption-driven growth model. These efforts may help alleviate the near-term fears of asset bubbles in the region and a hard landing for the Chinese economy. Despite some near-term concerns over slowing growth, the structural advantages of China and other emerging economies over the developed world remain compelling. The macroeconomic growth outlook for emerging market economies remains relatively bright, though not fully decoupled from the developed world economies. There remains potential for upside surprises in returns from emerging market equities.

REPORT OF THE BOARD OF TRUSTEES

Higher expectations for GDP growth in developing economies, particularly the commodity-demand economies, are likely to be beneficial to the commodity markets. The consequent expected global demand for natural resources from growing emerging market economies is an indicator for potential positive performance in this asset class in 2013. Natural resources, which include commodities, are viewed as an inflation protection hedge. The actions of the ECB and the US Federal Reserve in 2012, through additional rounds of quantitative easing, and the expectation that this may be repeated if these economies continue to struggle, add fuel to investor concerns over higher inflation in the near to medium term.

Generally low interest rates, relatively reasonable equity valuations, and the consequent relative attractiveness of risky assets are not optimal conditions for outperformance in credit markets. The outlook remains difficult to predict under these conditions. Emerging market local currency debt is an exception within this broad class. The risk profile of emerging local currency debt more closely resembles that of emerging market equities, and the previously stated positive indicators for emerging market equities apply in this instance.

Double digit positive returns may be difficult to generate in 2013 despite the positive equity sentiment at the start of the year. 2013 will not be without its challenges as investors are faced with uncertainty arising from, among other factors:

- Continued uncertainty over the resolution of the European debt crisis;
- Ongoing fiscal concerns in the US;
- The effect of changing fiscal and monetary policies in emerging markets, from investment-led growth to consumption-driven economic growth.

Active management may continue to play an increased role in generating return in 2013 because of opportunities that arise from the volatility expected in the financial markets. A consistently employed rebalancing strategy will assist in maintaining discipline around a carefully chosen asset allocation strategy in a continued uncertain environment.

The Trust Fund's portfolio is managed prudently with a long-term focus, with a strategic asset allocation designed to weather normal market cycles whilst seeking to protect existing capital. Despite this strategic positioning, the benefits of which have been proven in periods of market uncertainty, the portfolio is not immune to the impact of short-term market conditions, and negative fluctuations in value and return may occur.

Summary

The Trustees continue to manage the assets of the Trust Fund in keeping with its stated investment philosophy and the long-term objective of funding the Court and the Commission in perpetuity. In 2012, the Trustees made several pro-active investment decisions, rebalancing and repositioning the portfolio to adapt to the prevailing market conditions whilst remaining cognizant of the long-term goal.

Contributions received from the CARICOM Governments and third party governments have amounted to US$112,032,106 since inception. After total disbursements to the Court and the Commission of US$41,353,774 and total expenses of the Trust Fund of US$7,921,467 since inception, the balance of the Fund as at December 31, 2012 was US$93,693,618.

REPORT OF THE BOARD OF TRUSTEES

The Trust Fund recorded a return of +10.1% (net of disbursements, contributions, administrative expenses and investment management expenses) for 2012, which brought the annualised and cumulative net returns since inception (April 2005) to +4.5% p.a. and +39.5% respectively.

The importance of a diversified strategic asset allocation is underscored in the face of continued market uncertainty. The Trust Fund's portfolio is appropriately spread across different asset classes, and the resultant diversification effect reduces the inherent risk of the portfolio. The Board of Trustees remains confident that the strategic asset allocation of the portfolio will enable the achievement of the Trust Fund's long-term objectives, despite potential variability in annual returns.

Appreciation

The Board would like to extend appreciation to the Management Team for their continued diligence and professional commitment throughout the year. The Board would also like to record appreciation for the continuing contribution of our independent investment adviser, Mercer Hammond Investment Consulting.

Dr. Rollin Bertrand
Chairman