

# PROSPECTUS

Issue

by

**The Mutual Funds Incorporated**  
("the Company")

of

**an unlimited number of Series A and Series U Balanced Fund Shares**

at the

**price of the net asset value per Share + 2%**

in

## **THE MUTUAL GLOBAL BALANCED FUND**

A copy of this document has been registered with the Securities Exchange of Barbados on April 20, 2000 in accordance with the provisions of the Mutual Funds Act, 1998-45 of the Laws of Barbados, and has also been filed with the Securities Exchange Commission of Trinidad and Tobago. The Securities Exchange of Barbados and the Securities Exchange Commission of Trinidad and Tobago take no responsibility as to the financial soundness of The Mutual Global Balanced Fund or the validity or the veracity of the contents of this Prospectus.

It is not the intention of the Company to file a copy of this document or to register any of the securities herein mentioned with any regulatory authority or agency in any country outside of Barbados or Trinidad and Tobago.

No person receiving a copy of this document in any country other than Barbados or Trinidad and Tobago may treat this document as constituting an invitation to him or her to purchase or subscribe for any Shares nor should he or she in any event purchase or subscribe for any Shares unless in the relevant country such an invitation could lawfully be made to him or her without the Company's compliance with any registration or other legal requirements. Any person wishing to subscribe for Shares should satisfy himself or herself that, in doing so, he or she complies with the laws of any relevant country, and that he or she obtains any requisite governmental or other consents and observes any other applicable formalities.

### IMPORTANT

- If you are in any doubt about the contents of this Prospectus you should consult your bank manager, attorney, accountant or other financial adviser.
- The price of Shares is subject to fluctuation. See Investment Policy and Limitations on page 11 and Risk Disclosure on page 16 of this Prospectus for further particulars.
- Series U Shares are available only to residents outside Barbados.

### DISCLAIMER

*The Trinidad & Tobago Securities and Exchange Commission has not in any way evaluated the merits of the securities offered hereunder and any representation to the contrary is an offence.*

# CONTENTS

## Offer of Fund Shares in THE MUTUAL GLOBAL BALANCED FUND

	<b>Page No.</b>
Definitions .....	2
Summary of Key Information .....	3
The Mutual Funds Incorporated - Directors, etc. ....	5
Management and Administration .....	6
The Offer .....	8
Introduction .....	10
Creating an Investment Product .....	10
Investment Policy and Limitations .....	10
Restriction on Investment .....	11
Modification .....	11
Restriction on Borrowing .....	11
Yield .....	11
Shares of the Fund .....	12
Price and Value of Fund Shares .....	12
Redemption .....	13
Suspension of Valuation .....	14
Share Transfers .....	14
Involuntary Redemptions .....	14
Publication of Prices .....	14
Management, Administration and Distribution .....	15
Limitation of Liability .....	15
Risk Disclosure .....	16
Fees and Expenses .....	16
Dividend Policy .....	17
Taxation and Investment Incentives .....	17
Exchange Control .....	18
To Invest in the Fund .....	18
Financial Review .....	19
Extracts from By-Law No. 2 of the Company .....	21
General Information .....	21
Appendices .....	23
Addendum .....	47

## DEFINITIONS

<b>“Balanced Fund”</b>	The Mutual Global Balanced Fund
<b>“BDS \$”</b>	The currency of Barbados
<b>“Business Day”</b>	Any day (excluding Saturday and Sunday) on which banks are open for normal business in Barbados
<b>“By-law No. 2”</b>	By-law No. 2 of the Company, which sets out the parameters within which the Balanced Fund must operate, e.g. investment parameters, valuation parameters, rights and powers of Shareholders of the Fund, etc.
<b>“Company”</b>	The Mutual Funds Incorporated
<b>“Directors”</b>	The Directors of the Company
<b>“Fund”</b>	The Mutual Global Balanced Fund; the net subscription proceeds received from investors in that Fund; the pool of investments purchased from the proceeds of the subscriptions made by Fund Shareholders
<b>“Fund Shares” or “Shares” or “Balanced Fund Shares”</b>	Redeemable Shares in The Mutual Global Balanced Fund
<b>“Investment Advisers”</b>	The Mutual Asset Management Inc. and Merrill Lynch Bank (Suisse) S.A.
<b>“Investment Manager”</b>	The Mutual Asset Management Inc.
<b>“MAMI”</b>	The Mutual Asset Management Inc.
<b>“MLB(S)”</b>	Merrill Lynch Bank (Suisse) S.A.
<b>“Manager”</b>	The Mutual Asset Management Inc.
<b>“Redemption Day”</b>	1 Business Day immediately preceding a Valuation Day
<b>“Series A Shares”</b>	Redeemable Series A Shares in The Mutual Global Balanced Fund
<b>“Series U Shares”</b>	Redeemable Series U Shares in The Mutual Global Balanced Fund
<b>“Shareholders” or “Fund Shareholders”</b>	Holders of the Shares in The Mutual Global Balanced Fund
<b>“The Mutual”</b>	The Barbados Mutual Life Assurance Society
<b>“US \$”</b>	The currency of the United States of America
<b>“Valuation Day”</b>	Any Business Day which is a Friday (but not any day between December 22 and January 3 inclusive) and the Manager may substitute another day of the week as Valuation Day, either temporarily or permanently

## **SUMMARY OF KEY INFORMATION**

### **The Mutual Global Balanced Fund**

The Mutual Global Balanced Fund is a mutual fund of The Mutual Funds Incorporated, a company formed as an “umbrella” for one or more mutual funds, owned by The Barbados Mutual Life Assurance Society. Its aim is to provide investors with an avenue for investment in local, regional and international markets.

The object of the Fund is to achieve a reasonable return of income and long-term capital appreciation. The Fund is authorised by By-law No. 2 of The Mutual Funds Incorporated to invest in equity and debt securities of both quoted and unquoted securities.

### **Investment Advisers**

The Fund's Investment Advisers are:

- The Mutual Asset Management Inc.
- Merrill Lynch Bank (Suisse) S.A.

### **Manager**

The Manager of the Fund is The Mutual Asset Management Inc.

### **Dealings and Settlement**

Although the Fund Shares are not listed on any stock exchange, Fund Shares may be purchased and redeemed at any time through the Manager. Settlement in respect of Series A Shares will be made in Barbados currency and settlement in respect of Series U Shares will be in US \$ at the then par rate of exchange of the BDS \$ to the US \$.

### **Types of Shares**

The Mutual Global Balanced Fund is authorised to offer an unlimited number of redeemable Shares designated as “Series A Shares” and “Series U Shares” respectively.

Series U Shares may be quoted in US \$ to any non-resident of Barbados and will be issued to any non-resident of Barbados if paid for in US \$. The US \$ will be treated as converted into BDS \$ at the then par rate of exchange. Series U Shares will also be redeemed in US \$ to a non-resident of Barbados at the then par rate of exchange of the BDS \$ to the US \$.

Unless and until permitted under the provisions of the Exchange Control Act of Barbados, Series U Shares may not be purchased by residents of Barbados.

Series A Shares may be purchased by residents of Barbados. Non-residents may also purchase Series A Shares with the permission of the Exchange Control Authority of Barbados.

### **Calculation and Publication of Net Asset Value**

The net asset value per Share is calculated weekly at the close of business on Fridays and published in a daily Barbados newspaper and a daily Trinidad and Tobago newspaper.

### **Minimum Investment Amount**

The minimum initial investment in the Fund by Shareholders is BDS \$500.00 in the case of Series A Shares and US \$250.00 in the case of Series U Shares plus the sales charge of 2%. Any additional investment must be for a minimum of BDS \$100.00 for Series A Shares and US \$50.00 for Series U Shares plus the sales charge.

## **Offer Price**

The offer price shall be the net asset value per Share plus the sales charge of 2%.

## **Charges**

The following charges apply to the Fund Shares and to the Fund:

- A sales charge of 2% of any amount being invested in Fund Shares.
- A redemption charge of one half of 1% (0.5%), which until further notice will not be charged.
- An annual (investment management) charge currently fixed at 1.75% per annum calculated on the net asset value of the Fund
- Custodian Trustee charges not exceeding one quarter of 1% per annum of the net asset value of the Fund.

## **Accounting Period and Shareholders Statements**

The financial year-end of the Fund is 31 December. Statements of the number of Shares held and the net asset value per Share will be mailed to Fund Shareholders at 6 monthly intervals. The issue of a new statement will constitute the replacement and cancellation of any prior statements issued in the name of a Shareholder.

## **About The Mutual Funds Incorporated**

The Mutual Funds Incorporated (“the Company”) is an open-end public company incorporated in Barbados within the meaning of section 32 of the Companies Act, that carries on only the business of investing the consideration it receives for the shares it issues, and all or substantially all of whose issued shares are intended to be redeemable upon the demand of its shareholders.

The Company commenced business on June 2, 1997, and has issued a nominal amount of 100 Common Shares of no par value, at a subscription price of \$1.00 each, to The Barbados Mutual Life Assurance Society. The Common Shares have broad voting rights in relation to the appointment and removal of the Directors, and control and management of the Company.

The Company’s Articles of Incorporation provide for the issue of an unlimited number of redeemable Shares, of no par value, in The Mutual Global Balanced Fund in 2 series respectively designated “Series A Shares” and “Series U Shares” collectively known as “Balanced Fund Shares”. All sums subscribed in accordance with this Prospectus will, subject to the terms hereof, be invested for the benefit solely of the holders of those Shares. The Fund Shareholders will have only limited voting rights at meetings of that class of redeemable Fund Shares as set out hereunder:

- (i) the liquidation of the Fund, or
- (ii) an increase, if any, in the fees and charges charged to the Fund, or
- (iii) any change in the nature or kind of investments in which the Fund may be invested, or modification of the investment objectives, or
- (iv) the removal of the Manager or Investment Manager or Custodian Trustee, or
- (v) the reconstruction of the Company, and/or the amalgamation of the Company and/or the Fund with any other company or mutual fund, or
- (vi) the winding up of the Company.

Prior to this offering an unlimited amount of Fund Shares was offered for subscription in preceding offerings of Series A Shares of The Mutual Global Balanced Fund. As at April 14, 2000, the number of Fund Shares actually allotted was 31,722,618.813 and the amount subscribed for those Fund Shares was BDS \$37,129,370.95.

## THE MUTUAL FUNDS INCORPORATED

### DIRECTORS:

Mr. Colin Glyne Goddard,  
44, Clermont,  
St. Michael, Barbados  
**Chairman, The Mutual**

Mr. John Arthur Lionel Bethell,  
34, Locust Hall,  
St. George, Barbados  
**President, The Mutual**

Mrs. Marjorie Patricia Downes-Grant,  
7A Edgehill Heights,  
St. Thomas, Barbados  
**Executive Vice-President - Investments, The Mutual**

Mr. Dodridge Denton Miller,  
13978 Osprey Links Road,  
Orlando,  
Florida, U. S. A.  
**Chief Executive Officer, Capital International Management Services, Inc.**

Mr. Donald St. Clair Austin,  
111 Welches Terrace,  
St. Thomas, Barbados  
**General Manager, Cable & Wireless (West Indies) Limited**

Miss Molly Ann Reid, Q.C.,  
6 Drax Hall Hope,  
St. George, Barbados  
**Attorney-at-Law**

### SECRETARY:

Miss Sandra Osborne  
**Executive Vice-President, General Counsel and Secretary, The Mutual**

### REGISTERED OFFICE:

The Mutual Financial Centre,  
Lower Collymore Rock,  
St. Michael, Barbados

### BANKERS:

The Mutual Bank of the Caribbean Inc.,  
Trident House,  
Lower Broad Street,  
Bridgetown, Barbados

# THE MUTUAL GLOBAL BALANCED FUND

## MANAGEMENT AND ADMINISTRATION

**CUSTODIAN TRUSTEE,  
REGISTRAR AND  
TRANSFER AGENT:**

The Barbados Mutual Life Assurance Society,  
The Mutual Financial Centre,  
Lower Collymore Rock,  
St. Michael,  
Barbados

**ADMINISTRATOR/MANAGER/  
INVESTMENT MANAGER:**

The Mutual Asset Management Inc.,  
The Mutual Financial Centre,  
Lower Collymore Rock,  
St. Michael,  
Barbados

**Directors:** Mr. Colin Glyne Goddard,  
44, Clermont,  
St. Michael, Barbados

Mr. John Arthur Lionel Bethell,  
34, Locust Hall,  
St. George, Barbados

Mrs. Marjorie Patricia Downes-Grant,  
7A Edgehill Heights,  
St. Thomas, Barbados

Mr. Dodridge Denton Miller,  
13978 Osprey Links Road,  
Orlando,  
Florida, U. S. A.

Mr. Donald St. Clair Austin,  
111 Welches Terrace,  
St. Thomas, Barbados

Miss Molly Ann Reid, Q.C.,  
6 Drax Hall Hope,  
St. George, Barbados

**INVESTMENT ADVISERS:**

The Mutual Asset Management Inc.

Merrill Lynch Bank (Suisse) S.A.,  
7, rue Munier-Romilly,  
Case postale 84,  
1211 Geneva 3,  
Switzerland

## THE MUTUAL GLOBAL BALANCED FUND

### MANAGEMENT AND ADMINISTRATION

**AUDITORS:** PricewaterhouseCoopers,  
The Financial Services Centre,  
Bishops Court Hill,  
St. Michael,  
Barbados

**LEGAL ADVISERS:** Sir Douglas Lynch, K.A., CMG, Q.C.,  
Attorney-at-Law  
Heritage House,  
Pinfold Street,  
Bridgetown,  
Barbados

Hobsons,  
Attorneys-at-Law and Notaries Public,  
Hobsons Court,  
13-17 Keate Street,  
San Fernando,  
Trinidad

**DISTRIBUTORS:** The Mutual

The Mutual Bank of the Caribbean Inc. (all branches)

Any broker member of the Securities Exchange of Barbados or the Stock Exchange of Trinidad and Tobago who acts as broker for any applicant

**Copies of this Prospectus and application forms may be obtained from:**

**The Mutual Asset Management Inc. in Barbados**  
**Any branch of The Mutual in Barbados and Trinidad**  
**Any branch of The Mutual Bank of the Caribbean Inc. in Barbados**

**on any Business Day from Mondays to Fridays between the following hours:**

<b>9.00 a.m. - 4.00 p.m. (Monday to Friday)</b>	<b>- The Mutual Asset Management Inc.</b>
<b>9.00 a.m. - 4.00 p.m. (Monday to Friday)</b>	<b>- The Mutual</b>
<b>8.00 a.m. - 3.00 p.m. (Monday to Thursday)</b>	<b>- The Mutual Bank of the Caribbean Inc.</b>
<b>8.00 a.m. - 5.00 p.m. (Friday)</b>	<b>- The Mutual Bank of the Caribbean Inc.</b>

## THE OFFER

The Mutual Funds Incorporated invites applications for the purchase of an issue of an unlimited number of Series A and Series U redeemable Balanced Fund Shares in The Mutual Global Balanced Fund at the net asset value per Share calculated at the close of business on the Valuation Day next following the receipt of an application for the purchase of Shares plus a 2% sales charge on all amounts invested in the purchase of Shares by investors. The amount representing such net asset value per Share and sales charge is payable in full on application.

New applications must be for a number of Shares of a minimum subscription value of BDS \$500.00 in the case of Series A Shares and US \$250.00 in the case of Series U Shares.

The offer of Shares is made only and solely on the basis of the information and representations made and subject to the terms and conditions set out in this Prospectus and in By-law No. 2, and upon the accompanying application form (inserted in the back cover hereof) or on an application form obtainable from The Mutual or from The Mutual Bank of the Caribbean Inc.

This offer will open at 9.00 a.m. on April 20, 2000 and will remain open, subject to the Company's right to close the offer at any time without notice.

### Terms and Conditions of the Offer

An application to purchase Balanced Fund Shares from a person resident outside Barbados will, in accordance with the approval of the Exchange Control Authority of Barbados, on receipt of the necessary funds in US \$ (which at the time of receipt thereof shall be treated as converted into BDS \$ at the then par rate of exchange) be processed as if those funds were so converted. The price of such Fund Shares so purchased, or to be purchased, will be quoted to and paid for by any such person in US \$ and the Shares to be issued shall be Series U Shares.

Unless and until permitted under the provisions of the said Exchange Control Act of Barbados such Series U Shares may not be purchased by residents of Barbados.

By completing and delivering an application in the form set out in this Prospectus together with payment for the Shares applied for, you

- (a) offer to purchase the number of redeemable Shares in The Mutual Global Balanced Fund which, at the price referred to above, your payment will buy (or such smaller number for which the application is accepted) on the terms of and subject to the conditions set out in this Prospectus and in the accompanying application form and in By-Law No. 2;
- (b) authorise the Manager to send a statement for the number of Shares for which your application is accepted and/or a cheque for any money returnable by post at your risk to the address of the person (or the first-named person) named in your application form and to place your name (and the name(s) of any other joint applicants) on the Register of Members of the Fund in respect of the Shares to which you are entitled;
- (c) warrant that your remittance will be honoured on first presentation;
- (d) agree that your application, and acceptance of it, and contracts resulting therefrom, shall be governed and construed in accordance with the Laws of Barbados;
- (e) warrant that, if you sign an application form on behalf of a third party, you have the authority to do so;
- (f) agree that any letter of acceptance and any moneys returnable may be held pending clearance of your payment;
- (g) agree that, in respect of those Shares for which your application has been received and is not rejected, acceptance of your application shall be made by notification by post by the Manager;
- (h) confirm that, in making your application, you are not relying on any information or representation in relation to this offer other than such as may be contained in this Prospectus and accordingly agree that neither the Company nor

any of its Directors or any person responsible for this Prospectus or any part of it or otherwise named herein shall have any liability for any information other than such as is contained in this Prospectus;

- (i) agree, save where the context otherwise requires, that terms used in the application form or in any correspondence in relation thereto, are as defined in this Prospectus, and
- (j) agree that the Shares should be registered by the Manager in the name(s) of the successful applicant(s).

### **Procedure for Application**

1. If you wish to subscribe for Shares, you should complete and send in an application form provided herein. If you apply for Shares on more than one application form, the price of Shares in respect of each application will depend on the date on which you apply; and all Shares in the same name(s) will be aggregated in the Register of Members.
2. Joint applications are acceptable.
3. All cheques or banker's drafts MUST be made payable to, and will be presented for payment in favour of, **"The Mutual Funds Incorporated - MGBF a/c"**.
4. Applications MUST be made on the required application forms, and they should be forwarded to any of the following locations:—
  - (a) **The Mutual Asset Management Inc.**, The Mutual Financial Centre, Lower Collymore Rock, St. Michael, Barbados
  - (b) **The Mutual** at any of the following locations:
    - Barbados Branch, 1st Avenue, Belleville, St. Michael, Barbados
    - The Mutual Centre, 16 Queen's Park West, Port of Spain, Trinidad
    - The Mutual Building, De Verteuil and Penco Streets, Chaguanas, Trinidad
    - Independence Avenue, San Fernando, Trinidad
    - Trinidad and Tobago Chamber of Commerce Building, Columbus Circle, Westmoorings, Trinidad
    - Port of Spain Branch, 37, Wrightson Road, Port of Spain, Trinidad
    - Scarborough Mall, Scarborough, Tobago
  - (c) **The Mutual Bank of the Caribbean Inc.** at any of the following locations:
    - Trident House, Broad Street, Bridgetown, Barbados
    - Lower Collymore Rock, St. Michael, Barbados
    - JB's Supermarket, Sargeants Village, Christ Church, Barbados
    - Big B Supermarket, Worthing, Christ Church, Barbados
5. Applications must be accompanied by remittance for the total amount payable on application. Each application must be accompanied by a separate remittance.
6. All cheques are liable to be presented for payment on receipt, and The Mutual Funds Incorporated reserves the right to accept or reject in whole or in part any application.
7. Subscription payments from residents of Barbados within the meaning of the Exchange Control Act of Barbados Chapter 71 of the Laws of Barbados for redeemable Balanced Fund Shares must be in BDS \$. The minimum initial subscription by any one applicant will be BDS \$500.00 plus the 2% sales charge.
8. Subscription payments from residents outside Barbados within the meaning of the said Exchange Control Act may be in US \$. Any such payments made in US \$ will be treated as converted into BDS \$ at the then par rate of exchange and the purchase order or application will be processed as if those funds are so converted. The price of such Series U Shares so purchased, or to be purchased, may be quoted in US \$. The minimum initial subscription by any one applicant will be US \$250.00 plus the 2% sales charge.

## INTRODUCTION

This offer is an invitation to investors to purchase Shares in a professionally managed investment portfolio.

### About Mutual Funds

A mutual fund is an entity which acts as a medium between potential investors of all categories and investments of all magnitudes.

The Mutual Global Balanced Fund, comprising Series A Shares and Series U Shares, is made up of the total number of "Fund Shares" (that is to say, with equal participation in the Fund) subscribed by investors, called "Fund Shareholders". The consideration received from the issue or sale of Fund Shares to Fund Shareholders is used for the purchase of a portfolio of investments by the Fund.

Although Fund Shares equally participate in net accretions to the Fund, Fund Shareholders are not partners for the purposes of any law imposing liability on partners for the obligations of the enterprise.

Fund Shares can be sold, or more usually, redeemed by the Fund, at a price calculated by reference to a result obtained by dividing the net asset value of the total Fund by the number of Fund Shares issued. The net asset value of a Fund Share can therefore fluctuate. To redeem Fund Shares, the Fund may either use cash reserves or sell investments to obtain the necessary cash. Thus, investors do not have to wait for long periods to encash their Fund Shares.

### Professional Management

The Mutual Global Balanced Fund is managed by professional investment managers, in this case by The Mutual Asset Management Inc. ("MAMI"). Investment Advisers are MAMI and Merrill Lynch Bank (Suisse) S.A. ("MLB(S)").

MAMI is an asset management subsidiary of The Mutual, which has all the expertise of The Mutual to bring to the investment management of the Fund.

The Mutual has had a long tradition of successful investment management in local, regional and international securities of varying types dating back to the 1840's. The Mutual had invested funds under management of BDS \$1.3 billion as at December 31, 1998.

MLB(S) is a world renowned asset management company. Client assets under management stand at US \$9.5 billion as at December 31, 1998.

## CREATING AN INVESTMENT PRODUCT

**The objective of the Fund is to achieve income and long-term capital appreciation through investment in a diversified portfolio of shares, stocks and bonds listed on the main Caribbean and international stock exchanges.**

The Mutual Global Balanced Fund is made up of an investment portfolio resulting from the subscription proceeds of the Fund Shares issued as a result of preceding offers. The Fund provides a practical route for individuals to invest in a mix of domestic, regional and international financial markets.

## INVESTMENT POLICY AND LIMITATIONS

The Fund's portfolio consists of shares and other equity securities, fixed and variable income bonds, other bonds, treasury bills, certificates of deposit and notes.

Under the provisions of By-law No. 2 of the Company, the assets of the Fund may be invested in securities locally, regionally and internationally. The Investment Manager normally invests in quoted securities and other securities which

are regularly traded on established stock exchanges. However, the Investment Manager may invest up to 10% of the Fund's assets in securities that are not quoted and not regularly traded.

The Fund's assets are accounted for in Barbados dollars. Normally, up to 60% of the Fund's assets may be invested in fixed income instruments. However, the diversification of investments for the Fund, including the allocation between debt and equity, currencies, geographical areas and corporate and governmental issues may be varied by the Investment Manager from time to time in its absolute discretion. The Investment Manager, however, is required by By-law No. 2 to follow an investment policy designed to ensure risk diversification.

In particular, the Investment Manager may not invest more than 15% of the Fund's assets in securities issued by any one company. There is no limitation however on investments in Government securities denominated in local or regional currencies. In appropriate circumstances, existing positions in the Fund may be hedged against adverse political, fiscal or exchange control risks, market activity or adverse movements in interest rates.

By-law No. 2 permits investment in US Government securities, Investment Grade Corporate Bonds of A (Standard and Pools) or better, and Investment Grade Global Bonds. The Fund may also invest in equity securities of companies domiciled in the United States and in securities denominated in currencies other than US dollars such as in those securities which are issued by multinationals on the Euro Dollar market. Convertible bonds must have a minimum rating of A (Standard and Pools). The average maturity of the debt instruments in the Fund's portfolio may fluctuate depending on the Investment Manager's judgment as to the future direction of interest rates.

## **RESTRICTION ON INVESTMENT**

Under the provisions of By-law No. 2, the Fund's Investment Manager/Investment Advisers may not enter into any derivative transaction and forward currency transaction for speculative purposes.

## **MODIFICATION**

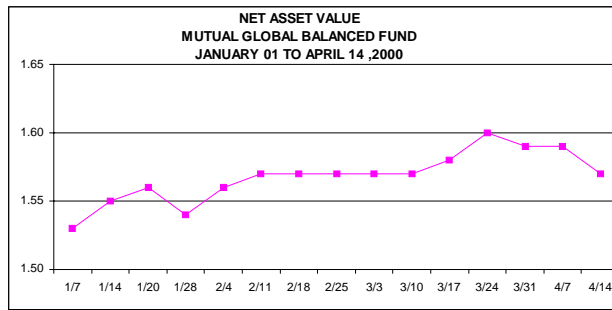
Modification of the investment objectives requires approval of the Custodian Trustee and consent by ordinary resolution of the Balanced Fund Shareholders.

## **RESTRICTION ON BORROWING**

Under the provisions of By-law No. 2, the Fund may not borrow money except for (a) short term from banks as may be necessary for the clearance of portfolio transactions and (b) borrowing from banks for temporary or emergency purposes, including the meeting of redemption requests, which may require the untimely disposition of its portfolio securities. The Fund may mortgage, pledge or hypothecate the assets to secure such borrowing.

## **YIELD**

While there is no guarantee that the projected sales and investment targets will be met, and assuming an asset mix of 40% equities and 60% fixed income securities, on the basis of what the Company considers to be reasonably achievable, the Company is projecting a total yield on the intended investment portfolio of 10%. The net asset value of a Fund Share as at February 29, 2000 was BDS \$1.57. The net asset value of a Fund Share as at the Valuation Day April 14, 2000, being the Valuation Day immediately preceding the date of issue of this Prospectus, was BDS \$1.57.



All investments, including mutual funds, involve some level of risk and no investment is suitable for all investors. There can be no assurance that the Investment Manager will achieve the income and capital appreciation objectives of the Fund. The Investment Manager will select securities based on extensive economic and financial research and the Fund's investment objective. However, the portfolio will be subject to fluctuations in capital value from time to time. The value of Fund Shares, and the resulting price of Fund Shares, may go up as well as down. If you are in any doubt about the contents of this Prospectus you should consult your professional adviser.

The delivery of this Prospectus shall not under any circumstances whatsoever create any implication that there has been no material change in the affairs of the Fund since the date of this offer – the net asset value of the Fund, and of each Share in the Fund, will fluctuate according to the current value of the investments in the portfolio. To reflect material changes in net asset value, this document may from time to time be updated and prospective purchasers should enquire of the Distributors as to the availability of any later prospectus.

No oral representations made by any sales agent or other person whomsoever in respect of the Fund Shares, and no written representations, other than official updates of the Prospectus, made or issued by any person, shall be binding upon the Company.

## SHARES OF THE FUND

The assets of the Fund are divided into redeemable Balanced Fund Shares.

The Company issues only one class of Balanced Fund Shares divided into 2 series designated Series A Shares and Series U Shares. Without affecting the value of Fund Shares now being issued, the Company reserves the right to create other classes of Balanced Fund Shares which may have different rights (e.g. income Shares) or which may be denominated in a different currency.

## PRICE AND VALUE OF FUND SHARES

The net asset value of Fund Shares is determined by dividing the net asset value of the total Fund by the number of Fund Shares issued and outstanding.

The issue price is calculated as the net asset value of Fund Shares as at the Valuation Day (Fridays) next after receipt of an application plus a sales charge of 2%. Applications received and approved before 3.00 p.m. on a Thursday (the day preceding a Valuation Day) will be processed using the net asset value as at the next Valuation Day. Applications received after 3.00 p.m. on a Thursday or on a day which is not the day before a Valuation Day will be processed on the next following Valuation Day. Applications for Series A Shares must be expressed in Barbados dollars; applications for Series U Shares must be expressed in United States dollars; the number of Fund Shares issued to any applicant will be determined by dividing the dollar amount applied for by the calculated price. If necessary, fractional Shares will be issued. Until permitted under the Exchange Control Act of Barbados Series U Shares may not be purchased by residents of Barbados.

Subject to certain restrictions, Fund Shares may easily be sold or redeemed by the Fund at short notice at a price based on the net asset value of Fund Shares.

## REDEMPTION

Fund Shareholders may request redemption of all or part of their Fund Shares on each Redemption Day (normally a Thursday), being the Business Day immediately preceding a Valuation Day. The Valuation Day would normally be a Friday.

In order to redeem Fund Shares, Fund Shareholders must notify the Manager by lodging a redemption form by 3.00 p.m. on a Redemption Day at any of the following offices:

- The Manager,  
The Mutual Asset Management Inc.,  
The Mutual Financial Centre,  
Collymore Rock,  
St. Michael,  
Barbados
- The Manager,  
The Barbados Mutual Life Assurance Society,  
The Mutual Centre,  
16 Queen's Park West,  
Port of Spain,  
Trinidad

Requests for redemption which are received by 3.00 p.m. on a Redemption Day will be processed on that day, and requests for redemption which are received after 3.00 p.m. on a Redemption Day will be processed on the next Redemption Day.

On a redemption of Series U Shares, in accordance with the Exchange Control Act of Barbados, if the Shares so to be redeemed were purchased with US \$ by a person resident outside Barbados, redemption of the remittance proceeds may be made to that person (if not then resident in Barbados) in US \$, converted as if the funds required for payment were converted at the then par exchange rate of the BDS \$ with the US \$. The redemption price may be quoted in US \$ to any such person redeeming or intending to redeem such Shares.

Fund Shares are redeemed at the net asset value per Share less the relevant redemption charge (if any) and less taxes (if any) levied thereon as at the relevant Valuation Day. Remittance of redemption proceeds will be made within 4 Business Days following each Valuation Day. Where redemption is deemed by the Manager and the Custodian Trustee to be impracticable, the Manager may suspend redemptions.

In addition, the Manager shall confirm to each Fund Shareholder who has submitted a duly completed redemption form:

- the number of Fund Shares redeemed;
- the redemption price of such Fund Shares;
- the redemption charge or other charges, if any, in respect of such Fund Shares;
- the redemption proceeds in respect of such Fund Shares;
- the redemption settlement date.

The investor may be asked to provide such reasonable documentation as the Manager may require in order to complete the redemption request.

In the event of unusual circumstances, if the Fund receives redemption requests within any 30 consecutive days, representing more than 50% of the Fund's then assets, the Manager (with the consent of the Custodian Trustee) reserves

the right to limit subsequent redemptions to 20% of the Shares held by each Fund Shareholder and to hold a special meeting of all Fund Shareholders to consider *inter alia* the complete liquidation of the Fund's assets.

Payment will be made in the name of the registered Fund Shareholder or in the case of joint holders, to the first named holder, unless alternative payment instructions are provided on the redemption form or by written signed instructions from the relevant Shareholders.

## **SUSPENSION OF VALUATION**

The Manager (with the consent of the Custodian Trustee) may at any time for a period not exceeding 3 months suspend calculating the net asset value of the Fund and of the Fund Shares if it is of the opinion that there is good and sufficient reason to do so having regard to the interests of the Fund Shareholders.

No Fund Shares shall be issued, repurchased or sold by the Manager during any period in which the calculation of the net asset value of the Fund Shares is suspended.

## **SHARE TRANSFERS**

Fund Shares may be transferred by a written instrument of transfer signed by the transferor and naming the transferee. Where the form of share certificate is in the format of a statement of account issued by the Manager, the transferor may lodge the instrument of transfer with the Manager for certification before presentation to the transferee and the Manager for registration.

Any certification given by the Manager on a transfer shall be valid for not more than 21 days from the date of such certification. When a certification of a transfer has been given in respect of a transfer to a named transferee, the Company shall be entitled to place a block against the respective Fund Shareholder's account and decline acceptance of a transfer to any other transferee, or of any redemption form, lodged or made in respect of those Shares during the period of 21 days from the date on which a certification of transfer was given.

## **INVOLUNTARY REDEMPTIONS**

If the Custodian Trustee or the Manager is made aware that Fund Shares are being held by non-eligible investors, or held by any person in breach of the law or for any other reason which the Custodian Trustee or the Manager believes in its sole discretion could impact negatively on the integrity of the Fund, then the Manager (with the consent of the Custodian Trustee) may compulsorily redeem such Shares in accordance with the provisions of By-Law No. 2.

To relieve the Fund of the cost of maintaining uneconomical accounts, the Manager may effect the redemption of the Fund Shares of any Fund Shareholder at the redemption price where the Fund Shares of that Shareholder (due to Shareholder redemptions or otherwise) have a redemption value of less than BDS \$500.00 or US \$250.00. At least 60 days prior to such involuntary redemption, the Manager must mail a notice to the Fund Shareholder so that such Shareholder may, should he or she so desire, make an additional purchase to avoid the redemption.

## **PUBLICATION OF PRICES**

The subscription and redemption prices of the Fund Shares are published weekly in a daily Barbados newspaper and a daily Trinidad and Tobago newspaper.

## **MANAGEMENT, ADMINISTRATION AND DISTRIBUTION**

### **Manager**

The Manager is responsible for the general marketing and administration of the Fund, for the maintenance of the books of account, the preparation of financial statements and the issue and redemption of Fund Shares.

### **Investment Advisers**

The Investment Advisers provide general investment advisory services and subject to such terms and conditions as may from time to time be imposed have the power to enter into transactions on behalf of the Fund subject to By-Law No. 2 (as may be amended from time to time). The appointment of Investment Advisers may be terminated by 3 months' written notice by the Company. The Investment Advisers for the time being are MAMI and MLB(S).

### **Investment Management**

The Investment Manager is The Mutual Asset Management Inc., a limited liability company incorporated under the Companies Act Chapter 308 of the Laws of Barbados. The Investment Manager has the responsibility to buy and sell securities on behalf of the Fund. The Investment Manager receives a fee for services based on the net asset value of the Fund. The appointment of the Investment Manager is for a period of 3 years from June 2, 1997, and continues thereafter unless determined by 3 months' written notice by the Company or 6 months' written notice by the Investment Manager.

### **Custodian Trustee**

The Custodian Trustee is The Barbados Mutual Life Assurance Society, a corporation incorporated by statute in Barbados and registered as an external company under the Companies Act of the Laws of Trinidad and Tobago. The Custodian Trustee has exclusive authority and ultimate responsibility for the custody and security of the Fund's assets and maintenance of Shareholder records, in addition to acting as Registrar and Transfer Agent to the Fund. The Custodian Trustee may, however, in its sole discretion delegate certain responsibilities. The Custodian Trustee is also responsible for the settlement of all transactions. The Custodian Trustee is entitled to a fee as set out herein under "Fees and Expenses" below. The Custodian Agreement may be terminated on 3 months' notice by the Company or by the Custodian Trustee.

### **Distribution**

Marketing and distribution of the Fund Shares, and appointing Distributors of the Fund, are the responsibility of the Manager. The Distributors are The Mutual, The Mutual Agency Force, any branch of The Mutual Bank of the Caribbean Inc. and any member broker of the Securities Exchange of Barbados or the Stock Exchange of Trinidad and Tobago. They are paid out of the sales charge on sales of Fund Shares.

## **LIMITATION OF LIABILITY**

The Custodian Trustee and the Manager may act upon any statements or advice or information obtained from any banker, accountant, broker, lawyer, agent or other person acting as or informed in relation to the matters upon which they are consulted. The Custodian Trustee and the Manager shall not be liable for anything done or omitted or suffered in reliance upon such advice or information. The Custodian Trustee shall not, save in relation to any act or omission in the keeping of securities by any person appointed as agent of the Custodian Trustee for that purpose, be responsible for any misconduct, mistake, oversight, error of judgment, forgetfulness or want of prudence on the part of any such banker, accountant, broker, lawyer, agent or other person.

## **RISK DISCLOSURE**

It is the objective of the Fund to achieve maximum positive total returns on the investments of the Fund. However, there is no guarantee that investment objectives of the Fund will always be achieved. The capital value of an investment portfolio can go down as well as up, and any such fluctuation will be reflected in the value of Fund Shares in the Fund.

The Investment Manager is required to follow a policy of risk diversification (see under "Investment Policy and Limitations" above) so as to spread risk.

There are restrictions on the Fund's ability to borrow money. The Fund may only engage in short-term loans for the purpose of clearing portfolio transactions and temporary or emergency purposes, which include honouring requests for redemption of Shares which would require the untimely disposition of the Fund's assets. The Fund may mortgage, pledge or hypothecate its assets to secure such borrowing.

The Investment Manager is further restricted from entering into any transaction in derivatives or forward currency transaction for speculative purposes. In appropriate circumstances, however, existing positions in the Fund may be hedged against adverse political, fiscal or exchange control risks, market activity or adverse movements in interest rates.

The Fund is not insured by The Barbados Mutual Life Assurance Society or any other authority. Any investment in the Fund is at the sole risk of the investor.

## **FEES AND EXPENSES**

### **Annual Charge**

The Investment Manager is paid a fee to be calculated on the net asset value of the Fund. This fee is equivalent to 1.75% per annum of the net asset value of the Fund.

### **Sales Charge**

There is a sales charge of 2% of all amounts invested in the purchase of Fund Shares by investors.

### **Redemption Charge**

There is a redemption charge of one half of 1% (0.5%) of the net asset value of all Shares redeemed by Fund Shareholders. Until further notice this charge will be suspended.

### **Custodian Trustee**

Annual fees payable to the Custodian Trustee amount to one quarter of 1 per cent (0.25%) per annum of the net asset value of the Fund.

### **Other Expenses**

The Fund bears the cost of other expenses of the Fund, including administration, audit, legal, printing and stationery costs. The organisation and set-up costs are being amortised over a period of 3 years.

Officers of the Custodian Trustee are not precluded from being employed in relation to advisory, management, legal, accounting, investment banking or other services for the Fund, nor from receiving compensation for such services. Such officers are also entitled to be paid travelling and other expenses properly incurred by them.

## DIVIDEND POLICY

The net income of the Fund, and all capital gains, is not distributed but is reinvested to increase the net asset value of the Fund, and therefore of each of the Fund Shares. Accordingly, any income available for dividends will be reinvested.

## TAXATION AND INVESTMENT INCENTIVES

### Barbados - Tax Incentives for Investors Subject to Income Tax in Barbados

Sections 37E and 37F of the Income Tax Act ("IT Act"), as amended by Acts Nos 1996-30 and 1998-42, provide relief to encourage investors in mutual funds in Barbados, as follows:-

- "Mutual funds**
- 37E. (1) With effect from the 1st day of January, 1996, in calculating the taxable income for an income year of an individual, there shall be deducted from the assessable income of that individual amounts invested in mutual funds, on such terms as the Minister approves, up to a total, in respect of all such investments, of an amount not exceeding \$10,000.**
- 37E. (2) Where a person withdraws any investment from a mutual fund within 5 years of making such an investment the amount so withdrawn from the mutual fund shall be brought back into charge to tax in the year in which the withdrawal was made.**
- 37F. (1) In calculating the assessable income of a mutual fund for an income year, there shall be deducted such part of its assessable income for that income year as is designated by the mutual fund in respect of particular units, shares or other equity interests in the firm owned by a unit holder, shareholder or other investor.**
- 37F. (2) The total of the amounts deductible under subsection (1) for an income year shall not exceed the amount that would be the income of the fund for the year if no deductions were made under that subsection.**
- 37F. (3) An amount designated shall not be included in computing the income of a taxpayer for the income year in which such designation was made, unless a distribution of that amount to unit holders, shareholders and other investors has been made."**

The limit applies to all investments in shares or mutual funds or any combination thereof (subsection (3)).

Section 9(1)(p.1) (amounts not included in assessable income) of the IT Act provides further incentives, as follows:-

- "(p.1) subject to section 8(1), annual bonus payments payable to employees by a company that is not offering shares to those employees, that are converted into bonds, debentures or stock of the Government of Barbados or in mutual funds within a period of 4 months from the date on which payment of the annual bonus becomes due and that are equal to not more than 75 per cent of the value of the bonus payable to each employee up to a limit in respect of each employee of \$7,500;"**

Disposal of any such investments within 5 years will give rise to recapture of the tax relief given in the year in which the disposal is made (section 8(1)(l)(ii) of the IT Act).

## **Barbados - Double Taxation**

Under the Caricom Double Taxation Agreement of July 1994, dividends from Belize, Grenada, Jamaica, St. Lucia and Trinidad and Tobago will not be subject to withholding tax by those respective countries, and interest will be subject to withholding tax at not more than 15%; neither dividends nor interest from those sources will be subject to income or corporation tax in Barbados.

Other Fund Shareholders not resident in Barbados will normally be subject to 15% withholding tax on distributions.

## **EXCHANGE CONTROL**

Barbados has a regime of exchange control regulations administered by the Central Bank of Barbados. These regulations require that residents convert foreign currency receipts to Barbados dollars and purchase their foreign currency requirements for goods and services from the commercial banks which have delegated authority to sell foreign exchange on behalf of the Central Bank.

In the case of non-residents who desire to purchase shares in Barbados corporations, prior approval of the Central Bank is required. Similar requirements exist for residents of Barbados investing abroad or borrowing in foreign currency. In order to facilitate the trading of Fund Shares, the Central Bank has granted the Fund an exemption from exchange control approval regarding the purchase and redemption of its Shares. Consistent with the exchange control regulations for cross border trading, the manager has been advised that The Mutual Global Balanced Fund will be able to purchase and redeem up to BDS \$1.0 million per transaction in securities without prior approval from the Central Bank.

Unless and until permitted under the provisions of the Exchange Control Act of Barbados Series U Shares to be paid for and redeemed in US \$ may not be purchased by residents of Barbados.

## **TO INVEST IN THE FUND**

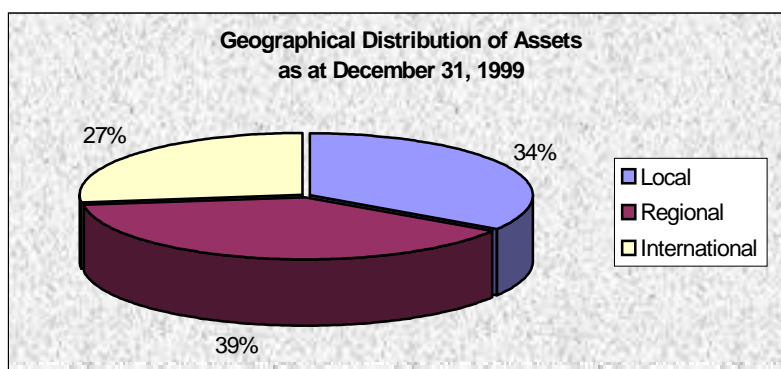
Other than through the direct approach to a dealer, or by completing an application form in the usual way, an investor may:

- set up a standing order with his banker;
- at the discretion of the Investment Manager, transfer any existing shares which he now holds in public companies to The Mutual Global Balanced Fund for an equivalent value of Fund Shares.

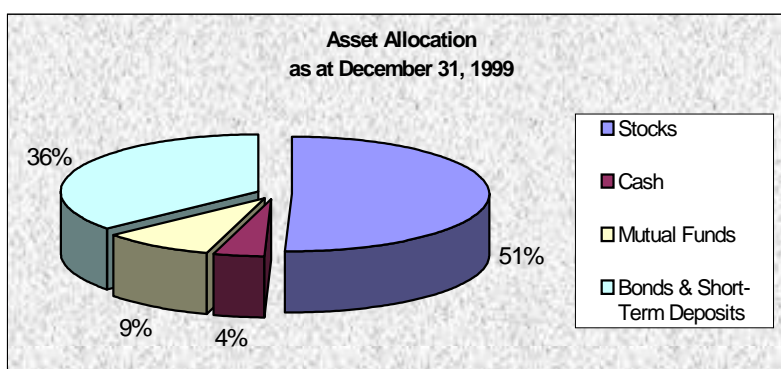
## FINANCIAL REVIEW

The Mutual Global Balanced Fund commenced operations on June 2, 1997 at an initial subscription price of \$1.00 per share. During the initial offer period, which lasted for one month, the Fund received subscriptions of \$11.8 million and attracted an estimated 1200 shareholders. The public's response to the Fund has remained positive since the launch, with shareholder contributions reaching BDS \$35.7 million at December 31, 1999. The shareholder base has grown significantly and now stands at approximately 3000, underscoring the public's confidence in the Fund's performance.

During the first seven months of operation the Fund achieved sound financial growth and realised a yield of 8%, which was consistent with the projection of 10% growth annually. This period was characterised by strong growth in the local and international markets. However, the reverberation of the Asian financial crisis, which extended to Europe and the United States, was accountable for volatility in the international markets. At December 31, 1997 the Fund's net assets were reported at \$19.7 million (see Appendix 3).

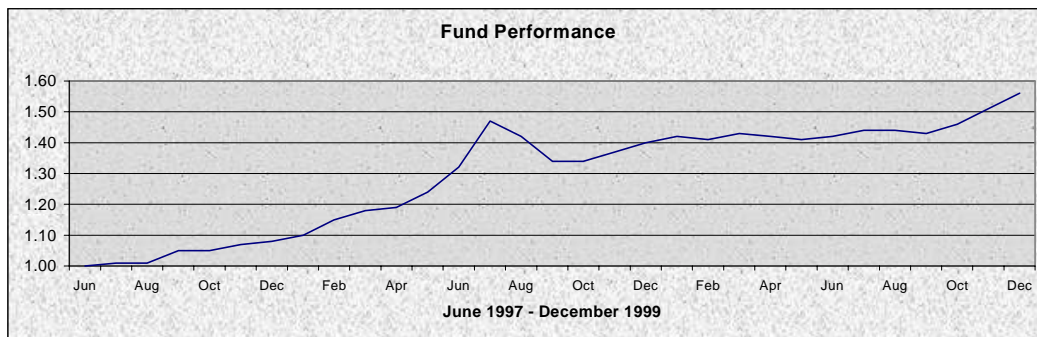
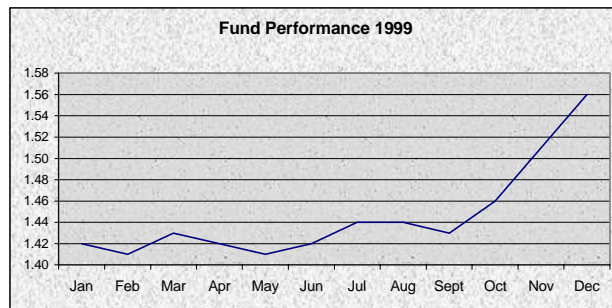
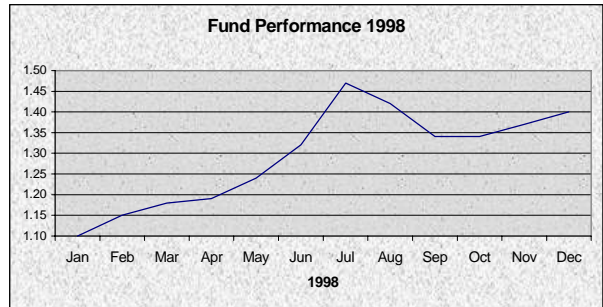
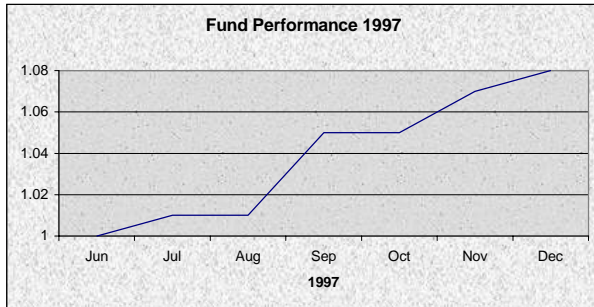


The Fund experienced outstanding investment performance during its second period of operations. The financial stability, which characterised the Fund's operations from its inception, provided a solid foundation for the robust growth of the Fund during this period. The continued growth in the local market and the resilience of the international markets enabled the Fund to achieve an exceptional return of 30% during 1998. Over the same period the Fund achieved 93% growth in net assets, which increased from \$19.7 million at December 31, 1997 to \$38.1 million at December 31, 1998 (see Appendix 2). Investment in equities and mutual funds represented 55% of net assets and investment in bonds and short-term deposits, and cash represented 45% of net assets.

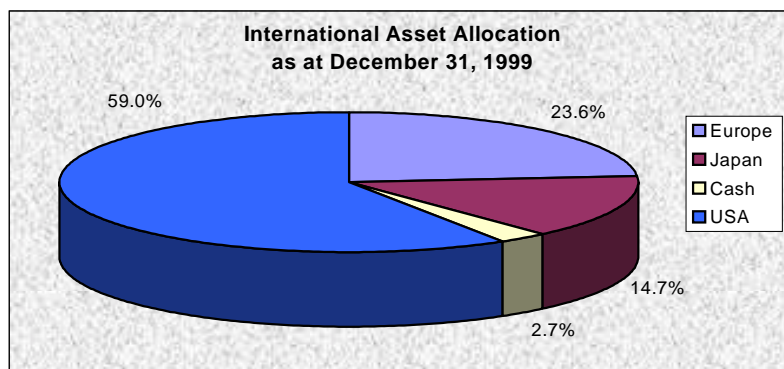


The year 1999 was one of challenge. The local market experienced a slowdown due to the reduction in trading volumes and the international market was characterised by extreme volatility. As at December 31, 1999, net assets stood at \$48.3 million with investments in equities and mutual funds representing 60% of total assets and bonds, short-term deposits and cash representing 40%.

The strong financial growth and investment performance experienced by the Fund during its first two years of operation have provided a sound foundation for future growth. The net asset value of a Fund share increased from \$1.00 at inception to \$1.56 as at December 31, 1999.



The growth of the Fund is indicative of its policy of prudent financial management and of the diversification of the Fund's portfolio in the local, regional and international markets. Investment strategy will continue to be guided by the vision of enhancing shareholder value by positioning the Fund to capitalise on investment opportunities.



## EXTRACTS FROM BY-LAW NO. 2 OF THE COMPANY

The Fund is authorised by By-law No. 2 to issue an unlimited number of redeemable Shares in 2 series designated "Series A Shares" and "Series U Shares" to be known collectively as The Mutual Global Balanced Fund Shares. The holders from time to time of such Shares shall collectively and exclusively constitute the "Fund Shareholders" of The Mutual Global Balanced Fund.

The Fund is authorised to issue fractional Shares.

Fund Shareholders shall not be entitled to any votes, save in respect of matters set out in By-law No. 2, specifically in relation to:

- (i) the liquidation of the Fund, or
- (ii) an increase, if any, in the fees and charges charged to the Fund, or
- (iii) any change in the nature or kind of investments in which the Fund may be invested, or modification of the investment objectives, or
- (iv) the removal of the Manager or Investment Manager or Custodian Trustee, or
- (v) the reconstruction of the Company, and/or the amalgamation of the Company and/or the Fund with any other company or mutual fund, or
- (vi) the winding up of the Company.

## GENERAL INFORMATION

- The following are available for inspection at the offices of The Barbados Mutual Life Assurance Society on any Business Day from Monday to Friday inclusive, from 9.00 a.m. to 3.00 p.m.:
  - By-Law No. 2 of The Mutual Funds Incorporated
  - the audited financial statements of The Mutual Funds Incorporated (The Mutual Global Balanced Fund), and the Auditors' Report
  - the contract for the appointment of the Investment Manager
  - the contract to retain Merrill Lynch Bank (Suisse) S.A.
  - the Custodian Agreement
  - the consents of the Directors
  - the permission of the Exchange Control Authority of Barbados in relation to the purchase and redemption of Series U Shares
- Any extracts included in this Prospectus from referenced sources were not prepared for specific inclusion in this Prospectus.
- The Articles do not fix any number of shares as the qualifications of Directors, nor do they make any special provision for their remuneration.
- The preliminary expenses of the Company, amounting to approximately BDS \$68,970, and the preliminary expenses of setting up The Mutual Global Balanced Fund and of publishing the first Prospectus, amounting to approximately BDS \$51,537, are being amortised over a period of 3 years.
- The time for opening the subscription list is 9.00 a.m. on April 20, 2000.

- The Directors of the Company, The Barbados Mutual Life Assurance Society, The Mutual Bank of the Caribbean Inc., The Mutual Asset Management Inc., Merrill Lynch Bank (Suisse) S.A., PricewaterhouseCoopers, Sir Douglas Lynch, K.A., CMG, Q.C., and Hobsons have all given and have not withdrawn their written consent to the inclusion of their names in this Prospectus in the form and context in which they are included. The Directors of the Company and The Mutual Asset Management Inc. accept responsibility for the information contained in this Prospectus as being accurate as at the date of publication thereof.
- Save as disclosed there is no closing date for applications made pursuant to this Prospectus. The purchase price for a Share shall be equal to the net asset value (which is calculated at the close of business on the Valuation Day next following the receipt of an application for the purchase of Shares) plus a 2% sales charge.
- The Company, upon the advice of the Investment Manager, may from time to time close the subscription list for new Shares of the Company.
- The Mutual Funds Incorporated was incorporated on May 20, 1997.
- There is no restriction against Directors acquiring Shares in the Fund.

**Signed by or on behalf of the Directors of the Company:**

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Colin Glyne Goddard

---

Donald St. Clair Austin

---

John Arthur Lionel Bethell

---

Marjorie Patricia Downes-Grant

---

Dodridge Denton Miller

---

Molly Ann Reid

This Prospectus is dated April 20, 2000.

# **APPENDIX 1**

*AUDITED FINANCIAL STATEMENTS  
for the year ended December 31, 1999*

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**  
**Balance Sheet**  
**As of December 31, 1999**

(Expressed in Barbados dollars)

	<b>1999</b>	<b>1998</b>
<b>Assets</b>	<b>\$</b>	<b>\$</b>
<b>Investments in securities (Note 3)</b>	46,479,425	37,381,713
Cash on hand and at bank	1,213,385	440,470
Interest receivable	869,536	493,828
<b>Total Assets</b>	<b>48,562,346</b>	<b>38,316,011</b>
<b>Liabilities</b>		
Due to related company (Note 4)	200,238	157,862
Due to parent company (Note 4)	52,251	53,522
<b>Total Liabilities</b>	<b>252,489</b>	<b>211,384</b>
<b>Net Assets</b>	<b>48,309,857</b>	<b>38,104,627</b>
Represented by:		
<b>Shareholders' Equity</b>		
Stated capital (Note 5)	35,729,147	30,329,808
Retained earnings	12,580,710	7,774,819
<b>Total Shareholders' Equity</b>	<b>48,309,857</b>	<b>38,104,627</b>
<b>Net Asset Value per Redeemable Mutual Fund Share</b>	<b>1.56</b>	<b>1.40</b>

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

Director.....

Director.....

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**  
**Statement of Changes in Equity**  
**For the Year Ended December 31, 1999**

(Expressed in Barbados dollars)

	<b>Stated Capital \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
<b>Balance at December 31, 1997</b>	18,584,501	1,158,591	19,743,092
Issue of Shares	13,993,010		13,993,010
Redemption of Shares	(2,247,703)		(2,247,703)
Net Income for the Year		6,616,228	6,616,228
<b>Balance at December 31, 1998</b>	30,329,808	7,774,819	38,104,627
Issue of Shares	8,179,161		8,179,161
Redemption of Shares	(2,779,822)		(2,779,822)
Net Income for the Year		4,805,891	4,805,891
<b>Balance at December 31, 1999</b>	35,729,147	12,580,710	48,309,857

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

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**  
**Statement of Income**  
**For the Year Ended December 31, 1999**

(Expressed in Barbados dollars)

	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>
<b>Income</b>		
Interest	1,349,722	553,235
Dividends	445,308	448,936
<b>Total Income</b>	<b>1,795,030</b>	<b>1,002,171</b>
<b>Expenses</b>		
Management Fee <i>(Note 6)</i>	720,806	508,274
Custodian Fee <i>(Note 6)</i>	102,972	72,612
Other Charges	0	10,287
<b>Total Expenses</b>	<b>823,778</b>	<b>591,173</b>
<b>Net Investment Income</b>	<b>971,252</b>	<b>410,998</b>
<b>Realised and Unrealised Gain on Investments</b>		
Net gain on sale of investments	9,838	1,730,457
Increase in unrealised appreciation	3,824,801	4,474,773
<b>Net Gain on Investments</b>	<b>3,834,639</b>	<b>6,205,230</b>
<b>Net Income for the Year</b>	<b>4,805,891</b>	<b>6,616,228</b>

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

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 1999**

(Expressed in Barbados dollars)

	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities:</b>		
Net Income for the Year	4,805,891	6,616,228
Adjustments for:		
Unrealised appreciation	(3,824,801)	(4,474,773)
Increase in net gain on sale of investments	(9,838)	(1,730,457)
<b>Operating profit before changes in operating assets</b>	<b>971,252</b>	<b>410,998</b>
Interest receivable	(375,708)	(394,631)
Accounts payable and accrued liabilities	42,376	55,372
Due to parent company	(1,271)	52,466
Net cash from operating activities	636,649	124,205
<b>Cash flows from investing activities:</b>		
Purchase of investments	(19,515,163)	(20,664,991)
Proceeds from sale of investments	14,252,090	9,151,945
Net cash used in investing activities	(5,263,073)	(11,513,046)
<b>Cash flows from financing activities:</b>		
Issue of redeemable shares	8,179,161	13,993,010
Redemption of shares	(2,779,822)	(2,247,703)
Net cash from financing activities	5,399,339	11,745,307
<b>Net increase in cash and cash equivalents</b>	<b>772,915</b>	<b>356,466</b>
<b>Cash and cash equivalents – beginning of year</b>	<b>440,470</b>	<b>84,004</b>
<b>Cash and cash equivalents - end of year</b>	<b>1,213,385</b>	<b>440,470</b>

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

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**

Notes to the Financial Statements  
For the Year Ended December 31, 1999

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(Expressed in Barbados dollars)

**1. Incorporation, Principal Activity and Registered Office**

The company was incorporated on May 20, 1997, and operates as a mutual fund. The registered office of the company is located at The Mutual Financial Centre, Collymore Rock, St. Michael.

**2. Significant Accounting Policies**

These financial statements are prepared in accordance with International Accounting Standards. Significant accounting policies are as follows:-

**(a) Basis of Accounting**

These financial statements are prepared in accordance with the historical cost convention modified by the revaluation of investments as disclosed in note 2(b).

**(b) Investments**

**(i) Investment Valuation**

Investments in shares are stated at market value based on closing prices reported on stock exchanges on December 31, 1999. Bonds and securities not listed on an official exchange are carried at cost.

**(ii) Investment Transactions, Investment Income and Dividends**

Investment transactions are recorded on the date investments are purchased or sold. Average cost is used to compute realised and unrealised gains on investments. Interest income is accrued as earned and dividend income is recorded on the date it is received.

**(c) Foreign Exchange**

Assets and liabilities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions arising during the period involving foreign currencies are translated and recorded at the rates of exchange prevailing on the dates of the transactions. Differences arising from fluctuations in exchange rates are included in the Statement of Income.

**(d) Management Fees and Other Expenses**

The Mutual Asset Management Inc (MAMI) and Merrill Lynch Bank (Suisse) SA (MLB(S)) serve as Investment Advisers to the Fund. MAMI also serves as Manager of the Fund. As a result of providing investment advisory and management services, a management fee based on the actual Net Asset Value of the Fund is calculated weekly and payable in arrears, at the rate of 1.75% per annum.

The Barbados Mutual Life Assurance Society (BMLAS) serves as Custodian of the Fund. As a result of providing custodial services, BMLAS receives a custodian fee based on the actual Net Asset Value of the Fund, calculated weekly and payable in arrears, at the rate of 0.25% per annum.

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**

Notes to the Financial Statements  
For the Year Ended December 31, 1999

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(Expressed in Barbados dollars)

**(e) Taxation**

No liability for corporation tax has been provided in these financial statements. The Ministry of Finance confirmed in 1997 that it was not the intention of Government to subject mutual funds to taxation. Amendments were made in December 1998 to the Income Tax Act Cap 73 to deal with the taxation of mutual funds. If applied to the results in 1997, 1998 and 1999 there would be no taxation due.

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**

Notes to the Financial Statements  
For the Year Ended December 31, 1999

(Expressed in Barbados dollars)

**3. Investments in Securities**

Quantity	Description	Cost	Market Value	% of Portfolio
<b>LOCAL AND REGIONAL EQUITY SECURITIES</b>				
26,713	Almond Resorts Inc.	46,227	40,069	0.09%
100,711	Banks Holdings Ltd.	276,235	563,982	1.21%
3,528	Barbados Telephone Co. Ltd.	13,905	43,042	0.09%
256,542	Cable & Wireless BET Ltd.	830,726	1,282,710	2.76%
3,024	BICO Ltd.	7,750	5,443	0.01%
30,000	Light & Power Holdings Ltd.	207,000	306,000	0.66%
512,366	Barbados Shipping & Trading Co. Ltd.	1,056,248	1,844,518	3.97%
333,077	CIBC West Indies Holdings Ltd.	1,259,186	1,199,077	2.58%
150,834	Goddard Enterprises Ltd.	400,291	905,004	1.95%
20,000	Grace Kennedy Co. Ltd.	23,058	24,000	0.05%
217,916	Life of Barbados Ltd.	682,136	686,435	1.48%
9,500	McEanearney Alstons Ltd.	52,381	53,200	0.11%
660,706	Royal Bank TT Financial Holdings Ltd.	1,938,530	2,048,189	4.41%
316,000	West Indies Biscuit Co. Ltd.	1,469,400	2,275,200	4.89%
		<b>\$ 8,263,073</b>	<b>\$ 11,276,869</b>	<b>24.26%</b>
<b>INTERNATIONAL EQUITY SECURITIES</b>				
1,000	Akzo Nobel NV	94,947	99,886	0.21%
800	American Express	200,797	265,200	0.57%
1,875	American International Group	247,074	406,170	0.87%
3,000	AT & T Corporation	311,536	301,872	0.65%
600	Axa Corporation	153,224	167,194	0.36%
3,500	Barclays PLC.	178,994	201,680	0.43%
1,880	Bell Atlantic Corporation	235,164	231,240	0.50%
2,400	Bank of New York	120,259	194,400	0.42%
2,646	Amoco Corporation	187,898	314,874	0.68%
2,000	Bridgestone Corporation	100,238	88,246	0.19%
1,200	Bristol Myers Squibb	130,075	156,600	0.34%
300	Cap Gemini S.A.	109,968	152,214	0.33%
4,200	Cisco Systems Inc.	141,749	891,970	1.92%
2,200	Colgate Palmolive Ltd.	150,223	275,000	0.59%
2,300	CVS Corporation	207,045	177,100	0.38%
2,000	EMC Corporation	126,765	436,752	0.94%
2,000	Ericsson Telefon	100,028	257,298	0.55%
1,300	Exxon Corporation	203,296	209,136	0.45%
3,000	Fujitsu Ltd.	106,043	274,148	0.59%
1,300	General Electric Co. (U.S.A.)	205,095	403,000	0.87%
2,600	Glaxo Wellcome PLC	163,624	147,130	0.32%
6,000	Granada Group Inc.	121,807	121,746	0.26%
2,000	Ito Yocado Co. Ltd.	211,235	435,342	0.94%
1,000	Johnson & Johnson	204,309	187,000	0.40%
6,000	Kroger Co.	269,227	229,500	0.49%
2,000	Lowe's Companies	158,050	236,500	0.51%

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**

Notes to the Financial Statements  
For the Year Ended December 31, 1999

(Expressed in Barbados dollars)

**3. Investments in Securities - cont'd**

Quantity	Description	Cost	Market Value	% of Portfolio
<b>INTERNATIONAL EQUITY SECURITIES – cont'd</b>				
1,400	Mannesmann AG	124,835	675,098	1.45%
3,000	Matsushita Electric Inc.	115,287	166,488	0.36%
1,900	MCI Worldcom Inc.	168,496	301,626	0.65%
3,300	Mellon Financial Corporation	234,337	225,634	0.49%
1,600	Microsoft Corporation	243,209	376,400	0.81%
40	Nestle Corporation	106,643	146,308	0.31%
10	Nippon Tel & Tel.	224,579	343,176	0.74%
1,100	Nokia Corporation	203,993	398,656	0.86%
400	Pinault Printemps	146,065	211,006	0.45%
1,200	Procter & Gamble Co.	240,884	263,100	0.57%
7	Roche Hldg Profit	151,575	165,894	0.36%
2,600	Schering Plough Co.	247,333	216,122	0.46%
1,000	Sony Corporation	191,821	594,184	1.28%
2,000	Sprint Corporation	161,247	268,748	0.58%
10,000	Sumitomo Chemical	110,847	94,128	0.20%
2,500	Tellabs Inc.	267,406	313,126	0.67%
1,965	Texaco Inc.	268,200	211,728	0.46%
1,500	Texas Instruments	268,539	298,126	0.64%
2,000	United Technologies	224,627	256,500	0.55%
1,500	Vnu Verenigo Bezit	120,839	157,590	0.34%
30,000	Vodafone Airtouch	244,716	297,570	0.64%
3,200	Wal Mart Stores	301,715	433,996	0.93%
		<b>\$ 8,805,863</b>	<b>\$ 13,276,402</b>	<b>28.56%</b>
<b>INTERNATIONAL MUTUAL FUNDS</b>				
32,175	ACM American Growth Portfolio	1,499,998	2,803,086	6.03%
19,134	ACM Global Growth Trends Portfolio	999,943	1,647,055	3.54%
		<b>\$ 2,499,941</b>	<b>\$ 4,450,141</b>	<b>9.57%</b>

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**

Notes to the Financial Statements  
For the Year Ended December 31, 1999

(Expressed in Barbados dollars)

**3. Investments in Securities - cont'd**

Face Value	Description	Cost	Market Value	% of Portfolio
<b>FIXED INCOME SECURITIES</b>				
EC \$ 600,000	ACB Mortgage & Trust Co.(Antigua) Bonds, 9.000 % Maturity, September 30, 2002	444,444	444,444	0.96%
EC \$ 500,000	ACB Mortgage & Trust Co. (Antigua) Bonds, 9.000 % Maturity, September 30, 2002	370,370	370,370	0.80%
BDS \$ 750,000	Arawak Cement Ltd. Bonds, 9.500 % Maturity, August 18, 2003	750,000	750,000	1.61%
US \$ 375,000	Government of Belize Bonds, 10.500 % Maturity, June 14, 2009	750,000	750,000	1.61%
EC \$ 1,000,000	Government of St. Kitts Bonds, 8.250 % Maturity, May 01, 2014	740,741	740,741	1.59%
US \$ 275,500	Government of Belize Bonds, 8.350 % Maturity, April 30, 2002	515,031	515,031	1.11%
US \$ 270,000	Government of Belize Bonds, 9.750 % Maturity, July 01, 2008	540,000	540,000	1.16%
US \$ 100,000	Government of Belize Bonds, 9.000 % Maturity, May 27, 2009	200,000	200,000	0.43%
NAF 450,000	Government of Netherlands Antilles Bonds, 9.625 % Maturity, June 30, 2007	500,000	500,000	1.08%
NAF 21,000	Government of Curacao Bonds, 8.750 % Maturity, April 02, 2003	22,982	22,982	0.05%
NAF 500,000	Government of Netherlands Antilles Bonds, 8.500 % Maturity, March 01, 2002	555,556	555,556	1.20%

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**

Notes to the Financial Statements  
For the Year Ended December 31, 1999

(Expressed in Barbados dollars)

**3. Investments in Securities - cont'd**

Face Value	Description	Cost	Market Value	% of Portfolio
<b>FIXED INCOME SECURITIES – cont'd</b>				
NAF 443,000	Government of Netherlands Antilles Bonds, 8.000 % Maturity, February 18, 2001	487,884	487,884	1.05%
NAF 387,000	Government of Netherlands Antilles Bonds, 8.000 % Maturity, February 15, 2000	428,520	428,520	0.92%
NAF 500,000	Government of Curacao Bonds, 9.000 % Maturity, December 04, 2004	555,556	555,556	1.20%
NAF 250,000	Government of Curacao Bonds, 8.750 % Maturity, April 02, 2003	276,400	276,400	0.59%
NAF 160,000	Government of Curacao Bonds, 8.750 % Maturity, April 02, 2003	176,000	176,000	0.38%
EC \$ 1,035,000	Fincor Ministerial Complex Bonds, 8.000 % Maturity, March 02 , 2001	767,372	767,372	1.65%
EC \$ 500,000	Grenada Port Authority Bonds, 9.000 % Maturity, September 08, 2003	370,370	370,370	0.80%
EC \$ 104,000	Government of St. Kitts Bonds, 9.000 % Maturity, May 11, 2003	77,037	77,037	0.17%
TT \$ 1,865,000	Trinidad Cement Bonds, 12.000 % Maturity, February 27,2003	595,349	595,349	1.28%
US \$ 250,000	Government of Trinidad Bonds, 7.850 % Maturity, May 30 ,2004.	500,000	500,000	1.08%
US \$ 1,149,000	Government of Trinidad Bonds, 7.900 % Maturity, November 30, 2003	2,299,997	2,299,997	4.95%
		<b>\$ 11,923,609</b>	<b>\$ 11,923,609</b>	<b>25.67%</b>

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**

Notes to the Financial Statements  
For the Year Ended December 31, 1999

(Expressed in Barbados dollars)

**3. Investments in securities - cont'd**

Face Value	Description	Cost	Market Value	% of Portfolio
<b>TERM DEPOSITS</b>				
BDS \$ 800,000	Mutual Bank of the Caribbean Inc. Term Deposit 5.000 % Maturity March 14, 2000	800,000	800,000	1.72%
BDS \$1,000,000	Canadian Imperial Bank of Commerce Term Deposit 6.000 % Maturity , January 16, 2000	1,013,245	1,013,245	2.18%
BDS \$ 2,000,000	Mutual Bank of the Caribbean Inc. Term Deposit 5.000 % Maturity , February 28, 2000	2,000,000	2,000,000	4.30%
EC \$ 1,235,000	Fincor Ministerial Complex Term Deposit 10.375 % Maturity , January 31, 2000	939,120	939,120	2.02%
US \$ 182,000	Merrill Lynch International Bank Cayman Term Deposit 6.500 % Maturity , January 06, 2000	364,030	364,030	0.78%
EC \$ 588,000	ACM Mortgage & Trust Co.(Antigua) Term Deposit 8.500 % Maturity, August 07, 2000	436,009	436,009	0.94%
		\$ 5,552,404	\$ 5,552,404	11.94%

**SUMMARY OF INVESTMENTS**

**1999**

Equity Securities	17,068,936	24,553,271	52.82%
Mutual Funds	2,499,941	4,450,141	9.57%
Fixed Income Securities & Term Deposits	17,476,013	17,476,013	37.61%
	\$ 37,044,890	\$ 46,479,425	100.00%

**1998**

Equity Securities	12,841,160	17,622,563	47.15%
Mutual Funds	2,499,941	3,328,271	8.90%
Fixed Income Securities & Term Deposits	16,430,879	16,430,879	43.95%
	\$ 31,771,980	\$ 37,381,713	100.00%

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**

Notes to the Financial Statements  
For the Year Ended December 31, 1999

(Expressed in Barbados dollars)

**4. Due to Related Company and Parent Company**

These amounts are interest free, unsecured and have no stated terms of repayment.

**5. Stated Capital**

	<b>No. of Shares</b>	<b>1999 \$</b>	<b>1998 \$</b>
<b>(a) Common Shares</b>			
<i>Authorised</i>	1000	1000	1000
<i>Issued</i>	100	100	100
<b>(b) Class "A" Redeemable Mutual Fund Shares</b>			
<i>Authorised</i>			
An unlimited number of Class "A" Redeemable mutual fund shares of no par value			
<i>Issued</i>			
Balance – beginning of the year	27,201,718	30,329,708	18,584,401
Issued during the year	5,639,507	8,179,161	13,993,010
Redeemed during the year	(1,920,864)	(2,779,822)	(2,247,703)
<b>Total Stated Capital</b>	<b>30,920,461</b>	<b>35,729,147</b>	<b>30,329,808</b>

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**

Notes to the Financial Statements  
For the Year Ended December 31, 1999

---

(Expressed in Barbados dollars)

**5. Stated Capital (cont'd)**

The holders of Common Shares have broad voting rights in relation to the appointment and removal of the directors, and the control and management of The Mutual Funds Incorporated.

The holders of Class "A" Redeemable Mutual Fund Shares have an interest in the undivided portion of the assets of the Fund. These shares secure an equal share in the distribution of the net income and net capital gains and participate equally in all other respects.

Fractional shares may be issued.

The holders of Class "A" Redeemable Mutual Fund Shares are entitled to vote only in respect of:

- the liquidation of the Fund;
- an increase, if any, in the fees and charges to the Fund;
- any change in the nature or kind of investments in which the fund may be invested, or modification of the investment objectives;
- the removal of the Manager or Custodian Trustee;
- the reconstruction of the company, and/or the amalgamation of the company and/or the Fund with any other company or mutual fund or
- the winding up of the company.

Class "A" Redeemable Mutual Fund Shares may be redeemed at the Net Asset Value per share as calculated at the close of business on Friday of each week.

**6. Related Party Transactions**

During the year the Fund had the following material related party transactions:-

	1999	1998
	\$	\$
Management Fees .....	720,806	508,274
Custodian Fees .....	102,972	72,612

At year-end \$200,238 (1998 - \$157,862) was owed to the related company in respect of management fees and \$28,605 (1998 - \$22,552) was owed to the parent company in respect of custodian fees.

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**

Notes to the Financial Statements  
For the Year Ended December 31, 1999

---

(Expressed in Barbados dollars)

**7. Geographical Distribution of Assets**

The Fund's assets are distributed geographically as follows:

Local Investments	.....	34.08 %
International Investments	.....	38.92 %
Regional Investments	.....	27.00 %

**8. Financial Instruments**

Financial assets of the Fund include cash, investments in securities and interest receivable. Financial liabilities of the Fund include amounts due to parent company and amounts due to a related company.

**Interest Rate Risk**

The interest rates on investment in securities and amounts due to related company and parent company are disclosed in notes 3 and 4. Changes in interest rates may expose the Fund to interest rate risk.

**Credit Risk**

The Fund's exposure to credit risk is indicated by the carrying amounts of its assets. Credit risk is minimised through the following:-

- a) Holding a diversified portfolio of Equity Securities, Mutual Funds and Fixed Income Securities, issued in a number of different countries and denominated in various currencies.
- b) Placing its Term Deposits and generally conducting its banking activity with reputable banks.

**Fair Values**

The fair market values of the Fund's assets and liabilities are not materially different to their carrying amounts.

**9. Uncertainty due to the Year 2000 issue**

The Year 2000 issue arises because many computerised systems use two digits rather than four to identify a year. Date sensitive systems may recognise the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the Fund, including those related to customers, suppliers, or other third parties, have been fully resolved.

# **APPENDIX 2**

*AUDITED FINANCIAL STATEMENTS*  
*for the year ended December 31, 1998*

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**  
**Balance Sheet**  
**As At December 31, 1998**

	<b>1998</b>	<b>1997</b>
	<b>\$</b>	<b>\$</b>
<b>Investments in securities</b>	37,381,713	19,663,437
<b>Other Current Assets</b>		
Cash on hand and at bank	440,470	84,004
Interest receivable	493,828	99,197
	934,298	183,201
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	157,862	102,490
Due to parent company	54,522	1,056
	211,384	103,546
<b>Working Capital</b>	722,914	79,655
<b>Net Assets</b>	38,104,627	19,743,092
<b>Shareholders' Equity</b>		
Stated capital	30,329,808	18,584,501
Retained earnings	7,774,819	1,158,591
<b>Total Shareholders' Equity</b>	38,104,627	19,743,092
<b>Net Asset Value per Redeemable Mutual Fund Shares</b>	1.40	1.08

Secretary.....

Chairman.....

**THE MUTUAL FUNDS INCORPORATED  
(THE MUTUAL GLOBAL BALANCED FUND)**

**Statement of Income and Expenditure**

**For the Year Ended December 31, 1998**

(With comparative figures for the period from May 20, 1997, the date of incorporation, to December 31, 1997)

	<b>1998</b>	<b>1997</b>
	<b>\$</b>	<b>\$</b>
<b>Income</b>		
Interest	553,235	110,273
Dividends	448,936	70,970
	1,002,171	181,243
<b>Expenses</b>		
Management Fee	508,274	120,032
Custodian Fee	72,612	17,148
Other Charges	10,287	17,189
	591,173	154,369
<b>Net Investment Income</b>	410,998	26,874
<b>Realised and Unrealised Gain/(Loss) on Investments</b>		
Net gain/(loss) on sale of investments	1,730,457	(18,035)
Increase in unrealised appreciation	4,474,773	1,149,752
<b>Net Gain on Investments</b>	6,205,230	1,131,717
<b>Increase in Net Assets from Operations</b>	6,616,228	1,158,591

**THE MUTUAL FUNDS INCORPORATED  
(THE MUTUAL GLOBAL BALANCED FUND)**

**Statement of Cash Flows**

**For the Year Ended December 31, 1998**

(With comparative figures for the period from May 20, 1997, the date of incorporation, to December 31, 1997)

	<b>1998</b>	<b>1997</b>
	<b>\$</b>	<b>\$</b>
<b>SOURCES OF CASH</b>		
<b>Cash provided from operations:</b>		
Increase in net assets from operations	6,616,228	1,158,591
Add/(deduct) charges not affecting cash:		
Unrealised gain	(4,474,773)	(1,149,752)
Realised (gain)/loss	(1,730,457)	18,035
Add/(deduct) changes in working capital items:		
Interest receivable	(394,631)	(99,197)
Management fee payable	88,899	65,501
Custodian fee payable	11,843	24,622
Other charges	7,096	13,423
	124,205	31,223
<b>Cash provided from investing activities:</b>		
Securities sold	9,151,945	2,007,778
<b>Cash provided from financing activities:</b>		
Net proceeds from shares issued/redeemed	11,745,307	18,584,501
Total sources of cash	21,021,457	20,623,502
<b>APPLICATION OF CASH</b>		
<b>Cash used in investing activities:</b>		
Securities purchased	(20,664,991)	(20,539,498)
<b>Net increase in cash</b>	<b>356,466</b>	<b>84,004</b>
<b>Opening cash balance</b>	<b>84,004</b>	<b>0</b>
<b>Cash equivalents - end of year</b>	<b>440,470</b>	<b>84,004</b>

# **APPENDIX 3**

*AUDITED FINANCIAL STATEMENTS  
for the year ended December 31, 1997*

**THE MUTUAL FUNDS INCORPORATED  
 (THE MUTUAL GLOBAL BALANCED FUND)  
 Balance Sheet  
 As At December 31, 1997**

	<b>1997</b>
	<b>\$</b>
<b>Investments in securities</b>	19,663,437
<b>Other Current Assets</b>	
Cash on hand and at bank	84,004
Interest receivable	99,197
	183,201
<b>Current Liabilities</b>	
Accounts payable and accrued liabilities	102,490
Due to parent company	1,056
	103,546
<b>Working Capital</b>	79,655
<b>Net Assets</b>	19,743,092
<b>Shareholders' Equity</b>	
Stated capital	18,584,501
Retained earnings	1,158,591
<b>Total Shareholders' Equity</b>	19,743,092
<b>Net Asset Value per Redeemable Mutual Fund Shares</b>	1.08

Secretary.....

Chairman.....

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**  
**Statement of Income and Expenditure**  
**For the Period May 20, 1997 (date of incorporation) to December 31, 1997**

	<b>1997</b>
	<b>\$</b>
<b>Income</b>	
Interest	110,273
Dividends	70,970
	<b>181,243</b>
<b>Expenses</b>	
Management Fee	120,032
Custodian Fee	17,148
Other Charges	17,189
	<b>154,369</b>
<b>Net Investment Income</b>	<b>26,874</b>
<b>Realised and Unrealised Gain/(Loss) on Investments</b>	
Net loss on sale of investments	(18,035)
Increase in unrealised appreciation	1,149,752
<b>Net Gain on Investments</b>	<b>1,131,717</b>
<b>Increase in Net Assets from Operations</b>	<b>1,158,591</b>

**THE MUTUAL FUNDS INCORPORATED**  
**(THE MUTUAL GLOBAL BALANCED FUND)**  
**Statement of Cash Flows**  
**For the Period May 20, 1997 (date of incorporation) to December 31, 1997**

	<b>1997</b>
	<b>\$</b>
<b>Cash flows from Operating Activities</b>	
Interest and dividends received	41,392
Management fees paid	(45,068)
Custodian fees paid	(6,438)
<b>Operating profit before changes in operating assets</b>	<b>(10,114)</b>
<b>(Increase)/Decrease in Operating Assets</b>	
Interest receivable	(99,197)
<b>Increase/(Decrease) in Operating Liabilities</b>	
Accounts payable and accrued liabilities	102,490
Due to parent company	1,056
<b>Net Cash used in Operating Activities</b>	<b>(5,765)</b>
<b>Cash Flows from Investing Activities</b>	
Purchase of investments	(20,539,498)
Proceeds on sale of investments	2,044,766
<b>Net Cash used in Investing Activities</b>	<b>(18,494,732)</b>
<b>Net Cash from Financing Activities</b>	
Issue of common shares	100
Issue of Mutual Fund shares	18,827,611
Redemption of Mutual Fund shares	(243,210)
<b>Net Cash from Financing Activities</b>	<b>18,584,501</b>
<b>Cash equivalents - end of period</b>	<b>84,004</b>

# THE MUTUAL FUNDS INCORPORATED

## SUPPLEMENT TO PROSPECTUS for THE MUTUAL GLOBAL BALANCED FUND

*(Please list here all the funds, within all the categories)*

### **The Mutual Global Balanced Fund**

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### **ADDENDUM TO PROSPECTUS for Investors' use in Trinidad and Tobago**

- (1) (i) This distribution is being made by a foreign mutual fund pursuant to disclosure documents prepared in accordance with foreign securities laws. Purchasers should be aware that these requirements may differ from those of Trinidad and Tobago.
- (ii) All of the directors and officers of the foreign mutual fund and certain of the experts named in this Prospectus reside outside of Trinidad and Tobago. Substantially all of the assets of these persons and of the foreign mutual fund may be located outside of Trinidad and Tobago. The foreign mutual fund has appointed Hugh Damien Mazely, Executive Vice-President and General Manager of The Barbados Mutual Life Assurance Society in Trinidad and Tobago, of and whose address for service is The Barbados Mutual Life Assurance Society, The Mutual Centre, 16 Queen's Park West, Port of Spain, Trinidad, as its agent for Service of Process in Trinidad and Tobago. It may not be possible for investors to effect service of process within Trinidad and Tobago upon the directors and officers referred to above. It may also not be possible to enforce against the foreign mutual fund, its directors and officers named in this Prospectus judgments obtained in Trinidad and Tobago.
- (iii) Purchasers should be aware that the experts responsible for any expertise statement, report or opinion in the Prospectus have not submitted to the jurisdiction of Trinidad and Tobago and therefore it may not be possible for an investor to take legal proceedings against the experts in Trinidad and Tobago.
- (iv) The foreign mutual fund is incorporated or organised under the laws of a foreign jurisdiction and the rights and remedies available under Trinidad and Tobago law may not be available.

(2) The foregoing, together with the following documents incorporated herein by reference:

- (a) Certificate regarding use of the Prospectus in Trinidad and Tobago;
- (b) Form of Submission to Jurisdiction and Appointment of Agent for Service of Process for Foreign Mutual Funds;
- (c) Certificate regarding Appointment of Agent to distribute securities in Trinidad and Tobago;
- (d) Certificate of Compliance with securities legislation in the home jurisdiction,

which are filed with the Trinidad and Tobago Securities and Exchange Commission, constitutes full, true and plain disclosure of all material facts related to the securities being distributed by this Prospectus.

Dated: **April 20, 2000** \_\_\_\_\_

Signed: \_\_\_\_\_

**JOHN ARTHUR LIONEL BETHELL**  
Director

\_\_\_\_\_  
**SANDRA OSBORNE**  
Secretary

*(duly authorised representatives of THE MUTUAL FUNDS INCORPORATED)*

Dated: **April 20, 2000** \_\_\_\_\_

Signed: \_\_\_\_\_

**HUGH DAMIEN MAZELY**

*(duly authorised Agent of THE MUTUAL FUNDS INCORPORATED)*