

EXPLANATORY MEMORANDUM



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**DGM
STRATEGIC
FUNDS**
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July, 2003

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Introduction

This document is for information only. It is not an offer to sell or an invitation or solicitation of an offer to buy any shares or securities. This document contains selected important information to help you make an informed decision about investing in the DGM Strategic Funds.

The distribution of this document, which is for experienced and sophisticated international investors, may be restricted in certain jurisdictions: it is the responsibility of the person or persons in possession of this document to inform himself or themselves of, and to observe in full, the security regulations and applicable tax laws of the relevant jurisdictions.

DGM Bank & Trust Inc. ("DGM") is a licensed Offshore Bank in Barbados and is regulated by the Offshore Bank Act of Barbados (1979-26). The DGM Strategic Funds ("the Funds") were established under the Declaration of Trust dated as of 17th day of April 1996. The units of the Funds are not listed on any stock exchange.

Unless stated otherwise (as is the case with the DGM Strategic Canadian Money Market Fund), in this document all references to "dollar," "\$" and "cents", and "c" are to currency of the United States of America.

Investors are encouraged to visit DGM Bank & Trust Inc.'s Internet site at www.dgmbank.com, or to write to DGM Bank & Trust Inc., Chancery House, High Street, Bridgetown, St Michael, Barbados, West Indies to receive current fund performance information.

What is a Common Trust Fund?

A common trust fund is a pool of money contributed by people with similar investment objectives. People who contribute money become unitholders. The funds are managed by investment professionals who select the securities which are held by the fund. Unitholders share the fund's income, expenses, and any gains and losses the fund makes on its investments in proportion to the units or shares they own. The value of an investment in a fund is realized by redeeming the units held.

When you buy a fund, you purchase units of a trust. The price of a unit is its net asset value ("NAV"). The NAV per unit is calculated by adding all of the assets of the fund, subtracting its liabilities, and dividing the balance by the total number of units or shares outstanding.

What are the risks of investing in the Funds?

The value of Fund units varies directly with the value and return of the investment portfolio securities of the Fund. The value and return of the investment portfolio securities are influenced by the performance of the issuing corporation, general economic and market conditions, international currency fluctuations and other factors. Securities purchased by each of the Funds can depreciate in value.

Investors should refer to the risks that apply to investments in all the Funds beginning on page 17. Funds own different kinds of securities (e.g. stocks, bonds, T-Bills, cash) depending on the Fund's investment objectives. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions, and market and company news. As a result, the value of a Fund's units may go up and down, and the value of your investment in a fund may be more or less when you redeem it than when you purchased it.

There will inevitably be periods where a fund will experience a drop in the price of its units or shares. If you sell your units in a fund when the price is lower than you paid for them, you will lose money on your investment. Funds are generally designed to be held as long-term investments (at least three years). Holding a fund for longer periods of time has historically reduced the risk of experiencing a loss.

Although the DGM Strategic Funds are managed to earn as high a return as possible consistent with preservation of capital, we cannot guarantee that the full amount of your original investment will be returned. Unlike bank accounts or GICs, fund units are not covered by any government deposit insurer.

Organization and Management of the DGM Strategic Funds

TRUSTEE, INVESTMENT MANAGER & REGISTRAR

DGM Bank & Trust Inc.
Chancery House, High Street
Bridgetown, St Michael
Barbados, West Indies
Telephone: (246) 427-6364
Facsimile: (246) 431-3439
Email: online@dgmbank.com
Website: www.dgmbank.com

DGM (the "Manager") manages the business and affairs of the Funds, provides Fund accounting and administration services and may appoint investment advisors for the Funds. As the Funds are organized as Trusts, investors buy units of a Trust. The Trustee of the Funds holds actual title to the property of the Funds – the cash and securities – on your behalf.

As registrar, DGM keeps track of the owners of units of each of the Funds, processes purchase, switch and redemption orders and issues investor account statements.

PORTFOLIO ADVISORS

DGM Bank & Trust Inc.
Chancery House
High Street
Bridgetown
St Michael
Barbados, West Indies

The Portfolio Advisor carry out all research and select, purchase and sell portfolio securities for the DGM Strategic Funds.

DGM Bank & Trust Inc. is a licensed offshore Bank, pursuant to the Offshore Banking Act, 1979-26 (Barbados) since December 1994. DGM previously operated as Altamira International Bank (Barbados) Inc. DGM Bank provides a range of wealth management and tax planning services to corporations and individuals.

PRINCIPAL DISTRIBUTOR

DGM Bank & Trust Inc.
Chancery House, High Street
Bridgetown, St Michael

DGM markets the units of the DGM Strategic Funds directly to the public. The Funds are also available through authorized agents.

CUSTODIAN

CIBC Bank & Trust Company (Cayman) Ltd
P.O. Box 694 GT
George Town, Grand Cayman
Cayman Islands, BWI

The custodian is responsible for ensuring that the securities in the Funds' portfolios are safely held.

AUDITOR

Deloitte & Touche LLP
Whitepark House
Whitepark Road
Bridgetown, Barbados
West Indies

Deloitte & Touche annually review the books and records of all of the Funds to ensure that the financial statements fairly present the Funds' financial position and results in accordance with generally accepted auditing principles in all material regards.

Description of the Funds

Each of the DGM Strategic Funds is divided into an unlimited number of units (and fractions of units) without nominal value and an investors participation in a Fund is determined by the number of units which he owns in that Fund. Refer to the heading "Description of Units of the Funds" below for a summary of the rights acquired by an investor on a purchase of units of the Funds.

In order to provide different investment options the DGM Strategic Funds presently available consist of six open ended common trust funds domiciled in Barbados and individually known as:

- DGM Strategic US Money Market Fund
- DGM Strategic Canadian Money Market Fund
- DGM Strategic Bond Fund
- DGM Strategic US Larger Companies Fund
- DGM Strategic Equity Fund
- DGM Strategic International Fund of Funds

The Trustee is empowered to create other Funds as investors' requirements determine. Each Fund is maintained as a separate and distinct trust, separate and apart from any other of the DGM Strategic Funds.

When submitting a purchase order investors will be required to specify the Fund in which they wish to invest. The investment may be divided between Funds if required and the investor may, from time to time, vary the proportions of their investment to suit personal investment requirements.

The Funds are divided into two (2) categories:

A) Daily Valuation – Money Market Funds

The Money Market Funds are the most conservative of the DGM Strategic Funds and are valued daily to ensure liquidity. The income received on each unit will vary from day to day, reflecting changes in short-term interest rates. See page 15 for more information on risks associated with money market instruments.

DGM Strategic US Money Market Fund

The objective of the Fund is to maintain capital stability, liquidity and current income. The Fund is ideal for the investor who is looking for capital preservation or who is saving for short-term goals or wants to maintain an emergency cash reserve, and is willing to endure only a very low level of volatility.

The Fund invests primarily in short term US Government Bonds and US Government Guaranteed Bonds. At no time will any Corporate Paper with less than an "AA" rating be purchased. The Advisor emphasises security of capital by ensuring that the Fund's portfolio is invested predominantly in money market and short term treasuries. The average term to maturity for the Fund is not to exceed 1 year.

The Fund may use forward contracts to hedge against currency fluctuations.

DGM Strategic Canadian Money Market Fund

The objective of the Fund is to maintain capital stability, liquidity and current income. The Fund is ideal for investors with Canadian cash who are looking for capital preservation or who are saving for short-term goals or want to maintain an emergency cash reserve, and are willing to endure only a very low level of volatility.

The Fund invests primarily in short term Canadian Government Bonds and Canadian Government Guaranteed Bonds. At no time will any Corporate Paper with less than an “AA” rating be purchased. Furthermore, at no time will more than 25% of the Fund be invested in Corporate Issues. The advisor emphasises security of capital by ensuring that the Fund’s portfolio is invested predominantly in money market and short term treasuries. The average term to maturity for the Fund is not to exceed 1 year. This is the only DGM Strategic Fund that is valued in Canadian Dollars.

The Fund may use forward contract to hedge against currency fluctuations.

B) Funds that are valued Weekly

DGM Strategic Bond Fund

The objective of the Fund is to provide investors with superior investment returns over the long term, having regard to safety of capital.

The Fund invests primarily in Canadian Government Bonds. The Fund is actively managed by varying the average maturity of the Bonds depending on the outlook for the economy. See page 16 for an explanation of management style. The Fund's policy is to have a duration of between 3 and 10 years. The Fund is suitable for investors looking for moderate income and capital gains without great variations in the value of their investments. This Fund should be the core fixed income holding in any portfolio of Funds.

The Fund may use futures contracts to gain exposure to foreign bond markets because of their liquidity and lower transaction costs. The Fund may also use forward contracts to hedge against currency fluctuations.

DGM Strategic U. S. Larger Companies Fund

The United States is the largest single economy in the World. Its Stock Markets are considered to be the most efficient. The Fund’s objective is to provide investors with long-term capital growth by investing primarily in common shares of well known and widely followed United States companies with a market capitalization of at least \$1 billion. The Fund is ideal for the investor who has a long-term investment focus, is more comfortable investing in larger U.S. companies to achieve capital growth and can endure an above average level of volatility.

The Advisor uses primarily a growth style and a mix of strategies for selecting portfolio investments for the fund. See page 16 for additional information on management styles.

The Fund may use forward contracts to hedge against currency fluctuations and may utilise option strategies through the purchase and sale of puts and calls for hedging and non-hedging purposes to increase income or decrease volatility or provide potential for growth.

DGM Strategic Equity Fund

Canada is the largest trading partner with the United States and is becoming increasingly more popular with international investors. The Fund’s objective is to provide investors with superior investment returns over the longer term, having regard for the safety of capital. The Fund is ideal for the investor who seeks to obtain high

investment returns over the long term, prefers a diversified portfolio of equity securities and can endure an above average level of volatility.

The Fund invests primarily in Canadian Equities, which will provide the best opportunities for capital growth. The Fund may also invest in foreign securities and hold foreign currencies. Its focus is on industry sectors, which analyses indicate to provide the best opportunities for gains. Thus, the Fund's sectoral focus may shift from time to time to take advantage of expectations for strong growth in specific sectors. The Investment Manager primarily uses a growth style for the Fund and a mix of investment approaches. Please see page 16 for additional information on management styles.

The Fund may use forward contracts to hedge against currency fluctuations and may utilise option strategies through the purchase and sale of puts and calls for hedging and non-hedging purposes to increase income or decrease volatility or provide potential for growth.

DGM Strategic International Fund of Funds

Recognizing that at certain times foreign markets around the world have an appeal, an International Fund of Funds has been created. The objective of the Fund is to provide investors with superior investment returns over the long term.

The Fund invests in the closed and open-ended Growth Funds that it considers to have superior management with an established international reputation and a solid track record for producing consistently high levels of performance. The Managers utilize a unique performance tracking methodology to select the top Growth Funds for investment thereby allowing the Fund to benefit from the strength and expertise of various top performing international Fund Managers.

The Fund may use forward contracts to hedge against currency fluctuations and may utilise option strategies through the purchase and sale of puts and calls for hedging and non-hedging purposes to increase income or decrease volatility or provide potential for growth.

Summary of the DGM Strategic Funds

FUND NAME	MINIMUM INITIAL INVESTMENT	MINIMUM ADDITIONAL INVESTMENT	VALUATION PERIOD	CURRENCY OF VALUATION	FEE
DGM Strategic US Money Market Fund	\$5,000.00	\$1,000.00	Daily	US Dollars	0.70%
DGM Strategic Canadian Money Market Fund	\$5,000.00	\$1,000.00	Daily	Canadian Dollars	0.70%
DGM Strategic Bond Fund	\$10,000.00	\$1,000.00	Weekly	US Dollars	1.25%
DGM Strategic US Larger Companies Fund	\$10,000.00	\$1,000.00	Weekly	US Dollars	2.0%
DGM Strategic Equity Fund	\$10,000.00	\$1,000.00	Weekly	US Dollars	2.0%
DGM Strategic Int'l Fund of Funds	\$10,000.00	\$1,000.00	Weekly	US Dollars	1.25%

Notwithstanding the fundamental investment objective of each Fund and the general investment policies described above, the Investment Manager may, from time to time in light of existing economic conditions,

change the relative investment policies in order to protect the capital of the Fund and to preserve the achievement of the Fund's fundamental investment objective. No material change in the fundamental investment objective of the Fund will be made without the Manager giving to investors in that Fund at least 60 days prior written notice of the material change.

The Declaration of Trust contains procedures to permit the Trustee to establish additional Funds from time to time under a Supplemental Declaration of Trust and the units of any such Funds will be included in the amendment to this Explanatory Memorandum when such Funds are established.

Investing in the Funds

Description of Units of the Funds

An investment in any of the Funds is represented by "units" which collectively comprise an undivided interest in the assets of that Fund. All units of a Fund rank equally with all other units of that Fund with respect to the distribution of income or assets of such Fund.

There are no pre-emptive or conversion rights attached to the units but the units may be exchanged for units of others of the DGM Strategic Funds, or simply redeemed, as described in this Explanatory Memorandum. The number of units which a Fund may issue is unlimited and the initial issue price is U.S. dollars Ten (10). A total of 25,000 units were issued for cash from each of the six funds on 31 May, 1996 to Altamira International Bank (Barbados) Inc. DGM Bank & Trust Inc. previously operated as Altamira International Bank (Barbados) Inc. The units of the individual Funds issued to Altamira International Bank (Barbados) Inc. will not be redeemed until the said Fund has received an additional U.S. dollars Five Hundred Thousand (500,000) from other investors. The Units will be issued only as fully paid, and will not be liable to future calls or assessment by the Fund. Unitholders will be entitled to exercise one vote for each whole unit held at all unit holder meetings of that Fund. Fractional units will be issued (to 3 decimal places) and each fractional unit will be entitled to all rights (except voting) in the same proportion which the fractional unit bears to a whole unit.

Distribution of Units

Units of the Funds are distributed by DGM Bank & Trust Inc., as Manager and by securities dealers and agents authorized by the Manager. The units will be offered for sale continuously so long as this Explanatory Memorandum is operative. The method for purchasing units is set out under the heading "Purchase of Units". The manner of determining the purchase price for the units at the time of issue is described under the heading "Valuation of Units". Securities dealers, Private Bankers and authorised agents are entitled to charge a distribution fee of up to 5 per cent of the total amount of securities distributed by them to cover their administration costs. When payable, the distribution fee is a separate transaction between the Investor and dealer.

The net asset value per unit received by a Fund will be invested in securities by the Investment Manager subject to the restrictions listed under the heading "Investment Objectives and Restrictions of the Funds."

Valuation of Units

(A) Money Market Funds – Daily Valuation

The DGM Strategic US Money Market Fund and the DGM Strategic Canadian Money Market Fund are valued as at the close of business on each business day. For the purpose of the Money Market Funds, each business day is herein to be considered as a "valuation date". The values determined will be made available to all

Unitholders on the day after the valuation day. The Strategic Canadian Money Market Fund is valued in Canadian Dollars whereas all other DGM Strategic Funds are valued in US Dollars.

(B) All Other Funds – Weekly Valuation

Apart from the Money Market Funds listed in (A) above, all other DGM Strategic Funds are valued as at the close of business on each Friday or the preceding business day where a Friday is not a business day. For the purposes of the DGM Strategic Bond Fund, the DGM Strategic US Larger Companies Fund, the DGM Strategic Equity Fund and the DGM Strategic International Fund of Funds, each of those days is referred to herein as a “valuation date”. The values determined for these funds will be made available to all Unitholders within two (2) business days after each valuation date. All funds valued weekly are valued in US Dollars.

The net asset value of each unit of a Fund is determined by dividing the aggregate market value of the net assets of that Fund (the then fair market value of the assets of that Fund) less its liabilities by the number of units of the Fund outstanding on that valuation date.

In determining the value of the assets of a Fund the following rules apply:

- a) liquid assets, which term includes cash, bills and demand notes, accounts receivable, cash dividends and cash distributions, and prepaid expenses and interest accrued and not yet received, shall be deemed to be the face value unless the Manager determines an otherwise fair value;
- b) securities listed on public securities exchanges shall be valued at their current market value, being the closing sale price on the day on which the Net Asset Value per Fund is being determined, or, if no sales are reported, at the average of the closing recorded bid and asked price;
- c) in the event that no bid or asked prices are available the securities shall be valued at the discretion of the Trustee. Unlisted securities shall be valued at their current market value, being the last sale price on that market day or, if no sales are reported, at the mean of the bid and asked price for that day, otherwise at the discretion of the Trustee;
- d) securities and other assets for which market quotations are not readily available shall be valued at their fair value, as determined by the Trustee;
- e) clearing corporation options purchased by the Fund shall be valued at current market value, being the last sale price on that market day or, if no sales are reported, at the mean of the current bid and asked price;
- f) with the exception of the DGM Strategic Canadian Money Market Fund (which is valued in Canadian Dollars), all liquid assets and securities quoted in foreign currencies shall be translated to the appropriated US Dollar amount, to reflect the exchange rate existing on that valuation date;
- g) Dividend income shall be recognized on an ex-dividend date and interest income shall be accrued.

All other securities will be valued in good faith by the Trustee. All such determinations as to value made by the Trustee shall be final and binding on Unitholders.

The liabilities of any Fund shall be deemed to include:

- i) all bills and accounts payable;
- ii) all administrative expenses payable and/or accrued;
- iii) all obligations for the payment of money or property, including the amount of any declared but unpaid distributions;
- iv) all allowances authorized or approved by the Trustee for taxes or contingencies; and
- v) all other liabilities of the Fund of whatsoever kind and nature, except liabilities represented by outstanding Units.

The net asset value per unit is the basis for all unit purchases, reinvestment of distributions, exchanges between Funds and unit sales back to the Fund (redemptions) as described in this Explanatory Memorandum. Portfolio transactions (investment purchases and sales) will be reflected in the first computation of net asset value per unit made after the date on which the transaction becomes binding.

The calculation of the net asset value per unit for a Fund may be suspended during any period when normal trading is suspended on any stock exchange on which securities are listed which represent more than 50% by value of the total assets of that Fund or at any other time determined by the Trustee. During any period of suspension there will be no calculation of the net asset value per unit of that Fund and the Fund will not be permitted to issue or redeem any units. The calculation of the net asset value per unit will resume when trading resumes on the applicable stock exchange or as the Trustee determines. In the event of a suspension of the calculation of the net asset value per unit, a unit holder may either withdraw his redemption request or receive payment based on the net asset value per unit next calculated after the termination of the suspension. Other circumstances in which trading in units of the Funds may be suspended are set out in the Declaration of Trust of the Funds.

Purchase of Units

An investor may place his order for units (buy order) of any of the Funds in the DGM Strategic Funds outlined hereunder, (i) directly by contacting the Manager at its Barbados office; or (ii) through his securities dealer or agent who should forward the buy order to the Manager on the same day. The buy order may be issued in writing, by telephone, or by telefax and is subject to usual confirmation procedures, which may be requested by the Manager.

If the buy order is received at the office of the Manager before 12 noon Eastern Standard Time on a business day preceding a valuation date, it will be processed at the net asset value per unit calculated at the close of business on that valuation date. If the buy order is received after that time, its processing will be delayed by one valuation date.

Buy orders must be submitted at the investor's expense. If arrangements for payment and delivery are not included with the order, then the order may not be accepted; if payment is not received within five (5) business days of the applicable valuation date, then the buy order may be voided or revalued.

The Manager reserves the right to accept or reject a buy order, provided that any decision to reject an order will be made within two (2) days of receipt of the order and if the buy order is rejected the Manager will return any amounts received to the investor immediately. An allotment of units in each Fund will take place on the day on which the net asset value of each Fund is available (the 'dealing date'). The Manager may in its discretion require that the minimum initial purchase by an investor to enter the Funds to be as follows:

DGM Strategic US Money Market Fund	US\$5,000
DGM Strategic Canadian Money Market Fund	CDN\$5,000
DGM Strategic Bond Fund	US\$10,000
DGM Strategic US Larger Companies Fund	US\$10,000
DGM Strategic Equity Fund	US\$10,000
DGM Strategic International Fund of Funds	US\$10,000

(Or any higher amount required by the prospectus and registration exemption rules of the investor's jurisdiction.)

A US Dollar two hundred (200) fee will be charged for initial accounts in a Unitholder's name.

Offering Price

The offering price of each unit is the "net asset value" thereof. There are no sales or acquisition charges if units are purchased directly from the Bank.

Confirmation of Purchase

Ownership of units in the Funds is evidenced by the registration of the owner on one of the registers maintained by the Registrar for that purpose at its offices in Barbados.

Following each purchase of units in a Fund, the investor will receive a written statement indicating the details of the purchase transaction including the dollar amount of the buy order and the number of units issued to the investor. Each such confirmation statement will be delivered to the investor within three (3) business days of the appropriate dealing date and should be retained by the investor for reference and verification purposes.

Sale or Exchange of Units

Sale of Units

By following the procedure set out below, an investor may withdraw from a Fund on any dealing date and the Fund will pay to the investor the value of the units sold, unless at that time the Fund's obligation to purchase units has been temporarily suspended in the circumstances described in the Declaration of Trust constituting the DGM Strategic Funds. The purchase of an investor's units by a Fund pursuant to an investor's request constitutes a "redemption".

A Fund cannot accept a sell order requesting a future redemption date or specific price and sell orders will not be processed before the Fund has received payment for units issued to the investors under a prior buy order.

An investor should submit a sell order for all or any part of his units in a Fund directly to the Manager at its Barbados office; or through his securities dealer or agent who should forward the sell order to the Manager on the same day. A sell order may be submitted in writing, by telephone or by telefax and is subject to usual confirmation procedures, which may be requested by the Manager.

If a sell order is received at the office of the Manager, before 12 noon Eastern Standard Time on a business day preceding a valuation date, the sell order will be processed at the net asset value per unit calculated at the close of business on the next valuation date. If the sell order is received after that time, its processing will be delayed by one valuation date.

Failure to submit certificates for redemption within the preceding time frame may result in cancellation of the request. The Trustee will deliver to each Unitholder confirmation of redemption within three (3) business days of the dealing date as of which the redemption has been effected.

Payment of Redemption Proceeds

Within three (3) business days following the applicable dealing date, the Registrar or Transfer Agent will pay the investor by cheque, bank draft or wire the value of the unit sold back to a Fund. In the event that the calculation of net asset value per unit is suspended in the circumstances described in this Explanatory Memorandum, an investor's right to have his units purchased by a Fund is likewise suspended and if the

investor's sell order has not been withdrawn from deposit by the close of business on the next valuation date following the termination of the suspension, the investor's units will be purchased by the Fund in accordance with the sell order at the net asset value per unit first calculated following the end of the suspension. No payment will be made without the surrender of the unit certificate, and without the required authorization and no interest shall be payable, or other adjustment made, to reflect any delay between a valuation and payment date.

Exchange of Units

At any time an investor may direct that his Fund be wholly or partially exchanged for units of another of the DGM Strategic Funds. In order to authorize the exchange of units, the investor must provide a written request to the Manager or complete the appropriate form which may be obtained from the Manager. The exchange requirement must be accompanied by such other usual transfer authorization as may be requested by the Manager or the Trustee.

An exchange request will be processed on the next valuation date at the then current net asset value per unit, except that any request received after 12 noon Eastern Standard Time on the business day preceding a valuation date will be delayed by one valuation date. The proceeds from the sale of units will be applied to the purchase of units in the other specified Fund at the net asset value per unit calculated as described under the heading "Purchase of Units".

Management of the Funds

The Manager

The Manager, DGM Bank & Trust Inc., is responsible for promoting sales of the Funds, will monitor and review the Funds' performance, will set policy guidelines on a continuous basis and will also arrange for the provision of administration services required to operate the Funds.

The Manager is also responsible for the management of the investment portfolio of each Fund, under the terms of an Investment Management Agreement.

In carrying out its investment portfolio management services, the Manager is responsible for investment analysis, investment recommendations and the selection, purchase, sale and continuous supervision of the investment portfolio of each Fund. The Manager will adhere to the fundamental investment objective of each Fund and the investment restrictions detailed in this Explanatory Memorandum when implementing portfolio transactions for the Funds. The Manager may appoint Investment Advisors, whose responsibilities shall be no greater than and whose accountability shall be no less than those of the Manager itself.

Investment Objectives and Restrictions of the Funds

The objective of The DGM Strategic Funds is to provide investors with the advantages of professional investment management and portfolio diversification. The fundamental investment objective of each Fund established within the DGM Strategic Funds is set out under the heading "Description of the Funds". The Manager will cause each Fund's assets to be invested in accordance with the fundamental investment objective applicable to that Fund, and to be deposited in an interest-bearing account pending such investment.

Although no material change in the fundamental investment objective of each Fund may be made without 60 days' prior written notice to investors of the Fund, the following policies and restrictions may be amended from time to time by the Manager without prior investor approval. In carrying out the investment of a Fund's assets, the Manager will not permit any of the Funds to:

- a) issue securities other than the units described herein;
- b) borrow against the security of the investment portfolio of the Fund in an amount at any time in excess of 10% of the net assets of the relevant Fund and then only for a term of less than 90 days. For certainty, the powers to borrow do not permit the acceptance of deposits by a Fund;
- c) participate in a firm underwriting of securities issued by other issuers;
- d) consistently emphasize any particular group or industry category in its investment portfolio (except as stated in the fundamental investment objective of each Fund);
- e) purchase real estate;
- f) emphasize any particular type of security (except as may be stated in the fundamental investment objective of each Fund);
- g) invest more than 10% of a Fund's net assets (taken at the market value of the security at the time of purchase) in securities of any one issuer, except in securities issued or guaranteed by the Government of the United States of America or of Canada or of any state or province or territory of the United States of America or of Canada, or short-term paper and certificates of deposit issued or guaranteed by a highly rated bank whose securities are listed and posted for trading on a major stock exchange;
- h) invest in more than 10% of any class of securities of any one issuer, except in securities issued or guaranteed by the Government of the United States of America or of Canada or of any state or province or territory of the United States of America or of Canada, or short-term paper and certificates of deposit issued or guaranteed by a highly rated bank whose securities are listed and posted for trading on a major stock exchange;
- i) purchase securities that exceed 10% of the Fund which are restricted as to resale;
- j) except in the cases of the DGM Strategic International Fund of Funds and other Funds which may be introduced in the future and where clearly expressed in an amendment to this Explanatory Memorandum, or those sponsored by the Manager, invest in securities issued by another mutual fund, capital investment company or investment trust;
- k) except where a clearly expressed investment objective of a Fund contained within this Explanatory Memorandum, invest in securities for the purpose of exercising control or management of the issuer;
- l) purchase mortgages;
- m) purchase securities on margin or sell securities short;
- n) purchase securities which are not fully paid, except for installment purchases where the final purchase price is known at the time of purchase;
- o) purchase securities whose resale is restricted or invest less than 90% of the Fund's net assets (at current market value) in "liquid investments" as defined in applicable policies issued by the provincial securities administrators in Canada;
- p) pledge, mortgage or hypothecate the Fund's assets except when required for the purposes of item (b) above;
- q) purchase portfolio securities from or sell portfolio securities to, directors or officers of the Trustee, or the Manager;
- r) purchase securities of its Manager, its managers parent or of any affiliate or associated Company;
- s) guarantee the securities or obligations of another issuer;
- t) purchase rights or warrants unless such securities are publicly traded;
- u) purchase any securities which by their terms may require the Fund to make an additional contribution beyond the stated purchase price of the securities; or
- v) invest the Fund's assets in other than securities.

Each of the Funds may also from time to time purchase foreign currency hedging contracts in order to protect against variations in the exchange relationship between the U.S. dollar or the Canadian dollar, as the case may be, and the currency or currencies in which the Fund's foreign securities are quoted. Gains or losses resulting from foreign currency hedging contracts which expire prior to the end of the Fund's fiscal year will be included in the determination of income for that year. The gains or losses will be determined by multiplying the foreign currency amount of the contract by the difference between the spot rate at the balance sheet date and the spot rate at the inception of the contract.

The original premium or discount on the foreign currency hedging contract will be amortized over the life of the contract. Gains or losses will also be disclosed separately in the Fund's financial statements from gains or losses in other investments.

Any officer, director or employee of the Trustee or Manager engaged in investment research or participating in any way in investment decisions relating to the Funds respecting any securities of a company in which such officer, director or employee has any interest, direct or indirect, is obliged to immediately disclose such interest to the Manager, DGM Bank & Trust Inc. From time to time, the officers or directors of the Manager, in their individual capacities, may own the same securities as any of the Funds. However, strict policies are in place to prevent such persons from trading securities for their own accounts using information regarding that Fund's proposed or actual trading program.

Fees and Expenses

Management Fees paid by the Fund

From the management services provided to the Funds, the Manager will receive, the following annual Management Fees based on the net asset value of that respective Fund.

	% per Annum
DGM Strategic US Money Market Fund	up to 0.70
DGM Strategic Canadian Money Market Fund	up to 0.70
DGM Strategic Bond Fund	up to 1.25
DGM Strategic US Larger Companies Fund	up to 2.00
DGM Strategic Equity Fund	up to 2.00
DGM Strategic International Fund of Funds	up to 1.25

This annual management fee is accrued on each valuation date and paid monthly to the Manager out of the assets of the Fund within fifteen days after the end of each Calendar month. In addition to this management fee, each Fund is responsible for the payment of all expenses relating to its operation and the carrying on of its business, including legal, audit, trustee, custodial and safekeeping fees, taxes, brokerage, commission, interest, operating and administrative costs (other than advertising and promotional expenses which are the responsibility of the Manager), investor servicing costs and costs of financial and other reports and offering documents used by the Fund. However, the Manager is responsible for the investment counseling fees for each Fund.

The Manager may pay a trailer commission to authorised dealers where considered appropriate.

This commission will be paid out of the Managers fee. The Manager may also rebate part of their fees in certain circumstances. Dealers may charge a distribution fee of up to 5 percent of the total amount of securities

distributed by them to cover their administrative costs. When payable, the distribution fee is a separate transaction between the investor and the dealer.

Management fees and operating expenses can change. You will be given at least 60 days notice before any changes to contracts or new contracts become effective.

Investment portfolio security transactions will be arranged by the Manager through several brokerage houses, at the most favourable brokerage rates available to the Funds under the rules of the applicable stock exchanges. Brokerage business may also from time to time be directed to compensate brokers for information and studies to assist in obtaining a better performance for the Funds.

Distribution policy

Distributions are the profits of a Fund that are passed on to you. All the annual taxable net investment income and sufficient net capital gains of the Funds may be allocated and distributed to Unitholder in each year. Net investment income amounts will be distributed at the end of each calendar quarter, within three (3) business days of the last dealing date.

Distributions of net investment income and net realised capital gains will be automatically reinvested in additional units at the net asset value per unit on the date of the distribution, unless the unit holder requests in writing at least five (5) business days before the distribution date that the distribution be paid to him by cheque or wire transfer.

Investment Risks

Risks associated with money market instruments

Money market instruments are low risk, short-term debt instruments issued by governments and corporations. Because of their short-term maturities (usually under one year) the value of such investments is not sensitive to changes in interest rates. In periods when short-term rates rise substantially over a short period, however, the principal value of money market instruments may go down.

Risks associated with fixed income securities

The market value of fixed income securities will fluctuate as the level of interest rates in the marketplace changes. In general, as prevailing interest rates fall, the price of fixed income securities such as bonds and mortgages will rise. When interest rates rise, the prices of fixed income securities will fall. In general, the longer the maturity of a debt security, the higher its yield and the greater its price variability. There is also a credit risk associated with fixed income securities. A fund can lose money if the issuer of a bond or other fixed income security cannot pay interest or repay principal when it is due.

Risks associated with equity securities

The value of common trust fund units varies directly with the value and return of the investment portfolio securities of the Fund. The value and return of the investment portfolio securities are in turn influenced by the performance of the issuing corporation, general economic and market conditions, international currency fluctuations and other factors. Accordingly, there can be no assurance of an amount of an investment which may be returned upon the redemption of units.

While equities tend to out-perform fixed income securities over the long term, they are affected by economic and market conditions, interest rates, and trends in corporate earnings, and consequently, are more volatile. Some funds specialize in specific sectors, such as technology, or specific regions, such as the Far East. The NAV of these funds will vary more than the NAV of funds that invest across a broad range of industries.

Risks specific to foreign securities

Investing in funds that hold or have exposure to foreign property can help diversify your portfolio's overall risk and enhance its returns, but there are additional risks. The NAV of these funds can be affected by fluctuations in currency exchange rates and changes in monetary policies. Information about foreign companies may be incomplete and may not be up to Canadian standards. Some foreign securities markets are small, resulting in more abrupt price movements and less liquidity than in larger markets. Investments in some foreign countries could be affected by political actions and social instability. Derivatives traded in foreign markets may offer less liquidity and greater credit risk than comparable derivatives traded in North American markets.

Income Tax Considerations

Barbados Taxation of the Funds

Capital gains and interest earned by the Funds are free of any taxation, although Dividends and Interest received on the shares held within the investment portfolios may be subject to a withholding tax at source. Dividends paid by the Fund are free of any tax deduction.

Investors are advised to acquire their own independent tax advice prior to making any investment in the DGM Strategic Funds.

Investors Rights

Investors may have a right to withdraw from an agreement to purchase securities, a remedy for rescission or, in some jurisdictions or circumstances, damages. Such rights may be unavailable if not exercised within the time limits prescribed by the applicable legislation. The purchasers should refer to any applicable provision of the securities legislation of his jurisdiction for the particulars of these rights or consult with a legal adviser.

Management Styles

Funds within the DGM Fund family are managed using different investment styles. Generally, management style refers to a specific set of attributes, which characterizes a portfolio manager's investment decision-making process. An investor may seek to hold Funds with various investment styles to obtain additional diversification. A brief description of each of the main styles that the Investment Advisor uses for the Funds is provided below.

Growth

A growth management style involves a focus on the growth and potential growth of companies. The Investment Manager evaluates a wide range of financial and qualitative parameters in making investment decisions, including sales, revenue and profit forecasts, and the positioning of a company and its products relative to its competitors.

Under a growth management style, the Investment Manager is normally willing to pay a premium to invest in a company with strong growth prospects. This premium is usually reflected in an above-average price-to-earnings ratio of the security. A growth management style involves an active strategy to take advantage of changing market conditions or new investment opportunities as they are identified.

Value

A value management style involves buying securities that are fundamentally sound, but which are temporarily out of favour with investors, meaning selling prices are low compared to an assessment of their true worth. Value management focuses on valuations, that is, the price of a security in relation to one or more measures of the company's financial worth, such as earnings, sales, book value or asset value. Generally speaking, the lower the ratio of the security price to one or more of these measures, the more attractive the security is to the Investment Manager when using a value management style. This analysis may be conducted across a group of securities or the comparison may be on a relative basis within a certain group or industry. Generally, once a value security is purchased, it is held until it is more attractively priced in the market place, generating gains for investors in the long run.

Top-Down and Bottom-Up Approaches

A top-down approach focuses on major macroeconomic factors to shape investment decisions. These factors can include, but are not limited to, monetary policy, interest rate levels and directions, government policy, the level of aggregate economic activity, and inflation rates. In other cases, there may be certain key themes that shape the investment process such as globalization, technology, and deregulation. For example, many of the fixed income Funds use an interest rate anticipation strategy that focuses on key macroeconomic variables. With a bottom-up approach, the investment process tends to begin by looking at company or security specific characteristics. For example, in the corporate bond market, and in particular the high yield area, the Investment Manager's investment strategy would be much more security specific or bottom-up.

Temporary Strategies

Any of the Funds may hold cash and/or short-term money market securities for defensive purposes, liquidity purposes, or, in the case of the Funds that invest in equities, during periods where the Investment Manager is unable to identify attractive equity investment opportunities.

Amendment to the Declaration of Trust

Material changes to the Declaration of Trust will take effect on the date specified on the instrument of amendment. The Trustee may make a change to the Declaration of Trust on the instructions of the Manager but without approval or prior notice to investors if the change is made to remove conflicts between the Declaration of Trust and any law, regulation, regulatory authority or policy applicable to the Fund, to correct a typographical error, to bring the Declaration of Trust into conformity with current mutual fund practice in Barbados, to add a new Fund, or to correct manifest omissions or errors.

Custodian

Under the terms of the Custodian Agreement, CIBC Bank & Trust Company (Cayman) Limited, P.O. Box 694 GT, George Town, Grand Cayman, Cayman Islands, BWI has been appointed the Custodian of the securities of the Funds. The custodian may hold securities traded on foreign stock exchanges at branches, representative

offices and/or banks or trust companies in the jurisdictions in which such securities are traded, to facilitate delivery to and by the Funds.

Other Information Concerning the Funds

Auditors, Registrar and Transfer Agent and Administrator

The auditors of the Funds are Deloitte & Touche, Whitepark House, Whitepark Road, Bridgetown, Barbados. Pursuant to the respective Registrar and Transfer Agency and Administration Agreements, DGM Bank & Trust Inc. has been appointed the Registrar and Transfer Agent of the units of the Funds. DGM Bank & Trust Inc. is located at Chancery House, High Street, Bridgetown, St. Michael, Barbados, West Indies.

Material Contracts

Except for the Declaration of Trust, the Investment Management Agreement with the Manager, the Administration Agreement with the Administrator, the Custodian Agreement with the Custodian, and the Registrar and Transfer Agent Agreement with the Registrar and Transfer Agent are the only material contracts pertaining to the Funds. A copy of each of these documents may be examined at the principal office of the Funds during ordinary business hours.

Past Performance

From time to time information regarding the past investment performance of the Funds may be provided on our website (www.dgmbank.com) or in information materials sent to clients electronically (email or fax) or by post or courier. Past performance of a Fund does not necessarily indicate how it will perform in the future.

Transformation to a Mutual Fund Corporation

The Trustee, in its discretion without the approval of the Unitholders of any Fund, may take all actions necessary to transform the Funds into a Mutual Fund Corporation in accordance with applicable laws and regulations now and hereafter in force in Barbados.

Explanatory Memorandum

Prospective investors are not to construe the contents of this Explanatory Memorandum as legal or tax advice. Each investor should consult his own counsel, accountant or business adviser as to legal, tax and related matters concerning his prospective investment. This Explanatory Memorandum is intended only for the use of the person to whom it is given and is not to be reproduced or redistributed in whole or in part for any other use.

This Explanatory Memorandum is not to be construed as an offering or solicitation in any jurisdiction in which such an offering or solicitation is unlawful or unauthorized.

*DGM Bank & Trust Inc.
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Barbados, West Indies*

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NO SECURITIES COMMISSION OR SIMILAR AUTHORITY HAS IN ANY WAY PASSED ON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENSE.



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DGM STRATEGIC FUNDS ACCOUNT

Welcome to DGM Bank & Trust Inc.

In order to open your account at DGM Bank & Trust Inc., we ask that you please follow the instructions below and complete the Application form(s) as requested.

1. Complete the information required in the application form and sign where indicated.
2. Please ensure that the following are attached:
 - Certified photocopy of Passport photograph/signature page.
 - Bank reference letter.
 - Professional reference letter (lawyer or accountant).
 - Personal reference letter.
 - For Corporate Accounts, please provide Certified copies of the Articles of Incorporation, Certificate of Incorporation, Corporate Resolution, Register of Directors and Register of Shareholders (Letters of Reference and certified copies of passports will be required for each director and shareholder)
3. Please indicate the method by which you will be funding your account.
 - Bank Draft/Cheque.
(Please attach your cheque/bank draft to the application form and deliver to DGM Bank & Trust Inc. along with the information requested in '2' above. Please note that it may take up to ten (10) business days for certain drafts/cheques to clear. Cheques/Bank Drafts should be made payable to "DGM Bank & Trust Inc. Ref: <your name>")
 - Wire (Telegraphic) Transfer
For Wire Transfers, please send us a copy of your completed Strategic Fund application (by fax to 1-246-431-3439) with this original to follow by post or courier. A Private Banker will contact you upon receipt of your application and provide you with complete Telegraphic Transfer details.
4. Source of Funds: _____
5. Please **RETURN THIS ORIGINAL APPLICATION** to DGM Bank & Trust Inc. (along with the original copy of your Telegraphic Transfer form and the information requested in "2" above), after keeping a copy for your files.

We appreciate you taking the time to complete the application and we look forward to serving your investment needs. Should you have any questions, please contact our Private Banking department for assistance.

Sincerely,
DGM BANK & TRUST INC.



DGM STRATEGIC FUNDS

I/We hereby apply to invest in the classes of units indicated below, subject to the terms of the Explanatory Memorandum (the "Prospectus") and Declaration of Trust.

1. DETAILS OF APPLICANTS

Enter your full name and address in BLOCK CAPITALS. This is the address to which all documents and correspondence will be sent. If you wish them to be sent to an alternative address, enclose a separate advice to that effect. You may wish to apply jointly with other persons. You must then arrange for the Application Form to be completed by or on behalf of each joint applicant (up to a maximum of three other persons). Their full names and addresses should be put in BLOCK CAPITALS, using a separate sheet of paper.

Date of Application:		
(1) Surname	Forename(s)	Mr/Mrs/Ms/Title
(2) Surname	Forename(s)	Mr/Mrs/Ms/Title
Corporate Name in Full		
Address		
Postal Code	Country of Residence	
Telephone No. (Day)	Fax. No.	

2. INVESTMENT DETAILS

Enter below the amount you wish to invest in the DGM Strategic Funds. The minimum initial individual subscription to any one Fund is US\$10,000 or the equivalent in a freely convertible currency in which payment is made.

Name of Portfolio	Amount of Investment	Currency
US Larger Companies Equity Fund		
International Fund of Funds		
Canadian Equity Fund		
Canadian Bond Fund		
US Dollar Money Market Fund		
Canadian Dollar Money Market Fund		
TOTAL AMOUNT		

NB. A _____ % front-end purchasing fee will apply.

3. TYPES OF SHARES

DGM Strategic Funds offer investors the choice of holding Units in either Certificated or Non-Certificated form. For efficiency and flexibility the Directors recommend Unitholders to hold Non-Certificated Units. Please indicate your choice of shareholding by ticking one of the boxes below. (Unless otherwise instructed Non-Certificated Units will be issued.)

I/We wish to be issued with:

- Certificated Units Non-Certificated Units

4. METHOD OF PAYMENT

Please indicate your choice by ticking one of the boxes below:

I/We have arranged for the payment of my/our investment by:

- Cheque drawn on a major Clearing Bank*
 Bankers Draft*
 Telegraphic Transfer (A Private Banker will provide you with Transfer Instructions upon receipt of your application.)

** Cheques or Bank Drafts should be made payable to "DGM Bank & Trust Inc. Ref: <your name>".*

5. DIVIDENDS

Please indicate your choice by ticking one of the boxes below.
Unless otherwise instructed payment will be by cheque to the registered address.

- Please automatically reinvest my dividends into:
 The Fund where they originated
 The DGM Strategic _____ Fund
 Please have my dividends paid directly to me

Method of payment:

- Cheque Bank Mandate (see section 6)

6. BANK DETAILS FOR DIVIDEND PAYMENT (IF APPLICABLE)

Please enter below details of your bank account.

Name of Your Bank
Name of Payee
Bank Address
Account Number Currency of Account

7. BANK DETAILS FOR REDEMPTION (NOT ESSENTIAL)

Please enter below details of your bank account.

Name of Your Bank	
Name of Payee	
Bank Address	
Account Number	Currency of Account

8. EXISTING INVESTOR

Are you an existing DGM Strategic Fund investor?

Yes

No

9. PROFESSIONAL ADVISOR

If you are submitting this application through a professional advisor, please indicate:

Name of Firm or Company	
Contact Name	
Address	
Telephone Number	Fax Number

10. REPORTING

You will receive confirmation of receipt of your funds directly from the Registrar of the DGM Strategic Funds immediately upon receipt, which will be sent to the address given in section 1. You will subsequently receive confirmation of your subscription in the DGM Strategic Funds as indicated in this Application Form which will also be sent to the address shown in section 1., as well as a monthly statement of holdings and a quarterly report. You should report any errors and omissions which may be found in your statements to DGM Bank & Trust Inc. as soon as possible after any detection. If you choose not to receive the above reports, undetected errors and omissions may occur and any loss of liability arising thereon, will be accepted to be entirely at the client's own risk.

If you do/do not wish to receive either the statement of holdings or the quarterly report, please indicate by ticking the appropriate box:

Statement of Holdings: Monthly Quarterly Annually Will Collect Online Access Only

Forwarding Method: Fax Mail Email Will Collect Online Access Only

11. SIGNATURE(S) AND DATE

- A. I/We understand and accept that this application is made on the basis of and subject to the current Explanatory Memorandum of the DGM Strategic Funds and its Declaration of Trust.
- B. I/We agreed to accept units to the value applied for, or to such smaller value as may be allotted, and request that such units be issued in the name(s) referred to above.
- C. I/We declare that I am/we are over 18 years of age.
- In the case of joint holders all applicants must sign.
- D. I/We undertake that if payment is being made by cheque, the cheque will be met on first presentation.
- E. I/We declare that I/we have retained a copy of this Application Form.
- F. I/We understand that there is a one-time setup fee in the amount of US\$200 (two hundred) to open our first offshore account. There is no charge for subsequent account openings.
- G. I/We confirm that I/we accept the above details to be absolute authorisation to DGM Bank & Trust Inc., which will remain binding until I/we instruct otherwise in writing.

1st Named Holder _____

2nd Named Holder _____

Date: _____