

Objective

To offer a convenient vehicle for investing in an international portfolio of fixed income mutual funds, which are anticipated to provide the best opportunities for income and capital growth.

Investment Policy

To invest in a diverse range of top performing offshore fixed income mutual funds as well as a number of top quality individual securities in order to control costs.

Investment Process

A quantitative analysis of fund performance is undertaken relative to peer groups to ensure the consistency of performance. This is followed with a qualitative analysis to understand the manager's philosophy, process and style.

Fund Review

The Butterfield Select Fixed Income Fund achieved a total return after fees of 2.45% for the first quarter of 2004 and 7.57% for the 12 months ended 31st March 2004. Performance relative to the benchmark was good for the year with the fund ahead of the benchmark by 3.41% for the last 12 months. Investor interest in the fund remained strong with net asset value growing by approx. 20% to \$55 million.

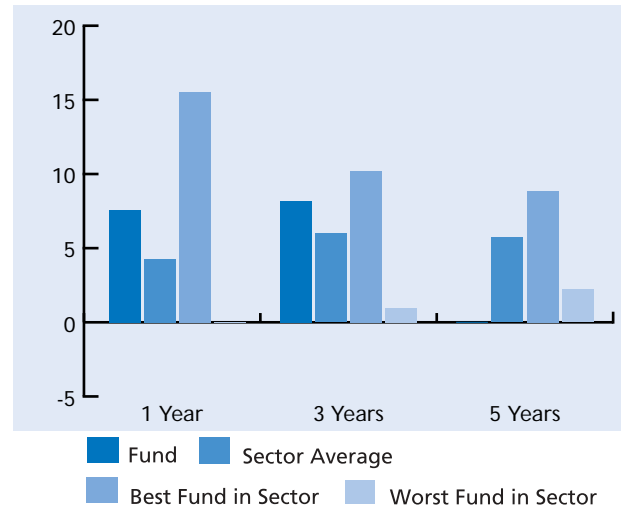
Despite upbeat comments by the Fed on economic prospects, the monthly employment numbers have underwhelmed in recent months. Market participants now expect accommodative monetary policy to remain in place until inflation is clearly trending higher and payrolls show a convincing uptrend. We feel however, that employment will soon begin to improve putting increasing pressure on the Fed to hike by the end of 2004 and for U.S. Treasury yields to rise from their recent low levels. In Europe, there is growing evidence that economic activity is losing momentum, increasing the odds of additional rate cuts by the ECB whereas, in Great Britain, policymakers have already started to tighten.

Within the Fund, we continue to favor high yield and emerging market bond funds. They offer attractive yields, continue to benefit from improving fundamentals and have a very low correlation to both U.S. and Global bond indices. We also remain positioned for further gains in corporate bonds. The corporate sector is benefiting from continued decline in leverage, strong profit growth, a weak U.S. Dollar and positive trends in ratings migration and default rates.

Over the quarter, we added three direct securities to the portfolio and liquidated one. By doing so, we slightly increased the overall duration of the Fund (which still remains below benchmark) and boosted our exposure to the mortgage backed securities market.

As the year progresses, we remain optimistic that the current structure of the Fund will enable us to continue to generate above benchmark returns.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
7.57%	8.20%	n/a	n/a	n/a

Asset Breakdown

Global

Schroder Global Corporate Bd.

U.S. Treasury/Agency

Fannie Mae
10yr Benchmark

U.S. Dollar Bond

Butterfield Capital Appreciation Bd.
Butterfield U.S. Dollar Bond Fund

Asset Backed Security

CMBS - JP Morgan
CMBS - Equity One
CMBS - GE Capital

Euro Bond

Vanguard Euro Investment Grade
Bond Index

U.S. High Yield Bond

PIMCO High Yield Bond Fund

Emerging Markets

Ashmore Emerging Mkt. Liq. Inv.
Ashmore Asian Recovery Fund

Structured Products

Argent Classic Convertible-C

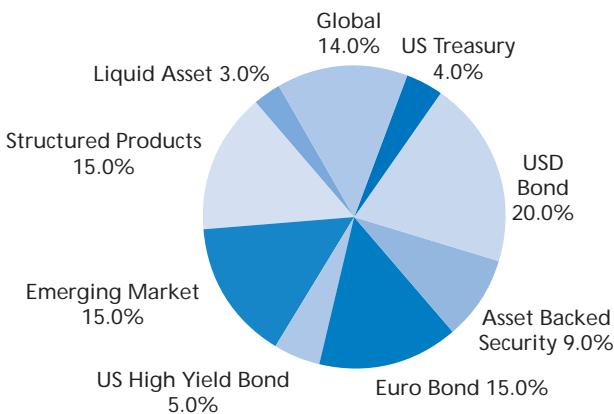
Liquid Asset

Blue Stripe Limited
Butterfield Money Market

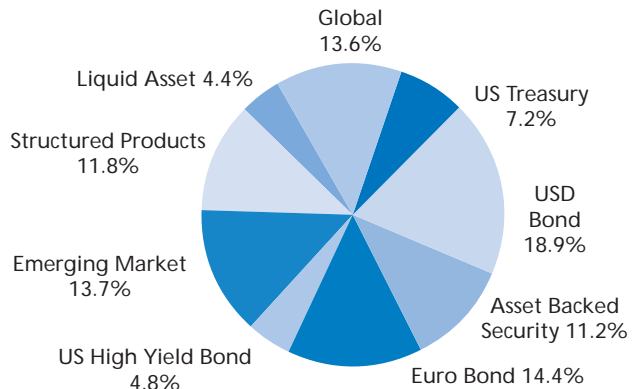
Benchmark Composition

80% JP Morgan Government Bond - Local Currency U.S.
20% JP Morgan Hedged USA Dollar GBIX-USA

Asset Breakdown Target



Asset Breakdown Actual



General Information

Currency: USD
Units Available: Accumulation
Size of Fund (millions): USD 56

Fiscal Year End: June 30th
Min. Investment: USD 10,000
Valuation: Thursday

Dealings: Friday
Management Fees: 0.875%
NAV per share (31.03.04): USD 13.78

Front End Fee: None