

Select Fund: Alternative Investment Class

Objective

To offer a convenient vehicle for investing in a diversified portfolio of alternative strategy investment managers, which are anticipated to provide the best opportunities for capital growth.

Investment Policy

To invest in a diverse range of top performing offshore alternative investment managers that target consistent and stable returns while controlling risk.

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. IAM, a professional hedge fund manager, acts as the sub-advisor to this class of the Fund.

Fund Review

The net asset value (NAV) per share of the Fund decreased from \$13.63 to \$13.46 over the quarter, a decline of -1.2%.

Few Long / Short equity managers anticipated the speed and magnitude of the correction in May and June caused by growing concerns about inflation risk and slower growth. Equity volatility surged and markets that had performed best year to date corrected the most (notably emerging markets and Japan) as risk appetite dwindled.

Event Driven managers operated in the same uncertain environment as Long/Short equity managers. Performance was affected by M&A volumes which were lower this quarter after the frenetic levels of the first quarter.

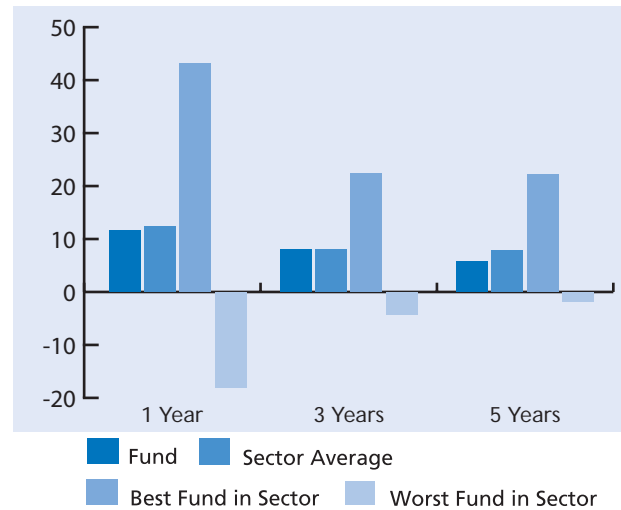
Macro and Fixed Income Relative Value Managers performed well early in the quarter as they benefited from equity market momentum and increasing expectations of monetary tightening globally. However, as the quarter progressed, market conditions changed which resulted in declining returns for most managers in the last two months of the quarter.

Convertible Arbitrageurs had a positive quarter generally, profiting from the marked increase in equity volatility, relatively stable credit markets and continuing healthy new issuance of convertibles at attractive valuations.

Winton Futures Fund's performance (CTA / Trend followers) benefited early from the wide range of markets to exploit, most notably in the volatile fixed income and commodity markets. However, the sudden and sustained increase in volatility in May and June resulted in losses for the quarter.

Over the quarter, we liquidated our positions in Elm Ridge Value Partners and Crescendo European Fund and initiated a position in York European Opportunities, an event driven manager that specialises in equity events/special situations, value equities, M&A and distressed.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years
11.61%	7.95%	5.72%

Asset Breakdown

Long/Short Equity

Alphagen Capella Fund
Amici Fund Int'l
Brahman Partners
Boyer Allan Japan
Egerton European Fund
Karsch Capital Ltd
Lansdowne UK Equity Fund
Orbis Optimal Fund
Pennant Winward Fund
PK Japan
Prospect Absolute Return (Japan)
Raptor Global Fund
SCP Overseas Fund
SEG Partners
SR Global Fund
Trellus Offshore

Event Driven

Centaurus Alpha Fund
York European Opportunities

Convertible Arbitrage

Plexus Fund

FI Relative Value

Julius Bear Diversified FI
London Diversified Fund

Capital Structure Arbitrage

CQS Capital Structure Arbitrage Fund

Statistical Arbitrage

Goldman Sachs Global Equity Opportunities

Multi Strategy

OZ Overseas Fund

Global Macro

Brevan Howard Fund
Drake Global Opportunities Fund
Lansdowne Macro Fund

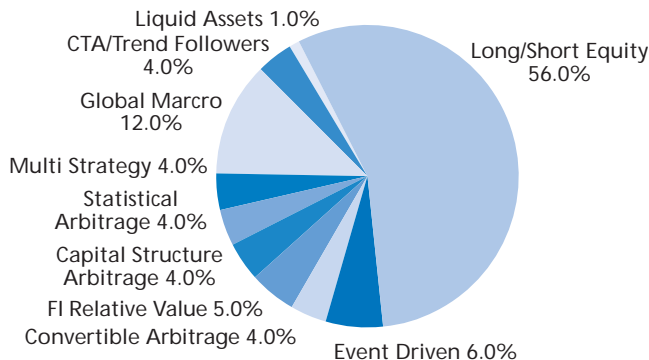
CTA / Trend followers

Winton Futures Fund Ltd

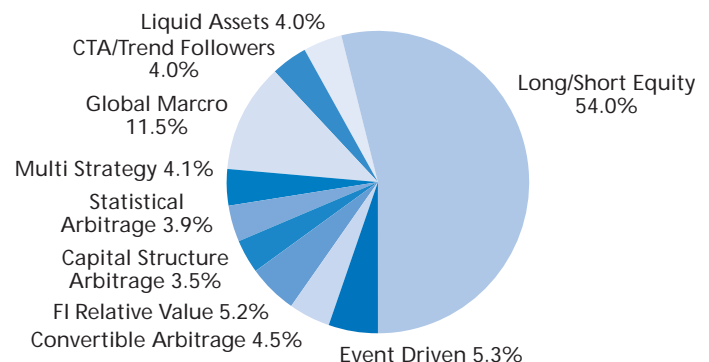
Liquid Assets

Butterfield Money Market Fund

Asset Breakdown Target



Asset Breakdown Actual



General Information

Currency: USD

Units Available: Accumulation

Size of Fund (millions): USD 135.3

Fiscal Year End: June 30th

Min. Investment: USD 10,000

Valuation: Thursday

Dealings: Friday

Total Expense Ratio: 1.63%

NAV per share (30.06.2006): USD 13.46

Front End Fee: None

Identifier: BUTSLAI BH

Past performance is not indicative of future performance.

Butterfield Asset Management Limited is licensed to conduct Investment Business by the Bermuda Monetary Authority.
Butterfield Bank (Cayman) Limited is licensed to conduct Investment Business by the Cayman Islands Monetary Authority.