

Objective

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

Investment Policy

To invest in a diverse range of top performing offshore equity mutual funds as well as a number of indexed products in order to control overall 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

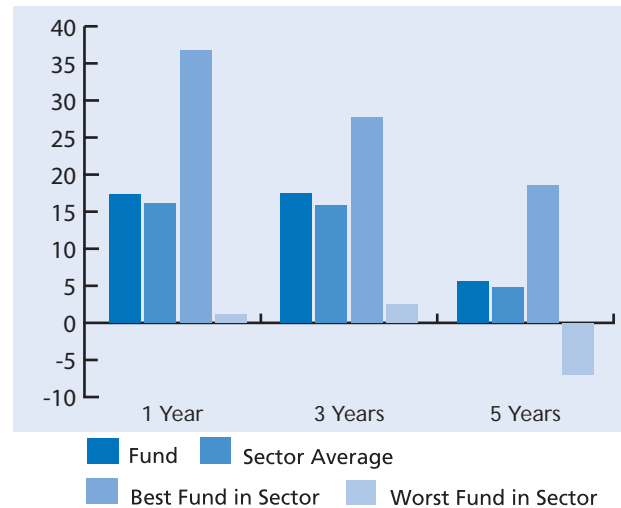
The net asset value (NAV) per share of the Fund decreased from \$11.23 to \$10.86 over the quarter, a decline of -3.3% against a benchmark return of -0.5%. During the last three months, the major indices (S&P 500: -1.4%, Bloomberg European 500: -2.7% and the Nikkei 225: -9.1% - all returns expressed in local currency terms) all posted negative returns.

The equity volatility seen in May and June was the result of the "Goldilocks" scenario (as described by Greenspan in the mid-to late 1990s) of robust global growth with little inflation almost instantly given way to a scenario of stagflation, with sluggish growth going hand in hand with inflation. From then on, economic data were systematically read negatively with strong data being interpreted as inflationary, while weak data pointed to a slowing global economy. Essentially, investors became increasingly concerned that higher global interest rates (as major central banks continued to focus on rising short-term inflation trends) will lead to a liquidity crunch and slower economic and corporate earnings growth. We don't completely share that view but believe that this short-term pain intends to ensure the longer term gain of sound economic growth with low inflation.

Nevertheless, the process of re-pricing risk led to increased equity volatility and more risk-shedding activities in May and June with the best performing markets year to date (like emerging markets), being punished most severely.

Within the Fund, we have resisted the temptation to react aggressively and make significant changes to our allocation. We did, however, realise some gains in the ishares MSCI Emerging Markets exchange-traded fund in June. As indicated in our March commentary, we will be looking to increase our allocation to the US markets in the coming weeks.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
17.28%	17.53%	5.63%	n/a	n/a

Asset Breakdown

Global

ACM Global Growth Trends
Orbis Global Equity Fund

North America

S&P 500 Deposit Receipt
iShares S&P 500/BARRA Value Index Fund
iShares Russell Midcap Value Index Fund
Iunits S&P/TSX 60 Capped Index Fund
PowerShares Value Line Timeliness
Select Portfolio
Davis Value Fund
Fidelity American Growth Fund
Legg Mason US Select Value Portfolio
Legg Mason Value Fund

Emerging Markets

JPMorgan Funds - Emerging
Markets Equity Fund

Benchmark Composition

100% MSCI World Index

UK/European

Fidelity European Growth Fund
JPMorgan Funds - Europe
Strategic Value Fund
Vanguard - European Stock Index Fund

Asia

JPMorgan Funds - Japan
Equity Fund
Orbis Japan Equity Fund
iShares MSCI Pacific ex-Japan

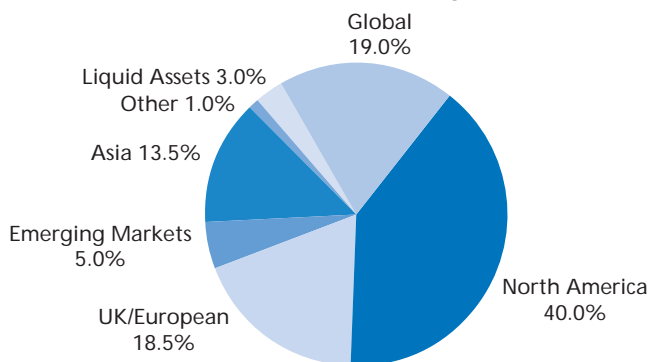
Bermuda

Butterfield Bermuda Fund

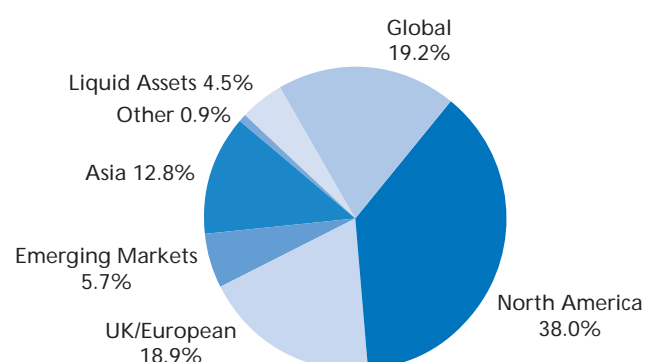
Liquid Assets

Butterfield Money Market Fund

Asset Breakdown Target



Asset Breakdown Actual



General Information

Currency: USD

Units Available: Accumulation

Size of Fund (millions): USD 140.3

Fiscal Year End: June 30th

Min. Investment: USD 10,000

Valuation: Thursday

Dealings: Friday

Total Expense Ratio: 1.12%

NAV per share (30.06.2006): USD 10.86

Front End Fee: None

Identifier: BUTSLEQ BH

Past performance is not indicative of future performance.

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