

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 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 \$14.73 to \$14.70 over the quarter, a decline of -0.2% against a benchmark return of -0.1%.

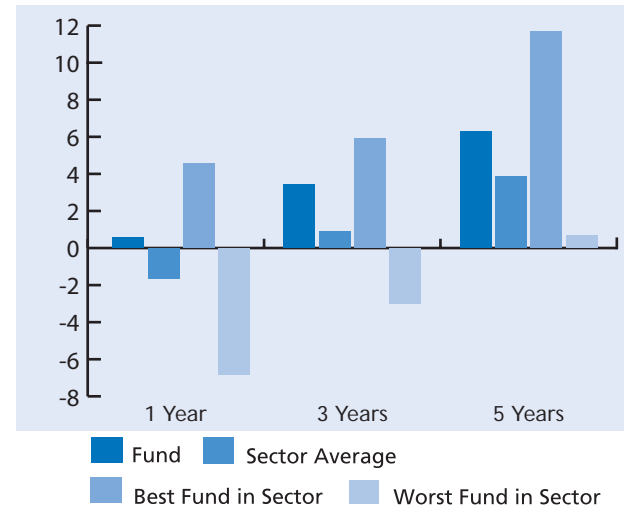
In the US, rent inflation has threatened to push core inflation above the comfort zone for a few months now. As the housing market continues to cool, many potential homebuyers turned to the rental market in the face of deteriorating affordability, which pushed the vacancy rate down and shelter inflation higher. During the quarter, the Fed remained hawkish and raised rates twice to 5.25% by the end of June. At the same time, 10-year US yields reached levels not seen since early 2002 as the new Chairman's inflation fighting credibility was being questioned. We believe that markets will eventually recognise that the housing slide should have an increasingly negative impact on consumption (and inflation with a lag). The Fed is forward-looking and typically stops hiking before core inflation peaks. This time should be no different.

In fact, our strongest developed market interest rate view remains being long the US market vs Europe and Japan. The rationale being the view is relatively straightforward. The US economy is slowing down more quickly than Europe or Japan. As a result, the Fed is close to the end of its tightening cycle while the ECB and BOJ are only just beginning their process of interest rate normalisation.

There were no changes made to our positions during the quarter.

The Fund is well diversified geographically and strategically. We believe that the current structure will enable us to continue to generate above benchmark returns going forward.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
0.55%	3.42%	6.30%	n/a	n/a

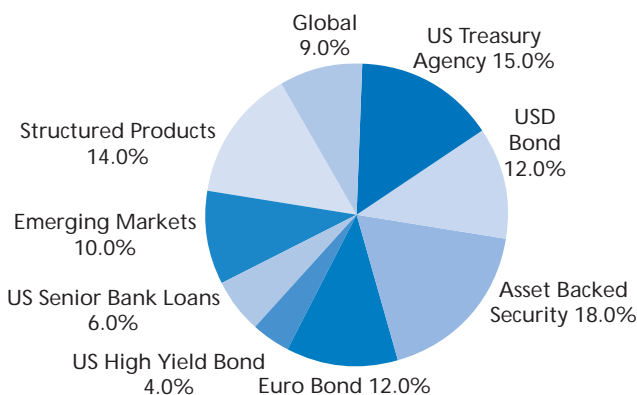
Asset Breakdown

- Global**
Schroder Global Corporate Bond
- US Treasury/Agency**
10yr Treasury
Fannie Mae
Freddie Mac
- US Dollar Bond**
Butterfield Capital Appreciation Bond Fund
Butterfield USD Bond Fund
- Asset Backed Security**
CMBS - GE Capital
CMBS - Wachovia
CMBS - JPMorgan Chase
CMBS - UBS
HEL - Equity One
HEL - Residential Asset Mortgage
- Euro Bond**
Vanguard Euro Investment Grade Bond Index
- US High Yield Bond**
PIMCO High Yield Bond Fund
- US Senior Bank Loans**
Cypress Leveraged Alternative Income Fund
- Emerging Markets**
Ashmore Emerging Market Liquid Investment Portfolio
Ashmore Asian Recovery Fund
- Structured Products**
Argent Classic Convertible - Class C
- Liquid Assets**
Butterfield Money Market Fund

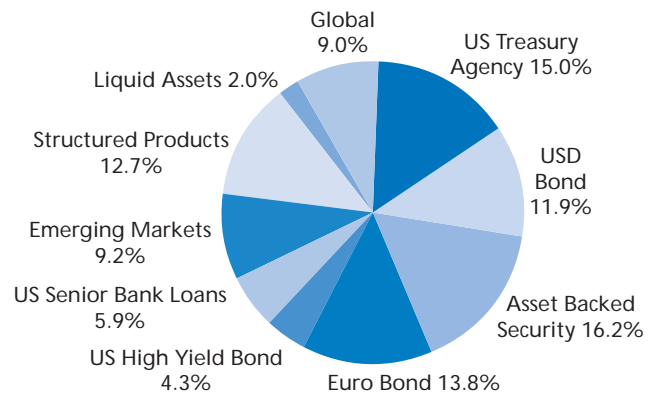
Benchmark Composition

- 80% JP Morgan Govt Bd - Local Currency US
- 20% JP Morgan Hedged USA Dollar GBI Ex USA

Asset Breakdown Target



Asset Breakdown Actual



General Information

Currency: USD
Units Available: Accumulation
Size of Fund (millions): USD 89.1

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

Dealings: Friday
Total Expense Ratio: 1.14%
NAV per share (30.06.2006): USD 14.70

Front End Fee: None
Identifier: BUTSLFX BH