

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, act as the sub-advisor to this class of the Fund.

Fund Review

The net asset value (NAV) per share of the Fund increased from \$13.70 to \$14.11 over the quarter, an increase of +3.0%.

Positive performance was recorded by all but one of the Fund's nine strategies.

Leading the way, Long/Short equity managers produced solid results. For example, Lansdowne UK returned almost 13% as long positions in the mining and food sectors boosted returns. Egerton, up over 9%, benefited from long exposure to financials and careful management of its net exposures. SR Global, the only emerging markets manager in the Fund, ended the quarter up over 10% as positions in Brazil, India and Korea proved beneficial.

All three event driven managers recorded positive returns, buoyed by strong corporate activity. Amber, a recent addition to the Fund, returned over 7% for the quarter.

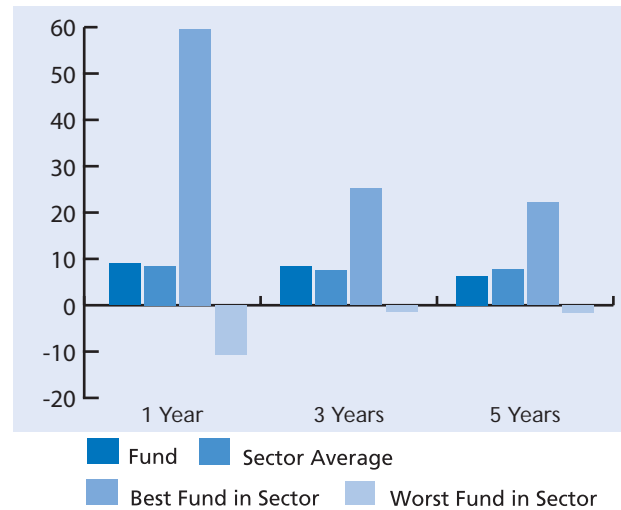
Emerging markets currency and fixed income markets continued to be a strong source of returns for Fixed Income Relative Value and Macro managers. Although managers generally produced positive returns, few participated with great conviction as they remain uncertain about the timing of a change in direction resulting in short-term tactical trades.

Statistical Arbitrage, the only strategy to report a negative result for the period, suffered due to its emphasis on momentum trades in October and November.

The Fund's Trend Following/CTA manager had a strong quarter with equities, currencies and base metals contributing most to positive performance.

Over the quarter, we liquidated our positions in Orbis Optimal Fund and Raptor Global Fund. Proceeds were used to add to some of our core existing positions.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years
9.04%	8.33%	6.31%

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
 - Pennant Winward Fund
 - PK Japan
 - SCP Overseas Fund
 - SEG Partners
 - SR Global Fund
 - Trellus Offshore
- Event Driven**
 - Amber Fund
 - Centaurus Alpha Fund
 - York European Opportunities
- Convertible Arbitrage**
 - Plexus Fund

- FI Relative Value**
 - Julius Bear Diversified FI
 - London Diversified Fund
 - Platinum Grove Contingent Capital Offshore Fund

- Capital Structure Arbitrage**
 - CQS Capital Structure Arbitrage Fund

- Statistical Arbitrage**
 - Goldman Sachs Global Equity Opportunities

- Multi Strategy**
 - OZ Overseas Fund

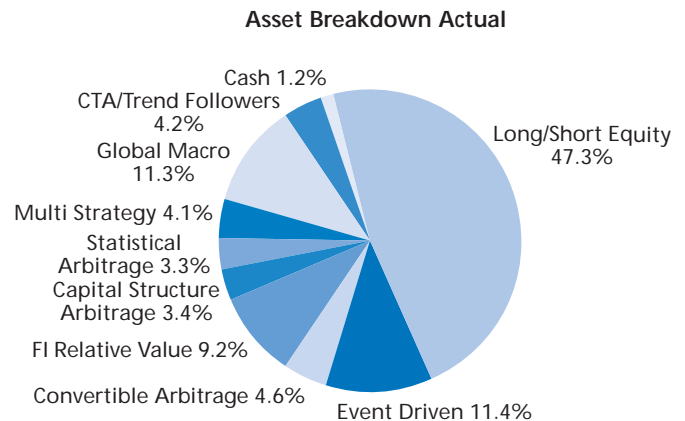
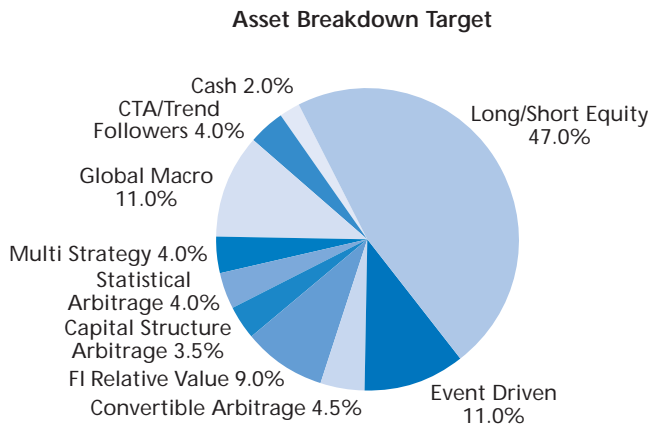
- Global Macro**
 - Brevan Howard Fund
 - Drake Global Opportunities Fund
 - Lansdowne Macro Fund

- CTA / Trend followers**
 - Winton Futures Fund Ltd

- Liquid Assets**
 - Butterfield Money Market Fund

Benchmark Composition

100% HFRI Fund of Funds Diversified Index



General Information

Currency: USD
Units Available: Accumulation
Size of Fund (millions): USD 147.5

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

Dealings: Friday
Total Expense Ratio: 1.71%
NAV per share (29.12.2006): USD 14.11

Front End Fee: None
Identifier: BUTSLAI BH