

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 \$14.11 to \$14.55 over the quarter, an increase of 3.12%.

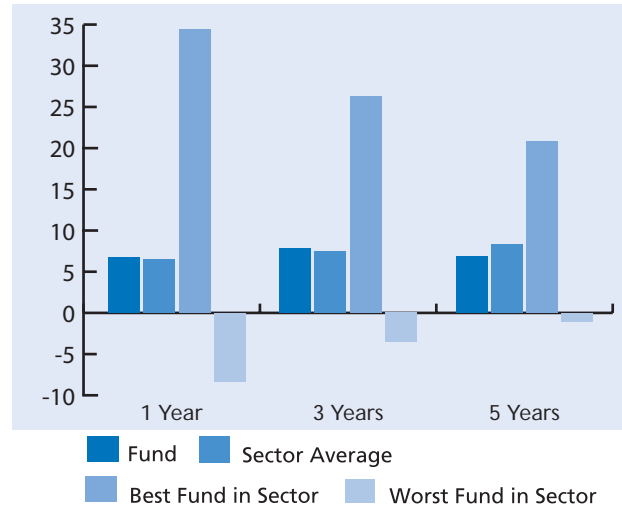
The Fund's Long/Short Equity managers had strong performance in January and most of February but the sudden equity market downturn in late February caught them by surprise. However, despite giving up some of their gains, the majority of funds had a positive quarter. Pennant Windward Fund had an excellent quarter with returns in the high single digits. Several of the managers lowered their net long positions to be more defensive as they expect the markets may be entering a volatile period.

The Fixed Income Relative Value managers benefited from the increased volatility and subsequent rally in Treasury bonds and posted good returns with London Diversified having an excellent March.

Enhanced corporate activity was a positive for Event Driven managers who had a strong January and were able to retain most of their gains through February and March. The Plexus Fund, which is a Convertible Arbitrage manager, benefited from both increased volatility and February's market corrections enabling the fund to generate excellent returns.

During the quarter the fund redeemed its holding in Boyer Allen Japan and added to its holdings in Pennant Windward Fund, London Diversified Fund and the CQS Capital Structure Arbitrage Feeder Fund. The fund also started a new position in LAPP Opportunity Fund, a Long/Short Equity fund with a focus on Asia.

Comparative Performance



Average Annual Compound Returns

| 1 Year | 3 Years | 5 Years | 7 Years |
|--------|---------|---------|---------|
| 6.75% | 7.85% | 6.83% | 5.44% |

Asset Breakdown

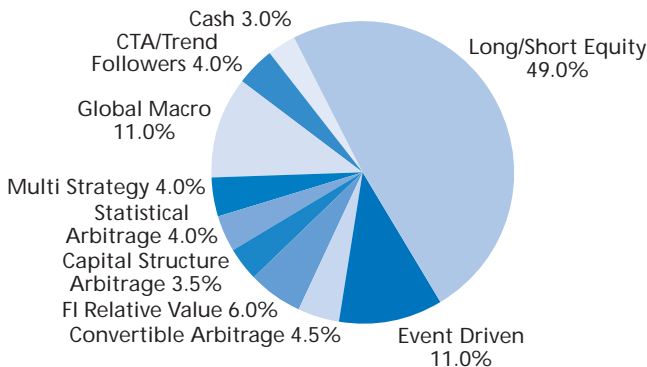
- Long/Short Equity**
 - Alphagen Capella Fund
 - Amici Fund Int'l
 - Brahman Partners
 - Egerton European Fund
 - Karsch Capital Ltd
 - Lansdowne UK Equity Fund
 - LAPP Opportunity Fund
 - Pennant Windward Fund
 - PK Japan
 - SCP Overseas Fund
 - SEG Partners
 - SR Global Fund
 - Trellus Offshore
- 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

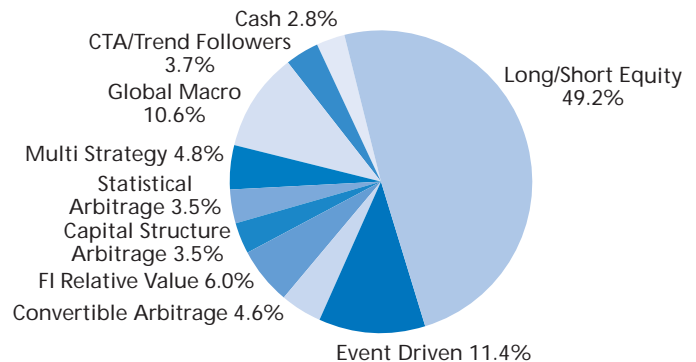
Benchmark Composition

100% HFRI Fund of Funds Diversified Index

Asset Breakdown Target



Asset Breakdown Actual



General Information

Currency: USD
Units Available: Accumulation
Size of Fund (millions): USD 157.9

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

Dealings: Friday
Total Expense Ratio: 1.71%
NAV per share (30.03.2007): USD 14.55

Front End Fee: None
Identifier: BUTSLAI BH