

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 \$14.55 to \$15.29 over the quarter, an increase of 5.09%.

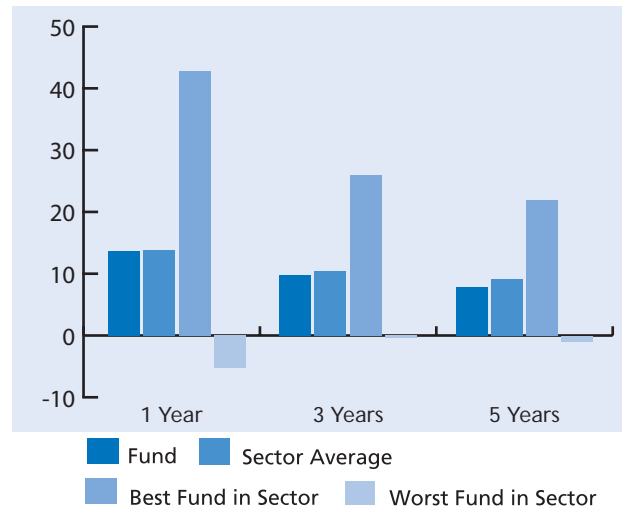
Alternative investments experienced a strong quarter with most of the underlying funds producing positive performance for the quarter. Long/short strategies had the best performance with managers correctly keeping high net exposure to the equity markets. Funds with exposure to cyclical stocks such as energy and mining or with exposure to emerging Asian economies produced the best returns.

Event Driven funds also performed well as continued M&A and LBO activity benefited these managers. Continued high issuance of convertible issues benefited our Convertible Arbitrage manager with the fund producing positive results each month of the quarter.

At the end of June, Bear Stearns had to bailout two of its hedge funds that had made bad bets on collateralized debt obligations (CDO's) and had their creditors threaten to sell the funds' assets. The threat of a large sale of the relatively illiquid CDO positions further depressed valuations. The Fund had no exposure to the Bear Stearns funds as, due to the complexity and risk of this type of fund, we have and will continue to avoid this type of CDO investment.

During the quarter the fund added to positions in several holdings, started a new position in M&G Episode (a Macro fund) and redeemed Trelus Offshore Fund. In the coming quarter, the manager also intends to add the Tantallon Fund (a Long/Short Asian fund) and redeem PK Japan. Exposure to current strategies should remain fairly static.

Comparative Performance



Average Annual Compound Returns

| 1 Year | 3 Years | 5 Years | 7 Years |
|--------|---------|---------|---------|
| 13.60% | 9.87% | 7.91% | 6.21% |

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 Winward Fund
PK Japan
SCP Overseas Fund
SEG Partners
SR Global Fund

Event Driven

Amber Fund
Centaurus Alpha Fund
York European Opportunities

Convertible Arbitrage

Plexus Fund

FI Relative Value

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

Brevar Howard Fund
Drake Global Opportunities Fund
Episode Inc

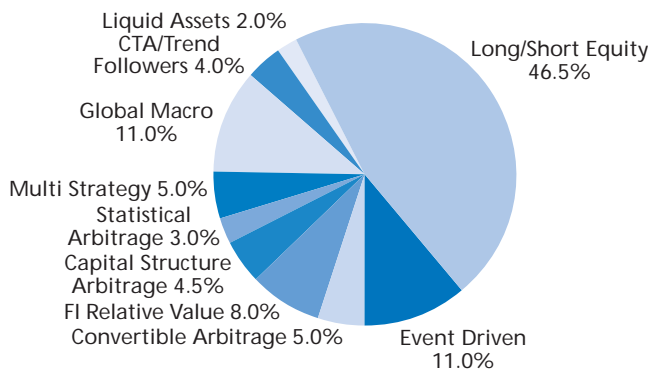
CTA / Trend followers

Winton Futures Fund Ltd

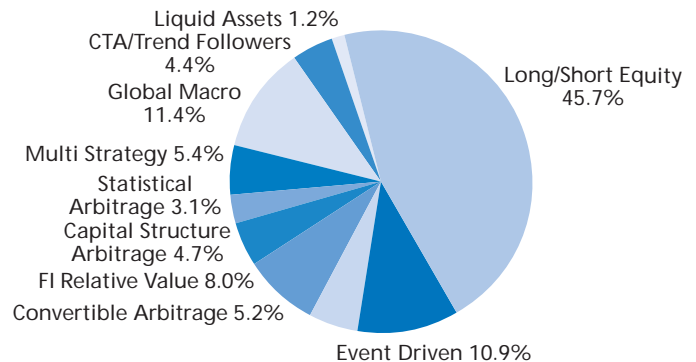
Liquid Assets

Butterfield Money Market Fund

Asset Breakdown Target



Asset Breakdown Actual



General Information

Currency: USD
Units Available: Accumulation
Size of Fund (millions): USD 180

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

Dealings: Friday
Total Expense Ratio: 1.71%
NAV per share (29.06.2007): USD 15.29

Front End Fee: None
Identifier: BUTSLAI BH