

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 increased from \$15.66 to \$15.71 over the quarter, an increase of +0.32% against a benchmark return of -0.61%.

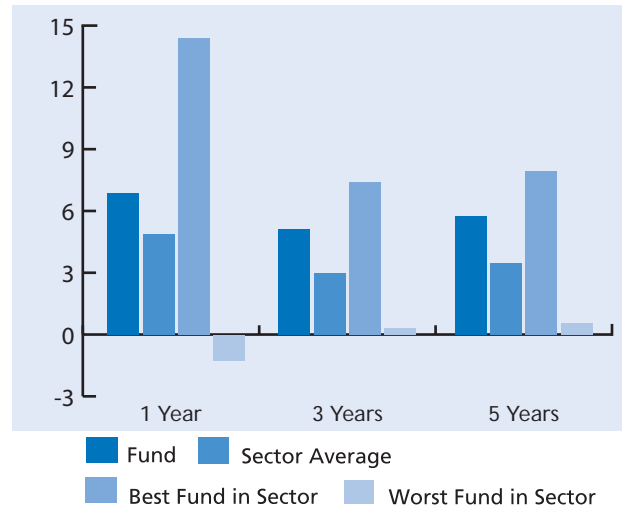
During the quarter, fears of "sticky inflation" combined with the perception that the worst is behind the US economy drove yields higher. The market has effectively removed expectations of rates cuts in the near term and the yield curve ended the period with a positive slope, with the 10 year US Treasury yielding 16bps more than the 2 year US Treasury. The yield spread differential of non-government securities over US Treasuries also widened as investors demanded increased yield for the risk of holding non-government debt.

The Fund's investments in absolute return/cash strategies performed well during this period, the Asia Recovery Fund had excellent performance with a return of over 3%. Our structured product asset - Argent Classic Convertible Class C - also had a strong quarter, returning 2.1%. Longer duration assets such as the Butterfield Capital Appreciation Bond Fund and the US Treasury holding were among our weaker performing assets.

During the quarter we reduced our exposure to investment grade corporate bonds and initiated a new position in mortgage backed securities (MBS) through the Vanguard U.S. Mortgage Backed Securities Bond Index Fund. This fund consists of mortgages which have been pooled by US agencies and then sold to the market. The credit quality of the fund is AAA and the mortgages purchased by these agencies are only of the "prime" borrowers. It is anticipated that this addition will add diversity and a good return to the Fund.

The Fund has added to its exposure (and expects to increase this further) of asset back securities particularly CMBS. Spreads have widened for this asset class, particularly at the end of the quarter, and offer relatively attractive returns for very high credit quality assets.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
6.87%	5.11%	5.75%	6.35%	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
MBS - Vanguard MBS Index Fund

Benchmark Composition

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

Euro Bond

Vanguard Euro Investment Grade Bond Index

US Senior Bank Loans

CypreeTree Leveraged Alternative Income Fund

Emerging Markets

Ashmore Emerging Market Liquid Investment Portfolio
Ashmore Asian Recovery Fund

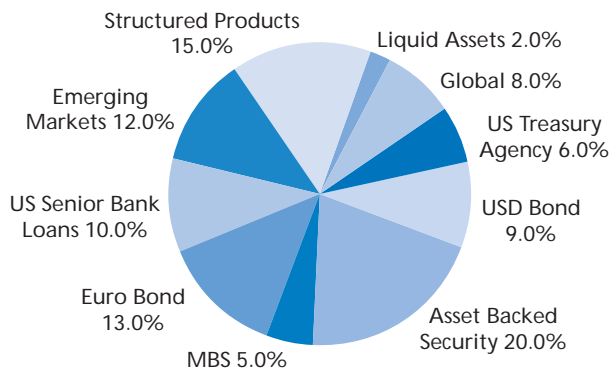
Structured Products

Argent Classic Convertible - Class C

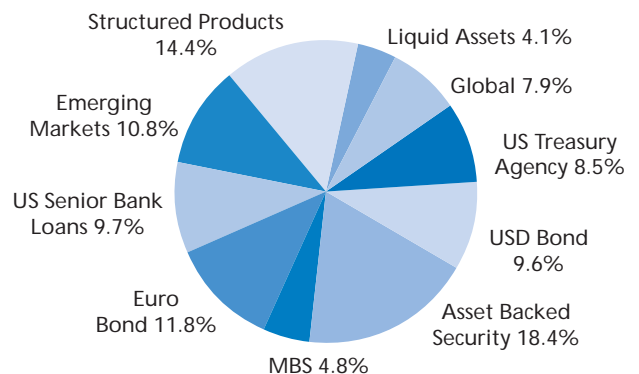
Liquid Assets

Butterfield Money Market Fund
Butterfield Liquid Reserve

Asset Breakdown Target



Asset Breakdown Actual



General Information

Currency: USD
Units Available: Accumulation
Size of Fund (millions): USD113

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

Dealings: Friday
Total Expense Ratio: 1.13%
NAV per share (29.06.2007): USD 15.71

Front End Fee: None
Identifier: BUTSLFX BH