

## 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 decreased from \$15.29 to \$15.27 over the quarter, a decrease of 0.13%.

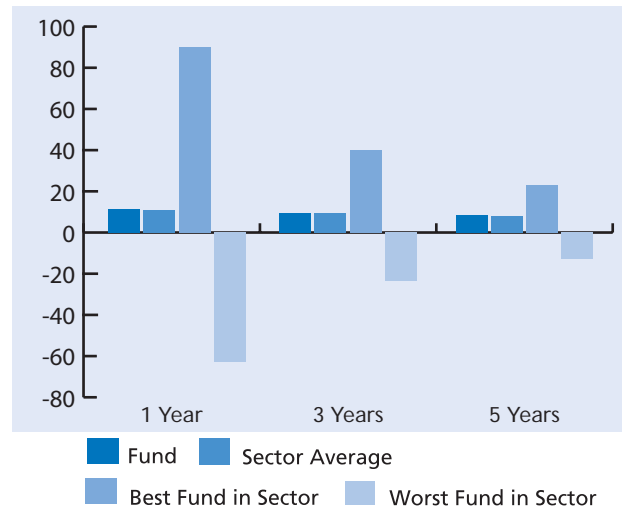
Hedge Funds had a difficult third quarter as, when volatility rapidly increased, many managers were caught close to their maximum net long positions leaving them poorly positioned for the short term sell off in the market. However, by quarter end most funds had recouped their losses and were able to finish the quarter relatively flat.

Long/Short managers, which are amongst the most exposed to the equity markets, ended the quarter with little change as a group but had a few outstanding performers including Southport Millennium, a relatively new addition, which gained about 3.5% in August (when most managers were losing money) and finished the quarter up over 10%. Event Driven managers, which had been benefiting from the high level of leveraged buyouts (LBO's), had a poor quarter as investors expect severely reduced liquidity will dampen LBO activity. However, strong corporate balance sheets mean that M&A activity should continue.

The Fund's quant driven strategy, Goldman Sach's Global Equity Opportunities, was redeemed from the portfolio at the end of an extremely disappointing August. The fund suffered losses of over 20% during the month as there appears to have been a systematic failure amongst funds using this strategy. This was a relatively small holding in the Select Fund and caused a loss of about 0.5% to the NAV. It is unlikely that the Select Fund will deploy capital to this type of strategy again in the near future.

The recent turbulence of the markets has increased the opportunity set for multi-strategy managers and the Fund has subscribed to the MKM Longboat Multi Strategy Fund for the beginning of October. This fund has a European focus and has shown a favourable risk/return profile.

### Comparative Performance



### Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years
11.46%	9.66%	8.53%	5.89%

### 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  
Southport Millennium  
SR Global Fund  
Tantallon 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

#### Multi Strategy

OZ Overseas Fund

#### Global Macro

Brevan Howard Fund  
Drake Global Opportunities Fund  
Episode Inc

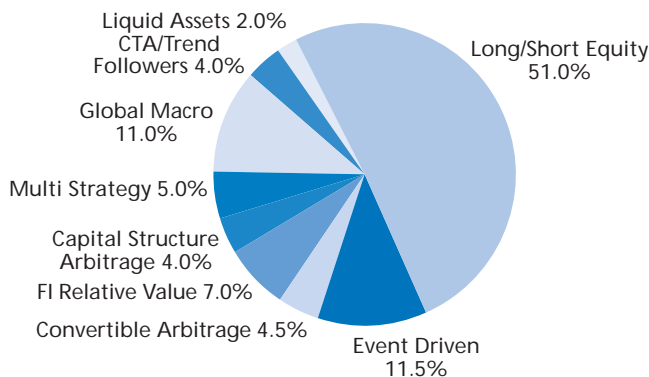
#### CTA / Trend followers

Winton Futures Fund Ltd

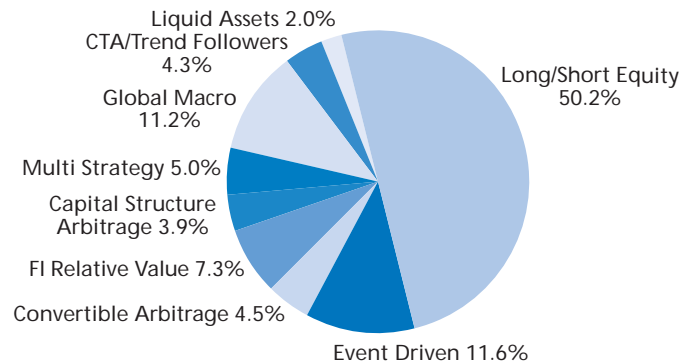
#### Liquid Assets

Butterfield Money Market Fund

### Asset Breakdown Target



### Asset Breakdown Actual



### General Information

Currency: USD  
Units Available: Accumulation  
Size of Fund (millions): USD 281

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

Dealings: Friday  
Total Expense Ratio: 1.67%  
NAV per share (28.09.2007): USD 15.27

Front End Fee: None  
Identifier: BUTSLAI BH