

## 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 \$15.27 to \$15.55 over the quarter, an increase of 1.8%.

Hedge Funds had a reasonable fourth quarter as fund managers bounced back from a tough third quarter and benefited from an increased opportunity set.

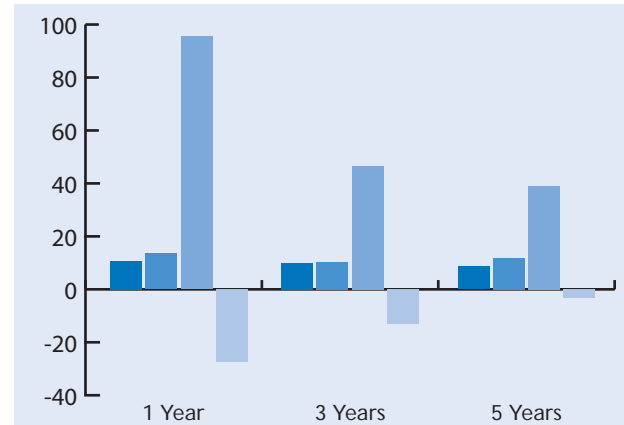
Long/Short managers, which make up the largest investment type within the Fund, had a mixed quarter with poor performance from Asian and emerging market managers (perhaps not surprising considering the strong gains they have experienced year to date) offset by particularly strong performance amongst some US managers such as SCP Ocean Fund and Southport Millennium. Event Driven managers had mixed returns with managers with a European focus having a difficult quarter. However, as corporate restructuring continues in Europe, the managers are optimistic about current investments and future opportunities in this strategy.

The Fund's macro positions exhibited bifurcation with one fund, Brevan Howard, having very good performance while Drake Global Opportunities had a very poor quarter as leveraged bets against US Treasuries caused large losses.

The Fund benefited from a strong quarter by its CTA/Trend manager, Winton Futures Fund, which demonstrated the benefits of its diversifying effect on the portfolio as a whole. Plexus Fund had positive performance whilst most other convertible arbitrage managers struggled.

During the quarter, the manager added another fixed income relative value fund, Claren Road, in order to take advantage of the current difficulties in the fixed income markets. At the end of the quarter, the Fund was also lowering its exposure to long/short strategies with an emphasis on holding funds with a low net exposure to the market. This should increase the defensive quality of the Fund.

### Comparative Performance\*



\*Returns as at November 30, 2007

■ Fund   
 ■ Sector Average  
■ Best Fund in Sector   
 ■ Worst Fund in Sector

### Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years
10.21%	9.39%	8.59%	6.31%

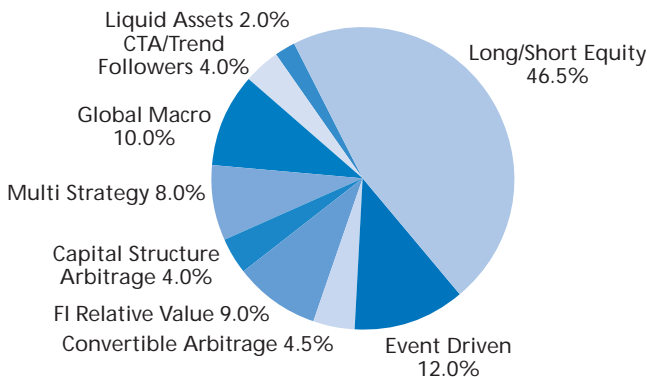
### Asset Breakdown

- 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
  - SCP Overseas Fund
  - SEG Partners
  - Southport Millenium
  - 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
  - Claren Road Credit Fund
- Capital Structure Arbitrage**
  - CQS Capital Structure Arbitrage Fund
- Multi Strategy**
  - OZ Overseas Fund
  - MKM Longboat
- Global Macro**
  - Brevan Howard Fund
  - Drake Global Opportunities Fund
  - Episode Inc
- CTA / Trend followers**
  - Winton Futures Fund Ltd
- Liquid Assets**
  - Butterfield Money Market Fund

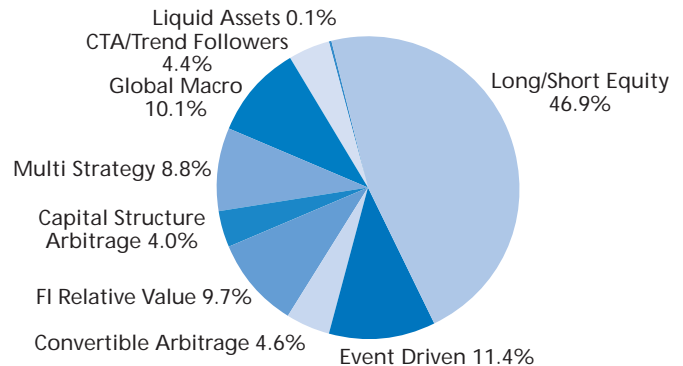
### Benchmark Composition

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 183.7

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 (31.12.2007): USD 15.55

Front End Fee: None  
 Identifier: BUTSLAI BH

Past performance is not indicative of future performance.

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