

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

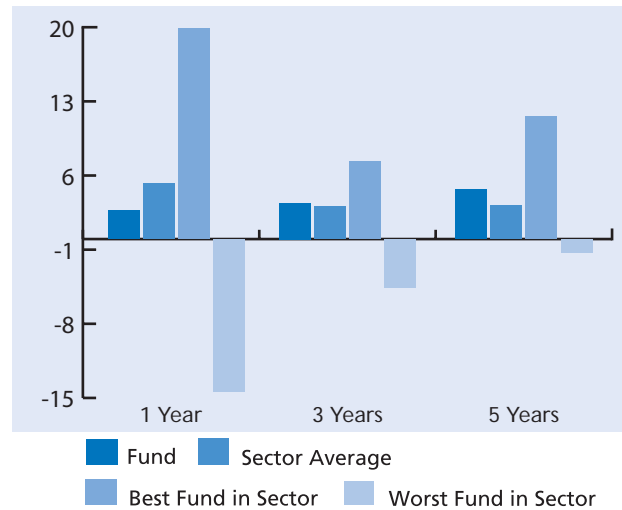
The net asset value (NAV) per share of the Fund increased from \$15.62 to \$15.79 over the quarter, an increase of 1.1% against a benchmark return of 3.7%.

It was a difficult quarter for the Fund as global credit markets continued to struggle with a liquidity crisis and a high level of risk aversion. The US Federal Reserve cut rates twice during the quarter, by a quarter of a percent each time, leaving the US rates at 4.25% at the end of December (the market is expecting that the Federal Reserve will lower rates again in the first half of 08). However, inter-bank lending rates – an indication of liquidity within the market – remained at elevated levels signalling reluctance for banks to lend to each other. In the UK, the Bank of England lowered rates to 5.5% and, although the European Central Bank had discussed raising rates early in the quarter, the ECB held rates steady at 4%.

Within the Fund, the holdings of US Treasury Inflation Protected Securities performed particularly well as Treasuries rallied and inflation expectations increased over the quarter. The Fund realized its gains in the positions in mid December. Conversely, holdings in lower credit quality assets or holdings with shorter investment horizons performed relatively poorly. Investments in emerging markets continue to perform well with the Asia Recovery Fund having a particularly strong year.

During the quarter, the manager increased the number of securitized holdings, such as CMBS and ABS, as this asset class appears to offer good value for minimal credit risk. The Fund also reduced its exposure to its structured credit holding in order to reduce the exposure to its largest holding thereby lowering the overall level of risk within the portfolio.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
2.67%	3.41%	4.72%	5.82%	n/a

Asset Breakdown

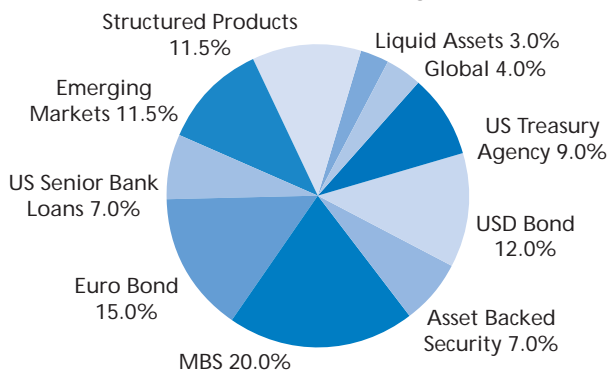
- Global**
Schröder Global Corporate Bond
- US Treasury/Agency**
Freddie Mac
5yr Treasury
- Butterfield US\$ Bond Fund**
Butterfield Capital Appreciation Bond Fund
Butterfield US\$ Bond Fund
- Asset Backed Security**
HEL - Equity One
HEL - Residential Asset Mortgage
HEL - GRMT
ABS - AIG Funding
- Euro Bond**
Vanguard Euro Investment Grade Bond Index

- US Senior Bank Loans**
CypressTree 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 Fund
- Mortgage Backed Security**
MBS - Vanguard US MBS Index Fund
CMBS - GE Capital
CMBS - Wachovia
CMBS - JPMorgan Chase
CMBS - UBS
CMBS - DLI

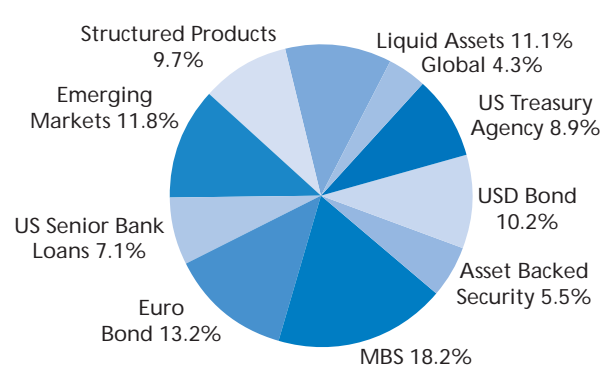
Benchmark Composition

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

Asset Breakdown Target



Asset Breakdown Actual



General Information

Currency: USD
Units Available: Accumulation
Size of Fund (millions): USD112.7

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

Dealings: Friday
Total Expense Ratio: 1.16%
NAV per share (31.12.2007): USD 15.79

Front End Fee: None
Identifier: BUTSLFX BH