

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 decreased from \$15.79 to \$15.12 over the quarter, a decrease of -4.24%.

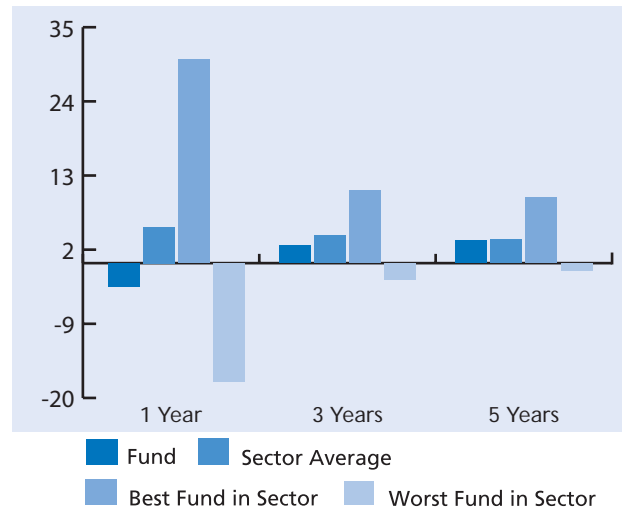
The Fund had a difficult quarter as most of the underlying fixed income classes performed poorly on a relative or absolute basis. Particularly disappointing performance came from products with coupons based on LIBOR such as floating rate notes and leveraged loans. These assets suffered from a continued widening in credit spreads, in some cases to unprecedented levels, but did not benefit from the large capital gains associated with lower bond yields. Additionally, securitized debt holdings had a poor quarter with prices marked at extreme levels due to a lack of liquidity and forced sales by hedge funds meeting margin calls and redemption requests.

During the quarter yields for US Treasuries significantly declined with 10 year yields dropping from 4% to 3.4% and 2 year yields falling from 3% to 1.6% in a massive flight to safety. The Fund could not justify holding Treasury and Agencies with yields lower than inflation and completely sold these positions. The proceeds of these redemptions were kept in money market in order to meet any redemption requests as well as to be able to take advantage of any attractive opportunities available. The Fund was thus able to selectively add CMBS and ABS holdings.

The Fund also sold one of the emerging markets holding, namely the Ashmore Asian Recovery Fund, crystallizing strong returns from this fund. This has reduced the Fund's exposure to emerging markets, traditionally a riskier asset class, but one that has held up relatively well so far. Additionally, the Fund sold a global bond fund and replaced it with PIMCO Total Return Fund. This fund has performed remarkably well in the current environment and should be a consistent performer going forward.

Looking forward the manager expects to add to investment grade corporate bonds where spreads have widened to levels not seen since the mid 1980's and will continue to monitor for any opportunities in this volatile market.

Comparative Performance



Average Annual Compound Returns

| 1 Year | 3 Years | 5 Years | 7 Years | 10 Years |
|--------|---------|---------|---------|----------|
| -3.45% | 2.16% | 3.37% | 4.81% | n/a |

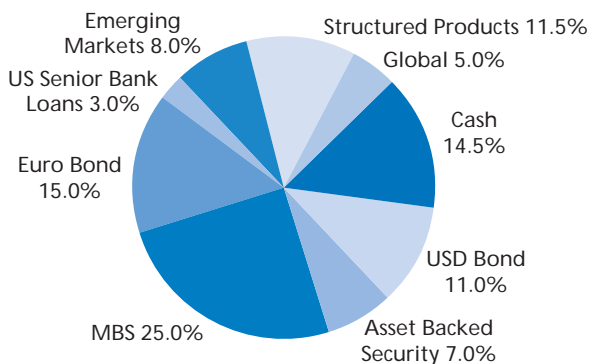
Asset Breakdown

- Global**
PIMCO Total Return
- US Dollar Bond**
Butterfield Capital Appreciation Bond Fund
Butterfield USD Bond Fund
- Asset Backed Security**
HEL - Equity One
HEL - Residential Asset Mortgage
HEL - GRMT
ABS - ARG Funding
ABS - Hertz
- 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
- Structured Products**
Argent Classic Convertible - Class C
- Liquid Assets**
Butterfield Money Market Fund
Butterfield Liquid Reserve Fund
- Mortgage Backed Security**
Vanguard US MBS Index Fund
Freddie Mac
- Commercial Mortgage Backed Securities**
GE Capital
Wachovia
JPMorgan Chase
UBS
DLJ

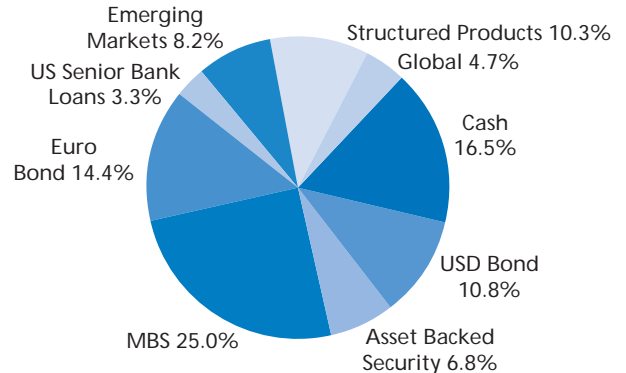
Benchmark Composition

- 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): USD100.5

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

Dealings: Friday
Total Expense Ratio: 1.16%
NAV per share (31.03.2008): USD 15.12

Front End Fee: None
Identifier: BUTSLFX BH