

## 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 \$14.91 to \$15.15 over the quarter, an increase of 1.61%.

Hedge Funds managers fared better during the 2nd quarter than they had during the first with virtually all strategies able to improve from their end of March lows.

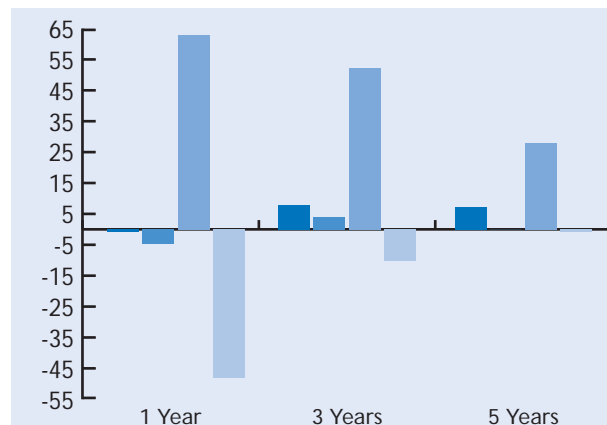
Long/Short managers, which continue make up the largest investment type within the Fund, generally had positive performance despite keeping their net exposure to the markets low. Standout funds included Southport Millenium where the manager had successfully identified the agricultural growth theme early and consequently their fund gained over 20% during the quarter. Lansdowne UK Equity also contributed with the manager continuing the successful strategy of owning mining companies and selling financials.

Fixed Income strategies continued to have a volatile year but all finished in positive territory. Long-time holding, Platinum Grove, had the strongest returns gaining well over 5% as it recovered from a particularly difficult March. More recent addition, Claren Road, continued to provide reasonable returns with low volatility.

After a strong 1st quarter the Fund's two CTA managers continued to perform well, particularly Winton Futures Fund. These managers are attractive for our multi-strategy fund as they tend to provide strong, but volatile returns, with a low correlation to other strategies. Macro managers were mixed with defensively positioned Brevan Howard having positive performance while Episode started the quarter well but had a disappointing June.

At the end of the quarter the manager placed some redemption orders to crystallize some of the strong gains made by some managers in recent months. This will help to reduce the Funds risk to any one manager or strategy.

### Comparative Performance\*



\*Returns as at March 31, 2008

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

### Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years
-0.92%	7.90%	7.20%	5.83%

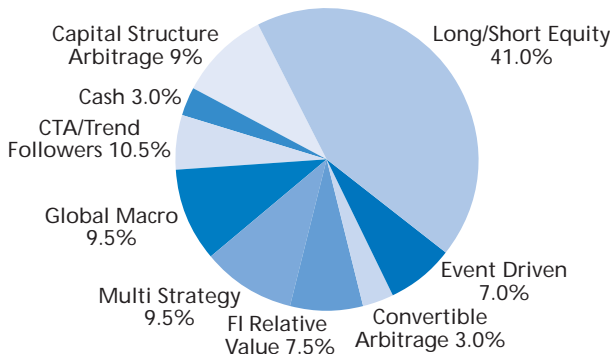
### Asset Breakdown

- Long/Short Equity**
  - Alphagen Capella Fund
  - Amici Fund Int'l
  - Egerton European Fund
  - Karsch Capital Ltd
  - Lansdowne UK Equity Fund
  - SCP Overseas Fund
  - SEG Partners
  - Southport Millenium
  - SR Global Fund
- Event Driven**
  - Amber Fund
  - York European Opportunities
- Convertible Arbitrage**
  - Plexus Fund
- FI Relative Value**
  - London Diversified Fund
  - Platinum Grove Contingent Capital
  - Offshore Fund
- Capital Structure Arbitrage**
  - Claren Road Credit Fund
  - Prologue Feeder Fund
- Multi Strategy**
  - OZ Overseas Fund
  - MKM Longboat
- Global Macro**
  - Breva Howard Fund
  - Drake Global Opportunities Fund
  - Episode Inc
- CTA / Trend followers**
  - Winton Futures Fund Ltd
  - BlueTrend
- Liquid Assets**
  - Butterfield Money Market Fund

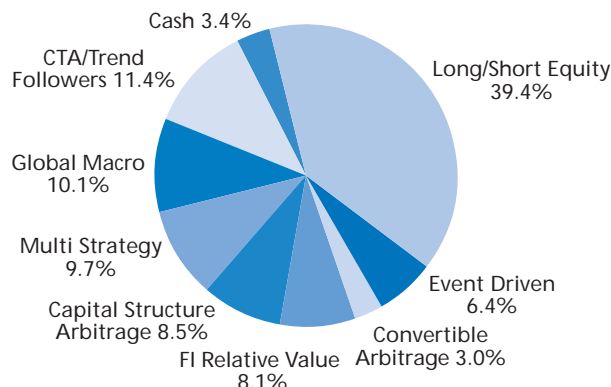
### Benchmark Composition

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 163.9

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 (30.06.2008): USD 15.15

Front End Fee: None  
Identifier: BUTSLAI BH