



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 \$15.12 to \$15.13 over the quarter, an increase of 0.07% while the index dropped 2.2%

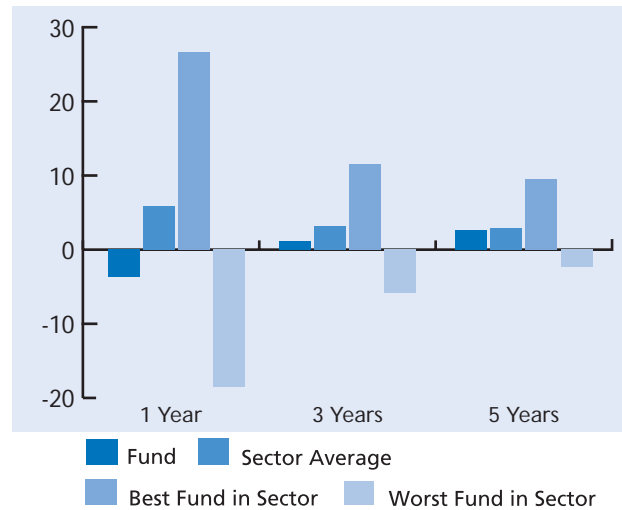
The Fund had a relatively strong quarter as a rebound in the performance of the Bank Loan Fund combined with positive performance from CMBS holdings and structured products. A large weighting in money markets and a short dated bond fund helped to protect the Fund from the declines in most other fixed income asset classes.

At the beginning of the quarter the US fixed income market began to recover from its flight to quality sending Treasury bond yields higher. The Fund was proven correct in its decision to have completely exited Treasury and Agency positions during the first quarter and was able to reinstate its holdings for the added credit protection Government securities offer albeit at more attractive yields.

During early June the market started to worry about inflation and the market began to anticipate US interest rate increases as early as August 2008. This seems unlikely as the US economy continues to struggle and may prove to be in recession. The Fund took advantage of the increase in yields to add to the Pimco Total Return Fund and will continue to do so opportunistically. By quarter's end the market had scaled back its expectations for rate hikes until September or October, which may still prove to be too aggressive an assumption.

European bonds had a particularly disappointing quarter as the ECB indicated it would raise rates in July and continues to aggressively focus on inflation. The decision to remain underweight in this sector paid dividends, however, corporate bond funds had a difficult quarter and the asset backed securities also continue to face a trying market.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
-3.69%	1.15%	2.63%	4.89%	n/a

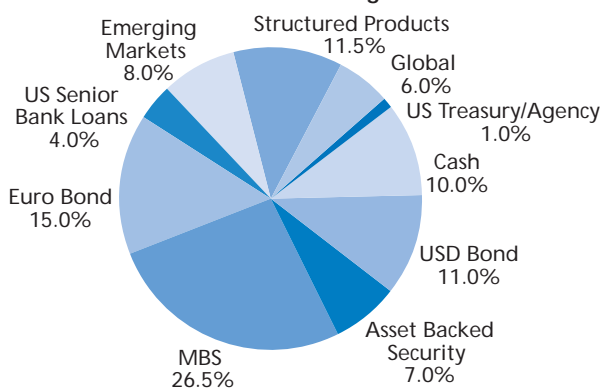
Asset Breakdown

- Global**
PIMCO Total Return
- US Dollar Bond**
Butterfield Capital Appreciation Bond Fund
Butterfield USD Bond Fund
Fannie Mae
- 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

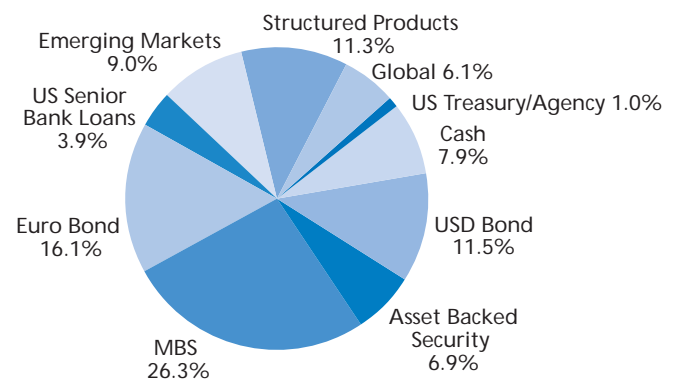
Benchmark Composition

- 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	Fiscal Year End: June 30 th	Dealings: Friday	Front End Fee: None
Units Available: Accumulation	Min. Investment: USD 10,000	Total Expense Ratio: 1.16%	Identifier: BUTSLFX BH
Size of Fund (millions): USD 98.5	Valuation: Thursday	NAV per share (30.06.2008): USD 15.13	

Past performance is not indicative of future performance.
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