

## 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

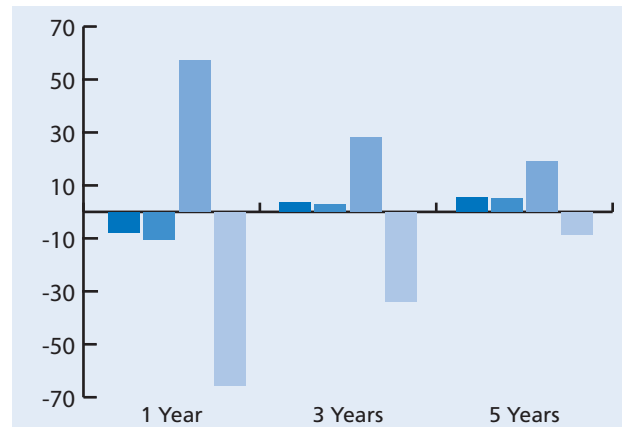
The net asset value (NAV) per share of the Fund decreased from \$15.15 to \$14.08 over the quarter, a decrease of 7%.

The third quarter was an extremely disappointing period for the hedge fund industry. Most strategies struggled to have positive returns and, as a whole, the industry had one of its worst quarterly returns on record. Additionally, hedge funds were hurt by massive redemptions as disillusioned investors withdrew assets spurring other investors to also redeem to avoid being locked into a fund in financial distress. The short-term ban on short selling financials in the US and other markets in September caused additional headaches for managers, although most of the Fund's holdings reported largely closing out their financial shorts in August. Finally, the failure of Lehman Brothers and subsequent freezing of prime brokerage accounts in London means an administrative nightmare for managers who are unable to value the assets held in these accounts or access their capital, although our exposure to this problem appears to be minimal.

The Fund was not immune to these stresses and, although the Fund managed to avoid some of the more spectacular declines in the hedge fund universe, most of the underlying funds had a negative quarter. Additionally, some of the holdings which had been performing particularly well this year had a very difficult September. One exception was Claren Road – a relatively recent addition – which continues to post positive gains and should record September as one of its best months on file. The Fund also benefited from the manager's decision to increase the weighting in CTA/Trend followers at the end of 2007 due to the strategies low correlation to other strategies and the market in general.

The Fund continues to build its cash position as the manager assesses which strategies and funds should benefit the most once markets return to some sense of normalcy. Additionally, fund managers continue to be optimistic about an ever increasing opportunity set and expect future returns to be more in line with investor's expectations.

### 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
-7.79%	3.53%	5.33%	4.76%

### Asset Breakdown

**Long/Short Equity**  
Alphagen Capella Fund  
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  
JCAM Global Fund

**Multi Strategy**  
OZ Overseas Fund  
MKM Longboat

**Global Macro**  
Brevan Howard Fund  
Drake Global Opportunities Fund  
Episode Inc

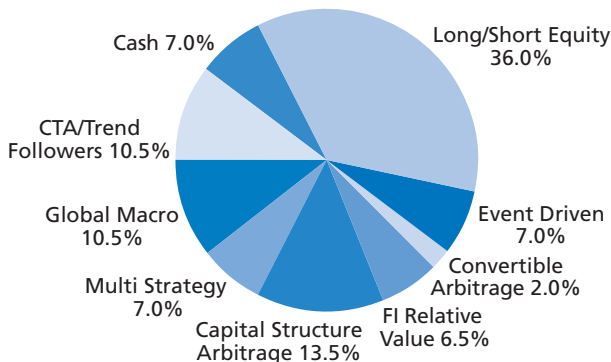
**CTA / Trend followers**  
Winton Futures Fund Ltd  
BlueTrend

**Liquid Assets**  
Butterfield Money Market Fund

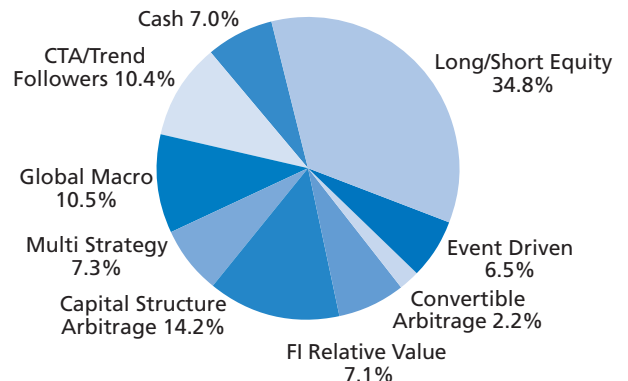
### Benchmark Composition

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 149.4

Fiscal Year End: September 30<sup>th</sup>  
Min. Investment: USD 10,000  
Valuation: Thursday

Dealings: Friday  
Total Expense Ratio: 1.67%  
NAV per share (30.09.2008): USD 14.08

Front End Fee: None  
Identifier: BUTSLAI BH

Past performance is not indicative of future performance.  
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