

**Objective**

To offer a convenient vehicle for investing in an international portfolio of equity mutual funds, which are anticipated to provide the best opportunities for capital growth.

**Investment Policy**

To invest in a diverse range of top performing offshore equity mutual funds as well as a number of indexed products 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 dropped from \$11.73 to \$9.37 over the quarter, a decrease of 20.1% against a benchmark return of -15.3%. In the third quarter the major indices were markedly lower with local currency returns of: S&P 500: -8.4%, Bloomberg European 500: -12.58% and the Nikkei 225 dropped 15.91%

The third quarter was an extremely difficult period for equity investors. Most sectors recorded double digit declines and markets which had previously performed well, such as energy and emerging markets, suffered from large relative performance reversals. Additionally, the US dollar strengthened dramatically over the quarter, increasing the losses of non-US dollar assets in US dollar terms. This particularly hurt the Fund which has an overweight exposure to Canada, Australia and the emerging markets.

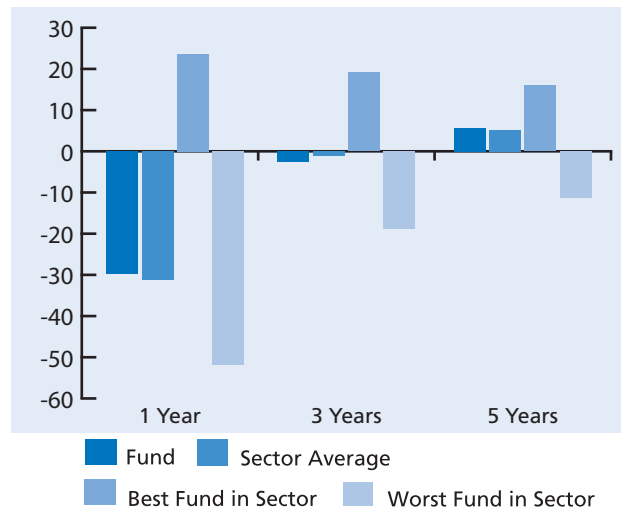
The crux of the equity markets dramatic decline was the apparent seizure of the global credit markets. Investment bank Lehman Brothers declared bankruptcy in an event which spooked the markets not only by its occurrence but by the speed of its demise. Washington Mutual and Wachovia were also forced to sell their businesses. The US government was forced to recapitalize Fannie Mae and Freddie Mac and had to provide massive amounts of liquidity to American International Group. European Banks were not immune with HBOS, Fortis, Deutsche Postal Bank and Dexia all falling into financial difficulty.

Surprisingly the financial sectors of the equity markets were not the hardest hit this quarter as more economically cyclical industries were punished. Investors speculate that the difficulties that Banks face will force them to reduce credit lines to consumers and small businesses. This will cause a slowdown in the broader economy hurting companies' future earnings.

The equity market has also suffered from large institutional investors, such as hedge funds, having to reduce their leverage and prepare for large redemptions. This has further increased the selling pressure with many managers forced to liquidate positions and valuations they perceive to be as extremely attractive.

Looking forward the we continue to maintain exposure to emerging markets and Asia ex-Japan where valuations are particularly attractive and investors should be strongly rewarded as the markets recover from their current deep malaise.

**Comparative Performance**



**Average Annual Compound Returns**

1 Year	3 Years	5 Years	7 Years	10 Years
-29.65%	-2.60%	5.73%	4.80%	n/a

**Asset Breakdown**

**Global**

- Orbis Global Equity Fund
- SHCM Global Fund

**North America**

- iShares Russell 2000 Growth Index Fund
- iUnits S&P/TSX 60 Capped Index Fund
- Butterfield Systematic Equity Fund - CD\$ Class
- PowerShares Value Line Timeliness Select Portfolio
- Davis Value Fund
- Fidelity American Growth Fund
- Merrill Lynch - US Flexible Equity Fund
- Martin Currie North America Fund
- UBAM - Neuberger Berman US Equity Value
- Oil Service HOLDERS Trust

**UK/European**

- Fidelity European Growth Fund
- JPMorgan Funds - Europe Strategic Value Fund
- Vanguard - European Stock Index Fund
- Martin Currie - Pan European Opportunities Fund

**Emerging Markets**

- iShares MSCI Emerging Markets Index Fund

**Asia**

- Orbis Japan Equity Fund
- iShares MSCI Pacific ex-Japan
- Martin Currie Asia Pacific Fund

**Bermuda**

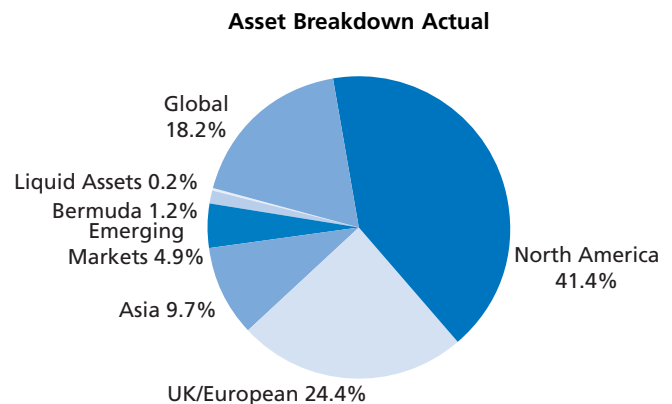
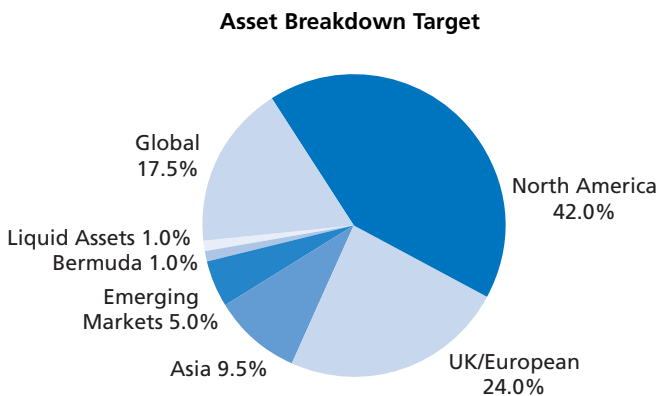
- Butterfield Bermuda Fund

**Liquid Assets**

- Butterfield Money Market Fund

**Benchmark Composition**

100% MSCI World Index



**General Information**

Currency: USD  
Units Available: Accumulation  
Size of Fund (millions): USD 132.7

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

Dealings: Friday  
Total Expense Ratio: 1.04%  
NAV per share (30.09.2008): USD 9.37

Front End Fee: None  
Identifier: BUTSLEQ BH

Past performance is not indicative of future performance.  
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