

Select Fund: Equity Class



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 \$9.37 to \$7.21 over the quarter, a decrease of 23% against a benchmark return of -21.8%. In the fourth quarter the major indices were markedly lower with local currency returns of: S&P 500: -21.95%, Bloomberg European 500: -20.47% and the Nikkei 225 -21.24%.

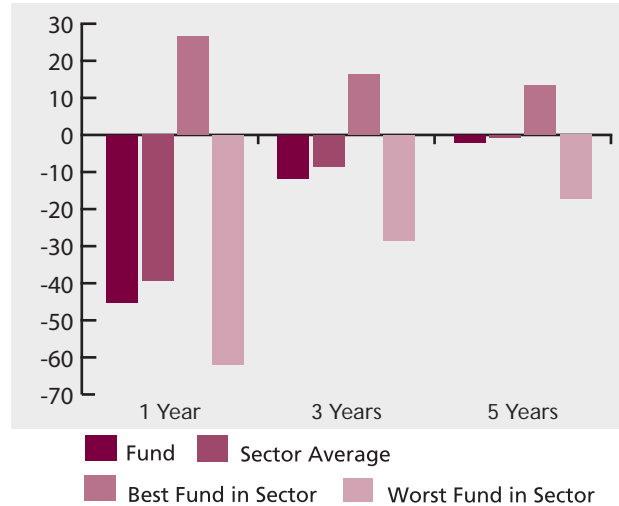
The bankruptcy of Lehman Brothers proved to be a tipping point for the equity markets in 2008. The freeze in the availability of credit that followed this event changed the expectations of the equity markets for a shallow recession in the US, and the ability of other regions to avoid recession altogether, to fears that the world is entering into another "great depression". For the year, major markets fell as much as 50% before somewhat recovering in December and more volatile markets realized even greater losses. Additionally, the US dollar rallied significantly against most other currencies during this period magnifying losses of investments made outside of the US.

During the quarter the manager reduced exposure to Europe in order to increase exposure to Japan. Although the Japanese market was by no means immune to the market declines, Japanese stocks offer more attractive valuations (on the basis of metrics such as price/book or price/sales) and Japan does not have as much exposure to subprime, over-leveraged consumers or a housing bubble (theirs burst in the 1990's!).

Additionally, although it was painful during the fourth quarter, the Fund maintained some exposure to emerging markets. Although some emerging markets, such as Russia, are experiencing difficulty with the sharp decline in commodity prices, other markets continue to have positive economic growth. We expect that these markets will be among the leaders when the world economies start to recover.

2008 proved to be a difficult and disappointing year for the Fund but we continue to focus on selecting the best managers and having exposure to the more attractive markets so investors in our Fund will fully benefit from an inevitable recovery in the equity markets.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
-45.13%	-11.86%	-2.11%	-0.87%	n/a

Asset Breakdown

- Global**
 - Orbis Global Equity Fund
 - SHCM Global Fund
 - Vanguard - Global Stock Index Fund
- North America**
 - iShares Russell 2000 Value 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
 - 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
 - iShares MSCI Japan
- 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 93.1

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

Dealings: Friday
 Total Expense Ratio: 1.04%
 NAV per share (31.12.2008): USD 7.21

Front End Fee: None
 Identifier: BUTSLEQ BH