

Select Fund: Fixed Income Class



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

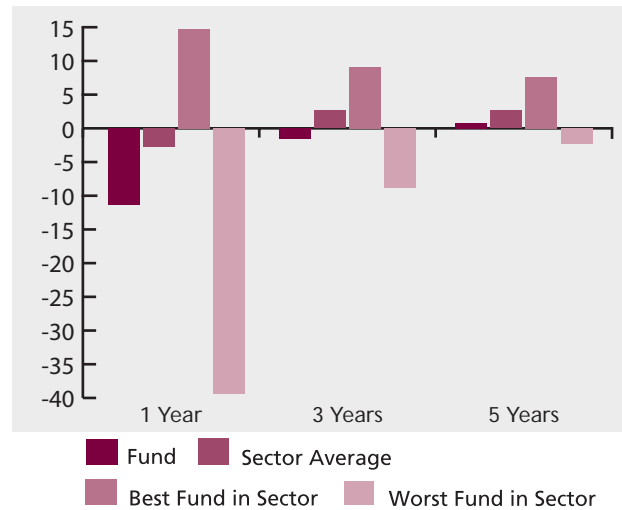
The net asset value (NAV) per share of the Fund decreased from \$14.84 to \$14.00 over the quarter, a decrease of 5.6% while the index climbed 8.63%.

The fixed income markets saw a continued flight to quality over the fourth quarter with 10 year Treasury yields dropping from 3.8% to 2.2%, 5 years from 2.9% to 1.5% and 3 month Treasury yields from 0.9% to less than 0.1%. However, the strong return of Treasuries came at the expense of lower credit assets with high yield (junk) bond yields declining over 17%, leveraged loans (below investment grade bank loans) dropping a stunning 23%, emerging markets losing 6%, asset back securities fell over 11% and CMBS lost over 13%. The Fund which has exposure to many different types of fixed income strategies was hurt as the poor performance of lower credit asset classes outweighed the stronger performance of other holdings.

The fourth quarter had some extraordinary developments which affected fixed income securities. On October 3rd Wells Fargo bought Wachovia which was on the brink of failure. On October 6th the German government was forced to rescue Hypo Real Estate – the nation's second biggest mortgage lender. Two days later central banks across the globe had a synchronized move to slash rates with the Fed, ECB, Bank of England, and the Swiss, Canadian and Swedish central banks all announcing a 0.5% rate cut. This was quickly followed by European and the US governments injecting capital into their banks. November saw the US Treasury abandon the plan to buy distressed mortgages from banks (this caused a massive sell-off in CMBS), a government bail out of Citigroup, which had been the largest financial organization in the world, and the Fed announcing they would buy debt issued by US agencies – this immediately helped to lower mortgage rates for qualified borrowers. Finally, on December 16th the Fed cut rates to "between 0 and 0.25%".

Against this backdrop our Fund remains underweight US Treasuries where the extremely low yields do not make a compelling investment, however the yields in investment grade corporate debt appears to be quite compelling and the Fund will increase its exposure to these issuers.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
-11.34%	-1.61%	0.80%	3.18%	n/a

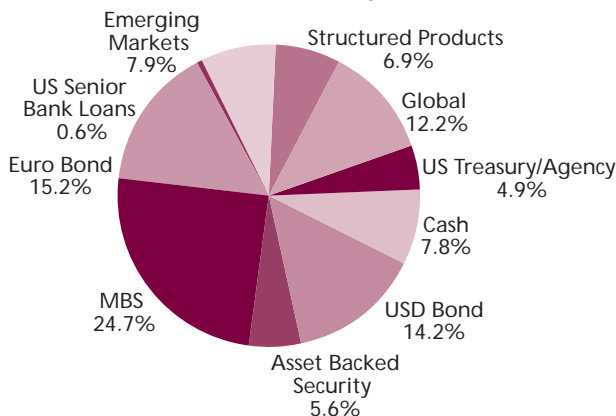
Asset Breakdown

- Global**
PIMCO Total Return
- US/Treasury/Agency**
Fannie Mae
US Treasury Inflation Protected Security
- US Dollar Bond**
Butterfield Capital Appreciation Bond Fund
Butterfield USD Bond Fund
- 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

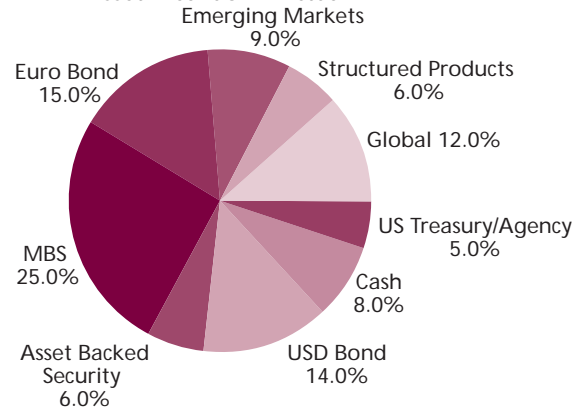
Benchmark Composition

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
Units Available: Accumulation
Size of Fund (millions): USD 83.7

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

Dealings: Friday
Total Expense Ratio: 1.16%
NAV per share (31.12.2008): USD 14.00

Front End Fee: None
Identifier: BUTSLFX BH