

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

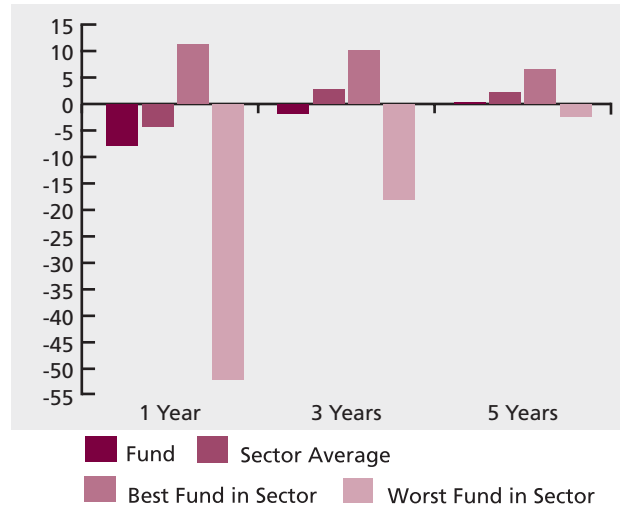
The net asset value (NAV) per share of the Fund decreased from \$14.00 to \$13.94 over the quarter, a decrease of 0.4% while the index lost 1.24%.

During the first quarter, the 10 year US Treasury bond yield increased 46 bps from 2.21% to 2.67% as the 'flight to quality' into US Treasuries was partially reversed from the yield lows in yield at year end. Liquidity remains poor in non non-government Government issues, although there has been an increase of new issuance of corporate debt. The US economy remains mired in recession and the Federal Reserve will keep official interest rates at effectively at zero for some time. Further measures, in the form of the new PPIP and TALF II programmes, are designed to help remove 'toxic assets' from bank and other financials' balance sheets and, unplug the credit markets and turn around the US economy. One positive sign is that mortgage rates have fallen below 5% and refinancing activity has increased. Although US house prices are still falling, some evidence is emerging that the rate of decline is gradually being arrested. Economic growth in calendar 2009 is almost certain to be negative, in our estimates to the order of -2.5%.

The Fund benefited from its exposure to US Agency Mortgage Back Securities (as issued by Fannie Mae and Freddie Mac). The US Federal Reserve has undertaken to purchase over 1 trillion dollars of these securities – or over 20% of currently outstanding issues – as part of its "quantitative easing" program. Perhaps not surprisingly, the Fund's position recorded over more than a 2% gain in these holdings over the quarter.

The Fund continues to reduce its holdings in ABS and CMBS (by not replacing maturing issues) and increase its exposure to investment grade corporate debt. A new position was established in Vanguard US Investment Grade Credit Index. It which offers an extremely diversified approach to gaining exposure to a sector that may provide very attractive risk-adjusted returns.

Comparative Performance



Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
-7.80%	-1.82%	0.23%	2.98%	n/a

Asset Breakdown

- Global**
PIMCO Total Return
- US/Treasury/Agency**
Fannie Mae
- US Dollar Bond**
Butterfield Capital Appreciation Bond Fund
Butterfield USD Bond Fund
Vanguard US Investment Grade Bond Index
- 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

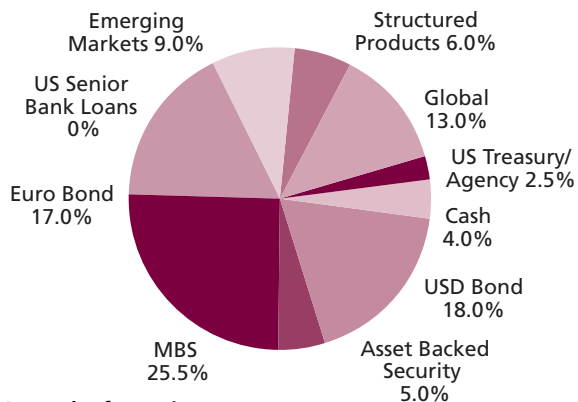
US Senior Bank Loans

- CypressTree Leveraged Alternative Income Fund
- Emerging Markets**
Ashmore Emerging Markets 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

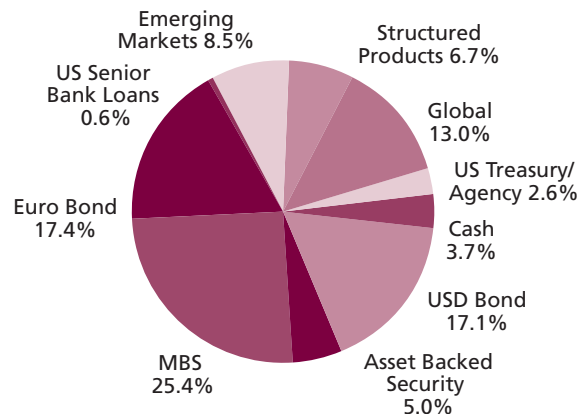
Benchmark Composition

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 79.9

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

Dealings: Friday
Total Expense Ratio: 1.16%
NAV per share (31.03.2009): USD 13.94

Front End Fee: None
Identifier: BUTSLFX BH