

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 increased from \$13.94 to \$14.68 over the quarter, an increase of +5.3% while the index lost -2.6%.

During the second quarter, the 10 year US Treasury bond yield jumped 87 bps from 2.67% to 3.54% as increased investor appetite for risk continued to reverse 2008's gains. Additionally, investors, focusing on the massive amounts of debt that the US is projected to issue, worried that future purchasers will demand a higher interest rate for their money. Conversely, the performance of lower credit quality debt was extremely strong. The best performing markets included high yield bonds or "junk" bonds which have rallied over 23% during the period and outperformed most markets including the equity markets.

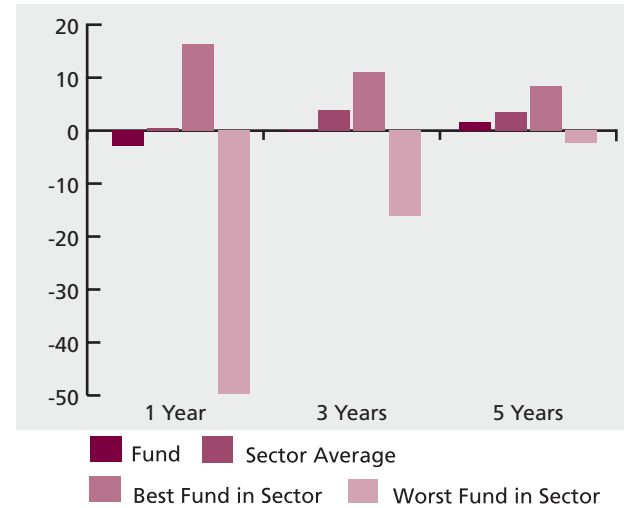
During the second quarter, the Fund continued to build its position in investment grade (BBB or higher credit) debt. These positions have performed well and appear to offer attractive risk adjusted returns. A new position was started in the PIMCO Global Investment Grade Credit Fund and early returns are promising. Additionally during the second quarter, the Fund initiated a position in US TIPS. These are US Treasury securities offering the strongest credit available. Their return is affected by the rate of inflation – a concern with the Fed's current "quantitative easing" program.

Although the high yield market has performed well so far this year, the Fund has conservatively avoided this area. Typically the best performance in lower credit companies occurs when high yield defaults peak and we do not expect this to happen for several quarters. However, the Fund may take advantage of any severe setbacks this area may experience. The Fund also continues to reduce its exposure to securitized issues by letting current holdings mature and be replaced by other debt classes.

Benchmark Composition

- 80% JP Morgan Govt Bd - Local Currency US
- 20% JP Morgan Hedged USA Dollar GBI Ex USA

Comparative Performance



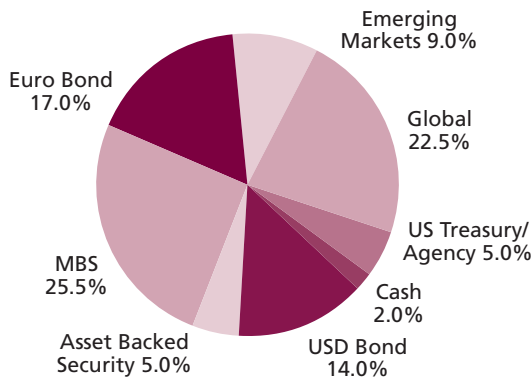
Average Annual Compound Returns

1 Year	3 Years	5 Years	7 Years	10 Years
-2.97%	-0.05%	1.64%	3.07%	n/a

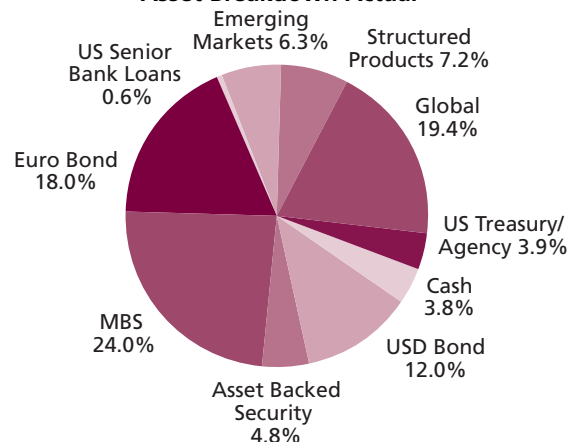
Asset Breakdown

- Global**
PIMCO Total Return
PIMCO Global Investment Grade Credit
- US/Treasury/Agency**
Federal Home Loan Banks
Treasury INflation-Protected Security
- 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
- Mortgage Backed Security**
Vanguard US MBS Index Fund
Freddie Mac
- Commercial Mortgage Backed Securities**
GE Capital
Wachovia
JPMorgan Chase
UBS

Asset Breakdown Target



Asset Breakdown Actual



General Information

Currency: USD
Units Available: Accumulation
Size of Fund (millions): USD 82.9

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

Dealings: Friday
Total Expense Ratio: 1.16%
NAV per share (30.06.2009): USD 14.68

Front End Fee: None
Identifier: BUTSLFX BH