



Butterfield Asset Management

Economic Review

After a spectacularly poor first quarter of 2009 for most asset classes, global markets staged an impressive bounce from oversold levels across nearly all risky assets in the second quarter. The primary reason for the market turnaround can be firmly attributed to a modest improvement of very dire economic news. We, as conservative investors, welcome the improvement in relative performance (of course!) but would draw a distinction between a market recovery engendered by "less bad" economic news and calling for a strong recovery.

Clearly, the absence of a fully functional banking system is a major impediment to a healthy economic system. Further improvements are needed and clearly the financial sector has not completely "healed" in the span of 100 days. Despite recent optimism, we remain in an environment fraught with huge imbalances. As a result, the strength and duration of the eventual recovery still remain highly uncertain.

Below is a short summary of the Butterfield Select Funds' performance and activity over the first 6 months of 2009. For further information, please refer to our website (www.butterfieldgroup.com).

Butterfield Select Equity Class

The Fund returned +9.0% over the first 6 months of 2009.

Awful economic data and fear of a complete collapse of financial stocks led to a difficult start for equity markets in 2009. Fear and despondency reached its apex at the beginning of March with the MSCI World Index down 25% before the markets enjoyed a very substantial rally to end the first half of 09 with respectable gains.

During the second quarter, the market mainly took comfort from the ending of two uncertainties: the US bank stress tests which were clearly massaged to ensure a soft landing for the fragile banking system and the GM bankruptcy which is being handled in a controlled manner.

Market leaders out of the rally included the beaten down banks and US consumer stocks, as well as high beta stocks associated with the China-Commodities driven theme.

The Fund participated in the rally and particularly benefited from its exposure to emerging markets and Asia. We believe that the long-term outlook for emerging market economies is brighter and will be looking to add to positions on pullbacks.

The timing of a recovery from the current recession is, at best, uncertain and we expect to see continued volatility in equity markets in the months ahead.

Select Fixed Income Class

The Fund returned +4.9% over the first 6 months of 2009.

The US Treasury yield curve steepened substantially in the first half as the abrupt change from the flight to quality we saw in the latter part of 2008 gave way to an increase in risk appetite. Higher inflation expectations combined with the US fiscal deficit situation and the need to issue \$2 Trillion in FY09 certainly contributed to the up move on the long end of the curve as well.

During the period, the performance of lower credit quality debt was extremely strong. The best performing markets included high yield and emerging market bonds. Corporate credit and securitized debt also performed well as liquidity improved and the TALF and quantitative easing programs indirectly provided a boost to these markets. Conversely, risk-free debt securities underperformed.

The Fund was well positioned to enjoy a return to a calmer credit market and strongly outperformed its benchmark. 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 and Supranational / Sovereign issuers.

Butterfield Select Alternative Class

The Fund returned +3.7% over the first 6 months of 2009.

After partially failing to protect capital in Q3 and Q4 of 2008, it was pleasing to see two consecutive quarters of positive absolute returns in 09. On aggregate, many hedge fund managers stayed conservatively positioned during the period leading to the industry underperforming equity and credit markets on a relative basis. As a result, the embedded risk and sensitivity of hedge funds to asset markets has declined allowing managers to reaffirm themselves as true risk diversifiers in portfolios.

During the period, convertible arbitrage and relative value arbitrage were the best performing strategies while global macro suffered from the lack of clarity surrounding the direction of asset markets. As a result of improved liquidity, many funds were able to lift their gates and payout redemptions. Anecdotal evidence suggests that money has also been coming back to the space leading managers and analysts to hope the industry has seen the worst, at least from an operational management perspective.

The Fund continues to reduce its exposure to L/S equity managers and is therefore becoming less directionally exposed to asset (more specifically equity) markets. The Fund remains well diversified with exposure to many different alternative investment strategies.



Pension Plan performance per profile
BF&M - Pension Plan as at the 30th June 2009

	Fund Allocations (%)				Performance Period			
	BF&M GIA	Select: Equity Class	Select: Fixed Income Class	Select: Alternative Class		% change		Annualized
						1H 2009	1 Year	
Profile Returns:	Weighted Average Return: Per Profile							
<i>Interest Rate Profile</i>								
All Ages	100%	0%	0%	0%	100%	1.4%	3.2%	3.1%
<i>Conservative Profile</i>								
Age 18 - 34	20%	50%	30%	0%	100%	6.2%	-16.8%	2.2%
Age 35 - 44	20%	40%	40%	0%	100%	5.8%	-13.7%	2.4%
Age 45+	40%	25%	35%	0%	100%	4.5%	-8.0%	2.6%
<i>Moderate Profile</i>								
Age 18 - 34	0%	60%	35%	5%	100%	7.3%	-21.3%	2.0%
Age 35 - 44	15%	45%	35%	5%	100%	6.1%	-15.9%	2.3%
Age 45+	20%	35%	40%	5%	100%	5.6%	-12.6%	2.5%
<i>Aggressive Profile</i>								
Age 18 - 34	0%	70%	20%	10%	100%	7.7%	-24.7%	1.9%
Age 35 - 44	5%	60%	25%	10%	100%	7.1%	-21.4%	2.1%
Age 45+	10%	50%	30%	10%	100%	6.5%	-18.1%	2.2%