

**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.

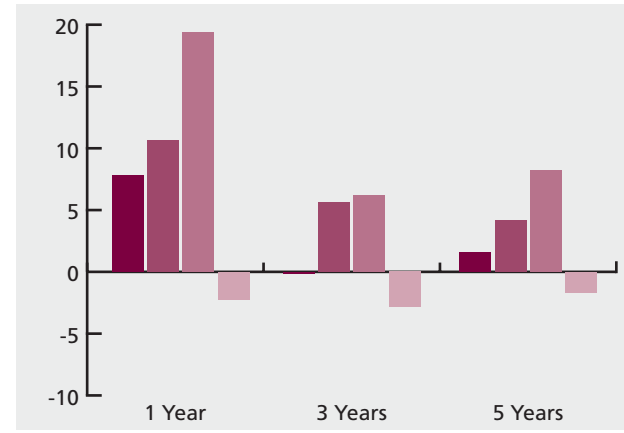
**Fund Review**

The net asset value (NAV) per share of the Fund increased to \$15.82 from \$15.60 over the quarter, an increase of 1.41% while the index gained 4.44%.

A flight to quality was the story for the quarter (the cause for the short term underperformance of the fund.) Continued doubts as to the strength of the "Global" recovery continue with talks of a Double Dip recession in the Eurozone growing stronger. Yields on the 5 and 10 year US Treasury Bonds declined by 77bps and 90 bps, respectively, for the quarter and the US Treasury yield curve flattened towards the end of Q2; as credit concerns and the lower economic growth outlook remain. The Quantitative Easing strategy in Europe has started with little fanfare and we have doubts whether it will be enough going forward. Credit spreads widened briefly during the quarter; but seemingly have settled in for the time being. We will continue to remain cautious and liquid until we have more visibility on the Global economic situation.

Activity in the fund was again limited this month. The only transaction has been our investment in the Western Asset Emerging Market Debt fund; a switch out of PCY; an ETF of Emerging Market Sovereign. We believe the Flexibility of this fund will benefit Unitholders in the future. The underweight position reflects the firm's recent view on the sector. We have maintained our short duration (vs the Benchmark) strategy. Average Credit quality remains AAA and we have no currency exposure in the fund.

**Comparative Performance**



■ Fund ■ Sector Average  
■ Best Fund in Sector ■ Worst Fund in Sector

**Average Annual Compound Returns**

1 Year	3 Years	5 Years	7 Years	10 Years
7.77%	0.23%	1.59%	1.86%	n/a

**Top 10 Holdings**

	Fund (%)
1. Vanguard US Gov Bond	34.6%
2. Vanguard Eur Investment Grade Index	15.8%
3. PIMCO Total Return Fund	13.5%
4. Vanguard Euro Gov Bond Index	7.1%
5. Butterfield Money Market	4.9%
6. PIMCO Global Investment Grade Fund	6.7%
7. Vanguard US Agency MortgageSec Index	6.5%
8. Vanguard US Investment Grade Index	5.4%
9. WA EM Debt Fund	4.4%
10. n/a	

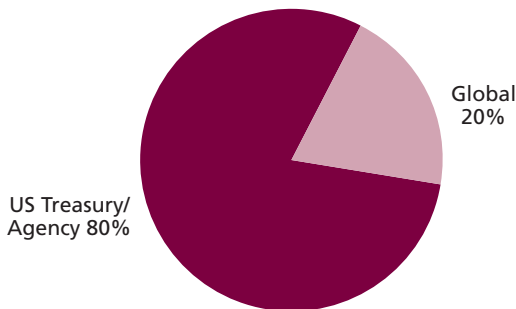
**Benchmark Composition**

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

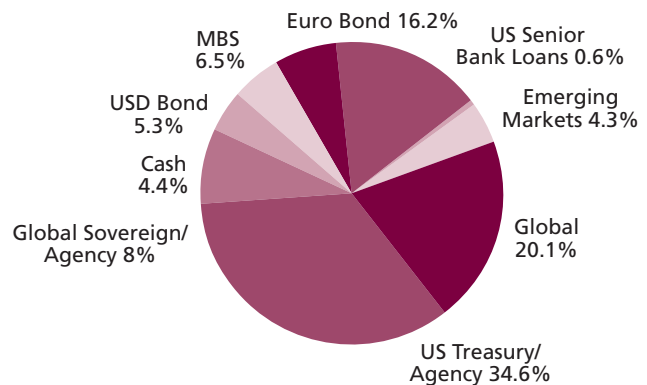
**Average Duration and Credit Rating**

**Duration:** 4.6 years  
**Credit Rating:** AAA

**Benchmark Allocation**



**Asset Breakdown Actual**



**General Information**

**Currency:** USD  
**Units Available:** Accumulation  
**Size of Fund (millions):** USD 89.9

**Fiscal Year End:** June 30<sup>th</sup>  
**Min. Investment:** USD 10,000  
**Valuation:** Thursday

**Dealings:** Friday  
**Total Expense Ratio:** 1.20%  
**NAV per share (30.06.2010):** USD 15.82

**Front End Fee:** None  
**Identifier:** BUTSLFX BH