Butterfield US$ Bond Fund Limited

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2009 AND 2008

To the Shareholders:

We are pleased to present the Annual Report of the Fund for the twelve months ended June 30th 2009. The net asset value per share on the Class A shares, after dividends and fees, decreased from $10.117 to $9.638 over the past year. The Class B shares decreased from $10.243 to $9.786. The Fund paid out dividends of $0.38 per share during the year.

On a total return basis after fees and including dividends, the Class A shares of the Fund delivered a return of -0.85% for the twelve months ended June 30th 2009. Owing to a lower management fee structure, the Class B shares of the fund delivered a return of -0.62% over the same period.

The net asset value of the Fund stood at $49.96 million at June 30th 2009, a decrease of $21.24 million for the year. Approximately half of the redemptions came in the volatile period following the collapse of Lehman Brothers and AIG. The Fund continues to benefit from a large and diversified shareholder base.

In November 2008, we began to take steps to reduce the overall risk profile of the Fund, while providing for a significant amount of liquidity, primarily by selling longer-dated positions as interest rate and credit markets recovered at the end of last year. As a result, the Board of the Fund decided to permanently change the strategy to a lower level of risk and moved to a benchmark that appropriately measures the new average life of the portfolio of approximately 2.5 years. The composition of the new benchmark is almost identical to the previous index but simply has a lower duration. It is the Merrill Lynch 1-5 Year Government and Corporate A-Rated and Above Index.

The Fund's disciplined and conservative investment style ensured that its AA-f bond fund credit rating and S2 bond fund volatility rating were assigned again by the officially recognized rating agency, Standard and Poor's.

Fund Review

This fiscal year was a truly remarkable period in the financial markets. The credit crisis that we were in the middle of in June 2008 morphed into a global economic recession, with the US at the epicenter in terms of the length and severity of recession. As we write, we are in the 18th month of this recession, widely acknowledged to be the worst in the post-Depression era. We witnessed a spectacular Government policy failure with the Lehman bankruptcy, as well as historic policy intervention in a fiscal and monetary capacity – this is ongoing.

The Federal Reserve has effectively lowered the Fed Funds Rate to zero and this zero interest policy is due to last throughout the remainder of 2009, at a minimum. In addition to this quite rare event in monetary policy, the Fed also embarked on a very large program (well over $1 Trillion) of Quantitative Easing, or outright purchases of Treasury, Agency and Agency Mortgage-Backed securities. The stated purpose of this program was to support credit markets and guide consumer mortgage rates lower. This has increased the size of the Fed's balance sheet to an enormous two trillion dollars, double what it was a year ago.

Historically low short-term rates drove the yield on the 2 year US Treasury from 2.62% to 0.90% after having touched a low of 0.65% in December 2008. The 10 year US Treasury has been quite volatile, but declined from 3.97% to 3.54% in the period and during the height of the flight to quality trend, got down to 2.05%. Owing to low interest rates, cash yields on virtually all short-term products remain close to zero.

The Fund's strategy towards interest rate risk began the fiscal year at 100% of benchmark duration and held that posture until Mid-May when we reduced our exposure to 90%. The Fed, despite the quantitative easing program was clearly unable to contain the weight of Treasury selling that is coming from a re-allocation back to risky assets (more on that below) as well as nervous investors looking at the size of the fiscal deficit and the mountain of Treasury issuance to come.

The Fund, in this cycle of credit widening, experienced a higher degree of volatility than throughout its previous history. During the last part of 2008 and throughout 2009, we have been focused on lowering credit risk as we have seen improvements in markets. As we have decreased corporate and securitized exposure, we have added to positions in bonds that are explicitly or implicitly guaranteed by G-10 Governments.

Fund Outlook & Strategy

In last year's comments we posited that the headwinds facing consumers were daunting and that further retrenchment was likely. We have seen just that, accompanied by a very high (and rising) unemployment rate and a spectacular rise in the savings rate. We believe that fundamental weakness in the US economy will continue, not at the highly destructive pace that we saw in the fourth quarter of 08 or the first quarter of 09, but nonetheless more of an "L-Shaped" recovery. The Fed's dual mandate for supporting trend growth and containing inflation will lead it to keep rates low for some time to come, as core and headline inflation are still falling – the threat of deflation is still higher than that of inflation.

We remain invested in the spread sectors of the US bond market, but we have not added to our long-term holdings and we will continue to remain cautious. Credit spreads have tightened materially, as evidenced by our 2nd Quarter 2009 performance, but one must be careful not to equate a market correction from oversold conditions with strong economic or corporate recovery. From these goals we still feel there is a longer road ahead.

Curtis Dickinson
President
Butterfield Bermuda Fund Limited

October 7, 2009

AUDITORS’ REPORT TO THE SHAREHOLDERS

We have audited the accompanying statements of net assets of Butterfield US$ Bond Fund Limited ("the Fund"), including the statements of portfolio investments, as at June 30, 2009 and 2008, and the statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our resposibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada and Bermuda. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2009 and 2008, and the results of its operations and the changes in its net assets for the years then ended, in accordance with accounting principles generally accepted in Canada and Bermuda.

Deloitte + Touche

DELOITTE & TOUCHE
Chartered Accountants
Hamilton, Bermuda

October 7, 2009

DIRECTORS

Sheila Brown
Curtis Dickinson
Robert J.Stewart (Resigned on November 21, 2008)
Ian Coulman (Resigned on July 20, 2009)

INVESTMENT ADVISOR

Butterfield Asset Management Limited
P.O. Box HM 195
Hamilton HM AX
Bermuda

CUSTODIAN

Butterfield Trust (Bermuda) Limited
P.O. Box HM 195
Hamilton HM AX
Bermuda

REGISTRAR, TRANSFER AGENT AND ADMINISTRATOR

Butterfield Fulcrum Group (Bermuda) Limited
P.O. Box HM 195
Hamilton HM AX
Bermuda

AUDITORS

Deloitte & Touche
P.O. Box HM 1556
Hamilton HM FX
Bermuda

STATEMENTS OF NET ASSETS
As at June 30, 2009 and 2008
(Expressed in US Dollars)

		2009		2008
ASSETS		**2009**		2008
Investments, at current value (Cost 2009 - $53,865,737; 2008 - $72,497,371)	**$**	**49,312,001**	$	70,674,981
Accrued interest receivable		**431,438**		817,093
Cash and cash equivalents		**929,941**		566,088
Prepaid expenses		**4,562**		5,968
		50,677,942		72,064,130
LIABILITIES				
Dividends payable		**516,742**		701,053
Accrued expenses		**92,508**		166,824
Subscriptions received in advance		**100,000**		**-**
		709,250		867,877
		49,968,692		71,196,253
Organisational shares		**12,000**		12,000
FUND NET ASSETS	**$**	**49,956,692**	$	71,184,253
NET ASSETS AVAILABLE TO CLASS A SHAREHOLDERS	**$**	**39,829,100**	$	50,230,148
Number of common shares in issue Class A		**4,132,570**		4,964,774
NET ASSET VALUE PER COMMON SHARE CLASS A	**$**	**9.638**	$	10.117
NET ASSETS AVAILABLE TO CLASS B SHAREHOLDERS	**$**	**10,127,592**	$	20,954,105
Number of common shares in issue Class B		**1,034,860**		2,045,754
NET ASSET VALUE PER COMMON SHARE CLASS B	**$**	**9.786**	$	10.243

Signed on Behalf of the Board

DIRECTOR

DIRECTOR

The accompanying notes are an integral part of these financial statements

STATEMENTS OF PORTFOLIO INVESTMENTS
As at June 30, 2009 and 2008
(Expressed in US Dollars)

Investment	2009 Nominal	2009 Current Value	2009 % of Portfolio	2008 Nominal	2008 Current Value	2008 % of Portfolio
Corporate and Government Securities						
Allied Irish Bank 3% 16/8/10	**1,000,000**	**$ 1,004,470**	**2.04%**	-	$ -	-
Bank Nederlandse Gemeenten 3.38% 15/5/13	**-**	**-**	**-**	2,000,000	1,939,300	2.74%
BP Capital Markets PLC 5.25% 7/11/13	**1,000,000**	**1,076,000**	**2.18%**	-	-	-
CIT Holdings Inc 4.65% 1/7/10	**-**	**-**	**-**	1,000,000	836,410	1.18%
CIT Holdings Inc 5.4% 13/2/12	**-**	**-**	**-**	1,500,000	1,190,734	1.68%
Citigroup Holdings Inc 5.625% 27/8/12	**1,500,000**	**1,404,351**	**2.85%**	3,000,000	2,951,433	4.18%
Corp Andina De fomento 7.375% 18/1/11	**-**	**-**	**-**	1,390,000	1,470,555	2.08%
Corp Andina De fomento 6.875% 15/3/12	**-**	**-**	**-**	460,000	482,402	0.68%
Dexia Credit 2.375% 23/9/11	**1,000,000**	**1,003,850**	**2.04%**	-	-	-
Eurohypo SA Lux 4.25% 13/5/10	**1,449,000**	**1,439,466**	**2.92%**	-	-	-
European Investment Bank 3% 8/4/14	**1,500,000**	**1,497,000**	**3.04%**	-	-	-
Export Development Canada 3.125% 24/4/14	**1,000,000**	**1,002,880**	**2.03%**	-	-	-
Fannie Mae 6.25% 1/2/11	**-**	**-**	**-**	2,000,000	2,096,875	2.97%
Fannie Mae 3.25% 25/2/11	**-**	**-**	**-**	1,500,000	1,491,094	2.11%
Fannie Mae 5.125% 2/1/14	**1,000,000**	**1,018,350**	**2.07%**	2,900,000	2,893,656	4.09%
Federal Home Loan Bank 5.875% 21/3/11	**-**	**-**	**-**	2,000,000	2,105,625	2.98%
Freddie Mac 4.875% 13/6/18	**-**	**-**	**-**	1,500,000	1,508,670	2.13%
General Electric Capital Corp 5% 15/1/10	**550,000**	**557,662**	**1.13%**	-	-	-
General Electric Capital Corp 5.25% 19/10/12	**1,500,000**	**1,539,900**	**3.12%**	2,500,000	2,524,750	3.57%
Genworth Life 5.875% 3/5/13	**1,745,000**	**1,587,950**	**3.22%**	2,200,000	2,167,271	3.07%
Glitnir Bank 4.75% 15/10/10	**1,500,000**	**127,950**	**0.26%**	1,500,000	1,302,851	1.84%
Goldman Sachs 5.45% 1/11/12	**1,000,000**	**1,040,800**	**2.11%**	3,000,000	3,000,690	4.25%
Household Finance 4.125% 16/11/09	**1,000,000**	**1,005,519**	**2.04%**	-	-	-
HSBC Finance Corp 5.7% 6/1/11	**-**	**-**	**-**	2,000,000	2,016,032	2.85%
Hypo Pfandbrief Bank 5% 10/4/11	**2,025,000**	**1,752,860**	**3.55%**	3,375,000	3,438,585	4.88%
International Lease 5.35% 3/1/12	**1,000,000**	**780,552**	**1.58%**	2,750,000	2,474,010	3.50%
JP Morgan Chase 6.625% 15/3/12	**-**	**-**	**-**	2,800,000	2,906,680	4.11%
Ladesbank Baden-Wurttemberg 3.75% 24/09/09	**1,211,000**	**1,216,922**	**2.47%**	-	-	-
Macquarie Bank Limited 4.1% 17/12/13	**1,000,000**	**1,025,140**	**2.08%**	-	-	-
Metropolitan Life 5.125% 10/4/13	**-**	**-**	**-**	1,500,000	1,477,032	2.09%
Metropolitan Life 5.125% 10/6/14	**1,000,000**	**992,218**	**2.01%**	-	-	-
National Australia Bank 8.6% 19/5/10	**1,000,000**	**1,049,200**	**2.13%**	-	-	-
National Australia Bank 5.35% 12/6/13	**-**	**-**	**-**	1,400,000	1,393,000	1.97%
Network Rail Infrastructure 3.5% 17/6/13	**1,000,000**	**1,018,700**	**2.07%**	-	-	-
New York Life Global 4.625% 16/8/10	**425,000**	**433,894**	**0.88%**	-	-	-
Ontario Province 4.1% 16/6/14	**1,000,000**	**1,019,809**	**2.07%**	-	-	-
Pricoa Global Funding 5.4% 18/10/12	**1,000,000**	**996,846**	**2.02%**	2,000,000	1,996,570	2.83%
Rabobank Nederland 3.375% 19/2/13	**1,000,000**	**1,010,900**	**2.05%**	-	-	-
Sea River Maritime 0% 1/9/12	**-**	**-**	**-**	3,000,000	2,470,068	3.49%
SFEF 3.375% 5/5/14	**1,500,000**	**1,504,245**	**3.05%**	-	-	-
Swedish Housing 3.125% 23/3/12	**1,000,000**	**1,017,460**	**2.06%**	-	-	-
Toyota Motor Credit Corp 4.23% 29/1/10	**362,000**	**368,150**	**0.75%**	-	-	-
Toyota Motor Credit Corp 4.25% 27/10/09	**805,000**	**810,812**	**1.64%**	-	-	-
United States Treasury 3.5% 31/5/13	**-**	**-**	**-**	3,000,000	3,022,266	4.28%
		$ 30,303,856	**61.46%**		$ 49,156,559	69.55%

The accompanying notes are an integral part of these financial statements

STATEMENTS OF PORTFOLIO INVESTMENTS (CONT'D)
As at June 30, 2009 and 2008
(Expressed in US Dollars)

Investment	Nominal	2009 Current Value	% of Portfolio	Nominal	2008 Current Value	% of Portfolio
Mortgage Backed Securities						
Ameriquest Mtg Secs 2005-R9 25/11/35	1,590,000	$ 1,013,625	2.06%	1,590,000	$ 1,465,555	2.07%
C-BASS ABS LLC 2005-CB8 25/12/35	947,079	583,529	1.18%	1,000,000	931,331	1.32%
GS Mortgages 2001-LIB 14/2/16	2,300,000	2,478,982	5.03%	2,300,000	2,434,214	3.44%
JP Morgan Chase 4.27% 15/5/41	32,728	32,628	0.07%	345,021	344,139	0.49%
JP Morgan Com 2005-CIBC 12/1/43	2,135,000	1,934,225	3.92%	2,135,000	2,104,952	2.98%
Residential Asset 4.97% 25/9/33	2,377,649	1,728,195	3.50%	2,712,612	2,386,251	3.38%
Wachovia Bank 5.109% 15/12/35	2,500,000	1,952,963	3.96%	2,500,000	2,418,143	3.42%
Wachovia Bank 5.345% 15/1/41	750,000	400,412	0.81%	750,000	676,241	0.96%
Wells Fargo HEQ 2004-2 4.89% 25/11/28	1,500,000	1,184,522	2.40%	1,500,000	1,433,623	2.03%
		11,309,081	22.93%		14,194,449	20.09%
Asset Backed Securities						
Capital One Auto 2005-C 4.61% 15/7/10	-	-	-	642,334	640,968	0.91%
GNMA 2005-90 3.76% 16/9/28	201,956	205,747	0.42%	-	-	-
GNMA 2006-68 3.888% 16/7/26	1,498,897	1,528,823	3.10%	-	-	-
GNMA Remic Trust 2005-87 16/1/28	-	-	-	3,545,000	3,533,005	5.00%
Harley-Davidson Motorcycle Trust 2005-3 4.41% 15/6/12	435,841	443,138	0.90%	-	-	-
Hertz 2005-1 A6 5.08% 25/11/11	1,000,000	947,394	1.92%	1,800,000	1,620,000	2.29%
Hertz 2005-2 A6 5.08% 25/11/11	1,700,000	1,658,529	3.36%	1,700,000	1,530,000	2.16%
		4,783,631	9.70%		7,323,973	10.36%
Floating Rate Notes						
Monument Global Funding 15/1/10	1,000,000	925,000	1.88%	-	-	-
Morgan Stanley 14/5/10	1,000,000	997,083	2.02%	-	-	-
Pricoa Global Funding 15/1/10	1,000,000	993,350	2.01%	-	-	-
		2,915,433	5.91%	-	-	-
TOTAL INVESTMENTS AT CURRENT VALUE (Cost 2009 - $53,865,737; 2008 - $72,497,371)		$ 49,312,001	100.00%		$ 70,674,981	100.00%

The accompanying notes are an integral part of these financial statements

STATEMENTS OF OPERATIONS
For the years ended June 30, 2009 and 2008
(Expressed in US Dollars)

		2009		2008
INVESTMENT INCOME				
Interest	**$**	**3,145,336**	$	4,212,944
EXPENSES				
Management fee		**246,618**		344,992
Registrar & transfer agent fee		**67,508**		132,437
Accounting fee		**57,720**		63,882
Custodian fee		**51,140**		83,929
Miscellaneous		**38,623**		8,902
Audit fee		**20,445**		14,890
Government fee		**11,921**		8,993
Secretarial fee		**9,804**		11,228
Advertising		**3,423**		22,642
		507,202		691,895
NET INVESTMENT INCOME		**2,638,134**		3,521,049
NET REALISED AND UNREALISED (LOSS) GAIN ON INVESTMENTS				
Net realised (loss) gain on investments		**(1,365,259)**		582,273
Net change in unrealised loss on investments		**(2,731,346)**		(396,519)
NET (LOSS) GAIN ON INVESTMENTS		**(4,096,605)**		185,754
NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$**	**(1,458,471)**	$	3,706,803

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CHANGES IN NET ASSETS
For the years ended June 30, 2009 and 2008
(Expressed in US Dollars)

		2009		2008
NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	**$**	**(1,458,471)**	$	3,706,803
DISTRIBUTIONS TO INVESTORS				
Dividends paid and payable		**(2,174,603)**		(3,168,179)
CAPITAL STOCK TRANSACTIONS				
Proceeds on the issue of shares		**4,611,648**		10,129,909
Payment on the redemption of shares		**(22,206,135)**		(24,280,817)
Net capital stock transactions		**(17,594,487)**		(14,150,908)
NET DECREASE IN NET ASSETS FOR THE YEAR		**(21,227,561)**		(13,612,284)
NET ASSETS - BEGINNING OF YEAR		**71,184,253**		84,796,537
NET ASSETS - END OF YEAR	**$**	**49,956,692**	$	71,184,253

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008
(Expressed in US Dollars)

1. ABOUT THE FUND

Butterfield US$ Bond Fund Limited (the "Fund"), is an open-ended investment company which was incorporated under the laws of Bermuda on May 26, 1992.

The Fund commenced operations on July 1, 1992. Butterfield Trust (Bermuda) Limited, acts as Custodian. Butterfield Asset Management Limited acts as Investment Advisor. Butterfield Fulcrum Group (Bermuda) Limited acts as Registrar and Transfer Agent and as Accountants for the Fund. Butterfield Trust (Bermuda) Limited and Butterfield Asset Management Limited are wholly owned subsidiaries of The Bank of N.T. Butterfield & Son Limited (the "Bank"), and the Bank also holds a significant interest in Butterfield Fulcrum Group (Bermuda) Limited.

The investment objective of the Fund is to maximise total returns whether through income or capital gains by investing in medium to high grade US dollar denominated debt securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and Bermuda. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund.

a) Valuation of Investments

Portfolio securities listed on an exchange are valued at the last traded price reported by the principal securities exchange on which the issue is traded or, lacking any sales, at the closing bid prices. Over the counter securities are valued on the basis of the mean between the current bid and ask prices on that date. Securities which are not listed on a national securities exchange or reported on other national markets, but which are traded among broker-dealers and other institutional investors in over-the-counter markets are recorded at fair value using current market quotations provided by such broker-dealers and, where available, external pricing sources. The net change during the year between these amounts and cost is shown as unrealized gain (loss) on investments.

The requirements of the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement ("CICA 3855"), became effective for fiscal years beginning on or after October 1, 2006. CICA 3855 prescribes specific guidance for establishing fair values under GAAP, including the use of bid prices for long positions and ask prices for short positions for investments quoted in active markets. Where active markets do not exist, fair values are established using a fair valuation technique. Prior to the adoption of CICA 3855, fair values were based on last traded or closing prices or based on management's best estimate where market quotations were not reliable or available.

CICA 3855 also requires that transaction costs (such as brokerage commissions) incurred on portfolio transactions be recognized immediately in net income and presented as a separate expense item in the financial statements. Prior to the adoption of CICA 3855, transaction costs were included in the average cost of investments or as a reduction in the proceeds on the disposition of investments. Transaction costs were recognized immediately in net assets and results of operations, but were not presented as a separate line item.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008
(Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

a) Valuation of Investments (Cont'd)
Had the Fund used the bid prices for long positions, as prescribed by CICA 3855, the current value of investments and fund net assets would have decreased by $539,421 (2008: $440,681) and the net asset value per common share would have decreased by $0.1042, for Class A, and $0.1052, for Class B (2008: Class A - $0.0630; Class B - $0.0625).

b) Investment Transactions and Income Recognition
Investment transactions are accounted for on the trade date. Gains or losses arising from the sale of investments are determined using the average cost basis. Income from investments is recorded on the accrual basis. Interest income is recorded as earned.

c) Cash and Cash Equivalents
Cash equivalents are comprised primarily of shares in the Butterfield Money Market Fund Limited, an affiliated money market fund, denominated in US$ shares. Shares may be redeemed on a same day notice. The value of the holding at June 30, 2009 was $929,927 (2008 - $566,088).

d) Financial Assets and Liabilities
In addition to the estimated fair values of investments as disclosed in the statements of portfolio investments, the estimated fair value of the Fund’s other financial instruments, including cash and cash equivalents, accrued interest receivable, dividends payable and accrued expenses approximate their carrying value.

e) Adoption of New Accounting Standards
CICA Handbook Institute of Chartered Accountants ("CICA") issued CICA Handbook Section 1535, Capital Disclosure, effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The main objective of this new standard is to disclose information about a legal entity's capital and how it is managed. The adoption of this standard did not have an impact on the Fund's results.

The CICA issued CICA Handbook Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation effective for financial statements relating to fiscal years beginning on or after October 1, 2007. These standards provide comprehensive disclosure and presentation requirements for financial instruments and have been adopted by the fund for the current fiscal year.

3. RISK MANAGEMENT
The Funds' overall risk management approach includes formal guidelines to govern the extent of exposure to various types of risk. The Investment Advisor also has various internal controls to oversee the Funds' investment activities, including monitoring compliance with the investment objective and strategies, internal guidelines and securities regulations.

Credit Risk
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The value of such securities on the Statement of Portfolio Investments includes consideration of the creditworthiness of the issuer, and, accordingly represents the maximum credit risk exposure of the Fund.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008
(Expressed in US Dollars)

3. RISK MANAGEMENT (CONT'D)

Currency Risk

Currency risk is the risk that the value of an investment will fluctuate due to changes in foreign exchange rates. When the Fund enters into transactions which are denominated in currencies other than the Funds' reporting currency the Investment Advisor attempts to mitigate the associated currency risk in accordance with the above mentioned guidelines which may include the use of forward currency contracts.

Interest Rate Risk

Prices of fixed income securities generally increase when interest rates decline, and decrease when interest rates rise. This risk is known as interest rate risk.

Liquidity Risk

The Fund is exposed to liquidity risk by way of cash redemptions of redeemable units. The Fund retains sufficient cash and cash equivalents and has a credit facility available to maintain adequate liquidity to address this risk.

Other price/market risk

Other price/market risk is the risk that the value of investments will fluctuate as a result of market conditions. The Investment Advisor attempts to mitigate price/market risk by selecting appropriate portfolio investments based on the Fund's strategy.

4. SHARES ISSUED AND OUTSTANDING

The authorised capital stock is as follows:
12,500,000 Class A common shares of a par value of $0.10 each
12,500,000 Class B common shares of a par value of $0.10 each
120,000 organisational shares of a par value of $0.10 each

Details of shares issued and outstanding during the year are as follows:

	2009		2008	
Common Shares	**Class A**	**Class B**	Class A	Class B
Balance - beginning of year	**4,964,774**	**2,045,754**	5,346,225	3,018,947
Issue of common shares	**408,956**	**63,515**	836,451	141,410
Redemption of common shares	**(1,241,160)**	**(1,074,409)**	(1,217,902)	(1,114,603)
Balance - end of year	**4,132,570**	**1,034,860**	4,964,774	2,045,754
Organisational shares	**120,000**	**-**	120,000	-

Common shares are allotted to subscribers at a value determined by reference to the weekly valuation of the net assets of the Fund. Common shares may be redeemed for an amount equal to the net asset value per share as at the close of business on the Valuation Day, following receipt of the properly completed request for redemption, subject to the power of the directors to deduct therefrom an amount sufficient in their opinion to meet sale and fiscal charges incurred in realising assets to provide funds to meet the request. The Fund opened the institutional Class B on April 27, 2005. The organisational shares are owned by the Investment Advisor.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008
(Expressed in US Dollars)

5. DIVIDENDS

Dividends declared by the Fund on Class A and B shares were as follows:

		2009		2008	Payment Date
$.10 per share (2008 $.10 per share)	**$**	**666,821**	$	835,777	October 2, 2008
$.10 per share (2008 $.10 per share)		**554,655**		822,241	January 6, 2009
$.08 per share (2008 $.10 per share)		**436,385**		809,108	April 2, 2009
$.10 per share (2008 $.10 per share)		**516,742**		701,053	July 7, 2009
	$	**2,174,603**	$	3,168,179	

6. NET REALISED (LOSS) GAIN ON INVESTMENTS

The net realised (loss) gain on sale of investments was as follows:

		2009		2008
Proceeds on sale of investments	**$**	**84,699,612**	$	80,660,259
Less cost of investments sold:				
Investments owned at beginning of year		**72,497,371**		85,198,068
Investments purchased during year		**67,433,237**		67,377,289
Investments owned at end of year		**(53,865,737)**		(72,497,371)
Investments sold during year		**86,064,871**		80,077,986
Net realised (loss) gain on investments	**$**	**(1,365,259)**	$	582,273

7. RELATED PARTY TRANSACTIONS

a) Management Fee

Under the terms of the Management Agreement, the Investment Advisor is entitled to receive a monthly fee calculated at the rate of no more than 1% per annum of the average valuation of the net assets of the Fund carried out on the Valuation Days during each month. Presently, the monthly fee is calculated at the rate of 0.5% per annum for the class A shares and 0.25% per annum for the class B shares. The fee of the Investment Advisor is reduced to take account of the management fee already levied on assets held in shares of other funds managed by the Investment Advisor.

b) Custodian Fee

Under the Custodian Agreement, the Custodian is entitled to receive a quarterly fee calculated at the rate of 0.1% per annum of the Fund's invested assets, including cash and unsettled trades, in accordance with the custodian's published fee schedule.

c) Accounting Fee and Registrar and Transfer Agent Fee

Accounting fees and Registrar and Transfer Agent fees were charged at a rate of 20 basis points per annum up to $100 million of the net asset value of the Fund and 2.5 basis points on the excess, and is accrued on a weekly basis.

d) Corporate Secretarial Fee

Corporate secretarial fees are charged on a time spent basis at their normal rates.

NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2009 and 2008
(Expressed in US Dollars)

7. RELATED PARTY TRANSACTIONS (CONT'D)

e) Credit Facility

On May 15, 2008, the Fund entered into a revolving standby credit facility with the Bank of $0.5 million to a maximum of 10% of the Fund's net asset value which expired on April 30, 2009. The facility is intended to assist the Fund in meeting short term liquidity. The facility was renewed on June 17, 2009 and expires on March 31, 2010. The interest rate on the facility will be determined at the time the facility is utilized. No amounts were drawn on the facility at June 30, 2009. Amounts borrowed by the Fund are secured against the assets of the Fund.

8. TAXATION

Under current Bermuda law the Fund is not required to pay any taxes in Bermuda on either income or capital gains. The Fund has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed the Fund will be exempted from taxation until the year 2016.

9. FINANCIAL HIGHLIGHTS

Per Share Information	**2009**		2008	
	CLASS A	**CLASS B**	CLASS A	CLASS B
Net asset value - beginning of year	**$ 10.117**	**$ 10.243**	$ 10.102	$ 10.198
Income from investment operations				
Net investment income	**0.477**	**0.490**	0.430	0.455
Net realised and unrealised loss on investments	**(0.576)**	**(0.567)**	(0.015)	(0.010)
Total from investment operatio	**(0.099)**	**(0.077)**	0.415	0.445
Distributions to investors	**(0.380)**	**(0.380)**	(0.400)	(0.400)
Net asset value - end of year	**$ 9.638**	**$ 9.786**	$ 10.117	$ 10.243

Ratios / Supplemental Data	**CLASS A**	**CLASS B**	CLASS A	CLASS B
Total net assets - end of year ($thousands)	**39,829**	**10,128**	50,230	20,954
Weighted average net assets* ($thousands)	**42,140**	**14,570**	54,470	28,291
Ratio of expenses to weighted average net assets annualized	**1.188%**	**0.934%**	0.915%	0.672%
Portfolio turnover rate**	**122.45%**	**122.45%**	82.44%	82.44%
Annual rate of return***	**(0.85%)**	**(0.62%)**	4.11%	4.37%

* Weighted average net assets are calculated using net assets on the last valuation date of each month.

** Portfolio turnover rate is calculated for the total of Class A and B using the lesser of purchases or sales of investments for the year divided by the weighted average value of investments, calculated using the last valuation date of each month.

*** Annual rate of return for shareholders who reinvested dividends is calculated by comparing the end of year net asset value multiplied by the beginning of the year number of shares plus any shares from dividend reinvestments to the beginning of year net asset value multiplied by the beginning of the year number of shares.