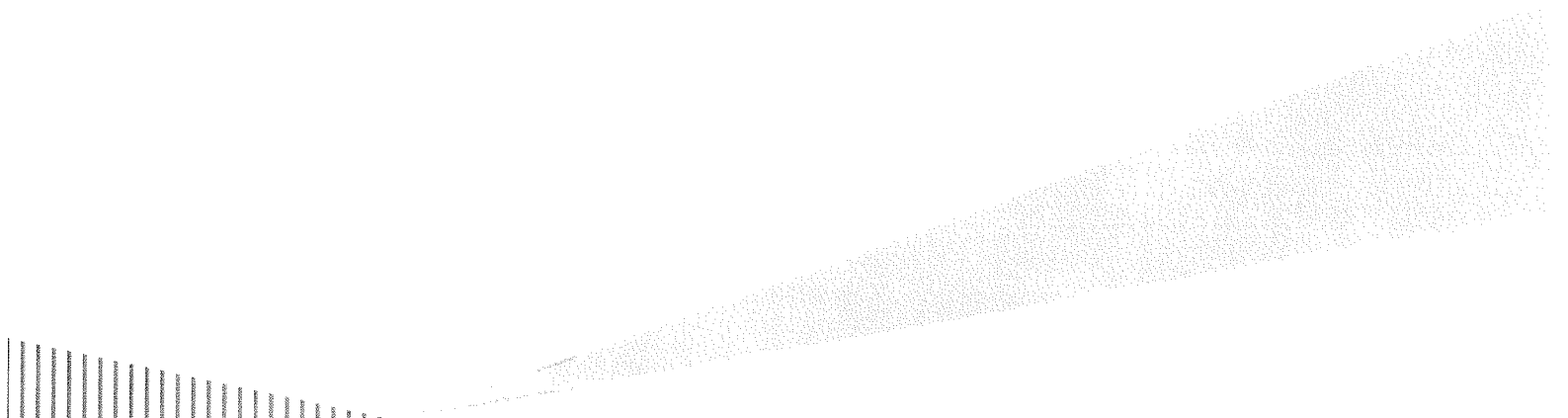


Butterfield US\$ Bond Fund Limited

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2014

Ernst & Young Ltd.



Building a better
working world

Butterfield US\$ Bond Fund Limited

To the Shareholders:

We are pleased to present the Annual Report of the Fund for the twelve months ended June 30, 2014. The net asset value per share on the Class A shares, after dividend distributions and fees, increased from \$10.385 to \$10.500 over the past year. Dividends were paid at a rate of 9.38 cents per share. The Class B shares increased from \$10.628 to \$10.744, after fees and dividends of 12.26 cents per share. Class C shares increased from \$10.295 to \$10.546 over the financial year. Unlike Classes A and B, Class C is an accumulating share class and does not pay dividends.

On a total return basis after fees and including dividends, the Class A shares of the Fund delivered a return of 2.01% for the twelve months ended June 30, 2014. Owing to lower management fee structures, the Class B shares of the Fund delivered a return of 2.25% over the same period, while Class C generated a return of 2.44%. All Classes performed better than the Fund's Benchmark Index, the BofA Merrill Lynch 1-5 Year AAA-A US Corporate and Government Index.

The net asset value of the Fund ended the financial year at \$123.7 million, increasing by +15% from the end of the previous financial year. The Fund continues to benefit from a large and diversified shareholder base.

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

Fund Review

Beginning in the months prior to the end of the 2013 fiscal year (June 30, 2013), interest rates had started to adjust to a new equilibrium that contemplated an end to Federal Reserve bond purchases; or the so-called quantitative easing. As a reminder, the Fed began its adventure into this form of market intervention back in November of 2008, so bringing it to a close is a relatively important development. In the context of the outsized influence the Fed has had for so many years in the long-term interest rate markets in the US, it did not come as a great surprise that interest rates reacted as they did. Indeed, the Fund has had a lower allocation to interest rate risk than its index for several years; years that saw 5 year Treasury rates move as low as 0.54%. The 5 year Treasury note yield ended the June 2013 fiscal year at 1.39% and ended the June 2014 fiscal year at 1.63%. Our performance has been enhanced, relative to our index, by this "underweight" position on interest rate risk and it remains valid and in place.

The other core position that the Fund has in place is an overweight position in credit risk versus its benchmark index. Our credit allocation has been the more important contributor to the Fund's good relative performance for the last few years. Apart from a period late in the prior fiscal year (June 2013), credit spreads versus US Treasuries have narrowed dramatically since the end of the credit crisis and are at or near record lows in most sectors that we invest in. Despite the low level of credit spreads, we remain constructive on corporate fundamentals and feel that the balance of risks still supports a continued overweight position.


Over the course of the financial year the US economy has continued to advance, although the pace of growth has not materially strengthened versus the last several years and it has remained volatile from one quarter to the next. Unemployment rates have come down markedly, with the most often quoted measure moving from 7.5% at June 2013, to 6.3% at the end of June 2014. We have forecasted growth for the calendar year 2014 at 2.5%, which is slightly stronger than our forecasts have been in prior years. Although the debt and solvency positions of a number of European nations remain precarious, the economic environment in the Eurozone has improved and is no longer in recession, a positive for the global economy. The UK is also contributing to stronger global growth and could be amongst the first of the G-7 to actually raise interest rates, a development we have not seen for some time.

Butterfield US\$ Bond Fund Limited

As of the end of the fiscal year the Fund had only a very small amount of BBB-rated exposure, highlighting the conservative, strong credit quality standards we adhere to. 70% of the Fund was rated AA or AAA as of the end of the year. The Fund is overweight supranational issuers, non-US sovereign guaranteed issuers and corporate issuers versus the benchmark index and is heavily underweight US Treasuries. The Fund also remains underweight interest rate risk, as mentioned above, with the portfolio at 85% of the benchmark.

Fund Outlook & Strategy

The US Fed should continue to reduce asset purchases through the summer and autumn of 2014, exiting the current phase of quantitative easing by the end of October 2014. The US economic environment should be broadly supportive of this strategy. The Fed should keep its sizable balance sheet of assets constant for a long period after outright purchases are completed and should continue its accommodative stance until it is absolutely certain that the economy has sufficient strength to continue growing without the aid of extremely low interest rates. Absent tangible evidence of a boost to inflation far above the Fed's comfort zone or rapidly rising inflation expectations, the Fed will only raise rates in small increments, most likely beginning after the first half of 2015. We are content with the Fund's current positioning and we have built in some positions that allow the Fund to protect capital in the event that the Fed raises rates sooner or more quickly than we anticipate.


Michael Neff
President
Butterfield US\$ Bond Fund Limited
October 9, 2014



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Hamilton, HM BX, Bermuda

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Independent Auditor's Report

The Shareholders and Directors
Butterfield US\$ Bond Fund Limited

We have audited the accompanying statement of net assets and statement of portfolio investments of Butterfield US\$ Bond Fund Limited (the "Fund") as at June 30, 2014, and the related statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian and Bermudian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian and Bermudian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2014, and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian and Bermudian generally accepted accounting principles.

October 9, 2014

Butterfield US\$ Bond Fund Limited

DIRECTORS

Michael Neff (President)
Daniel Frumkin
Nigel Garrard

INVESTMENT ADVISER

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

MUFG Fund Services (Bermuda) Limited*
The Belvedere Building**
69 Pitts Bay Road
Pembroke HM 08
Bermuda

*Effective September 30, 2013, Butterfield Fulcrum Group (Bermuda) Limited changed its name to MUFG Fund Services (Bermuda) Limited

**Effective July 30, 2014, MUFG Fund Services (Bermuda) Limited changed its address from
26 Burnaby Street
Hamilton HM 11
Bermuda

AUDITORS


Ernst & Young Ltd.
P.O. Box HM463
Hamilton HM BX
Bermuda


Butterfield US\$ Bond Fund Limited

STATEMENT OF NET ASSETS As at June 30, 2014 (Expressed in US Dollars)

	Notes	2014	2013
ASSETS			
Investments, at fair value (Cost: 2014 - \$116,523,657; 2013 - \$100,595,784)	3, 4	\$ 117,854,969	\$ 101,179,446
Cash and cash equivalents	2 c)	5,645,575	5,587,029
Interest receivable		918,585	904,023
Prepaid expenses		8,786	9,365
Due from broker	2 d)	2,552,125	-
		126,980,040	107,679,863
LIABILITIES			
Dividends payable	6	108,539	172,270
Accrued expenses	8, 9	90,121	83,538
Due to broker	2 d)	3,092,059	-
		3,290,719	255,808
		123,689,321	107,424,055
Organisational shares	5	12,000	12,000
FUND NET ASSETS		\$ 123,677,321	\$ 107,412,055
NET ASSETS AVAILABLE TO SHAREHOLDERS - CLASS A		\$ 27,468,979	\$ 32,965,792
Number of common shares in issue - Class A	5	2,615,997	3,174,376
NET ASSET VALUE PER COMMON SHARE - CLASS A		\$ 10.500	\$ 10.385
NET ASSETS AVAILABLE TO SHAREHOLDERS - CLASS B		\$ 22,352,367	\$ 20,604,094
Number of common shares in issue - Class B	5	2,080,419	1,938,686
NET ASSET VALUE PER COMMON SHARE - CLASS B		\$ 10.744	\$ 10.628
NET ASSETS AVAILABLE TO SHAREHOLDERS - CLASS C		\$ 73,855,975	\$ 53,842,169
Number of common shares in issue - Class C	5	7,002,948	5,229,970
NET ASSET VALUE PER COMMON SHARE - CLASS C		\$ 10.546	\$ 10.295

Signed on Behalf of the Board


DIRECTOR


DIRECTOR

The accompanying notes form an integral part of these financial statements.

Butterfield US\$ Bond Fund Limited

STATEMENT OF PORTFOLIO INVESTMENTS

As at June 2014

(Expressed in US Dollars)

INVESTMENT	2014			2013		
	Nominal	Fair Value	% of Portfolio	Nominal	Fair Value	% of Portfolio
Corporate and Government Securities						
3M Company 4.375% 08/15/13	-	\$ -	-	1,000,000	\$ 1,004,703	0.99%
Anheuser-Busch InBev Fin 2.150% 02/01/19	1,000,000	1,006,086	0.85%	-	-	-
Australia & New Zealand Banking Group 2.400% 11/23/16	2,060,000	2,132,028	1.81%	2,250,000	2,328,525	2.30%
Australia & New Zealand Banking Group NY 1.250% 01/10/17	500,000	503,083	0.43%	-	-	-
Bank of America Corp 7.375% 05/15/14	-	-	-	2,500,000	2,630,213	2.60%
Bank of America Corp Flt 01/15/19	3,000,000	3,038,535	2.58%	-	-	-
Bank of Nova Scotia 2.550% 01/12/17	-	-	-	1,650,000	1,698,205	1.68%
Barclays Bank Plc 2.500% 02/20/19	1,000,000	1,012,905	0.86%	-	-	-
Barclays Bank Plc 3.900% 04/07/15	1,505,000	1,544,734	1.31%	1,505,000	1,574,445	1.56%
Barclays Bank Plc 5.000% 09/22/16	50,000	54,348	0.05%	50,000	55,239	0.05%
Bear Stearns Co 5.3% 30/10/2015	2,500,000	2,649,998	2.25%	2,500,000	2,729,320	2.70%
Berkshire Hathaway Inc. 4.850% 01/15/15	1,000,000	1,024,773	0.87%	1,000,000	1,064,417	1.05%
BK Nederlandse Gemeenten 1.375% 09/27/17	3,000,000	3,022,251	2.55%	3,000,000	2,964,579	2.93%
BP Capital Markets Plc Flt 05/10/19	1,000,000	1,006,202	0.85%	-	-	-
BP Capital Markets Plc 1.846% 05/05/17	-	-	-	2,500,000	2,503,055	2.47%
Caisse Francaise De Fin 4.625% 05/30/17	432,949	471,785	0.40%	462,000	460,568	0.46%
Caisse Francaise De Fin 5.250% 02/16/17	2,540,000	2,783,738	2.36%	2,000,000	2,250,186	2.22%
CDP Financial 3.000% 11/25/14	1,000,000	1,010,474	0.86%	1,000,000	1,030,553	1.02%
CIE Financement Foncier 5.625% 06/19/17	3,040,000	3,422,158	2.90%	2,500,000	2,862,908	2.83%
Citigroup Inc Flt 05/15/18	3,050,000	3,168,081	2.69%	-	-	-
Citigroup Inc 6.375% 08/12/14	-	-	-	2,500,000	2,638,200	2.61%
Commonwealth Bank of Australia 1.875% 12/11/18	1,000,000	1,001,998	0.85%	-	-	-
Commonwealth Bank of Australia 3.750% 10/15/14	700,000	706,877	0.60%	700,000	727,090	0.72%
Corp Andina De Fomento 5.125% 05/05/15	240,000	247,857	0.21%	-	-	-
Corp Andina De Fomento 5.750% 01/12/17	2,430,000	2,691,728	2.28%	2,750,000	3,042,633	3.01%
Daimler International Finance BV 1.750% 04/10/18	-	-	-	2,500,000	2,439,770	2.41%
Daimler Finance NA LLC 2.375% 08/01/18	2,500,000	2,560,798	2.17%	-	-	-
Dexia Credit Local 2.75% 29/04/2014	-	-	-	2,225,000	2,262,358	2.24%
Dexia Credit Local SA NY 2.250% 01/30/19	3,200,000	3,244,240	2.75%	-	-	-
Exxon Mobil Corporation 1.819% 03/15/19	1,500,000	1,510,581	1.28%	-	-	-
Fannie Mae 1.875% 02/19/19	5,000,000	5,066,780	4.30%	-	-	-
Fannie Mae 2.375% 04/11/16	-	-	-	600,000	627,323	0.62%
Fannie Mae 4.625% 10/15/14	2,100,000	2,127,138	1.80%	2,100,000	2,216,867	2.19%
Freddie Mac 5.500% 08/23/17	3,000,000	3,414,957	2.90%	3,000,000	3,500,445	3.46%
General Electric Capital Corporation 5.625% 05/01/18	2,690,000	3,082,296	2.62%	2,250,000	2,580,759	2.55%
General Electric Capital Corporation Flt 06/20/14	-	-	-	1,200,000	1,198,794	1.18%
Goldman Sachs Group Inc 2.625% 01/31/19	2,000,000	2,027,184	1.72%	-	-	-
Goldman Sachs Group Inc 3.700% 08/01/15	340,000	350,682	0.30%	-	-	-
Goldman Sachs Group Inc Flt 11/15/18	2,000,000	2,027,316	1.72%	-	-	-
Goldman Sachs Group Inc 3.625% 02/07/16	-	-	-	1,500,000	1,565,792	1.55%
HSBC Bank Plc 3.100% 05/24/16	2,000,000	2,089,998	1.77%	2,000,000	2,098,356	2.07%
ING Bank NV 4.000% 03/15/16	2,500,000	2,627,833	2.23%	2,500,000	2,637,100	2.61%
ING Bank NV 5.125% 05/01/15	350,000	361,327	0.31%	-	-	-
Intl Bk Recon & Develop 0.000% 02/15/16	1,660,000	1,642,880	1.39%	1,660,000	1,613,161	1.59%
Intl Bk Recon & Develop 0.000% 05/01/18	250,000	231,672	0.20%	-	-	-
JPMorgan Chase & Co 5.150% 10/01/15	240,000	252,713	0.21%	-	-	-
Landesbank Baden-Wuerttemberg 2.000% 15/7/13	-	-	-	1,200,000	1,200,272	1.19%
Lloyds Bank Plc 2.300% 11/27/18	450,000	456,892	0.39%	-	-	-
Lloyds Bank Plc 4.375% 01/12/15	2,500,000	2,548,613	2.16%	2,500,000	2,611,875	2.58%
Massmutual Global Funding 2.000% 04/05/17	1,380,000	1,410,800	1.20%	1,380,000	1,382,836	1.37%
Massmutual Global Funding 2.100% 08/02/18	600,000	605,405	0.51%	-	-	-
Met Life Global Funding I 1.500% 01/10/18	1,550,000	1,538,935	1.31%	1,350,000	1,308,837	1.29%
Met Life Global Funding I 3.125% 01/11/16	1,650,000	1,711,243	1.45%	1,650,000	1,723,879	1.70%
Morgan Stanley 3.450% 11/02/15	2,500,000	2,586,753	2.19%	2,500,000	2,579,660	2.55%

The accompanying notes form an integral part of these financial statements.

Butterfield US\$ Bond Fund Limited

STATEMENT OF PORTFOLIO INVESTMENTS (CONTINUED)

As at June 2014

(Expressed in US Dollars)

	2014			2013		
	Nominal	Fair Value	% of Portfolio	Nominal	Fair Value	% of Portfolio
INVESTMENT (Continued)						
Corporate and Government Securities (continued)						
National Australia Bank 2.000% 02/22/19	2,735,000	\$ 2,743,689	2.33%	-	\$ -	-
National Australia Bank 2.750% 09/28/15	-	-	-	3,000,000	3,111,600	3.08%
Network Rail Infrastructure 1.5% 13/1/14	-	-	-	1,900,000	1,912,105	1.89%
Nord/LB Covered Fin Bank 5.375% 06/05/17	2,402,000	2,647,621	2.25%	1,752,000	1,954,083	1.93%
Pricoa Global Funding 1 1.600% 05/29/18	400,000	392,093	0.33%	-	-	-
Principal LFE GLB Fund II 2.250% 10/15/18	1,000,000	1,009,809	0.86%	-	-	-
Rabobank Nederland 2.500% 12/12/13	-	-	-	1,900,000	1,916,302	1.89%
Rabobank Nederland 3.200% 03/11/15	1,600,000	1,631,805	1.38%	1,600,000	1,659,014	1.64%
Rabobank Nederland NY 2.250% 01/14/19	500,000	506,364	0.43%	-	-	-
Rio Tinto Fin USA Plc. 1.625% 08/21/17	2,500,000	2,529,358	2.15%	2,500,000	2,451,968	2.42%
Royal Bank of Canada 3.125% 04/14/15	1,475,000	1,507,480	1.28%	1,500,000	1,563,300	1.55%
Royal Bank of Canada Flt 03/15/19	2,245,000	2,258,486	1.92%	-	-	-
Sparebank 1 Boligkreditt 1.250% 05/02/18	2,500,000	2,465,550	2.09%	1,880,000	1,796,528	1.78%
Standard Chartered Plc Flt 07/12/22	2,000,000	2,069,300	1.76%	-	-	-
Svenska Handelsbanken AB Flt 06/17/19	3,000,000	3,007,500	2.55%	-	-	-
SW Airlines 07-1 Trust 6.150% 08/01/22	890,114	1,028,082	0.87%	-	-	-
Swedish Export Credit 2.125% 07/13/16	-	-	-	2,150,000	2,219,875	2.19%
Swedbank Hypotek AB 1.375% 03/28/18	2,550,000	2,541,282	2.16%	2,300,000	2,225,710	2.20%
Temasek Financial I Ltd 4.300% 10/25/19	3,000,000	3,319,941	2.82%	3,000,000	3,238,257	3.20%
Toronto Dominion Bank Flt 07/02/19	3,080,000	3,080,059	2.61%	-	-	-
Total Capital Intl SA 2.125% 01/10/19	600,000	607,774	0.52%	-	-	-
Volkswagen Intl Fin NV 2.125% 11/20/18	500,000	504,924	0.43%	-	-	-
Walmart Stores Inc. 3.200% 05/15/14	-	-	-	1,000,000	1,023,914	1.01%
Wells Fargo Company 3.625% 04/15/15	1,000,000	1,025,835	0.87%	1,000,000	1,049,874	1.04%
WestLB AG NY 4.796% 07/15/15	2,860,000	2,983,011	2.53%	-	-	-
WestdeutscheLandesbank	-	-	-	2,600,000	2,779,884	2.75%
Westpac Banking Corp 1.250% 12/15/17	2,500,000	2,485,200	2.11%	2,500,000	2,434,000	2.41%
		\$ 116,321,838	98.70%		\$ 96,449,335	95.33%
Mortgage Backed Securities						
Fannie Mae 3.500% 09/01/25	617,861	\$ 655,602	0.55%	805,967	\$ 840,805	0.83%
Fannie Mae 4.000% 25/10/19	455,844	23,362	0.02%	748,924	37,446	0.04%
Federal Home Loan Mortgage 3.5% 04/15/25	1,052,416	66,434	0.06%	1,432,024	68,021	0.07%
GNMA 4.658% 12/16/30	-	-	-	72,702	74,368	0.07%
GNMA 4.92% 05/1634	-	-	-	355,417	360,288	0.36%
Wachovia Bank 5.109% 12/15/35	-	-	-	2,500,000	2,539,528	2.51%
Wachovia Bank 5.345% 01/15/41	750,000	787,733	0.67%	750,000	809,655	0.80%
		\$ 1,533,131	1.30%		\$ 4,730,111	4.67%
TOTAL INVESTMENTS						
(Cost 2014 - \$116,523,657; 2013 - \$100,595,784)		\$ 117,854,969	100.00%		\$ 101,179,446	100.00%

The accompanying notes form an integral part of these financial statements.

Butterfield US\$ Bond Fund Limited

STATEMENT OF OPERATIONS
For the year ended June 30, 2014
(Expressed in US Dollars)

	Notes	2014	2013
INVESTMENT INCOME			
Interest		\$ 2,235,364	\$ 2,143,595
EXPENSES			
Management fee	8 a)	231,380	226,135
Administration fee	9	206,002	206,168
Custodian fee	8 b)	73,632	63,587
Audit fee		16,000	14,050
Government fee		10,646	14,109
Investment services fee	8 d)	39,185	32,062
Miscellaneous		23,243	25,541
		600,088	581,652
NET INVESTMENT INCOME		1,635,276	1,561,943
NET REALISED AND CHANGE IN UNREALISED GAIN/(LOSS) ON INVESTMENTS			
Net realised gain on investments	7	290,660	427,837
Net change in unrealised gain/(loss) on investments		747,650	(779,405)
NET GAIN/(LOSS) ON INVESTMENTS		1,038,310	(351,568)
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		\$ 2,673,586	\$ 1,210,375

The accompanying notes form an integral part of these financial statements.

Butterfield US\$ Bond Fund Limited

STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30, 2014

(Expressed in US Dollars)

	Note	2014	2013
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		\$ 2,673,586	\$ 1,210,375
DISTRIBUTIONS TO INVESTORS			
Dividends paid and payable	6	(517,690)	(694,923)
CAPITAL STOCK TRANSACTIONS			
Issue of shares		25,587,433	32,659,147
Redemption of shares		(11,478,063)	(17,163,108)
Net capital stock transactions		14,109,370	15,496,039
NET INCREASE IN NET ASSETS FOR THE YEAR		16,265,226	16,011,491
NET ASSETS – BEGINNING OF YEAR		107,412,055	91,400,564
NET ASSETS – END OF YEAR		\$ 123,677,321	\$ 107,412,055

The accompanying notes form an integral part of these financial statements.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

(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 (the "Custodian"). Butterfield Asset Management Limited acts as investment adviser (the "Investment Adviser"). MUFG Fund Services (Bermuda) Limited (formerly Butterfield Fulcrum Group (Bermuda) Limited) acts as registrar and transfer agent and as accountants/administrator (the "Registrar and Transfer Agent" or "Administrator") for the Fund. The Custodian and Investment Adviser are wholly owned subsidiaries of The Bank of N.T. Butterfield & Son Limited (the "Bank").

The Investment Adviser, Custodian and Bank each maintains separate business units, roles and responsibilities to ensure segregation between different functions.

The investment objective of the Fund is to maximise total returns whether through income or capital gains by investing in investment 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 ("GAAP"). The preparation of financial statements in accordance with GAAP 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 year. Actual results could differ from those estimates and the difference could be material. The following is a summary of significant accounting policies followed by the Fund:

a) Valuation of Investments

The fair values of investments traded in active markets are based on quoted market prices at the close of trading on the period end date. The quoted market price used for investments held by the Fund is the bid price reported by the principal securities exchange on which the issue is traded. An investment is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The net change during the year between these amounts and cost is shown as net change in unrealised gain/(loss) on investments in the statement of operations.

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 using the effective interest method.

c) Cash and Cash Equivalents

Cash equivalents are comprised of shares in the Butterfield Money Market Fund Limited, an affiliated money market fund, denominated in US\$ shares. Shares may be redeemed on a 24 hours' notice. The fair value of the Fund's holding in the money market fund at June 30, 2014 was \$5,615,581 (2013 - \$5,381,584).

d) Due to/from Broker

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of net assets date, respectively.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

(Expressed in US Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Financial Assets and Liabilities

In addition to the estimated fair values of investments as disclosed in the statement of portfolio investments, the estimated fair values of the Fund's other financial instruments, including cash and cash equivalents, interest receivable, prepaid expenses, due from broker, dividends payable, due to broker and accrued expenses approximate their carrying values.

f) Translation of Foreign Currencies

Assets and liabilities that are denominated in foreign currencies are translated into United States dollars at rates of exchange on the period end date. Transactions during the period are translated at the rate in effect at the date of the transaction. Foreign currency translation gains and losses are included in the statement of operations.

The Fund does not isolate that portion of gains and losses on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included with the net realised and change in unrealised gains and losses from investments in the statement of operations.

g) Adoption of New Accounting Standards

Investment companies that are publicly accountable enterprises are required to adopt International Financial Reporting Standards ("IFRS") for the first time for interim and annual financial statements relating to annual periods beginning on or after January 1, 2014. As a result, the Fund will adopt IFRS beginning July 1, 2014 and publish its first financial statements, prepared in accordance with IFRS, for the annual period ending June 30, 2015. The 2015 annual financial statements will include 2014 comparative financial statements and an opening statement of net assets as of July 1, 2013, also prepared in accordance with IFRS.

The Investment Adviser has developed a transition plan to changeover to IFRS and meet the required timetable. As at June 30, 2014, the expected impact to the financial statements based on the Investment Adviser's assessment of the differences between GAAP and IFRS are as follows:

- IFRS 13 *Fair Value Measurement* permits the use of mid-market prices or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, net assets for financial reporting purposes (NAV) may be impacted and could align with the value used to price unitholder transactions (Transaction NAV), eliminating the need for a reconciliation.
- Shares of the Fund are puttable instruments and are required to be presented as equity or liability depending on certain criteria. As a result, shareholders' equity may be required to be presented as a liability in the statements of net assets with related distributions presented as an expense in the statements of operations. Alternatively, equity presentation would require additional disclosure of the components of equity.
- IFRS requires the presentation of a statement of cash flows, including comparatives. The Fund has not previously presented this statement as permitted by GAAP.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

(Expressed in US Dollars)

3. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management approach includes formal guidelines to govern the extent of exposure to various types of risk. The Investment Adviser also has various internal controls to oversee the Fund's 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 counter party 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.

Credit ratings below represent ratings of debt securities provided by Standard & Poor's and are subject to change, which could be material.

Debt Securities by Credit Rating	% of Portfolio	
	2014	2013
AAA	11.60	21.25
AA	43.62	39.51
A	31.47	28.82
BBB	0.31	-
Not Rated by S&P	13.00	10.42
	100.00	100.00

Credit ratings below represent ratings of debt securities provided by Moody's for the debt securities not rated by Standard & Poor's and are subject to change, which could be material.

Debt Securities by Credit Rating	% of Portfolio	
	2014	2013
Aaa	10.47	7.67
Aa1	2.53	2.75
	13.00	10.42

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 Fund's reporting currency the Investment Adviser attempts to mitigate the associated currency risk which may include the use of forward currency contracts. The Fund's transactions in a currency different from the reporting currency are not significant; thus, any risks associated are likewise not significant to the Fund as a whole.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Prices of fixed income securities generally increase when interest rates decline, and decrease when interest rates rise. The Fund is exposed to these fluctuations through their holdings of fixed income securities.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

(Expressed in US Dollars)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest Rate Risk (Continued)

As at June 30, 2014, had the interest rates increased or decreased by 25 basis points and assuming a parallel shift in the yield curve, net assets would have increased or decreased by approximately \$695,344 (2013 - \$668,688). This change is estimated using the weighted average duration of the fixed income portfolio. This analysis assumes that all other variables remained unchanged. In practice, actual results may differ from this analysis and the difference could be material.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to liquidity risk by way of weekly cash redemptions of redeemable units. However, the Fund retains sufficient cash, cash equivalents and actively traded marketable securities to maintain adequate liquidity to address this risk. The Fund also has a credit facility in place to assist the Fund in meeting short term liquidity requirements.

The table below indicates the Fund's holdings in fixed income securities by remaining term to maturity:

Debt Securities by Maturity	Fair Value	
	2014	2013
Less than 1 year	13,736,913	13,148,661
1 - 3 years	31,369,520	35,988,548
3 - 5 years	59,843,471	42,460,708
Greater than 5 years	11,030,513	7,968,368
Non-Interest bearing	1,874,552	1,613,161
	\$117,854,969	\$101,179,446

Price/Market Risk

Price/market risk is the risk that the value of investments will fluctuate as a result of market conditions. The Fund is exposed to price/market risk on its holdings of fixed income securities as discussed in the Interest Rate Risk section above. The Investment Adviser attempts to mitigate price/market risk by selecting appropriate portfolio investments based on the Fund's strategy.

4. FAIR VALUE OF FINANCIAL ASSETS

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are market observable for the asset or liability, either directly or indirectly; and,
- Level 3 – inputs for the asset or liability that are not based on observable market data, including the Fund's own assumptions in determining the fair value of investments.

All of the Fund's investments are classified within Level 2 of the fair value hierarchy as the value of these investments are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, for the years ended June 30, 2014 and 2013.

Transfers of Assets between Level 1 and Level 2

Financial assets and liabilities transferred from Level 1 to Level 2 are the result of the securities no longer being traded in an active market. There were no transfers of financial assets and liabilities from Level 1 to Level 2 during the years ended June 30, 2014 and 2013. Financial assets and liabilities transferred from Level 2 to Level 1 are the result of the securities now being traded in an active market. There were no transfers of financial assets and liabilities from Level 2 to Level 1 during the years ended June 30, 2014 and 2013.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

(Expressed in US Dollars)

4. FAIR VALUE OF FINANCIAL ASSETS (CONTINUED)

Reconciliation of Financial Asset and Liability Movement - Level 3

The Fund did not hold any Level 3 investments at the beginning, during, or at the end of the years ended June 30, 2014 and 2013.

5. SHARES ISSUED AND OUTSTANDING

The authorised share capital of the Fund is \$2,512,000 (2013 - \$2,512,000) divided into:

- 8,300,000 (2013 - 8,300,000) Class A participating, non-voting common shares of a par value of \$0.10 each share,
- 8,300,000 (2013 - 8,300,000) Class B participating, non-voting common shares of a par value of \$0.10 each share,
- 8,400,000 (2013 - 8,400,000) Class C participating, non-voting common shares of a par value of \$0.10 each share, and
- 120,000 (2013 - 120,000) organisational non-participating, voting shares of a par value of \$0.10 each share.

Details of number of shares issued and outstanding as of June 30, 2014 and 2013 are as follows:

Common Shares	2014			2013		
	Class A	Class B	Class C	Class A	Class B	Class C
Balance - beginning of year	3,174,376	1,938,686	5,229,970	4,155,391	902,035	3,807,575
Issue of common shares	196,051	348,783	1,903,289	285,424	1,275,126	1,543,683
Redemption of common shares	(754,430)	(207,050)	(130,311)	(1,266,439)	(238,475)	(121,288)
Balance - end of year	2,615,997	2,080,419	7,002,948	3,174,376	1,938,686	5,229,970
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 weekly 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 there from an amount sufficient in their opinion to meet sale and fiscal charges incurred in realising assets to provide funds to meet the request.

The Class A, Class B and Class C shares have different minimums set for investors to subscribe to them, and there are differences in the management fees payable to the Investment Adviser in respect of such shares (see Note 8a).

The organisational shares are allocated to the Investment Adviser and its nominees. Under the Bye-Laws the organisational shares have only nominal rights if and so long as there are any other shares of the Fund in issue.

6. DIVIDENDS

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

2014				2013			
Class A	Class B	Declaration date	Amount	Class A	Class B	Declaration Date	Amount
\$0.0296	\$0.0365	Sept 30, 2013	\$163,411	\$0.0338	\$0.0388	Sept 28, 2012	\$178,499
\$0.0241	\$0.0311	Dec 31, 2013	133,487	\$0.0336	\$0.0402	Dec 31, 2012	179,501
\$0.0204	\$0.0276	Mar 31, 2014	112,253	\$0.0322	\$0.0395	Mar 28, 2013	164,653
\$0.0197	\$0.0274	Jun 30, 2014	108,539	\$0.0310	\$0.0381	Jun 28, 2013	172,270
			\$517,690				\$694,923

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

(Expressed in US Dollars)

7. NET REALISED GAIN ON INVESTMENTS

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

	2014	2013
Proceeds from sale of investments	\$ 88,537,053	\$ 57,436,803
Less cost of investments sold:		
Investments owned - beginning of year	100,595,784	83,852,478
Investments purchased during year	104,174,266	73,752,273
Investments owned - end of year	(116,523,657)	(100,595,784)
Investments sold during year	88,246,393	57,008,967
Net realised gain on investments	\$ 290,660	\$ 427,837

8. RELATED PARTY TRANSACTIONS

a) Management Fee

The Investment Adviser is related to the Fund through common directorship.

Under the terms of the investment advisory agreement, the investment Adviser 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% (2013 - 0.5%) per annum for the Class A shares and 0.25% (2013 - 0.25%) per annum for the Class B shares, and 0.25% (2013 - 0.25%) maximum per annum for the Class C shares. The fee of the Investment Adviser is reduced to take account of the management fee already levied on assets held in shares of other funds managed by the Investment Adviser. Management fee for the year was \$231,380 (2013 - \$226,135) with \$23,167 (2013 - \$29,321) being payable and included in accrued expenses at year end.

b) Custodian Fee

In accordance with the custodian agreement, the Custodian receives a fee based upon the nature and extent of the services provided. Relevant out-of-pocket expenses may also be charged to the Fund by the Custodian. The custodian fee for the year was \$73,632 (2013 - \$63,587) with \$10,955 (2013 - \$7,390) being payable and included in accrued expenses at year end.

c) Credit Facility

On July 15, 2013, the Fund renewed the unsecured credit facility agreement with the Bank in the amount of \$10,000,000 (2013 - \$10,000,000). The agreement bears an interest rate of 1% per annum above the higher of the LIBOR or the funding costs incurred by the Bank in making the revolving credit facility available on any date of drawdown with accrued interest payable monthly in arrears. The facility expired on June 30, 2014 and was subsequently renewed on July 4, 2014. Refer to Note 12 for further details.

d) Investment Services Fee

The investment services fee is paid to the Bank for additional registrar and transfer agent services provided to the Fund which had been previously provided by the Administrator. The investment services fee is a set fee for the Butterfield group of funds, allocated to the individual funds based on their proportion of Net Asset Value. The fee for 2014 was \$39,185 (2013: \$32,062), none of which remained payable at year end.

9. ADMINISTRATION FEE

In accordance with the administration agreement, the Administrator receives a fee based upon the nature and extent of the services provided. Administration fee for the year was \$206,002 (2013 - \$206,168) with \$33,955 (2013 - \$36,830) being payable and included in accrued expenses at the year end.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

(Expressed in US Dollars)

10. TAXATION

Under current Bermuda law, the Fund is not obligated to pay taxes in Bermuda on either income or capital gains. The Fund has received an undertaking from the Minister of Finance in Bermuda, pursuant to the provisions of the exempted undertaking Tax Protection Act, 1966 which exempts the Fund from any such Bermuda taxes until March 28, 2016.

In March 2011, the Bermuda Government enacted the Exempted Undertakings Tax Protection Amendment Act 2011 allowing the Minister of Finance to grant assurance up to March 31, 2035.

11. FINANCIAL HIGHLIGHTS

Per share information	2014			2013		
	Class A	Class B	Class C	Class A	Class B	Class C
Net asset value - beginning of year or upon issuance	\$10.385	\$10.628	\$10.295	\$10.399	\$10.641	\$10.135
Income from investment Operations						
Net investment income	0.102	0.137	0.157	0.132	0.164	0.179
Net realised & change in unrealised (loss)/gain on investments	0.107	0.101	0.094	(0.015)	(0.020)	(0.019)
Total from investment operations	0.209	0.238	0.251	0.117	0.144	0.160
Distributions to investors	(0.094)	(0.123)	-	(0.131)	(0.157)	-
Net assets - end of year	\$10.500	\$10.744	\$10.546	\$10.385	\$10.628	\$10.295
Ratios / Supplemental Data						
Total net assets - end of year (in thousands)	\$27,469	\$22,352	\$73,856	\$32,966	\$20,604	\$53,842
Weighted average net assets (in thousands)*	\$30,110	\$21,585	\$65,301	\$38,624	\$14,343	\$49,258
Ratio of expenses to average net assets	0.79%	0.55%	0.37%	0.84%	0.61%	0.35%
Portfolio turnover rate**	82.00%	82.00%	82.00%	32.07%	32.07%	32.07%
Annual rate of return***	2.01%	2.25%	2.44%	1.12%	1.35%	1.58%

* Weighted average net assets are calculated using net assets of each valuation date during the fiscal year.

** Portfolio turnover rate is calculated for the total of Class A, B and C 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 per share plus any dividend per share amounts to the beginning of year net asset value per share.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2014

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12. SUBSEQUENT EVENTS

On July 4, 2014, the Fund renewed the unsecured credit facility with the Bank for \$12,000,000. The renewed credit facility bears an interest rate of 1% per annum above the higher of the LIBOR or the funding cost incurred by the Bank in making the revolving credit facility available on any date of drawdown with accrued interest payable monthly in arrears. The renewed unsecured credit facility expires on June 30, 2015.

