

**Butterfield US\$ Bond Fund Limited**

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017

# Butterfield US\$ Bond Fund Limited

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## To the Shareholders:

The net asset value per share on the Class A shares, after dividend distributions and fees, decreased from \$10.579 to \$10.512 over the past year. Dividends were paid at a rate of 10.23 cents per share. The Class B shares decreased from \$10.808 to \$10.732, after fees and dividends of 13.82 cents per share. Class C shares increased from \$10.895 to \$10.981 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 all fees and expenses and including dividends, the Class A shares of the Fund delivered a return of 0.33% for the twelve months ended 30 June, 2017. Owing to lower management fee structures, the Class B shares of the Fund delivered a return of 0.58% over the same period, while Class C generated a return of 0.79%. All Classes outperformed the Fund's Benchmark Index, the BofA Merrill Lynch 1-5 Year AAA-A US Corporate and Government Index, which declined over the period by -0.17%.

The net assets of the Fund ended the financial year at \$130.4 million, decreasing by 1% 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

After having raised interest rates for the first time in 9 years within the 2016 fiscal year, the Federal Reserve continued to raise rates at a measured pace in the 2017 fiscal year. Despite the measured pace of increases, the US Presidential election in November of 2016 provided bond markets with a path to somewhat higher long-term interest rates. 10 year US Treasuries closed the last fiscal year at 1.47%, near cyclical lows and ended this fiscal year at 2.30%. More closely tracking US Fed Funds, the 2 year Treasury moved from 0.59% to 1.38% over the fiscal year.

As at 30 June, 2017 the Fund had just 1% BBB-rated exposure, 68% of the Fund was rated AA or AAA and the average credit rating of the Fund was AA-. The Fund remains 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, with the portfolio at 88% of the benchmark's duration. We ended the year with over a quarter of the Fund allocated to corporate floating rate notes, which have helped to suppress fund volatility and provide additional yield as LIBOR rates increased throughout the fiscal year.

Dwayne Outerbridge  
President  
Butterfield US\$ Bond Fund Limited  
October 6, 2017



Ernst & Young Ltd.  
3 Bermudiana Road  
Hamilton HM 08, Bermuda  
P.O. Box 463  
Hamilton HM BX, Bermuda

Tel: +1 441 295 7000  
Fax: +1 441 295 5193  
ey.com

## Independent Auditors' Report

The Board of Directors  
Butterfield US\$ Bond Fund Limited

We have audited the accompanying financial statements of Butterfield US\$ Bond Fund Limited (the Fund), which comprise the statements of financial position as at June 30, 2017 and 2016, and the statements of comprehensive income, changes in net assets attributable to holders of common shares and cash flows for the years 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 International Financial Reporting Standards, 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian 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 auditors' 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 auditors consider 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 audits 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 Butterfield US\$ Bond Fund Limited as at June 30, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*Ernst & Young Ltd.*

October 6, 2017

# Butterfield US\$ Bond Fund Limited

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## **DIRECTORS**

Dwayne Outerbridge (appointed on April 19, 2017)  
Michael Neff (resigned on April 19, 2017)  
Daniel Frumkin  
Nigel Garrard

## **INVESTMENT ADVISER**

Butterfield Asset Management Limited  
65 Front Street  
Hamilton HM 12  
Bermuda

## **CUSTODIAN**

Butterfield Trust (Bermuda) Limited  
65 Front Street  
Hamilton HM 12  
Bermuda

## **REGISTRAR, TRANSFER AGENT AND ADMINISTRATOR**

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

## **AUDITORS**

Ernst & Young Ltd.  
3 Bermudiana Road  
Hamilton HM 11  
Bermuda

# Butterfield US\$ Bond Fund Limited

## STATEMENT OF FINANCIAL POSITION As at June 30, 2017 (Expressed in US Dollars)

	Notes	June 30, 2017 US\$	June 30, 2016 US\$
<b>ASSETS</b>			
Cash and cash equivalents	2 h)	4,466,648	11,566,343
Financial assets at fair value through profit or loss (Cost; 2017-\$125,440,977; 2016-\$123,340,869)	3, 4	125,689,636	124,741,746
Interest receivable		610,627	651,221
Prepaid expenses		9,037	7,117
<b>Total assets</b>		<b>130,775,948</b>	<b>136,966,427</b>
<b>LIABILITIES</b>			
Due to broker		-	4,122,535
Dividends payable	6	201,019	158,715
Accrued expenses	7, 8	123,147	111,463
Subscriptions received in advance		7,000	-
<b>Total liabilities</b>		<b>331,166</b>	<b>4,392,713</b>
Organisational shares	5	12,000	12,000
<b>Total liabilities and equity (including net assets attributable to holders of common shares)</b>		<b>130,775,948</b>	<b>136,966,427</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES</b>			
		<b>130,432,782</b>	<b>132,561,714</b>
<b>Net assets attributable to holders of common shares-Class A</b>			
		<b>12,657,614</b>	<b>16,560,078</b>
Number of common shares in issue-Class A	5	1,204,107	1,565,395
<b>Net asset value per common share-Class A</b>		<b>10.512</b>	<b>10.579</b>
<b>Net assets attributable to holders of common shares-Class B</b>			
		<b>50,128,304</b>	<b>40,600,109</b>
Number of common shares in issue-Class B	5	4,670,743	3,756,464
<b>Net asset value per common share-Class B</b>		<b>10.732</b>	<b>10.808</b>
<b>Net assets attributable to holders of common shares-Class C</b>			
		<b>67,646,864</b>	<b>75,401,527</b>
Number of common shares in issue-Class C	5	6,160,429	6,920,825
<b>Net asset value per common share-Class C</b>		<b>10.981</b>	<b>10.895</b>

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

# Butterfield US\$ Bond Fund Limited

## SCHEDULE OF PORTFOLIO INVESTMENTS

As at June 30, 2017

(Expressed in US Dollars)

INVESTMENTS	Nominal	2017 Fair Value	% of Portfolio
Corporate and Government Securities			
Bank of Nova Scotia 1.875% 09/20/21 SR:144A	400,000	\$ 391,389	0.32%
Canadian Imperial Bank 2.250% 07/21/20 SR:144A	3,000,000	3,011,406	2.40%
Chevron Corp FLT 03/03/22 SR	615,000	620,269	0.49%
Chevron Corp FLT 11/15/21	1,795,000	1,802,662	1.43%
Commonwealth Bank of Australia 1.875% 12/11/18 SR: REGS	1,000,000	1,000,642	0.80%
Commonwealth Bank of Australia 5.000% 10/15/19 SR: REGS	2,000,000	2,127,264	1.69%
Corp Andina De Fomento 4.375% 06/15/22	977,000	1,056,450	0.84%
Daimler Finance NA LLC 2.450% 05/18/20 SR:144A	1,000,000	1,005,946	0.80%
Dexia Credit Local SA NY LLC 2.450% 05/18/20 SR:144A	3,200,000	3,220,454	2.56%
Exxon Mobil Corporation 1.819% 03/15/19	1,500,000	1,505,919	1.20%
Exxon Mobil Corporation 2.397% 03/06/22	2,500,000	2,513,065	2.00%
Fannie Mae 1.875% 02/19/19	5,000,000	5,038,730	4.01%
Freddie Mac 1.250% 08/01/19	3,000,000	2,988,024	2.38%
General Electric Capital Corporation FLT 03/15/23	3,500,000	3,598,560	2.86%
General Electric Capital Corporation FLT 03/28/20	960,000	963,835	0.77%
Goldman Sachs Group Inc. FLT 11/29/23	550,000	567,723	0.45%
Govt of Bermuda 4.854% 06/02/24 SR:REGS	3,500,000	3,782,905	3.01%
HSBC Bank Plc. FLT 05/15/18 SR: REGS	4,210,000	4,226,912	3.36%
ING Bank NV FLT 08/17/20 SR:144A	1,100,000	1,110,379	0.88%
ING Bank NV FLT 10/01/19 SR:144A	1,910,000	1,919,808	1.53%
ING Bank NV FLT 10/01/19 SR:REGS	620,000	623,184	0.50%
Intl Bk Recon & Develop 0.000% 05/01/18 SR:MTNB	250,000	246,293	0.20%
Jackson Natl. Life Global 2.500% 06/27/22 SR: 144A	3,440,000	3,415,545	2.72%
Jackson Natl. Life Global 4.700% 06/01/18 SR:144A	50,000	51,300	0.04%
Japan Finance Organization for Municipalities 2.125% 04/13/21 SR: REGS	2,000,000	1,971,522	1.57%
Japan Finance Organization for Municipalities 2.625% 04/20/22 SR: REGS	1,020,000	1,022,061	0.81%
JPMorgan Chase & Co FLT 01/23/20	2,130,000	2,165,686	1.72%
Massmutual Global Funding 2.100% 08/02/18 SR:144A	600,000	602,736	0.48%
Massmutual Global Funding 2.450% 11/23/20 SR:144A	732,000	737,253	0.59%
Met Life Global Funding 1 2.500% 12/03/20 SR:144A	3,250,000	3,272,919	2.60%
Microsoft Corp 2.650% 11/03/22	4,000,000	4,056,964	3.23%
National Australia Bank 2.000% 02/22/19 SR: REGS	2,935,000	2,940,183	2.34%
New York Life Global Funding 2.000% 04/09/20 SR:144A	500,000	499,934	0.40%
Nordea Bank AB FLT 05/29/20 SR:144A	2,000,000	2,004,452	1.59%
Pricoa Global Funding 1 1.600% 05/29/18 SR:144A	400,000	399,891	0.32%
Pricoa Global Funding 1 2.200% 05/16/19 SR:144A	1,250,000	1,256,235	1.00%
RenRe North America Holding 5.750% 03/15/20	2,510,000	2,695,070	2.14%
Royal Bank of Canada Flt 2.100% 10/14/20	2,230,000	2,226,187	1.77%
Royal Bank of Canada Flt 03/15/19	2,245,000	2,245,682	1.79%
Schlumberger Investment 3.300% 09/14/21	3,150,000	3,255,062	2.59%
Shell International Fin Flt 05/11/20	1,000,000	1,009,062	0.80%
Sparebank 1 Boligkreditt 1.250% 05/02/18	2,610,000	2,602,608	2.07%
Standard Chartered Plc 1.500% 09/08/17 SR:144A	1,009,000	1,008,463	0.80%
Statoil ASA 2.250% 11/08/19	1,000,000	1,006,298	0.80%
Svenska Handelsbanken AB Flt 06/17/19	3,150,000	3,164,005	2.52%
SW Airlines 07-1 Trust 6.150% 01/22/24	927,132	1,019,845	0.81%
Swedbank Hypotek AB 1.375% 03/28/18	2,550,000	2,547,243	2.03%
Temasek Financial I Ltd 4.300% 10/25/19	3,000,000	3,151,989	2.51%
Toronto Dominion Bank Flt 07/02/19 SR:BKNT	4,500,000	4,514,261	3.59%
Toyota Motor Credit Corp 2.800% 07/13/22	1,630,000	1,657,790	1.32%
US Treasury N/B 0.125% 07/15/26	4,080,720	3,936,128	3.13%
US Treasury N/B 0.375% 01/15/27	4,049,320	3,976,995	3.16%
US Treasury N/B 1.250% 03/31/21	1,000,000	983,438	0.78%
US Treasury N/B 1.375% 09/30/23	3,000,000	2,879,181	2.29%
US Treasury N/B 1.625% 04/30/23	3,000,000	2,936,016	2.34%

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

# Butterfield US\$ Bond Fund Limited

## SCHEDULE OF PORTFOLIO INVESTMENTS (Continued)

As at June 30, 2017

(Expressed in US Dollars)

	Nominal	2017 Fair Value	% of Portfolio
<b>Corporate and Government Securities (continued)</b>			
Wells Fargo Company Flt 07/22/20	3,530,000	3,582,975	2.85%
Westpac Banking Corp 2.000% 03/03/20	400,000	399,220	0.32%
Westpac Banking Corp 2.300% 05/26/20	2,820,000	2,827,910	2.25%
XLIT LTD 2.300% 12/15/18	4,000,000	4,017,596	3.20%
		\$ 125,371,524	99.75%
<b>Mortgage Backed Securities</b>			
Fannie Mae 3.5% 09/01/2025 (FN AE3813)	305,548	\$ 318,112	0.25%
		318,112	0.25%
<b>TOTAL INVESTMENTS</b>			
(Cost 2017 - \$125,440,977)		\$ 125,689,636	100.00%

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

# Butterfield US\$ Bond Fund Limited

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2017

(Expressed in US Dollars)

	Notes	2017 US\$	2016 US\$
<b>INCOME</b>			
Net realised (loss)/gain on financial assets at fair value through profit or loss		(59,954)	329,641
Net change in unrealised (loss)/gain on financial assets at fair value through profit or loss		(1,152,214)	622,278
Interest		2,706,773	2,320,359
<b>Total income</b>		<b>1,494,605</b>	<b>3,272,278</b>
<b>EXPENSES</b>			
Management fee	7 a)	218,544	216,528
Administration fee	8	227,094	221,817
Custodian fee	7 b)	74,986	72,134
Audit fee		21,024	17,000
Government fee		10,524	11,037
Investment services fee	7 d)	39,195	38,294
Miscellaneous		32,849	28,661
<b>Total expenses</b>		<b>624,216</b>	<b>605,471</b>
<b>NET INCOME</b>		<b>870,389</b>	<b>2,666,807</b>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES</b>			
		<b>870,389</b>	<b>2,666,807</b>

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



# Butterfield US\$ Bond Fund Limited

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES For the year ended June 30, 2017 (Expressed in US Dollars)

	Notes	2017 US\$	2016 US\$
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES</b>		<b>870,389</b>	<b>2,666,807</b>
<b>DISTRIBUTIONS TO INVESTORS</b>			
Dividends paid and payable	6	(715,013)	(570,054)
<b>CAPITAL STOCK TRANSACTIONS</b>			
Issue of redeemable shares		16,018,493	16,854,723
Redemption of redeemable shares		(18,302,801)	(12,965,423)
Net capital stock transactions		(2,284,308)	3,889,300
<b>NET (DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES</b>		<b>(2,128,932)</b>	<b>5,986,053</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES – BEGINNING OF THE YEAR</b>		<b>132,561,714</b>	<b>126,575,661</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES – END OF YEAR</b>		<b>130,432,782</b>	<b>132,561,714</b>

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

# Butterfield US\$ Bond Fund Limited

## STATEMENT OF CASH FLOWS For the year ended June 30, 2017 (Expressed in US Dollars)

	2017 US\$	2016 US\$
<b>Cash flows from operating activities</b>		
Net increase in net assets resulting from operations attributable to holders of common shares	870,389	2,666,807
<i>Adjustments for:</i>		
Purchase of financial assets	(35,030,278)	(78,611,849)
Net proceeds from sale of financial assets	32,870,220	79,890,104
Net realised loss/(gain) on financial assets	59,954	(329,641)
Net change in unrealised loss/(gain) on financial assets	1,152,214	(622,278)
Changes in:		
Interest receivable	40,594	224,746
Prepaid expenses	(1,920)	1,969
Accrued expenses	11,684	(3,050)
Due to broker	(4,122,535)	4,122,535
<b>Net cash (used in)/provided by operating activities</b>	<b>(4,149,678)</b>	<b>7,339,343</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	15,776,809	16,593,260
Payments from redemption of shares	(18,302,801)	(12,965,423)
Dividends paid	424,025	(278,202)
<b>Net cash (used in)/provided by financing activities</b>	<b>(2,950,017)</b>	<b>3,349,635</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(7,099,695)</b>	<b>10,688,978</b>
<b>Cash and cash equivalents – beginning of year</b>	<b>11,566,343</b>	<b>877,365</b>
<b>Cash and cash equivalents – end of year</b>	<b>4,466,648</b>	<b>11,566,343</b>
<b>Supplemental cash flow information:</b>		
Interest received	2,747,367	2,545,105
<b>Supplemental non-cash information:</b>		
Common shares – Class A issued through dividend reinvestment	92,977	129,349
Common shares – Class B issued through dividend reinvestment	155,687	132,115

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

# Butterfield US\$ Bond Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

(Expressed in US Dollars)

### 1. CORPORATE INFORMATION

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") to the Fund. Butterfield Asset Management Limited acts as investment adviser (the "Investment Adviser"). MUFG Fund Services (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 registered address of the Fund is c/o MUFG Fund Services (Bermuda) Limited, The Belvedere Building 69 Pitts Bay Road, Pembroke HM 08, Bermuda.

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 and other investments which may include US Dollar money market instruments and funds and bank time deposits. The Fund may also lend securities and write covered options on its portfolio in order to enhance its total return.

### 2. BASIS OF PREPARATION

#### Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The financial statements have been prepared on a historical-cost basis, except for financial assets held at fair value through profit or loss.

The financial statements are presented in United States Dollars, which is the functional currency of the Fund, and all values are rounded to the nearest dollar, except when otherwise stated.

The Fund presents its statement of financial position in order of liquidity.

#### Summary of significant accounting policies

##### a) Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the Fund's management to make judgements, estimates and assumptions that affect the amounts reported and disclosures made in the financial statements, and accompanying notes. Management believes that the estimates and assumptions utilised in preparing the Fund's financial statements are reasonable and prudent. Actual results could differ from these estimates.

# Butterfield US\$ Bond Fund Limited

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NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended June 30, 2017  
(Expressed in US Dollars)

## 2. BASIS OF PREPARATION (Continued)

### Summary of significant accounting policies (continued)

#### b) Financial instruments

##### i. Classification

The Fund classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.

##### **Financial assets and liabilities at fair value through profit or loss**

The category of financial assets and liabilities at fair value through profit or loss is sub-divided into:

Financial assets and liabilities held for trading: financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category includes interest bearing investments. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price. All derivatives and liabilities from short sales of financial instruments are classified as held for trading.

Financial instruments designated at fair value through profit or loss upon initial recognition: these include investment in debt instruments not held for trading. The Fund did not hold any financial instruments designated at fair value through profit or loss upon initial recognition as at June 30, 2017 and 2016.

##### **Receivables**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market.

##### **Other financial liabilities**

This category includes all financial liabilities, other than those classified as held for trading. The Fund includes in this category amounts for other short-term payables.

##### ii. Recognition

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

##### iii. Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the statement of comprehensive income, unless specified otherwise.

# Butterfield US\$ Bond Fund Limited

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NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended June 30, 2017  
(Expressed in US Dollars)

## 2. BASIS OF PREPARATION (Continued)

### Summary of significant accounting policies (continued)

#### b) Financial instruments (continued)

##### iv. Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at fair value through profit or loss. Interest and dividend earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense.

Receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

##### v. Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired or the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either: the Fund has transferred substantially all the risks and rewards of the asset, or the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

# Butterfield US\$ Bond Fund Limited

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended June 30, 2017**  
**(Expressed in US Dollars)**

## **2. BASIS OF PREPARATION (Continued)**

### **Summary of significant accounting policies (continued)**

#### **c) Fair value measurement**

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs.

It is the policy of the Fund to value any asset quoted, listed, traded or dealt with on an exchange or market by reference to the last traded price on or prior to the relevant Valuation Day on the major exchange or market in which the assets are dealt, to the extent that such valuation is based on a price within the bid-ask spread that is most representative of fair value on valuation date. In circumstances where the last traded price is not within the bid-ask spread, the Directors will determine the point within the bid-ask spread that is most representative of fair value.

The Directors at their absolute discretion may permit some other method of valuation to that described above if they consider such valuation better reflects the fair value of any investment.

#### **d) Impairment of financial assets**

The Fund assesses at each reporting date whether a financial asset or group of financial assets is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor/counterparty or a group of debtors/counterparties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate.

#### **e) Functional and presentation currency**

The Fund's functional currency is the US Dollar (US\$), which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in US Dollars. Therefore, the US\$ is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the US\$.

#### **f) Offsetting and financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Management has determined that, as at June 30, 2017 and 2016, there were no assets and liabilities offset in the statement of financial position, nor were there any assets or liabilities available for offset. The Fund does not have a legally enforceable right to offset, nor does it have master netting agreements or similar arrangements that would allow for related amounts to be set off.

# Butterfield US\$ Bond Fund Limited

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NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended June 30, 2017  
(Expressed in US Dollars)

## 2. BASIS OF PREPARATION (Continued)

### Summary of significant accounting policies (continued)

#### g) Foreign currency translations

Assets and liabilities that are denominated in foreign currencies are translated into US 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 comprehensive income.

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 in the net realized and change in unrealized gain/(loss) on investments in the statement of comprehensive income.

#### h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

#### i) Due from and due to broker

Amounts due from and to brokers represents cash held with brokers and receivables for securities sold and payables for securities purchased that have been contracted for but not settled or delivered on the statement of financial position date, respectively. These amounts are recognized at fair value.

#### j) Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

#### k) Realised and change in unrealised gains and losses

Realised and change in unrealised gains/(losses) on financial assets at fair value through profit or loss are recognised in the statement of comprehensive income. The cost of investments sold is accounted for using the average cost basis.

#### l) Expenses

All expenses (including management fees) are recognized in the statement of comprehensive income on an accrual basis.

#### m) Going concern

The Fund's management has assessed the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

#### n) Share capital

The Fund's Organisational Shares are classified as equity in accordance with the Fund's articles of association. These shares do not participate in the profits of the Fund.

# Butterfield US\$ Bond Fund Limited

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NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended June 30, 2017  
(Expressed in US Dollars)

## 2. BASIS OF PREPARATION (Continued)

### Summary of significant accounting policies (continued)

#### o) Redeemable participating shares

Redeemable participating shares are redeemable at the shareholder's option and are classified as financial liabilities. The redeemable participating shares can be put back to the Fund on any dealing day (normally the next business day following the Valuation Day, which is on Wednesday in each week) at a value equal to a proportionate share of the Fund's net asset value ("NAV"). The Fund's net asset value per share is calculated by dividing the net assets attributable to holders of common shares with the total number of outstanding common shares.

#### p) Investment entity

IFRS 10 defines an investment entity and requires a reporting entity that meets the definition of an investment entity not to consolidate but instead to measure its investments at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments

Management has determined that the Fund meets the definition of an investment entity and recognizes all investments at fair value through profit and loss.

#### q) Impact of accounting pronouncements issued but not yet effective

##### IAS 7 Disclosure Initiative – Amendments to IAS 7

In January 2016, the IASB issued amendments to IAS 7 *Statement of Cash Flows* to aid users of financial statements to better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from cash flows and non-cash changes. IAS 7 Disclosure Initiative is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Fund is currently assessing the impact of IAS 7 Disclosure Initiative and plans to adopt the amendment on the required effective date.

##### IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Fund is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.



# Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended June 30, 2017  
(Expressed in US Dollars)

## 2. BASIS OF PREPARATION (Continued)

### Summary of significant accounting policies (continued)

#### q) Impact of accounting pronouncements issued but not yet effective (continued)

##### IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Fund is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

## 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 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.

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	
	2017	2016
AAA	7.96	11.11
AA+	23.01	18.22
AA-	31.35	29.54
AA	5.32	2.66
A+	6.19	1.31
A-	4.92	5.82
A/*+	-	0.08
A	10.32	10.18
BBB+	1.25	4.53
BBB	-	0.95
Not Rated by S&P	9.68	15.60
	<b>100.00</b>	<b>100.00</b>

# Butterfield US\$ Bond Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2017 (Expressed in US Dollars)

### 3. FINANCIAL RISK MANAGEMENT (Continued)

#### Credit Risk (continued)

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	
	2017	2016
Aaa	9.68	15.60
	9.68	15.60

Substantially all of the assets of the Fund are held by the Fund's Custodian and the Bank. The Fund monitors its risk by monitoring the credit quality of the Custodian and the Bank. As at June 30, 2017, the credit ratings of the Custodian and the Bank, as provided by Standard and Poor's, were both BBB (2016 – BBB).

#### 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. As at June 30, 2017 and 2016, the Fund's exposure to currencies other than the Fund's reporting currency was 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. As at June 30, 2017, 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 \$326,082 (2016 - \$331,404). 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	
	2017	2016
Less than 1 year	\$ 10,836,417	\$ 20,598,711
1 - 3 years	54,904,125	36,660,386
3 - 5 years	30,972,583	44,606,057
Greater than 5 years	28,730,218	22,633,120
Non-Interest bearing (1-3 years)	246,293	243,472
	\$ 125,689,636	\$124,741,746

# Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended June 30, 2017  
(Expressed in US Dollars)

## 3. FINANCIAL RISK MANAGEMENT (Continued)

### 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, 2017 and 2016.

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, 2017 and 2016. 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, 2017 and 2016. The Fund did not hold any Level 3 investments at the beginning, during, or at the end of the years ended June 30, 2017 and 2016.

## 5. SHARES ISSUED AND OUTSTANDING

The authorised share capital of the Fund is \$2,512,000 (2016 - \$2,512,000) divided into:

8,300,000 (2016 - 8,300,000) Class A participating, non-voting common shares of a par value of \$0.10 each share,  
8,300,000 (2016 - 8,300,000) Class B participating, non-voting common shares of a par value of \$0.10 each share,  
8,400,000 (2016 - 8,400,000) Class C participating, non-voting common shares of a par value of \$0.10 each share,  
and 120,000 (2016 - 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, 2017 and 2016 are as follows:

Common Shares	2017			2016		
	Class A	Class B	Class C	Class A	Class B	Class C
Balance - beginning of year	1,565,395	3,756,464	6,920,825	2,288,544	2,594,189	7,014,125
Issue of common shares	127,432	1,367,680	-	207,794	1,367,550	-
Redemption of common shares	(488,720)	(453,400)	(760,395)	(930,943)	(205,275)	(93,300)
Balance - end of year	1,204,107	4,670,743	6,160,429	1,565,395	3,756,464	6,920,825
Organisational Shares	120,000	-	-	120,000	-	-

# Butterfield US\$ Bond Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2017 (Expressed in US Dollars)

### 5. SHARES ISSUED AND OUTSTANDING (CONTINUED)

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 7a).

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

#### Capital Management

As a result of the ability to issue, repurchase and resell shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable shares beyond those included in the Fund's Prospectus.

### 6. DIVIDENDS

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

		2017			2016		
Class A	Class B	Declaration date	Amount	Class A	Class B	Declaration Date	Amount
\$0.0249	\$0.0340	Sep 30, 2016	\$168,449	\$0.0215	\$0.0305	Sep 30, 2015	\$134,080
\$0.0251	\$0.0342	Dec 30, 2016	164,769	\$0.0234	\$0.0325	Dec 31, 2015	136,019
\$0.0250	\$0.0340	Mar 31, 2017	180,776	\$0.0234	\$0.0325	Mar 31, 2016	141,240
\$0.0273	\$0.0360	Jun 30, 2017	201,019	\$0.0234	\$0.0325	Jun 30, 2016	158,715
			<b>\$715,013</b>				<b>\$570,054</b>

### 7. 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% (2016 - 0.5%) per annum for the Class A shares and 0.25% (2016 - 0.25%) per annum for the Class B shares, and 0.25% (2016 - 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. The fee of the Investment Adviser is also reduced for Class C shares to take account of certain Class C expenses. Management fee for the year was \$218,544 (2016 - \$216,528) with \$17,801 (2016 - \$21,223) 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 \$74,986 (2016 - \$72,134) with \$37,795 (2016 - \$18,259) being payable and included in accrued expenses at year end.

# Butterfield US\$ Bond Fund Limited

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**For the year ended June 30, 2017**  
**(Expressed in US Dollars)**

## **7. RELATED PARTY TRANSACTIONS (CONTINUED)**

### **c) Credit Facility**

On August 30, 2016, the Fund renewed the unsecured credit facility agreement with the Bank in the amount of \$12,000,000 (2016 - \$12,000,000). 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. The full amount of any amount advanced under the revolving facility, together with the accrued interest and other amounts payable by the Fund to the Bank, is payable on the earlier of seven days following the utilization date or the expiry date, unless extended at the Bank's sole discretion. If any payment falls due and payable on a day which is not a business day the payment shall be made on the next following business day. The renewed unsecured facility expired on June 30, 2017.

On August 14, 2017, the Fund renewed the unsecured credit facility agreement with the Bank. The terms remain unchanged from the previous agreement, as outlined above, with the additional condition that advances will be limited to 10% of the Fund's net asset value. The renewed unsecured facility expires on June 30, 2018.

### **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 2017 was \$39,195 (2016: \$38,294), with \$3,255 (2016: \$nil) being payable and included in accrued expenses at year end.

## **8. 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 \$227,094 (2016 - \$221,817) with \$38,833 (2016 - \$54,116) being payable and included in accrued expenses at the year end.

## **9. 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. On January 29, 2015 the Minister of Finance granted assurance to the Fund up to that date.

## **10. COMMITMENTS AND CONTINGENCIES**

Management has determined that the Fund had no commitments or contingencies as at June 30, 2017 (2016: none).

## **11. SUBSEQUENT EVENTS**

The Fund has evaluated all the events or transactions that occurred after June 30, 2017 through October 6, 2017, the date the financial statements were available to be issued. During this period, the Fund did not have any material subsequent events.

# Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
For the year ended June 30, 2017  
(Expressed in US Dollars)

## 12. FINANCIAL HIGHLIGHTS

Per Share Information	2017			2016		
	Class A	Class B	Class C	Class A	Class B	Class C
<b>Net asset value - beginning of year</b>	\$10.579	\$10.808	\$10.895	\$10.486	\$10.722	\$10.659
<b>Income from investment operations</b>						
Net investment income****	0.133	0.163	0.188	0.108	0.135	0.156
Net realised & change in unrealised gain/(loss) on investments	(0.098)	(0.101)	(0.102)	0.077	0.079	0.080
<b>Total income from investment operations</b>	<b>0.035</b>	<b>0.062</b>	<b>0.086</b>	0.185	0.214	0.236
Distributions to investors	(0.102)	(0.138)	-	(0.092)	(0.128)	-
<b>Net asset value - end of year</b>	<b>\$10.512</b>	<b>\$10.732</b>	<b>\$10.981</b>	\$10.579	\$10.808	\$10.895
<b>Ratios / Supplemental Data</b>						
Total net assets - end of year (in thousands)	\$12,658	\$50,128	\$67,647	\$16,560	\$40,600	\$75,402
Weighted average net assets (in thousands)*	\$14,078	\$44,373	\$71,763	\$19,506	\$32,889	\$74,941
Ratio of expenses to average net assets	0.88%	0.55%	0.35%	0.86%	0.53%	0.35%
Portfolio turnover rate**	25.86%	25.86%	25.86%	66.11%	66.11%	66.11%
Annual rate of return***	0.33%	0.58%	0.79%	1.76%	2.00%	2.21%

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

\*\* Portfolio turnover rate is calculated 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.

\*\*\*\*Net investment income represents interest income net of expenses.

## 13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on October 6, 2017.