

# Butterfield Select Fund Limited

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2017

# Butterfield Select Fund Limited

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## INVESTMENT MANAGER'S REPORT

For the year ended June 30, 2017

### Equity Class

The net asset value (NAV) per share increased from \$12.36 to \$14.52 over the Fiscal year to 30 June, 2017, representing a 17.48% return for the year, net of all fees and expenses. The Benchmark for the Class, the MSCI World Free Net Total Return Index returned 18.20%.

Improvements in the macroeconomic environment in both Europe and Japan drove gains in both countries' markets, with both outperforming the MSCI World for the fiscal year in local currency terms and in US Dollar terms. The US market kept pace as well, so gains were broadly distributed over the developed markets. Throughout the period, we remained neutral each of the major geographies, only expressing a small overweight to emerging markets within the portfolio. The emerging markets position was passively obtained through our underlying funds' allocations to emerging markets rather than by our adding specific exposure.

The Class also continued to avoid large sector deviations from the benchmark, although decisions regarding sector allocation are also mostly passively moved by the underlying managers. We did add exposure to certain sectors to balance out major deviations by the underlying managers over the period, specifically adding exposure to financials due to one manager's structural underweight to US financials.

### Global Fixed Income Class

The net asset value (NAV) per share increased from \$19.57 to \$20.14 over the Fiscal year to 30 June, 2017, representing a 2.91% return for the year, net of all fees and expenses.

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%.

The increase in rates led the index we measure ourselves against, the Bank of America Merrill Lynch 5-10 year Government and Corporate AAA-A Index, to a negative absolute return of -1.92% for the year. On a relative basis, the Class outperformed the index by 483 basis points for the fiscal year.

There are two reasons for the outperformance of the Class for the fiscal year. First, we have maintained, for some time, that interest rates in the US have been too low and we have been unwilling to take large amounts of interest rate risk. This positioning detracted from performance over the course of fiscal 2016, but added value rapidly beginning in November 2016. Second, we have also been overweight credit, with an average portfolio credit quality BBB+, as low risk-free rates have gradually driven investors into credit products over the last several years.

As at 30 June, 2017 the Class remained overweight investment grade credit versus its benchmark and maintained a small, diversified exposure to global high yield bonds.

### Alternative Class

The net asset value (NAV) per share increased from \$14.82 to \$15.10 over the Fiscal year to 30 June, 2017, representing a 1.89% return for the year, net of all fees and expenses. The Benchmark for the Class, the Hedge Fund Research HFRX Global Hedge Fund Index returned 6.00%.

The Class is managed by GCM Grosvenor and was allocated to 22 investment managers with an average allocation of approximately 5% to each manager, with the largest allocation to any single manager being just over 10%. The largest sector allocation the Fund had as at 30 June, 2017 was to the Equities strategy at just over 39%. The equities strategy is a broad term and is allocated to directional, market neutral and event driven sub-strategies.

# Butterfield Select Fund Limited

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## INVESTMENT MANAGER'S REPORT

For the year ended June 30, 2017

### Alternative Class (continued)

This was followed by the quantitative and macro strategies at a combined 32%. Over the course of the fiscal year, opportunistic credit strategies were reduced and the Class ended with only 7% allocated to credit.

### Alternative Institutional Class

On 31 March, 2017, the Fund launched a new alternative share class designed to attract assets from institutional investors. The Class is designed to have both a slightly higher volatility and a higher return profile and is invested across a diversified group of investment managers by GCM Grosvenor. The Class was launched at a net asset value (NAV) per share of \$10.00 and ended the fiscal year at the same value of \$10.00 per share.

The Class was allocated to 22 investment managers with an average position size of approximately 5% and had a more concentrated allocation to its largest manager at 9.5%. The equities strategy in this class was much lower than the Alternative Class, at 16%, in favour of strategies and managers that offer liquidity terms that are between quarterly and annually. Whereas the Alternative Class offers weekly liquidity, the Alternative Institutional Class offers subscription liquidity monthly, with quarterly withdrawal liquidity and a much longer notice period.

Dwayne Outerbridge  
President  
Butterfield Select Fund Limited  
October 6, 2017



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Hamilton HM BX, Bermuda

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## Independent Auditors' Report

The Board of Directors

Butterfield Select Fund Limited, comprising Equity Class, Global Fixed Income Class,  
Alternative Investment Class and Alternative Investment Institutional Class  
(collectively referred to as the Fund)

We have audited the accompanying financial statements of Butterfield Select Fund Limited, comprising Equity Class, Global Fixed Income Class, Alternative Investment Class and Alternative Investment Institutional Class, which comprise the statements of financial position as at June 30, 2017 and 2016 for Equity Class, Global Fixed Income Class and Alternative Investment Class and as at June 30, 2017 for Alternative Investment Institutional Class, and the statements of comprehensive income, changes in net assets attributable to shareholders and cash flows for the years ended June 30, 2017 and 2016 for Equity Class, Global Fixed Income Class and Alternative Investment Class and for the period from March 31, 2017 to June 30, 2017 for Alternative Investment Institutional Class, 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 Select Fund Limited, comprising Equity Class, Global Fixed Income Class, Alternative Investment Class and Alternative Investment Institutional Class, as at June 30, 2017 and 2016 for Equity Class, Global Fixed Income Class and Alternative Investment Class and as at June 30, 2017 for Alternative Investment Institutional Class, and its financial performance and its cash flows for the years ended June 30, 2017 and 2016 for Equity Class, Global Fixed Income Class and Alternative Investment Class and for the period from March 31, 2017 to June 30, 2017 for Alternative Investment Institutional Class, in accordance with International Financial Reporting Standards.

October 6, 2017

# Butterfield Select Fund Limited

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## COMPANY INFORMATION

### DIRECTORS

Michael Neff (resigned April 19, 2017)  
David Ware  
Dawn Griffiths (alternative Elizabeth Denman)  
Richard Foley  
Dwayne Outerbridge (as of April 19, 2017)

### INVESTMENT ADVISER

Butterfield Asset Management Limited  
65 Front Street  
Hamilton HM 12  
Bermuda

### INVESTMENT SUB-ADVISER

Grosvenor Capital Management, L.P.  
900 North Michigan Avenue, Suite 1100  
Chicago  
IL 60611

### CUSTODIAN

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

### SUB-CUSTODIAN

Brown Brothers Harriman,  
140 Broadway 11<sup>th</sup> Floor  
New York  
NY 10005

### 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 Select Fund Limited

## STATEMENT OF FINANCIAL POSITION

As at June 30, 2017

(Expressed in US Dollars)

		EQUITY CLASS	
		June 30, 2017 US\$	June 30, 2016 US\$
	<b>Notes</b>		
<b>Assets</b>			
Cash and cash equivalents	2 h)	2,628,166	1,269,342
Financial assets at fair value through profit or loss (Cost: 2017-\$83,243,357; 2016-\$100,843,275)	3, 4	106,166,401	105,399,821
Other assets		6,468	5,965
<b>Total assets</b>		<b>108,801,035</b>	<b>106,675,128</b>
<b>Liabilities</b>			
Accrued expenses	6, 7	189,077	188,048
Subscriptions received in advance		119,832	30,455
<b>Total liabilities</b>		<b>308,909</b>	<b>218,503</b>
Organisational shares	5	12,000	12,000
<b>Total liabilities and equity (including net assets attributable to shareholders)</b>		<b>108,801,035</b>	<b>106,675,128</b>
<b>Net assets attributable to shareholders</b>		<b>108,480,126</b>	<b>106,444,625</b>
Number of common shares in issue	5	7,471,402	8,613,458
<b>Net asset value per common share</b>		<b>14.52</b>	<b>12.36</b>

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

# Butterfield Select Fund Limited

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30, 2017

(Expressed in US Dollars)

		GLOBAL FIXED INCOME CLASS	
		June 30, 2017 US\$	June 30, 2016 US\$
	<b>Notes</b>		
<b>Assets</b>			
Cash and cash equivalents	2 h)	555,692	2,299,984
Financial assets at fair value through profit or loss (Cost: 2017-\$51,410,506; 2016-\$48,277,296)	3, 4	54,630,606	51,295,412
Dividends receivable		6,016	-
Interest receivable		399,319	390,385
Other assets		3,199	3,277
<b>Total assets</b>		<b>55,594,832</b>	<b>53,989,058</b>
<b>Liabilities</b>			
Accrued expenses	6, 7	98,776	96,631
Subscriptions received in advance		41,681	40,891
<b>Total liabilities</b>		<b>140,457</b>	<b>137,522</b>
<b>Net assets</b>		<b>55,454,375</b>	<b>53,851,536</b>
Number of common shares in issue	5	2,752,775	2,751,879
<b>Net asset value per common share</b>		<b>20.14</b>	<b>19.57</b>

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

# Butterfield Select Fund Limited

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30, 2017

(Expressed in US Dollars)

	Notes	ALTERNATIVE INVESTMENT CLASS	
		June 30, 2017 US\$	June 30, 2016 US\$
<b>Assets</b>			
Cash and cash equivalents	2 h)	4,060,124	5,259,750
Financial assets at fair value through profit or loss (Cost: 2017-\$46,941,862; 2016-\$61,032,114)	3, 4	48,291,583	59,322,891
Subscriptions paid in advance		1,150,000	-
Receivable for investments sold		1,542,370	-
Other assets		105,989	19,530
<b>Total assets</b>		<b>55,150,066</b>	<b>64,602,171</b>
<b>Liabilities</b>			
Accrued expenses	6, 7	148,377	161,358
Subscriptions received in advance		8,271	231,024
<b>Total liabilities</b>		<b>156,648</b>	<b>392,382</b>
<b>Net assets</b>		<b>54,993,418</b>	<b>64,209,789</b>
Number of common shares in issue	5	3,642,806	4,332,012
<b>Net asset value per common share</b>		<b>15.10</b>	<b>14.82</b>

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



# Butterfield Select Fund Limited

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30, 2017

(Expressed in US Dollars)

		ALTERNATIVE INVESTMENT INSTITUTIONAL CLASS
		June 30, 2017 US\$
	<b>Notes</b>	
<b>Assets</b>		
Cash and cash equivalents	2 h)	81,133
Financial assets at fair value through profit or loss (Cost: 2017-\$18,600,000)	3, 4	18,747,616
Subscriptions paid in advance		7,900,000
Other assets		13,596
<b>Total assets</b>		<b>26,742,345</b>
<b>Liabilities</b>		
Accrued expenses	6, 7	69,879
<b>Total liabilities</b>		<b>69,879</b>
<b>Net assets</b>		<b>26,672,466</b>
Number of common shares in issue	5	2,666,415
<b>Net asset value per common share</b>		<b>10.00</b>

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

# Butterfield Select Fund Limited

## SCHEDULE OF PORTFOLIO INVESTMENTS

As at June 30, 2017

(Expressed in US Dollars)

### EQUITY CLASS

	Number of Shares	2017 Fair Value	% of Portfolio
<b>INVESTMENTS</b>			
<b>Investment Funds</b>			
American Century SICAV - ACI Global Growth Equity – Institutional I (x) Accumulating	756,396	\$ 13,849,601	13.05%
Artisan Value Fund - Institutional	664,035	9,674,991	9.11%
BNY Mellon Long Term Global Equity Fund	10,275,363	14,904,414	14.04%
Lazard US Equity Concentrated Fund	102,976	12,262,528	11.55%
MFS Meridian Funds - Global Equity Fund	52,406	13,768,548	12.97%
MFS Meridian Funds – US Value Fund	38,257	9,198,832	8.66%
Schroder International Selection Fund - QEP Global Core	333,641	7,639,588	7.20%
Wellington Global Equity Opportunities Equity Portfolio - SUHUSD	696,979	13,556,245	12.77%
		<b>\$ 94,854,747</b>	<b>89.35%</b>
<b>Exchange Traded Funds</b>			
DB X-Trackers MSCI Europe Index UCITS ETF (DR)	70,000	\$ 4,405,800	4.15%
iShares Global Financials ETF	14,000	884,240	0.83%
iShares MSCI World UCITS ETF - Distribution	25,279	1,029,614	0.97%
Wisdomtree Japan Hedged Equity Fund	96,000	4,992,000	4.70%
		<b>\$ 11,311,654</b>	<b>10.65%</b>
<b>TOTAL INVESTMENTS (Cost: 2017 - \$83,243,357)</b>		<b>\$ 106,166,401</b>	<b>100.00%</b>

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

# Butterfield Select Fund Limited

## SCHEDULE OF PORTFOLIO INVESTMENTS (CONTINUED)

As at June 30, 2017

(Expressed in US Dollars)

### GLOBAL FIXED INCOME CLASS

INVESTMENTS	Nominal	2017	
		Fair Value	% of Portfolio
<b>Corporate and Government Debt Securities</b>			
Amer Airline 16-2 AA PTT 3.200% 06/15/28 SR:AA	242,526	\$ 240,392	0.44%
Amer Airline 17-1 AA PTT 3.650% 02/15/29 SR:AA	709,000	730,270	1.34%
Bank of America Corp 3.950% 04/21/25 SR:L	1,500,000	1,519,862	2.78%
Barclays PLC 5.200% 05/12/26	1,500,000	1,577,855	2.89%
CDP Financial 3.150% 07/24/24 SR:144A	1,500,000	1,536,881	2.81%
Citigroup Inc. 3.500% 05/15/23	1,500,000	1,521,869	2.79%
Cooperative Rabobank UA 3.950% 11/09/22	1,300,000	1,357,736	2.49%
Corp Andina de Fomento 4.375% 06/15/22	1,500,000	1,621,980	2.97%
Endurance Specialty HD Ltd 4.700% 10/15/22	2,230,000	2,407,974	4.41%
Fedex Corp 1998 PASS TST 6.720% 07/15/23 SR:981A	1,370,323	1,497,078	2.74%
Ford Motor Credit Co LLC 3.339% 03/28/22	250,000	253,683	0.46%
General Motors FINL Co 3.450% 01/14/22	250,000	253,977	0.46%
General Motors FINL Co 5.250% 03/01/26	1,500,000	1,620,168	2.97%
Goldman Sachs Group Inc 3.750% 05/22/25	1,500,000	1,535,987	2.81%
Goldman Sachs Group Inc 4.000% 03/03/24	400,000	418,728	0.77%
Government of Bermuda 4.854% 02/06/24 SR:REGS	1,500,000	1,621,245	2.97%
ING Bank NV 5.800% 09/25/23 SR:REGS	1,500,000	1,693,787	3.10%
INTL BK Recon & Develop 0.000% 05/01/18 SR:MTNB	500,000	492,586	0.90%
JPMorgan Chase & CO 3.375% 05/01/23	1,500,000	1,522,139	2.79%
Lloyds Banking Group Plc 4.582% 12/10/25 SR:144A	1,753,000	1,817,470	3.33%
Met Life Glob Funding I 3.875% 04/11/22 SR:144A	1,757,000	1,859,834	3.40%
Morgan Stanley 4.875% 11/01/22	1,500,000	1,628,619	2.98%
Renaissance Re Finance 3.450% 07/01/27	1,900,000	1,873,571	3.43%
Royal Bank of Scotland GRP PLC 6.100% 06/10/23	1,500,000	1,652,777	3.03%
Schlumberger Investment 3.300% 09/14/21 SR:144A	900,000	930,018	1.70%
Schneider Electric Se 2.950% 09/27/22 SR:144A	1,500,000	1,514,046	2.77%
Standard Chartered Plc 3.950% 01/11/23 SR:144A	1,000,000	1,008,521	1.85%
Strips 0.000% 08/15/23	1,000,000	878,947	1.61%
South West Airlines 07-1 TRUST 6.150% 02/01/24 SR:07-1	1,320,654	1,452,719	2.66%
TSY INFL IX N/B 0.125% 07/15/26	1,530,270	1,476,048	2.70%
TSY INFL IX N/B 0.375% 01/15/27	1,518,495	1,491,373	2.73%
Tyson Foods Inc. 3.550% 06/02/27	1,500,000	1,517,499	2.78%
US Treasury N/B 1.500% 03/31/23	1,500,000	1,458,867	2.67%
US Treasury N/B 1.500% 08/15/26	1,000,000	935,508	1.71%
Vale Overseas Limited 4.625% 09/15/20	1,500,000	1,551,660	2.83%
Wells Fargo & Company 4.125% 08/15/23	500,000	528,773	0.96%
		\$ 47,000,447	86.03%

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

# Butterfield Select Fund Limited

## SCHEDULE OF PORTFOLIO INVESTMENTS (CONTINUED)

As at June 30, 2017

(Expressed in US Dollars)

### GLOBAL FIXED INCOME CLASS (Continued)

	Number of Shares	2017 Fair Value	% of Portfolio
<b>INVESTMENTS (Continued)</b>			
<b>Preferred Shares</b>			
Axis Capital Holdings Ltd. 5.500% PERP SR:E	17,500	435,925	0.80%
		\$ 435,925	0.80%
<b>Investment Funds</b>			
PIMCO Funds: Global Investors Series plc Global High Yield Bond Fund Institutional	127,451	\$ 2,953,036	5.41%
PIMCO Funds: Global Investors Series plc Global Investment Grade Credit Fund Institutional	230,000	4,241,198	7.76%
		\$ 7,194,234	13.17%
<b>TOTAL INVESTMENTS (Cost: 2017 - \$51,410,506)</b>		\$ 54,630,606	100.00%

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

# Butterfield Select Fund Limited

## SCHEDULE OF PORTFOLIO INVESTMENTS (CONTINUED)

As at June 30, 2017

(Expressed in US Dollars)

### ALTERNATIVE INVESTMENT CLASS

		2017	
	Number of Shares	Fair Value	% of Portfolio
<b>INVESTMENTS</b>			
<b>Investment Funds</b>			
Aristeia Institutional Ltd CLASS b Voting USD Class B-V Series 02/15	1,682	1,919,883	3.98%
Aspect Institutional Diversified Fund Class A Shares	23,310	2,750,329	5.70%
Atlas Enhanced Fund Ltd. Class C NOV 2016	2,517	2,557,591	5.30%
Atlas Enhanced Fund Ltd. Class C OCT 2016	611	618,081	1.28%
Atlas Enhanced Fund Ltd. Class C SEP 2016	650	664,854	1.38%
Atlas Enhanced Fund Ltd. Class C Dec 2016	68	70,086	0.15%
Blue Mountain Credit Alternatives Fund Ltd - Class S - Restricted - January 2017	36,496	3,708,434	7.68%
BlueMountain Long/Short Equity Fund Ltd. - Restricted - August 2015	500	457,281	0.95%
BlueMountain Long/Short Equity Fund Ltd. - Restricted - June 2015	523	483,616	1.00%
BlueMountain Long/Short Equity Fund Ltd. - Restricted - September 2015	400	368,239	0.76%
Citadel Kensington Global Strategies Fund Ltd. APR 2017	691	727,866	1.51%
Cumulus Fund - Class A – USD	923	544,795	1.13%
Element Capital Feeder Fund Class B SER 4	1,431	1,954,654	4.05%
Graticule Asia Macro Fund Ltd. Class E1 OCT 2012	1,938	2,630,473	5.45%
Impala ELS Fund Ltd. Class A Restricted	1,759	2,091,114	4.33%
Incline Global ELS Ltd Class R Series Fee-5	2,704	2,855,102	5.91%
Ionic Volatility Arbitrage Fund II Ltd. Class A New Issue Restricted Series 1.1	1,551	1,342,842	2.78%
Koppenberg Macro Commodity Fund Ltd Class B – Series 1	1,709	2,646,279	5.48%
Magnetar Tactical Trading Fund Class A Series B1	1,603	1,584,136	3.28%
MKM Longboat Multi Strategy Fund	371	-	0.00%
Nipun Asia Total Return Offshore Fund Ltd - Class A - 041Oct2015	1,500	1,284,583	2.66%
OZ ELS Overseas Fund Ltd Class B Series 7	2,909	3,039,669	6.29%
Renaissance Institutional Diversified Alpha Fund International L.P. (Series A)	N/A	3,407,582	7.06%
Select Partners ELS Fund Class A2-2	3,072	3,180,978	6.58%
The Drake Global Opportunities Fund	9	10,416	0.02%
Trend Marco Offshore Ltd. A-82-0215	2,352	2,566,481	5.31%
Winton Futures Fund Ltd. Class B USD August Series	7,010	679,422	1.41%
York European Opportunities Unit Trust A/R/1	N/A	2,838,318	5.87%
York European Opportunities Unit Trust A/R/8-2015	N/A	1,308,479	2.70%
<b>TOTAL INVESTMENTS (Cost: 2017 – \$46,941,862)</b>		<b>\$ 48,291,583</b>	<b>100.00%</b>

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

# Butterfield Select Fund Limited

## SCHEDULE OF PORTFOLIO INVESTMENTS (CONTINUED)

As at June 30, 2017

(Expressed in US Dollars)

### ALTERNATIVE INVESTMENT INSTITUTIONAL CLASS

INVESTMENTS	Number of Shares	2017	
		Fair Value	% of Portfolio
<b>Investment Funds</b>			
Aspect Institutional Diversified Fund Class A Shares	2,924	\$ 344,980	1.84%
Atlas Enhanced Fund Ltd. Class B JUN 2017	889	900,000	4.80%
Black Diamond Thematic Ltd. Series A Unrestricted 05-17 SUB-Series	7,000	686,599	3.66%
Blue Mountain Credit Alternatives Fund Ltd - Class S - Restricted - January 2017	8,555	869,396	4.64%
Canyon Opportunistic Credit (GRF) Fund (Cayman) Ltd. Class B - Series 00051	1,100	1,126,914	6.01%
Canyon Opportunistic Credit (GRF) Fund (Cayman) Ltd. Class B - Series 00051-2	400	405,331	2.16%
Chenavari European Structured Credit Fund Ltd. - MAR 2015 Series	761	805,005	4.29%
Citadel Kensington Global Strategies Fund Ltd. APR 2017	350	358,981	1.91%
Element Capital Feeder Fund Ltd. Class BNR - Series 3	1,285	1,754,177	9.36%
Incline Global ELS Ltd. UR FEE-0417	550	577,425	3.08%
Ionic Volatility Arbitrage Fund II Ltd. Class A Series 4.5	410	354,551	1.89%
Koppenberg Macro Commodity Fund Ltd. Class B2 Series 1	360	557,630	2.97%
Linden International Ltd. Class B Series 0417	800	817,033	4.36%
Linden International Ltd. Class A Series 0517	400	402,521	2.15%
Magnetar Constellation Fund Ltd. - Class E Series 207	1,000	1,005,026	5.36%
Myriad Opportunities Offshore Fund Ltd. Class B - Series 110	1,100	1,152,977	6.15%
Redmile Capital Offshore Fund Ltd. Class A Sub Class 10 Series 0417	750	737,783	3.94%
Renaissance Institutional Diversified Alpha Fund International L.P. (Series A)	N/A	822,952	4.39%
Select Partners ELS Fund Class A1-10	440	680,024	3.63%
Trend Macro Offshore Ltd. A-148-0215	457	498,855	2.66%
Triam Partners Ltd. Class DU Q OPT 5-04/17	600	622,075	3.32%
Wexford Offshore Catalyst Fund Limited Class A 0417 E	291	900,000	4.80%
Wexford Offshore Catalyst Fund Limited Class A 0517 E	98	300,000	1.60%
Whitebox Asymmetric Opportunities Fund, Ltd. Class C-8-04-17	1,100	1,121,467	5.98%
York European Opportunities Unit Trust A/U/1-2	N/A	945,914	5.05%
<b>TOTAL INVESTMENTS (Cost: 2017 – \$18,600,000)</b>		<b>\$ 18,747,616</b>	<b>100.00%</b>

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

# Butterfield Select Fund Limited

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2017

(Expressed in US Dollars)

	Notes	EQUITY CLASS	
		2017 US\$	2016 US\$
<b>Income</b>			
Net realised (loss)/gain on financial assets at fair value through profit or loss		(79,705)	2,966,219
Net change in unrealised gain/(loss) on financial assets at fair value through profit or loss		18,366,498	(9,630,330)
Dividend income		353,754	2,153,153
Interest		3,803	1,843
Other income		12,787	13,388
<b>Total income/(loss)</b>		<b>18,657,137</b>	<b>(4,495,727)</b>
<b>Expenses</b>			
Management fee	6 a)	941,089	969,290
Administration fee	7	241,732	249,032
Audit fee		27,843	31,928
Custodian fee	6 b)	35,582	35,720
Government fee		6,088	6,573
Investment services fee	6 e)	33,697	36,180
Miscellaneous		33,728	30,829
<b>Total expenses</b>		<b>1,319,759</b>	<b>1,359,552</b>
Less: Withholding tax on dividend income		78,139	168,439
<b>Net increase/(decrease) in net assets resulting from operations attributable to shareholders</b>		<b>17,259,239</b>	<b>(6,023,718)</b>

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

# Butterfield Select Fund Limited

## STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended June 30, 2017

(Expressed in US Dollars)

		GLOBAL FIXED INCOME CLASS	
		2017	2016
		US\$	US\$
	Notes		
<b>Income</b>			
Net realised gain on financial assets at fair value through profit or loss		384,229	101,518
Net change in unrealised gain on financial assets at fair value through profit or loss		201,984	1,522,978
Bonds interest		1,589,950	1,467,834
Dividend income		16,576	238,754
<b>Total income</b>		<b>2,192,739</b>	<b>3,331,084</b>
<b>Expenses</b>			
Management fee	6 a)	455,371	457,519
Administration fee	7	120,702	122,262
Miscellaneous		15,878	17,757
Audit fee		16,414	14,000
Custodian fee	6 b)	17,187	17,535
Government fee		2,922	3,070
Investment services fee	6 e)	16,249	16,560
<b>Total expenses</b>		<b>644,723</b>	<b>648,703</b>
<b>Net increase in net assets resulting from operations attributable to shareholders</b>		<b>1,548,016</b>	<b>2,682,381</b>

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



# Butterfield Select Fund Limited

## STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended June 30, 2017

(Expressed in US Dollars)

	Notes	ALTERNATIVE INVESTMENT CLASS	
		2017 US\$	2016 US\$
<b>Income</b>			
Net realised (loss)/gain on financial assets at fair value through profit or loss		(674,672)	319,757
Net change in unrealised gain/(loss) on financial assets at fair value through profit or loss		3,058,944	(2,462,565)
Interest		19,278	5,856
<b>Total income/(loss)</b>		<b>2,403,550</b>	<b>(2,136,952)</b>
<b>Expenses</b>			
Management fee	6 a)	1,067,034	1,021,417
Administration fee	7	148,451	144,599
Miscellaneous		40,043	56,656
Audit fee		29,518	17,000
Custodian fee	6 b)	20,830	20,775
Government fee		3,592	3,474
Investment services fee	6 e)	20,506	18,804
<b>Total expenses</b>		<b>1,329,974</b>	<b>1,282,725</b>
<b>Net increase/(decrease) in net assets resulting from operations attributable to shareholders</b>		<b>1,073,576</b>	<b>(3,419,677)</b>

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

# Butterfield Select Fund Limited

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## STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the period from March 31, 2017 to June 30, 2017

(Expressed in US Dollars)

		ALTERNATIVE INVESTMENT INSTITUTIONAL CLASS	2017 US\$
	Notes		
<b>Income</b>			
Net change in unrealised gain on financial assets at fair value through profit or loss			147,616
<b>Total income</b>			<b>147,616</b>
<b>Expenses</b>			
Management fee	6 a)		104,821
Administration fee	7		8,630
Miscellaneous			3,019
Audit fee			17,000
Custodian fee	6 b)		1,930
Investment services fee	6 e)		5,250
<b>Total expenses</b>			<b>140,650</b>
<b>Net increase in net assets resulting from operations attributable to shareholders</b>			<b>6,966</b>

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

# Butterfield Select Fund Limited

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

For the year ended June 30, 2017

(Expressed in US Dollars)

	EQUITY CLASS	
	2017 US\$	2016 US\$
<b>NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>17,259,239</b>	<b>(6,023,718)</b>
<b>CAPITAL STOCK TRANSACTIONS</b>		
Issue of redeemable shares	8,978,780	8,248,686
Repurchase of redeemable shares	(24,202,518)	(17,741,445)
Decrease in net assets attributable to shareholders from transactions in shares	(15,223,738)	(9,492,759)
<b>NET INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>2,035,501</b>	<b>(15,516,477)</b>
<b>NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS – BEGINNING OF YEAR</b>	<b>106,444,625</b>	<b>121,961,102</b>
<b>NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS – END OF YEAR</b>	<b>108,480,126</b>	<b>106,444,625</b>

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

# Butterfield Select Fund Limited

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS (CONTINUED)

For the year ended June 30, 2017

(Expressed in US Dollars)

	GLOBAL FIXED INCOME CLASS	
	2017 US\$	2016 US\$
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>1,548,016</b>	<b>2,682,381</b>
<b>CAPITAL STOCK TRANSACTIONS</b>		
Issue of redeemable shares	10,354,007	4,764,897
Repurchase of redeemable shares	(10,299,184)	(8,904,087)
Increase/(decrease) in net assets attributable to shareholders from transactions in shares	54,823	(4,139,190)
<b>NET INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>1,602,839</b>	<b>(1,456,809)</b>
<b>NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS – BEGINNING OF YEAR</b>	<b>53,851,536</b>	<b>55,308,345</b>
<b>NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS – END OF YEAR</b>	<b>55,454,375</b>	<b>53,851,536</b>

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

# Butterfield Select Fund Limited

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS (CONTINUED)

For the year ended June 30, 2017

(Expressed in US Dollars)

	ALTERNATIVE INVESTMENT CLASS	
	2017 US\$	2016 US\$
<b>NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>1,073,576</b>	<b>(3,419,677)</b>
<b>CAPITAL STOCK TRANSACTIONS</b>		
Issue of redeemable shares	12,562,959	15,301,065
Repurchase of redeemable shares	(22,852,906)	(8,320,021)
(Decrease)/increase in net assets attributable to shareholders from transactions in shares	(10,289,947)	6,981,044
<b>NET (DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS</b>	<b>(9,216,371)</b>	<b>3,561,367</b>
<b>NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS – BEGINNING OF YEAR</b>	<b>64,209,789</b>	<b>60,648,422</b>
<b>NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS – END OF YEAR</b>	<b>54,993,418</b>	<b>64,209,789</b>

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

# Butterfield Select Fund Limited

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## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS (CONTINUED)

For the period from March 31, 2017 to June 30, 2017

(Expressed in US Dollars)

	ALTERNATIVE INVESTMENT INSTITUTIONAL CLASS	2017 US\$
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>6,966</b>
<hr/>		
<b>CAPITAL STOCK TRANSACTIONS</b>		
Issue of redeemable shares		26,665,500
Increase in net assets attributable to shareholders from transactions in shares		26,665,500
<hr/>		
<b>NET INCREASE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS</b>		<b>26,672,466</b>
<b>NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS – BEGINNING OF PERIOD</b>		-
<hr/>		
<b>NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS – END OF PERIOD</b>		<b>26,672,466</b>

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

# Butterfield Select Fund Limited

## STATEMENT OF CASH FLOWS

For the year ended June 30, 2017

(Expressed in US Dollars)

	EQUITY CLASS	
	2017 US\$	2016 US\$
<b>Cash flows from operating activities</b>		
Net increase/(decrease) in net assets resulting from operations attributable to shareholders	17,259,239	(6,023,718)
<i>Adjustments for:</i>		
Purchase of financial assets	(5,463,834)	(44,959,921)
Net proceeds from sale of financial assets	22,984,047	55,027,464
Net realised loss/(gain) on financial assets at fair value through profit or loss	79,705	(2,966,219)
Net change in unrealised (gain)/ loss on financial assets at fair value through profit or loss	(18,366,498)	9,630,330
Changes in:		
Dividends receivable	-	68,298
Other assets	(503)	5,740
Accrued expenses	1,029	(14,877)
<b>Net cash provided by operating activities</b>	<b>16,493,185</b>	<b>10,767,097</b>
<b>Cash flows from financing activities</b>		
Subscriptions received in advance	89,377	(14,545)
Proceeds from issuance of shares	8,978,780	8,248,686
Payments from redemption of shares	(24,202,518)	(17,741,445)
<b>Net cash used in financing activities</b>	<b>(15,134,361)</b>	<b>(9,507,304)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,358,824</b>	<b>1,259,793</b>
<b>Cash and cash equivalents – beginning of year</b>	<b>1,269,342</b>	<b>9,549</b>
<b>Cash and cash equivalents – end of year</b>	<b>2,628,166</b>	<b>1,269,342</b>
<b>Supplemental cash flow information:</b>		
Interest received	3,803	1,843
Dividend received, net of withholding taxes	353,754	2,221,451

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

# Butterfield Select Fund Limited

## STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended June 30, 2017

(Expressed in US Dollars)

	GLOBAL FIXED INCOME CLASS	
	2017 US\$	2016 US\$
<b>Cash flows from operating activities</b>		
Net increase in net assets resulting from operations attributable to shareholders	1,548,016	2,682,381
<i>Adjustments for:</i>		
Purchase of financial assets	(24,407,258)	(25,431,898)
Net proceeds from sale of financial assets	21,658,278	28,037,125
Net realised gain on financial assets at fair value through profit or loss	(384,229)	(101,518)
Net change in unrealised gain on financial assets at fair value through profit or loss	(201,984)	(1,522,978)
Changes in:		
Interest receivable	(8,934)	54,798
Other assets	78	13,435
Dividends receivable	(6,016)	-
Accrued expenses	2,145	(673)
<b>Net cash (used in)/provided by operating activities</b>	<b>(1,799,904)</b>	<b>3,730,672</b>
<b>Cash flows from financing activities</b>		
Subscriptions received in advance	790	40,891
Proceeds from issuance of shares	10,354,007	4,764,897
Payments from redemption of shares	(10,299,185)	(8,904,087)
<b>Net cash provided by/(used in) financing activities</b>	<b>55,612</b>	<b>(4,098,299)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,744,292)</b>	<b>(367,627)</b>
<b>Cash and cash equivalents – beginning of year</b>	<b>2,299,984</b>	<b>2,667,611</b>
<b>Cash and cash equivalents – end of year</b>	<b>555,692</b>	<b>2,299,984</b>
<b>Supplemental cash flow information:</b>		
Interest received	1,581,016	1,522,633
Dividend received	16,576	249,890

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



# Butterfield Select Fund Limited

## STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended June 30, 2017

(Expressed in US Dollars)

	ALTERNATIVE INVESTMENT CLASS	
	2017 US\$	2016 US\$
<b>Cash flows from operating activities</b>		
Net increase/(decrease) in net assets resulting from operations attributable to shareholders	1,073,576	(3,419,677)
<i>Adjustments for:</i>		
Purchase of financial assets	(26,626,834)	(23,047,523)
Net proceeds from sale of financial assets	31,350,044	15,236,573
Net realised loss/(gain) on financial assets at fair value through profit or loss	674,672	(319,757)
Net change in unrealised (gain)/loss on financial assets at fair value through profit or loss	(3,058,944)	2,462,565
Changes in:		
Other assets	(86,459)	770
Accrued expenses	(12,981)	6,407
<b>Net cash provided by/(used in) operating activities</b>	<b>3,313,074</b>	<b>(9,080,642)</b>
<b>Cash flows from financing activities</b>		
Subscriptions received in advance	(222,753)	231,024
Proceeds from issuance of shares	12,562,959	15,301,065
Payments from redemption of shares	(16,852,906)	(8,320,021)
<b>Net cash (used in)/provided by financing activities</b>	<b>(4,512,700)</b>	<b>7,212,068</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,199,626)</b>	<b>(1,868,574)</b>
<b>Cash and cash equivalents – beginning of year</b>	<b>5,259,750</b>	<b>7,128,324</b>
<b>Cash and cash equivalents – end of year</b>	<b>4,060,124</b>	<b>5,259,750</b>
<b>Supplemental cash flow information:</b>		
Interest received	19,278	5,857
<b>Supplemental non-cash information:</b>		
Redemption in-kind – distribution of securities to an investor as payment for redeeming common shares of the Fund	(6,000,000)	-

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

# Butterfield Select Fund Limited

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## STATEMENT OF CASH FLOWS (CONTINUED)

For the period from March 31, 2017 to June 30, 2017

(Expressed in US Dollars)

	ALTERNATIVE INVESTMENT INSTITUTIONAL CLASS	2017 US\$
<b>Cash flows from operating activities</b>		
Net increase in net assets resulting from operations attributable to shareholders		6,966
<i>Adjustments for:</i>		
Purchase of financial assets	(20,500,000)	
Net change in unrealised gain on financial assets at fair value through profit or loss	(147,616)	
Changes in:		
Other assets	(13,596)	
Accrued expenses	69,879	
<b>Net cash used in operating activities</b>	<b>(20,584,367)</b>	
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	20,665,500	
<b>Net cash provided by financing activities</b>	<b>20,665,500</b>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>81,133</b>
<b>Cash and cash equivalents – beginning of period</b>		<b>-</b>
<b>Cash and cash equivalents – end of period</b>		<b>81,133</b>
<b>Supplemental non-cash information:</b>		
Subscription in-kind – receipt of securities from an investor in exchange for common shares in the Fund		6,000,000

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

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2017

### 1. CORPORATE INFORMATION

Butterfield Select Fund Limited (the "Fund") is an open-ended investment company which was incorporated under the laws of Bermuda on January 31, 2000.

The Fund commenced operations on February 17, 2000. 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 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.

Brown Brothers Harriman & Co. acts as sub-custodian (the "Sub-custodian") for the Equity Class, the Alternative Investment Class and the Alternative Investment Institutional Class. The Sub-custodian fees are paid by the Custodian.

On December 4, 2014, the Fund entered into an agreement with Grosvenor Capital Management, L.P. to provide sub-advisory services to the Fund. These services were previously provided by International Asset Management Limited. All sub-advisory fees are paid by the Investment Adviser on behalf of the Fund.

The objective of the Fund is to achieve long term capital growth in the value of the assets, offering a convenient and efficient vehicle for investing in mutual fund products which are anticipated to provide the best opportunities for capital appreciation having regard to diversification.

For the Equity Class, the policy of the Fund is to hold a global portfolio by investing in international and Bermuda equity funds and international equity index-linked instruments.

For the Global Fixed Income Class, the policy of the Fund is to hold a portfolio of international fixed income mutual funds and/or securities.

For Alternative Investment Class and Alternative Investment Institutional Class the policy is to invest with professional money managers, predominately in "Hedge Fund" format, but may, at the Investment Adviser's discretion, invest in listed securities or limited partnership investments. The Investment Adviser will attempt to minimise the risks involved by selecting money managers who utilise strategies such as hedged investing and by diversification of both manager and strategy.

On March 31, 2017, a new class, Alternative Investment Institutional Class, was added to the Fund.

All four classes may also hold money market instruments or mutual funds for cash management purposes.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 2. BASIS OF PREPARATION

#### **Accounting convention**

The financial statements have been prepared in accordance with IFRS issued by the International Accounting Statements 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 judgements utilised in preparing the Fund's financial statements are reasonable and prudent. Actual results could differ from these estimates.

##### **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 subdivided 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 investment funds, exchange traded funds, equities and other 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. The Fund's policy is not to apply hedge accounting.

Financial instruments designated at fair value through profit or loss upon initial recognition: these include investment funds, exchange traded funds, equities and other interest bearing investments and derivatives 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 an active market.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 2. BASIS OF PREPARATION (Continued)

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

##### b) Financial Instruments (continued)

###### i. Classification (continued)

###### **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 recognised 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.

###### 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 change in unrealised 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 income or expense and dividend income 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.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 2. BASIS OF PREPARATION (Continued)

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

##### b) Financial instruments (continued)

###### 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.

##### 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.

Investments in underlying funds are carried at fair value, which is based on the net asset value (NAV) of each share of the Fund's investments in or the pro-rata interest in the net assets of such investment funds as published or otherwise reported by the investment fund's administrators. The underlying investments of each fund are accounted for at fair value as described in each investment fund's financial statements.

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.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 2. BASIS OF PREPARATION (Continued)

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

##### 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 assets' 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 United States Dollar (US Dollar), 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 Dollar 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 Dollars.

##### 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 recognised amounts and there is an intention to settle on a net basis, or to realise 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 Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 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.

**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.

Cash and cash equivalents do not include bank overdraft. Where applicable, bank overdraft is shown as a liability in the statement of financial position as well as in the statement of cash flows.

**i) Interest income and expense**

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

**j) Dividend income and expense**

Dividend income is recognised on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

**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 recognised 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 Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 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 at a value equal to a proportionate share of the Fund's net asset value ("NAV"). The net asset value per share is calculated by dividing the net assets attributable to shareholders with the total number of outstanding redeemable shares.

##### p) 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.

###### 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.

##### q) 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.

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 2. BASIS OF PREPARATION (Continued)

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

##### q) Investment entity (continued)

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.

### 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 Funds' investment activities, including monitoring compliance with the investment objective and strategies, internal guidelines and securities regulations.

#### Credit Risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. Financial instruments that potentially expose the Fund to credit and counterparty risk consist primarily of cash and cash equivalents, balances held at the brokers/custodian/sub-custodian and investments in debt securities.

The value of such balances on the statement of financial position 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 Global Fixed income Class' debt securities provided by Standard & Poor's and are subject to change, which could be material.

	% of Portfolio 2017	% of Portfolio 2016
<b>Debt Securities by Credit Rating</b>		
AAA	4.32	4.71
AA+	13.79	1.92
AA	-	0.74
AA-	9.39	10.18
A+	3.45	3.70
A	7.08	7.20
A-	4.35	3.49
BBB+	22.20	21.91
BBB	14.23	6.81
BBB-	12.78	18.28
BB+	3.36	-
BB	3.51	2.36
Not Rated by S&P	1.54	18.70
	<b>100.00</b>	<b>100.00</b>

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 3. FINANCIAL RISK MANAGEMENT (Continued)

Credit ratings below represent ratings of Global Fixed Income Class' 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	% of Portfolio
	2017	2016
Aa3	1.54	-
Aaa	-	18.70
	1.54	18.70

Substantially all of the assets of the Fund are held by the Fund's Custodian, Sub-custodian and the Bank. The Fund monitors its risk by monitoring the credit quality of the Custodian, Sub-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). As at June 30, 2017, the credit rating of the Fund's Sub-custodian, as provided by Fitch Ratings, was A+ (2016 – A+).

#### Currency Risk

Currency risk is the risk that the value of an investment will fluctuate due to changes in foreign exchange rates. The Fund invests in securities and other investments that are denominated in currencies other than the US Dollar. Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Fund will necessarily be subject to foreign exchange risks.

The primary purpose of the Fund's foreign currency economic hedging activities is to protect against the volatility associated with investments denominated in foreign currencies and other assets and liabilities denominated in foreign currencies created in the normal course of business. The Fund utilises foreign currency forward exchange contracts to hedge foreign-currency-denominated financial instruments. Increases or decreases in the fair values of the Fund's foreign-currency-denominated financial assets and liabilities are partially offset by gains and losses on the economic hedging instruments.

As at June 30, 2017 and 2016, the Fund's exposure to currencies other than the Fund's reporting currency was limited to small balances of cash and cash equivalents denominated in foreign currencies which are not significant to the Fund as a whole.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or 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. 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, the net assets of Global Fixed Income Class would have increased or decreased by approximately US\$136,576 (2016: US\$134,629). This analysis assumes that all other variables remained unchanged. In practice, actual results may differ from this analysis and the difference could be material. All other assets and liabilities are not subject to interest rate risk. The Equity Class, Alternative Investment Class and Alternative Investment Institutional Class are not subject to significant interest rate risk.

#### 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 shares of the Equity Class, Global Fixed Income Class and Alternative Investment Class.

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 3. FINANCIAL RISK MANAGEMENT (Continued)

#### Liquidity Risk (continued)

The Alternative Investment Institutional Class has a higher risk and return objective and reduced liquidity constraints than the other Classes and, as a result, shares can only be redeemed quarterly. Each Fund Class retains sufficient holdings in underlying funds which offer redemptions on a quarterly, monthly, weekly and daily basis or actively traded marketable securities which, combined with cash and cash equivalents, provide adequate liquidity to address the risk of cash redemptions of redeemable shares.

The table below indicates the Global Fixed Income Class' holdings in debt securities by remaining term to maturity:

Debt Securities by Maturity	Fair Value	
	2017 US\$	2016 US\$
1 - 3 years	-	1,306,215
3 - 5 years	6,471,152	8,127,156
Greater than 5 years	39,157,762	32,487,659
Non-interest bearing (Less than 1 year)	492,586	-
Non-interest bearing (1-3 years)	-	486,945
Non-interest bearing (Greater than 5 years)	878,947	2,203,259
	47,000,447	44,611,234

As of June 30, 2017 and 2016, all investment funds (2017: US\$106,166,401; 2016: US\$105,399,821) held by the Equity Class offer redemptions on a daily basis.

As of June 30, 2017 and 2016, all investment funds (2017: US\$7,194,234; 2016: US\$6,684,178) held by the Global Fixed Income Class offer redemptions on a daily basis.

As of June 30, 2017, investment funds held by the Alternative Investment Class representing US\$17,964,713 (37.20%) offer redemptions on a quarterly basis, US\$27,566,125 (57.08%) offer redemptions on a monthly basis, US\$2,750,329 (5.70%) offer redemptions on a weekly basis and US\$10,416 (0.02%) have redemption restrictions. As of June 30, 2016, investment funds held by the Alternative Investment Class representing US\$17,753,927 (29.93%) offer redemptions on a quarterly basis, US\$35,610,682 (60.03%) offer redemptions on a monthly basis, US\$5,886,268 (9.92%) offer redemptions on a weekly basis and US\$72,014 (0.12%) have redemption restrictions. Investment funds' initial lock-up periods range from zero to one year. As of June 30, 2017 and 2016, no investment funds held by the Alternative Investment Class remain subject to un-expired initial lock-up periods.

As of June 30, 2017, investment funds held by the Alternative Investment Institutional Class representing US\$14,943,175 (79.71%) offer redemptions on a quarterly basis, US\$3,459,461 (18.45%) offer redemptions on a monthly basis, and US\$344,980 (1.84%) offer redemptions on a weekly basis. Investment funds' initial lock-up periods range from zero to one year. As of June 30, 2017, investment funds held by the Alternative Investment Institutional Class amounting to \$3,039,576 remain subject to un-expired initial lock-up periods ranging from 9 months to 10 months.

The Fund also has a credit facility in place to further mitigate liquidity risk.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 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 Investment Adviser attempts to mitigate price/market risk by selecting appropriate portfolio investments based on the Fund's strategy.

As at June 30, 2017, all of the Equity Class' investments were exposed to changes in portfolio prices. As at June 30, 2017, if portfolio prices had been 5% higher or lower with all other variables held constant, the net assets of the Equity Class would have been US\$5,308,320 (2016 - US\$5,269,991) higher or lower.

As at June 30, 2017, all of the Global Fixed Income Class' investments were exposed to changes in portfolio prices. As at June 30, 2017, if portfolio prices had been 5% higher or lower with all other variables held constant, the net assets of the Global Fixed Income Class would have been US\$2,731,530 (2016 - US\$2,564,771) higher or lower.

As at June 30, 2017, all of the Alternative Investment Class' investments were exposed to changes in portfolio prices. As at June 30, 2017, if portfolio prices had been 5% higher or lower with all other variables held constant, the net assets of the Alternative Investment Class would have been US\$2,414,579 (2016 - US\$2,966,145) higher or lower.

As at June 30, 2017, all of the Alternative Investment Institutional Class' investments were exposed to changes in portfolio prices. As at June 30, 2017, if portfolio prices had been 5% higher or lower with all other variables held constant, the net assets of the Alternative Investment Class would have been US\$937,381 higher or lower.

A sensitivity rate of 5% is used when reporting other price/market risk internally to key management personnel and represents management's assessment of possible change in market prices.

### 4. FAIR VALUE OF FINANCIAL ASSETS

The following table 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;
- 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.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Fund. The Fund considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 4. FAIR VALUE OF FINANCIAL ASSETS (Continued)

The inputs used by the Fund to value its investments in each of the investment funds or other financial instruments may differ from the inputs used to value the underlying holdings of such investment funds or other financial instruments. Thus, an investment fund with all of its underlying investments classified as Level 1 may be classified as a Level 2 or Level 3 investment.

The Fund measures the fair value of its investments in investment funds on the basis of the NAV per share (or its equivalent) of such investment funds.

Unless the investment funds have been suspended or are subject to similar liquidity restrictions, the Fund has the ability to redeem its investments in investment funds at NAV per share (or its equivalent) and the investments in investment funds are categorized as Level 2. Where the investment fund is suspended for an extended period, the Fund classifies its investments in investment funds as Level 3.

2017

#### EQUITY CLASS

Classification	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets</b>				
Investment funds	-	94,854,747	-	94,854,747
Exchange traded funds	11,311,654	-	-	11,311,654
Total financial assets	11,311,654	94,854,747	-	106,166,401

#### GLOBAL FIXED INCOME CLASS

Classification	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets</b>				
Corporate and government debt securities	-	47,000,447	-	47,000,447
Preferred Shares	-	435,925	-	435,925
Investment funds	-	7,194,234	-	7,194,234
Total financial assets	-	54,630,606	-	54,630,606

#### ALTERNATIVE INVESTMENT CLASS

Classification	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets</b>				
Investment funds	-	48,281,167	10,416	48,291,583
Total financial assets	-	48,281,167	10,416	48,291,583

#### ALTERNATIVE INVESTMENT INSTITUTIONAL CLASS

Classification	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets</b>				
Investment funds	-	18,747,616	-	18,747,616
Total financial assets	-	18,747,616	-	18,747,616

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 4. FAIR VALUE OF FINANCIAL ASSETS (Continued)

2016

#### EQUITY CLASS

Classification	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets</b>				
Investment funds	-	79,004,674	-	79,004,674
Exchange traded funds	26,395,147	-	-	26,395,147
Total financial assets	26,395,147	79,004,674	-	105,399,821

#### GLOBAL FIXED INCOME CLASS

Classification	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets</b>				
Corporate and government debt securities	-	44,611,234	-	44,611,234
Investment funds	-	6,684,178	-	6,684,178
Total financial assets	-	51,295,412	-	51,295,412

#### ALTERNATIVE INVESTMENT CLASS

Classification	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets</b>				
Investment funds	-	59,250,877	72,014	59,322,891
Total financial assets	-	59,250,877	72,014	59,322,891

#### 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, 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.

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 4. FAIR VALUE OF FINANCIAL ASSETS (Continued)

#### Reconciliation of Financial Asset and Liability Movement - Level 3

The movement in financial assets held in the Alternative Investment Class classified as Level 3 is as follows:

	2017 US\$	2016 US\$
Beginning balance	72,014	92,277
Sales/redemptions	(85,318)	(22,037)
Realised loss	(1,923)	(9,511)
Net change in unrealised gain	25,643	11,285
Ending balance	10,416	72,014

  

Net change in unrealised gain included in the statement of comprehensive income related to Level 3 investments still held at year end	14,898	11,285
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The Fund's Equity Class, Global Fixed Income Class and Alternative Investment Institutional Class did not hold any Level 3 investments at the beginning, during, or at the end of the year/period ended June 30, 2017 and June 30, 2016.

### 5. SHARES ISSUED AND OUTSTANDING

The authorised share capital of the Fund is US\$100,000,000 divided into 1,000,000,000 shares of US\$0.10 par value each, of which 120,000 shares of US\$0.10 par value have been designated as non-participating, voting organisational shares and have been allotted for cash at par to the Investment Adviser and its nominees.

The remaining share capital consists of 999,880,000 participating, non-voting common shares of US\$0.10 divided into four classes designated as Equity Class, Global Fixed Income Class, Alternative Investment Class and Alternative Investment Institutional Class.

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.

Details of shares issued and outstanding during the years ended June 30, 2017 and 2016 were as follows:

#### EQUITY CLASS COMMON SHARES

	2017	2016
Balance – beginning of year	8,613,458	9,364,778
Issue of common shares	657,472	668,368
Redemption of common shares	(1,799,528)	(1,419,688)
Balance – end of year	7,471,402	8,613,458



# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

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

#### GLOBAL FIXED INCOME CLASS COMMON SHARES

	2017	2016
Balance – beginning of year	2,751,879	2,974,678
Issue of common shares	521,534	253,890
Redemption of common shares	(520,638)	(476,689)
Balance – end of year	2,752,775	2,751,879

#### ALTERNATIVE INVESTMENT CLASS COMMON SHARES

	2017	2016
Balance – beginning of year	4,332,012	3,881,143
Issue of common shares	846,474	1,000,095
Redemption of common shares	(1,535,680)	(549,226)
Balance – end of year	3,642,806	4,332,012

#### ALTERNATIVE INVESTMENT INSTITUTIONAL CLASS COMMON SHARES

For the period from March 31, 2017  
to June 30, 2017

Balance – beginning of period	-
Issue of common shares	2,666,415
Balance – end of period	2,666,415

Common shares are allotted to subscribers at a value determined by reference to the weekly valuation of the net assets of Equity Class, Global Fixed Income Class, and Alternative Investment Class and monthly for Alternative Investment Institutional Class. Shares may be redeemed weekly from Equity Class, Global Fixed Income Class and Alternative Investment Class and quarterly from Alternative Investment Institutional Class for an amount equal to the net asset value per share as at the close of business on the valuation day, following receipt of the properly completed request for redemption, subject to the power of the directors to deduct therefrom an amount sufficient in their opinion to meet sale and fiscal charges incurred in realising assets to provide funds to meet the request.

The Directors of the Fund will use commercially reasonable efforts to timely meet redemption requests for the Alternative Investment Class and Alternative Investment Institutional Class. However, because the liquidity of the investments in investment funds does not match the liquidity offered to shareholders of these Classes, the Directors have determined it is in the best interest of the Alternative Investment Class and Alternative Investment Institutional Class to retain the discretion to impose a gate on redemptions. The Directors may, with respect to any redemption day, impose a gate if redemption requests in the aggregate exceed 15% of the net asset value of the respective classes on the relevant redemption day and the eleven redemption days prior for Alternative Investment Class and three redemption days prior for Alternative Investment Institutional Class. When outstanding redemption requests exceed the gate, redemptions will be reduced and satisfied on a pro rata basis, based on the total amount of requested redemptions as of such redemption day. If the Fund receives redemption requests that exceed the gate it shall carry forward the balance of any redemption requests which are not processed as a result of the gate to the next following redemption day and so on to each succeeding redemption day until such request has been complied with in full.

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

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

With respect to the Alternative Investment Institutional Class, the Directors may also declare any dealing day to be an additional redemption day for such Class, (each a "Special Dealing Day") provided that (i) no more than five (5) percent of the then outstanding Alternative Investment Institutional Class shares may be redeemed as of any Special Dealing Day; and (ii) a notice of redemption with respect to a Special Dealing Day is received by the Administrator by no later than 5:00 pm no less than 40 calendar days before the applicable Special Dealing Day.

In addition, the Directors may impose such additional requirements, limitations, terms and conditions with respect to redemptions on a Special Dealing Day as they may determine in their sole discretion.

#### 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. RELATED PARTY TRANSACTIONS

#### a) Management Fee

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

Under the terms of the management agreement, the Investment Adviser is entitled to receive a monthly fee calculated at the rate of no more than 1% per annum of the net asset value of each of the Equity and Global Fixed Income Classes and 2% (2016: 2%) per annum of the Alternative Investment and Alternative Investment Institutional Classes. Presently, the monthly fee is calculated at the rate of 0.875% per annum for each of the Equity and Global Fixed Income Classes, 1.75% (2016: 1.5% to 1.75%) per annum for the Alternative Investment Class and Alternative Investment Institutional Class.

Management fees are accrued daily and paid on the last valuation day of each month. Details of management fees charged and payable, as at June 30, 2017 and 2016 for each class are set out in the table below.

Class	Management fees charged		Management fees payable	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
Equity	941,089	969,290	92,309	90,885
Global Fixed	455,371	457,519	46,793	43,574
Alternative Investment	1,067,034	1,021,417	87,948	99,604
Alternative Investment Institutional	104,821	-	38,494	-

#### b) Custodian Fee

In accordance with the custodian agreement, the Custodian receives a fee based on the fair value of assets under administration at the rate of 3.25 basis points per annum, subject to a minimum of US\$10,000 for each of the Fund's classes. Relevant out-of-pocket expenses may also be charged to the Fund by the Custodian. Details of custodian fees charged and payable, as at June 30, 2017 and 2016 for each class are set out in the table below.

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 6. RELATED PARTY TRANSACTIONS (Continued)

#### b) Custodian Fee

Class	Custodian fees charged		Custodian fees payable	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
Equity	35,582	35,720	18,011	8,804
Global Fixed	17,187	17,535	8,583	4,340
Alternative Investment	20,830	20,775	9,815	5,085
Alternative Investment Institutional	1,930	-	1,930	-

#### c) Investment Transactions

As of June 30, 2017, Butterfield Select Invest Fund Limited ("Select Invest") held 421,462 shares (2016: 718,651) having a fair value of US\$6,119,622 (2016: US\$8,882,527) in the Equity Class, 453,702 shares (2016: 324,904) having a fair value of US\$9,137,557 (2016: US\$6,358,365) in the Global Fixed Income Class, 181,584 shares (2016: 163,344) having a fair value of US\$2,741,915 (2016: US\$2,420,758) in the Alternative Investment Class and did not hold shares in Alternative Investment Institutional Class. Select Invest is related through common directorship. In addition, Select Invest is also managed by the Fund's Investment Adviser.

#### d) Credit Facility

On August 30, 2016, the Fund renewed the unsecured credit facility agreement with the Bank. Advances will be limited to 10% of the class net asset value, except for Alternative Investment Class which will be limited to 20% of its net asset value. 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 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 Borrower to the Bank, is payable on the earlier of sixty 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 renewal comes with the terms as outlined above renewed and the principal amount will be limited of up to a maximum of US\$41,000,000. Notwithstanding this aggregate total the individual classes of the fund will be limited to: Equity Class US\$12,000,000, Global Fixed Income Class US\$5,000,000, Alternative Investment Class US\$12,000,000 and Alternative Investment Institutional Class US\$12,000,000. The renewed unsecured facility expires on June 30, 2018.

#### e) 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 US\$75,702 (2016: US\$71,544). Details of investment services fees charged and payable, as at June 30, 2017 and 2016 for each class are set out in the table below.

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 6. RELATED PARTY TRANSACTIONS (Continued)

#### e) Investment Services Fee (Continued)

Class	Investment services fees charged		Investment services fees payable	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
Equity	33,697	36,180	2,737	-
Global Fixed	16,249	16,560	1,309	-
Alternative Investment	20,506	18,804	1,736	-
Alternative Investment Institutional	5,250	-	5,250	-

#### f) Other

The Bank owns shares of the classes as outlined below:

Class	Shares	
	2017	2016
Equity	2,542,261	2,823,531
Alternative Investment	-	854,735
Alternative Investment Institutional	1,274,409	-

The classes of the Fund also invest in US\$ Class Sub-Class B of Butterfield Money Market Fund Limited, a fund managed by the Investment Adviser, as outlined below:

Class	Shares	
	2017	2016
Equity	95,625	49,045
Global Fixed	10,336	91,111
Alternative Investment	161,949	201,467

### 7. ADMINISTRATION FEE

In accordance with the administration agreement, the Administrator receives a fee based upon the nature and extent of the services provided. Details of administration fees charged and payable, as at June 30, 2017 and 2016 for each class are set out in the table below. Administration fees payable at June 30, 2017 and 2016 are included in accrued expenses in the Statements of Financial Position.

Class	Administration fees charged		Administration fees payable	
	2017 US\$	2016 US\$	2017 US\$	2016 US\$
Equity	241,732	249,032	44,891	62,085
Global Fixed	120,702	122,262	24,967	32,126
Alternative Investment	148,451	144,599	24,767	37,205
Alternative Investment Institutional	8,630	-	6,994	-

### 8. 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.

# Butterfield Select Fund Limited

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## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended June 30, 2017

### **8. TAXATION (Continued)**

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 granted assurance to the Fund up to that date.

### **9. COMMITMENTS AND CONTINGENCIES**

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

### **10. 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 Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 11. FINANCIAL HIGHLIGHTS

2017	EQUITY CLASS		GLOBAL FIXED INCOME CLASS	ALTERNATIVE INVESTMENT CLASS	ALTERNATIVE INVESTMENT INSTITUTIONAL CLASS			
<b>Per Share Information</b>								
Net asset value - beginning of the year/period	\$	12.36	\$	19.57	\$	14.82	\$	10.00
<b>Net investment income from operations</b>								
Net investment gain/(loss)****		(0.13)		0.36		(0.30)		(0.06)
Net realised and change in unrealised gain on investments		2.29		0.21		0.58		0.06
Total from investment operations		2.16		0.57		0.28		-
Net asset value - end of the year/period	\$	14.52	\$	20.14	\$	15.10	\$	10.00
<b>Ratios / Supplemental Data</b>								
Total net assets - end of year/period	\$	108,480,126	\$	55,454,375	\$	54,993,418	\$	26,672,466
Weighted average net assets*	\$	107,885,036	\$	53,119,323	\$	64,493,328	\$	22,637,010
Ratio of expenses to weighted average net assets (annualized for Alternative Investment Institutional)		1.22%		1.21%		2.07%		1.86%
Portfolio turnover rate**		5.09%		41.87%		43.61%		-
Annual rate of return***		17.48%		2.91%		1.89%		0.00%

\* 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 is calculated by comparing the end of year net asset value to the beginning of year net asset value. The ratios were annualized for Alternative investment Institutional Fund.

\*\*\*\*Net investment gain/(loss) represents interest, dividend income and other income net of expenses.

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2017

### 11. FINANCIAL HIGHLIGHTS (continued)

2016		EQUITY CLASS	GLOBAL FIXED INCOME CLASS	ALTERNATIVE INVESTMENT CLASS		
<b>Per Share Information</b>						
<b>Net asset value - beginning of year</b>	\$	<b>13.02</b>	\$	<b>18.59</b>	\$	<b>15.63</b>
<b>Net investment income from operations</b>						
Net investment gain/(loss)****		0.08		0.37		(0.30)
Net realised and change in unrealised gain on investments		(0.74)		0.61		(0.51)
<b>Total from investment operations</b>		<b>(0.66)</b>		<b>0.98</b>		<b>(0.81)</b>
<b>Net asset value - end of year</b>	\$	<b>12.36</b>	\$	<b>19.57</b>	\$	<b>14.82</b>
<b>Ratios / Supplemental Data</b>						
Total net assets - end of year	\$	<b>106,444,625</b>	\$	<b>53,851,536</b>	\$	<b>64,209,789</b>
Weighted average net assets*	\$	<b>109,607,536</b>	\$	<b>53,968,387</b>	\$	<b>64,014,276</b>
Ratio of expenses to weighted average net assets		1.39%		1.20%		2.00%
Portfolio turnover rate**		41.18%		53.98%		23.69%
Annual rate of return***		(5.07%)		5.27%		(5.18%)

\* 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 is calculated by comparing the end of year net asset value to the beginning of year net asset value.

\*\*\*\*Net investment gain/(loss) represents interest, dividend income and other income net of expenses.

### 12. APPROVAL OF THE FINANCIAL STATEMENTS

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

