

# Butterfield International Balanced Fund

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FINANCIAL STATEMENTS

FOR THE YEARS ENDED

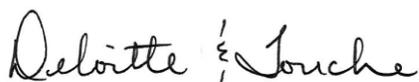
JUNE 30, 2010 AND 2009

## **INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE**

We have audited the accompanying statements of assets and liabilities, including the schedules of investments, of Butterfield International Balanced Fund as at June 30, 2010 and 2009, and the statements of operations and changes in net assets for the years then ended (expressed in United States Dollars for the US Dollar Class and Pounds Sterling for the Pounds Sterling Class). These financial statements are the responsibility of the Fund's management. 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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2010 and 2009, and the results of its operations and the changes in its net assets for the years then ended, in accordance with Canadian generally accepted accounting principles.

The image shows a handwritten signature in cursive script that reads "Deloitte & Touche". The signature is written in dark ink and is positioned above the date.

November 30, 2010

# Butterfield International Balanced Fund

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## **Trustee**

Butterfield Bank (Cayman) Limited  
Butterfield House, 68 Fort Street  
P.O. Box 705, Grand Cayman KY1-1107, Cayman Islands  
Tel: (345) 949-7055 Fax: (345) 949-7004

## **Administrator, Registrar and Transfer Agent**

Butterfield Fulcrum Group (Cayman) Limited  
Butterfield House, 68 Fort Street  
P.O. Box 609, Grand Cayman KY1-1107, Cayman Islands  
Tel: (345) 745-7600 Fax: (345) 745-7690

## **Sub-Administrator, Transfer Agent**

Butterfield Fulcrum Group (Bermuda) Limited  
65, Front Street, P.O. Box HM195  
Hamilton, HM12, Bermuda  
Tel: (441) 299-3882 Fax: (441) 295-6759

## **Investment Advisor**

Butterfield Bank (Cayman) Limited  
Butterfield House, 68 Fort Street  
P.O. Box 705, Grand Cayman KY1-1107, Cayman Islands  
Tel: (345) 949-7055 Fax: (345) 949-7004

## **Sub-Investment Advisor**

Butterfield Bank (Guernsey) Limited  
P.O. Box 25, Regency Court, Glatigny Esplanade  
St. Peter Port, Guernsey, Channel Islands, GY1 3AP  
Tel: (44) 148 1711521 Fax: (44) 148 1714533

## **Custodian and Banker**

Butterfield Bank (Cayman) Limited  
Butterfield House, 68 Fort Street  
P.O. Box 705, Grand Cayman KY1-1107, Cayman Islands  
Tel: (345) 949-7055 Fax: (345) 949-7004

## **Sub-Custodian and Banker**

Butterfield Bank (Guernsey) Limited  
P.O. Box 25, Regency Court, Glatigny Esplanade  
St. Peter Port, Guernsey, Channel Islands, GY1 3AP  
Tel: (44) 148 1711521 Fax: (44) 148 1714533

# Butterfield International Balanced Fund

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## **Sales Agents**

Butterfield Bank (Cayman) Limited  
Butterfield House, 68 Fort Street  
P.O. Box 705, Grand Cayman KY1-1107, Cayman Islands  
Tel: (345) 949-7055 Fax: (345) 949-7004

Butterfield Bank (Guernsey) Limited  
P.O. Box 25, Regency Court, Glatigny Esplanade  
St. Peter Port, Guernsey, Channel Islands, GY1 3AP  
Tel: (44) 1481 711521 Fax: (44) 1481 714533

## **Auditors**

Deloitte & Touche  
2nd Floor, One Capital Place  
P.O. Box 1787, Grand Cayman KY1-1109, Cayman Islands

## **Legal Advisors and Listing Agent**

Appleby  
Clifton House, 75 Fort Street  
P.O. Box 190, Grand Cayman KY1-1104, Cayman Islands

# Butterfield International Balanced Fund

## STATEMENTS OF ASSETS AND LIABILITIES As at June 30, 2010 and 2009 (Expressed in US Dollars)

US DOLLAR CLASS	Notes	2010	2009
<b>ASSETS</b>			
Investments at market value (Cost 2010 - \$46,476,581; 2009 - \$48,536,467)	2	\$ 46,027,847	\$ 45,021,152
Cash and cash equivalents		3,108,292	2,221,497
Bond interest receivable		188,443	160,319
Dividend income receivable		16,641	12,902
Other assets		4,780	4,636
		<b>49,346,003</b>	<b>47,420,506</b>
<b>LIABILITIES</b>			
Payable for capital units redemption		95,098	-
Accrued expenses	6	100,082	24,865
Subscription received in advance		-	1,100
		<b>195,180</b>	<b>25,965</b>
<b>NET ASSETS</b>		<b>\$ 49,150,823</b>	<b>\$ 47,394,541</b>
Number of units in issue	5	2,722,601	2,815,342
<b>NET ASSET VALUE PER UNIT</b>		<b>\$ 18.05</b>	<b>\$ 16.83</b>

On behalf of the Trustees




Butterfield Bank (Cayman) Limited  
As Trustee

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

## STATEMENTS OF ASSETS AND LIABILITIES As at June 30, 2010 and 2009 (Expressed in Pounds Sterling)

POUNDS STERLING CLASS	Notes	2010	2009
<b>ASSETS</b>			
Investments at market value (Cost 2010 - £4,364,390; 2009 - £4,761,832)	2	£ 4,600,884	£ 4,535,169
Cash and cash equivalents		184,272	153,584
Bond interest receivable		32,459	36,955
Dividend income receivable		4,899	6,754
Other assets		1,282	-
		<b>4,823,796</b>	<b>4,732,462</b>
<b>LIABILITIES</b>			
Accrued expenses	6	22,320	15,108
		<b>22,320</b>	<b>15,108</b>
<b>NET ASSETS</b>		<b>£ 4,801,476</b>	<b>£ 4,717,354</b>
Number of units in issue	5	361,905	404,979
<b>NET ASSET VALUE PER UNIT</b>		<b>£ 13.27</b>	<b>£ 11.65</b>

On behalf of the Trustees



Butterfield Bank (Cayman) Limited  
As Trustee

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

## STATEMENTS OF OPERATIONS

For the years ended June 30, 2010 and 2009  
(Expressed in US Dollars)

US DOLLAR CLASS	Notes	2010	2009
<b>INCOME</b>			
Bond interest income		\$ 777,799	\$ 896,541
Net dividend income		494,133	570,877
Foreign exchange gains/(losses)		15,608	(819,382)
Miscellaneous income		9	3,684
Bank interest income		-	31,415
		<b>1,287,549</b>	<b>683,135</b>
<b>EXPENSES</b>			
Administration and management fee	6	523,835	513,358
Custodian fee	6	128,896	128,330
Audit and legal fees		33,750	31,961
Transfer agent fee	6	31,394	40,012
Sundry expenses		4,932	14,862
		<b>722,807</b>	<b>728,523</b>
<b>NET INVESTMENT INCOME/(LOSS)</b>		<b>564,742</b>	<b>(45,338)</b>
<b>REALISED AND UNREALISED GAIN/(LOSS) ON INVESTMENTS</b>			
Net realised loss on investments		(105,647)	(10,091,606)
Net change in unrealised appreciation/(depreciation) on investments		3,066,581	(4,581,708)
<b>NET GAIN/(LOSS) ON INVESTMENTS</b>		<b>2,960,934</b>	<b>(14,673,314)</b>
<b>NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>		<b>\$ 3,525,676</b>	<b>\$ (14,718,702)</b>

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

## STATEMENTS OF OPERATIONS

For the years ended June 30, 2010 and 2009  
(Expressed in Pounds Sterling)

<b>POUNDS STERLING CLASS</b>	<b>Notes</b>	<b>2010</b>	<b>2009</b>
<b>INCOME</b>			
Foreign exchange gains	£	111,564	£ 6,985
Bond interest income		83,965	90,741
Net dividend income		75,515	85,031
Bank interest income		-	735
		<b>271,044</b>	<b>183,492</b>
<b>EXPENSES</b>			
Administration and management fee	6	55,129	50,603
Audit and legal fees		14,821	18,430
Custodian fee	6	12,810	12,148
Sundry expenses		1,480	7,937
Transfer agent fee	6	398	8,723
		<b>84,638</b>	<b>97,841</b>
<b>NET INVESTMENT INCOME</b>		<b>186,406</b>	<b>85,651</b>
<b>REALISED AND UNREALISED GAIN/(LOSS) ON INVESTMENTS</b>			
Net realised gain/(loss) on investments		19,554	(284,150)
Net change in unrealised appreciation/(depreciation) on investments		463,156	(400,960)
<b>NET GAIN/(LOSS) ON INVESTMENTS</b>		<b>482,710</b>	<b>(685,110)</b>
<b>NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	£	<b>669,116</b>	£ (599,459)

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

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**STATEMENTS OF CHANGES IN NET ASSETS**  
**For the years ended June 30, 2010 and 2009**  
**(Expressed in US Dollars)**

<b>US DOLLAR CLASS</b>	<b>Notes</b>	<b>2010</b>	<b>2009</b>
<b>INCREASE/(DECREASE) IN NET ASSETS:</b>			
<b>From Operations</b>			
Net investment income/(loss)	\$	<b>564,742</b>	\$ (45,388)
Net realised loss on investments		<b>(105,650)</b>	(10,091,606)
Net change in unrealised appreciation/(depreciation) on investments		<b>3,066,584</b>	(4,581,708)
		<b>3,525,676</b>	(14,718,702)
<b>From Capital Transactions</b>			
Issue of units	<b>5</b>	<b>3,076,824</b>	2,342,702
Redemption of units	<b>5</b>	<b>(4,846,219)</b>	(8,678,706)
		<b>(1,769,395)</b>	(6,336,004)
<b>INCREASE/(DECREASE) IN NET ASSETS</b>		<b>1,756,282</b>	(21,054,706)
<b>NET ASSETS – BEGINNING OF YEAR</b>		<b>47,394,541</b>	68,449,247
<b>NET ASSETS – END OF YEAR</b>	\$	<b>49,150,823</b>	\$ 47,394,541

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

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### STATEMENTS OF CHANGES IN NET ASSETS For the years ended June 30, 2010 and 2009 (Expressed in Pounds Sterling)

<b>POUNDS STERLING CLASS</b>	<b>Notes</b>	<b>2010</b>	<b>2009</b>
<b>INCREASE/(DECREASE) IN NET ASSETS:</b>			
<b>From Operations</b>			
Net investment income	£	<b>186,406</b> £	85,651
Net realised gain/(loss) on investments		<b>19,553</b>	(284,150)
Net change in unrealised appreciation/(depreciation) on investments		<b>463,157</b>	(400,960)
		<b>669,116</b>	(599,459)
<b>From Capital Transactions</b>			
Proceeds on the issue of units	<b>5</b>	<b>72,264</b>	112,000
Payment on the redemption of units	<b>5</b>	<b>(657,258)</b>	(308,400)
		<b>(584,994)</b>	(196,400)
<b>INCREASE/(DECREASE) IN NET ASSETS</b>		<b>84,122</b>	(795,859)
<b>NET ASSETS – BEGINNING OF YEAR</b>		<b>4,717,354</b>	5,513,213
<b>NET ASSETS – END OF YEAR</b>	£	<b>4,801,476</b> £	4,717,354

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

## SCHEDULE OF INVESTMENTS (US Dollar Class)

As at June 30, 2010

(Expressed in US Dollars)

Investments	Shares	Cost \$	Market Value \$	% of Portfolio %
<b>Equities - Asia</b>				
Shangri-La Asia Limited	1,990	4,927	3,700	0.01%
		4,927	3,700	0.01%
<b>Equities - Brazil</b>				
Petroleo Brasileiro SA	7,220	349,094	247,790	0.54%
		349,094	247,790	0.54%
<b>Equities - Europe</b>				
Anheuser-Busch InBev NV	11,120	309,302	540,764	1.17%
BP PLC	11,873	769,406	342,892	0.74%
Diaego PLC	8,500	476,912	533,290	1.16%
Nestle SA	13,000	512,499	629,850	1.37%
Royal Dutch Shell PLC	7,670	516,041	385,187	0.84%
Total SA	7,710	480,209	348,755	0.76%
Vivendi SA	20,210	671,949	414,738	0.90%
		3,736,318	3,195,476	6.94%
<b>Equities - Israel</b>				
Teva Pharmaceutical Industries Limited	12,244	489,702	636,566	1.38%
		489,702	636,566	1.38%
<b>Equities - United Kingdom</b>				
Reckitt Benckiser Group PLC	10,700	423,437	500,843	1.09%
		423,437	500,843	1.09%

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## Butterfield International Balanced Fund

### SCHEDULE OF INVESTMENTS (US Dollar Class) (CONT'D) As at June 30, 2010 (Expressed in US Dollars)

Investments	Shares	Cost \$	Market Value \$	% of Portfolio %
<b>Equities - United States</b>				
Accenture Limited - Class A	14,150	448,826	546,898	1.19%
American Oriental Bioengineering Inc.	44,910	186,987	113,173	0.25%
Amerisource Bergen Corp.	5,910	168,500	187,643	0.41%
Amgen Inc.	3,835	214,235	201,721	0.44%
Archer Daniels Midland Company	20,010	644,021	516,658	1.12%
Biogen Idec Inc.	4,950	234,275	234,878	0.51%
Checkpoint Software Technologies Limited	22,960	574,129	676,861	1.47%
Chevron Corp.	9,180	771,949	622,955	1.35%
Cisco Systems Inc.	30,300	619,036	645,693	1.40%
Clorox Company	3,000	169,739	186,480	0.41%
ConocoPhillips	13,020	1,130,417	639,152	1.39%
Exxon Mobil Corp.	5,097	305,341	290,886	0.63%
International Business Machines Corp.	6,160	731,373	760,637	1.65%
Kinetic Concepts Inc.	14,810	447,159	540,713	1.17%
Market Vectors Gold Mining	12,130	476,229	630,275	1.37%
Mylan Inc.	41,840	474,969	712,954	1.55%
Netapp Inc.	11,930	295,150	445,108	0.97%
Oil Service Holders Trust	3,545	498,696	335,499	0.73%
PetroChina Company Limited	3,860	283,845	423,558	0.92%
Procter & Gamble Company	10,540	564,179	632,189	1.37%
Seagate Technology	15,450	246,693	201,468	0.44%
SPDR Trust Series 1	26,520	2,384,799	2,737,394	5.95%
Time Warner Inc.	15,686	425,232	453,482	0.99%
Wellpoint Inc.	4,770	257,089	233,396	0.51%
Western Digital Corp.	7,660	293,089	231,026	0.50%
		12,845,957	13,200,697	28.69%
<b>Total Equities</b>		17,849,435	17,785,072	38.65%

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

## SCHEDULE OF INVESTMENTS (US Dollar Class) (CONT'D) As at June 30, 2010 (Expressed in US Dollars)

Investments	Nominal Holding	Cost \$	Market Value \$	% of Portfolio %
<b>Fixed Income Securities - Australasia</b>				
Commonwealth Bank of Australia, 2.4%, 12/01/2012	640,000	655,418	652,275	1.42%
Westpac Securities, 2.50%, 25/05/2012	770,000	785,354	785,892	1.71%
		1,440,772	1,438,167	3.13%
<b>Fixed Income Securities - Canada</b>				
Province of Ontario, 1.875%, 19/11/2010	500,000	501,485	505,847	1.10%
		501,485	505,847	1.10%
<b>Fixed Income Securities - Europe</b>				
Agence Francaise de Developpement, 1.75%, 18/01/2011	400,000	404,960	401,524	0.87%
Bank Nederlandse Gemeenten, 2.375%, 04/06/2012	675,000	687,488	688,735	1.50%
BP Capital Markets, 2.375%, 14/12/2011	610,000	611,675	559,195	1.21%
Denmark Government, 2.75%, 15/11/2011	600,000	614,760	614,154	1.33%
Dexia Municipal Agency, 5.125%, 17/01/2012	275,000	294,267	291,138	0.63%
Dexia Municipal Agency, 5.125%, 31/05/2012	350,000	367,885	374,928	0.81%
EUROHYPO, 4.625%, 30/09/2010	1,135,000	1,135,800	1,142,923	2.48%
Eksportfinans ASA, 5%, 14/02/2012	250,000	265,565	265,179	0.58%
Kommuninvest I Sverige, 5.375%, 15/06/2011	2,600,000	2,696,850	2,700,610	5.87%
Kommunalbanken AS, 5.125%, 30/05/2012	645,000	694,665	693,126	1.51%
Royal Bank of Scotland, 1.45%, 20/10/2011	600,000	600,168	601,464	1.31%
Shell Intl Finance, 4%, 21/03/2014	625,000	656,125	661,059	1.44%
Societe Financement de l'Economie Francaise, 3.375%, 05/05/2014	100,000	101,240	105,105	0.23%
Total Capital SA, 5%, 22/05/2012	600,000	644,400	639,647	1.39%
Network Rail Infrastructure Finance, 5.25%, 09/05/2011	580,000	608,872	600,935	1.31%
		10,384,720	10,339,722	22.47%

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

### SCHEDULE OF INVESTMENTS (US Dollar Class) (CONT'D)

As at June 30, 2010

(Expressed in US Dollars)

Investments	Nominal Holding/ Shares	Cost \$	Market Value \$	% of Portfolio %
<b>Fixed Income Securities - United States</b>				
Bank of America, 4.25%, 01/10/2010	845,000	859,297	850,547	1.85%
Berkshire Hathaway, 3.2%, 11/02/2015	500,000	500,285	514,906	1.12%
John Deere Capital FRN, 19/08/2010	1,470,000	1,469,908	1,470,973	3.20%
General Electric Capital Corp., 2.8%, 08/01/2013	600,000	605,340	609,787	1.32%
General Electric Capital Corp., 5.25%, 19/10/2012	30,000	31,055	32,067	0.07%
Goldman Sachs, 5.45%, 01/11/2012	2,365,000	2,402,343	2,491,386	5.41%
HSBC Finance Corp., 4.625%, 15/09/2010	160,000	161,665	161,134	0.35%
HSBC Finance Corp., 8% 15/07/2010	260,000	261,300	260,415	0.57%
Procter & Gamble, 1.375%, 01/08/2012	1,000,000	1,001,260	1,009,967	2.19%
Wells Fargo & Co., 5.25%, 23/10/2012	1,358,000	1,373,540	1,453,281	3.16%
		8,665,993	8,854,463	19.24%
<b>Total Fixed Income Securities</b>		20,992,970	21,138,199	45.94%
<b>Exchange Traded Funds - United States</b>				
iShares S&P Global Industrials Sector Index Fund	22,150	1,022,039	928,750	2.02%
iShares MSCI Emerging Markets Index Fund	60,460	2,260,657	2,256,367	4.90%
iShares MSCI Pacific Index Fund	36,690	1,365,227	1,311,301	2.85%
iShares S&P Global Telecommunications Sector Index Fund	10,320	767,857	493,502	1.05%
iShares S&P Global Materials Sector Index Fund	26,570	1,486,569	1,391,737	3.02%
iShares S&P Global Utilities Sector Index Fund	7,860	331,301	312,907	0.68%
Vanguard Industrials ETF	8,060	400,526	410,012	0.89%
<b>Total Exchange Traded Funds</b>		7,634,176	7,104,576	15.41%
<b>Total Investments</b>		<b>46,476,581</b>	<b>46,027,847</b>	<b>100.00%</b>

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

### SCHEDULE OF INVESTMENTS (US Dollar Class)

As at June 30, 2009

(Expressed in US Dollars)

Investments	Shares	Cost \$	Market Value \$	% of Portfolio %
<b>Equities - Asia:</b>				
Shangri-La Asia Limited	1,990	4,927	2,953	0.01%
		4,927	2,953	0.01%
<b>Equities - Brazil:</b>				
Vale Do Rio Doce	9,200	173,498	162,196	0.36%
		173,498	162,196	0.36%
<b>Equities - Europe:</b>				
Anheuser-Busch InBev NV	13,770	383,011	497,381	1.10%
BP PLC - Sponsored ADR	16,683	1,081,109	795,445	1.77%
Diageo PLC	8,490	474,385	486,053	1.08%
Nestle SA	15,200	599,229	572,703	1.27%
Nokia Corp	41,030	868,271	598,217	1.33%
Rio Tinto PLC	1,340	335,245	219,586	0.49%
Reckitt Benckiser Group PLC	10,570	413,294	481,176	1.07%
Royal Dutch Shell PLC	10,490	706,474	526,493	1.17%
Total SA	9,980	621,292	538,905	1.20%
Vivendi SA	16,150	544,412	386,179	0.86%
Xstrata PLC	340	3,853	3,678	0.01%
		6,030,575	5,105,816	11.35%
<b>Equities - Israel:</b>				
Teva Pharmaceutical Industries Limited	18,274	716,095	901,639	2.00%
		716,095	901,639	2.00%

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

### SCHEDULE OF INVESTMENTS (US Dollar Class) (CONT'D) As at June 30, 2009 (Expressed in US Dollars)

Investments	Shares	Cost \$	Market Value \$	% of Portfolio %
<b>Equities - United States:</b>				
Accenture Ltd.	18,790	587,268	628,713	1.40%
Adobe Systems Inc.	14,120	510,689	399,596	0.89%
Amgen Inc.	10,315	582,894	546,076	1.21%
Archer Daniels Midland Company	17,120	578,526	474,364	1.05%
Biogen Idec Inc.	10,510	508,590	474,527	1.05%
Bucyrus International Inc.	8,980	297,606	256,469	0.57%
Caterpillar Inc.	6,970	448,182	230,289	0.51%
Checkpoint Software Technologies Ltd.	25,360	614,595	595,199	1.32%
ConocoPhillips	18,980	1,647,873	798,299	1.77%
Cisco Systems Inc.	31,650	641,127	590,272	1.31%
Chevron Corp.	11,730	986,379	777,112	1.73%
Clorox Co	3,090	174,589	172,515	0.38%
Exxon Mobil Corp.	11,307	677,357	790,472	1.76%
Fluor Corporation	4,750	294,199	243,628	0.54%
Foster Wheeler Ltd.	6,580	346,506	156,275	0.35%
General Dynamics Corp.	2,820	190,198	156,200	0.35%
Joy Global Inc.	6,730	363,305	240,396	0.53%
KBR Inc.	8,740	201,953	161,166	0.36%
Kinetic Concepts Inc.	24,590	676,779	670,077	1.49%
Market Vectors Gold Mining	14,850	566,271	561,553	1.25%
Mylan, Inc.	83,830	937,802	1,093,982	2.43%
Netease.com Inc.	17,250	444,633	606,855	1.35%
Netapp Inc.	31,760	785,748	626,307	1.39%
Oil Service Holders Trust	5,240	740,640	511,843	1.14%
Petrochina Company Ltd.	4,910	361,056	542,457	1.20%
Proctor & Gamble Company	10,950	585,571	559,545	1.24%
Shaw Group Inc.	5,640	292,626	154,592	0.34%
SPDR Trust Series 1	17,860	1,346,583	1,642,227	3.64%
Time Warner Inc.	11,646	339,956	293,363	0.65%
WellPoint Inc.	11,530	581,593	586,762	1.30%
		17,311,094	15,541,131	34.50%
<b>Total Equities</b>		24,236,189	21,713,735	48.22%

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

## SCHEDULE OF INVESTMENTS (US Dollar Class) (CONT'D) As at June 30, 2009 (Expressed in US Dollars)

Investments	Nominal Holding/ Shares	Cost \$	Market Value \$	% of Portfolio %
<b>Exchange Traded Funds - United States:</b>				
iShares MSCI Emerging Markets Index Fund	72,040	2,693,644	2,321,849	5.16%
iShares MSCI Global Telecommunications Sector Index Fund	14,120	1,109,791	671,547	1.49%
iShares MSCI Japan Index Fund	75,792	853,540	714,719	1.59%
iShares MSCI Pacific Index Fund	22,680	725,964	718,276	1.60%
iShares S&P Global Telecommunications Sector Index Fund	9,080	382,725	384,538	0.85%
<b>Total Exchange Traded Funds</b>		<b>5,765,664</b>	<b>4,810,929</b>	<b>10.69%</b>
<b>Fixed Income Securities - Canada:</b>				
Royal Bank of Canada, 4.125%, 26/10/2010	2,150,000	2,154,260	2,192,669	4.87%
		2,154,260	2,192,669	4.87%
<b>Fixed Income Securities - Europe:</b>				
AIG Corp., 5.3%, 01/05/2012	1,328,000	1,326,711	1,029,422	2.29%
BP Capital Markets PLC, 2.375%, 14/12/2011	600,000	601,500	601,140	1.34%
Eurohypo SA Luxembourg 4.625%, 30/09/2010	1,000,000	998,390	993,850	2.21%
Kommunivest, 5.375%, 15/06/2010	2,500,000	2,591,100	2,663,875	5.92%
Ned Waterschapsbank, 3%, 16/06/2010	1,035,000	1,032,544	1,053,578	2.34%
		6,550,245	6,341,865	14.10%
<b>Fixed Income Securities - United States:</b>				
Bank of America, 4.25%, 01/10/2010	375,000	380,789	376,193	0.84%
Berkshire Hathaway, 4.625%, 15/10/2013	1,000,000	1,004,506	1,044,387	2.32%
Federal Home Loan Bank, 3%, 11/06/2010	350,000	349,985	358,203	0.80%
Gen Elec Cap Corp., 5.25%, 19/10/2012	30,000	31,055	30,839	0.07%
Goldman Sachs Group Inc., 5.45%, 01/11/2012	2,365,000	2,402,343	2,445,386	5.43%
John Deere Capital FRN, 19/08/2010	1,000,000	1,000,000	998,844	2.22%
US Treasury Bill, 12/08/2009	775,000	773,438	774,850	1.72%
US Treasury, 3.625%, 31/10/2009	2,500,000	2,514,453	2,527,540	5.61%
Wells Fargo and Company, 5.25%, 23/10/2012	1,358,000	1,373,540	1,405,712	3.11%
		9,830,109	9,961,954	22.12%
<b>Total Fixed Income Securities</b>		<b>18,534,614</b>	<b>18,496,488</b>	<b>41.09%</b>
<b>Total Investments</b>		<b>48,536,467</b>	<b>45,021,152</b>	<b>100.00%</b>

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

## SCHEDULE OF INVESTMENTS (Pounds Sterling Class)

As at June 30, 2010

(Expressed in Pounds Sterling)

Investments	Shares	Cost £	Market Value £	% of Portfolio %
<b>Equities - Brazil:</b>				
Petroleo Brasileiro SA	1,750	39,496	34,895	0.76%
		39,496	34,895	0.76%
<b>Equities - Europe:</b>				
3i Group PLC	4,662	21,631	12,406	0.27%
Air Liquide SA	670	33,862	45,777	0.99%
Allianz SE	575	60,561	38,428	0.84%
Aviva PLC	3,250	24,169	10,208	0.22%
Barclays PLC	8,000	55,362	21,644	0.47%
BASF SE	1,180	17,587	43,585	0.95%
BG Group PLC	4,000	42,433	40,240	0.87%
BHP Billiton PLC	1,500	19,141	26,318	0.57%
British American Tobacco PLC	2,000	33,075	42,730	0.93%
Carlsberg AS	450	21,074	23,096	0.50%
Diageo PLC	3,590	38,790	38,054	0.83%
Essilor International PLC	1,130	32,108	45,318	0.98%
GlaxoSmithkline PLC	4,190	66,734	47,892	1.04%
HSBC Holdings PLC	6,815	46,786	41,926	0.91%
Lafarge SA	520	33,348	19,192	0.42%
Nestle SA	3,080	50,646	99,842	2.17%
Novartis AG	1,310	33,854	42,791	0.93%
PPR	485	26,922	40,724	0.89%
Prudential PLC	2,750	18,544	13,984	0.30%
Reckitt Benckiser Group PLC	1,090	21,866	34,139	0.74%
Rio Tinto PLC	1,476	43,133	43,815	0.95%
Rolls-Royce Group PLC	5,500	22,534	30,938	0.67%
Rolls-Royce Group PLC - Class C	495,000	-	331	0.01%
Royal Bank of Scotland PLC	20,124	67,567	8,337	0.18%
Royal Dutch Shell PLC	7,095	137,284	115,719	2.52%
Siemens AG	600	38,712	36,365	0.79%
Smith & Nephew PLC	8,200	49,747	52,111	1.13%
Smiths Group PLC	3,816	17,685	40,908	0.89%
Telefonica SA	1,850	20,559	23,108	0.50%
Tesco PLC	14,080	64,316	53,511	1.16%
Total SA	2,585	78,169	78,240	1.70%
Unilever PLC	1,000	17,501	18,010	0.39%
Vivendi SA	1,900	34,865	26,159	0.57%
Vodafone Group PLC	23,045	35,433	32,067	0.70%
WPP Group PLC	6,800	37,317	43,214	0.94%
Xstrata PLC	4,020	34,646	35,649	0.77%
		1,397,961	1,366,776	29.69%

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

### SCHEDULE OF INVESTMENTS (Pounds Sterling Class) (CONT'D)

As at June 30, 2010

(Expressed in Pounds Sterling)

Investments	Shares	Cost £	Market Value £	% of Portfolio %
<b>Equities - Israel:</b>				
Teva Pharmaceutical Industries Limited	1,985	37,364	69,053	1.50%
		37,364	69,053	1.50%
<b>Equities - United States:</b>				
Accenture Limited	1,790	37,683	46,292	1.01%
Biogen Idec Inc.	1,580	42,424	50,165	1.09%
Caterpillar Inc.	1,050	26,380	42,204	0.92%
Checkpoint Software Technologies Limited	1,980	28,965	39,057	0.85%
Chevron Corp.	800	41,446	36,325	0.79%
Cisco Systems Inc.	3,070	35,496	43,775	0.95%
Citrix Systems Inc.	1,610	21,258	45,494	0.99%
EMC Corporation	3,800	28,828	46,531	1.01%
Exxon Mobil Corp.	2,360	64,703	90,121	1.96%
Fluor Corporation	680	19,278	19,338	0.42%
General Dynamics Corp.	610	11,116	23,902	0.52%
Johnson & Johnson	800	30,206	31,615	0.69%
Market Vectors Gold Mining	1,410	34,149	49,022	1.07%
Microsoft Corp.	2,665	53,960	41,032	0.89%
Netease.com Inc.	1,460	18,848	30,978	0.67%
Oil Service Holders Trust	700	40,604	44,328	0.96%
PepsiCo Inc.	870	29,214	35,481	0.77%
Pfizer Inc.	3,000	32,863	28,625	0.62%
		597,421	744,285	16.18%
<b>Total Equities</b>		2,072,242	2,215,009	48.13%

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

## SCHEDULE OF INVESTMENTS (Pounds Sterling Class) (CONT'D) As at June 30, 2010 (Expressed in Pounds Sterling)

Investments	Nominal Holding/ Shares	Cost  £	Market Value  £	% of Portfolio  %
<b>Exchange Traded Funds - United States:</b>				
iShares MSCI Japan Index Fund	30,800	195,711	189,602	4.12%
iShares MSCI Pacific Index Fund	3,825	58,080	91,472	1.99%
iShares S&P Global Consumer Discretionary Sector Index Fund	1,530	40,751	42,230	0.92%
iShares S&P Global Financials Sector Index Fund	3,475	83,967	90,841	1.97%
iShares S&P Global Telecommunications Sector Index Fund	1,240	41,538	39,677	0.87%
iShares S&P Global Utilities Sector Index Fund	2,000	59,590	53,275	1.16%
<b>Total Exchange Traded Funds</b>		<b>479,637</b>	<b>507,097</b>	<b>11.03%</b>
<b>Fixed Income Securities - Canada:</b>				
Export Development Canada, 3.125%, 24/04/2014	100,000	70,594	70,543	1.53%
		70,594	70,543	1.53%
<b>Fixed Income Securities - Europe:</b>				
ASIF II, 5.125%, 28/01/2013	200,000	203,025	198,162	4.31%
Cie de Financement Foncier, 5.125%, 16/05/2011	100,000	100,915	103,221	2.24%
ENI Coordination Center, 4.875%, 09/12/2010	300,000	298,839	304,383	6.62%
GE Capital UK Funding, 4.75%, 15/12/2010	300,000	297,150	303,498	6.60%
L-Bank BW Forderbank, 4.25%, 15/09/2010	125,000	69,203	84,198	1.83%
Nationwide Building Society, 3.75%, 24/04/2014	150,000	155,484	155,054	3.37%
Nederlandse Watershopsbank, 3%, 17/03/2015	70,000	47,960	47,983	1.04%
Nestle Holdings Inc., 4%, 23/06/2011	200,000	101,096	137,890	3.00%
Rabobank Nederland, 4.625%, 31/05/2012	250,000	265,365	264,293	5.74%
Total Capital SA, 4.625%, 07/03/2012	100,000	99,415	105,142	2.29%
Vodafone Group PLC, 4.625%, 08/09/2014	100,000	103,465	104,411	2.27%
		1,741,917	1,808,235	39.31%
<b>Total Fixed Income Securities</b>		<b>1,812,511</b>	<b>1,878,778</b>	<b>40.84%</b>
<b>Total Investments</b>		<b>4,364,390</b>	<b>4,600,884</b>	<b>100.00%</b>

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

## SCHEDULE OF INVESTMENTS (Pounds Sterling Class) (CONT'D)

As at June 30, 2009

(Expressed in Pounds Sterling)

Investments	Shares	Cost £	Market Value £	% of Portfolio %
<b>Equities - Europe:</b>				
3i Group PLC	4,662	21,631	11,282	0.25%
Air Liquide SA	838	45,186	46,520	1.03%
Allianz SE	735	77,412	40,978	0.90%
Aviva PLC	3,250	24,169	11,099	0.24%
Banco Santander	2,500	20,830	18,246	0.40%
BHP Billiton PLC	1,500	19,141	20,460	0.45%
Barclays PLC	8,000	55,362	22,640	0.50%
BASF SE	1,860	27,722	45,038	0.99%
BP PLC	30,000	162,768	143,340	3.16%
British American Tobacco PLC	2,000	33,075	33,460	0.74%
Diageo PLC	6,790	73,365	59,175	1.30%
Essilor International PLC	2,070	58,816	59,972	1.32%
GlaxoSmithKline PLC	4,190	66,734	44,770	0.99%
HSBC Holdings PLC	11,815	81,111	59,370	1.31%
Lafarge SA	520	45,148	21,392	0.47%
Lafarge SA - NEN	240	3,590	9,550	0.21%
Nestle SA	4,400	72,351	100,745	2.22%
Novartis AG	2,110	54,528	51,995	1.15%
PPR	485	26,922	24,048	0.53%
Prudential PLC	2,750	18,544	11,371	0.25%
Reckitt Benckiser Group PLC	2,470	49,550	68,320	1.51%
Rio Tinto PLC	1,250	46,515	26,313	0.58%
Rio Tinto - NPR	656	-	4,579	0.10%
Rolls-Royce Group PLC	14,000	57,360	50,610	1.12%
Royal Bank of Scotland Group PLC	20,124	67,567	7,776	0.17%
Royal Dutch Shell PLC	7,095	137,284	108,270	2.39%
Siemens AG	800	51,616	33,586	0.74%
Smith & Nephew PLC	8,200	49,747	36,859	0.81%
Smiths Group PLC	4,866	22,552	34,135	0.75%
Telefonica SA	2,850	31,671	39,171	0.86%
Tesco PLC	11,380	53,733	40,240	0.89%
Total SA	3,625	109,618	118,931	2.62%
Vodafone Group PLC	32,875	50,548	38,529	0.85%
Vivendi SA	1,900	34,865	27,596	0.61%
WPP Group PLC	6,800	37,317	27,421	0.60%
Xstrata PLC	5,940	51,194	39,044	0.86%
		1,839,542	1,536,831	33.87%

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

### SCHEDULE OF INVESTMENTS (Pounds Sterling Class) (CONT'D)

As at June 30, 2009

(Expressed in Pounds Sterling)

Investments	Shares	Cost £	Market Value £	% of Portfolio %
<b>Equities - Israel:</b>				
Teva Pharmaceutical Industries Ltd.	1,985	37,364	59,510	1.31%
		37,364	59,510	1.31%
<b>Equities - United States:</b>				
Accenture Ltd.	1,290	25,876	26,227	0.58%
Biogen Idec Inc.	1,940	52,090	53,222	1.17%
Caterpillar, Inc.	1,050	26,380	21,079	0.47%
Checkpoint Software Technologies Ltd.	1,850	25,603	26,382	0.58%
Chevron Corp	800	41,446	32,204	0.71%
Cisco Systems, Inc.	2,380	25,335	26,970	0.60%
Citrix Systems, Inc.	1,610	21,258	31,197	0.70%
EMC Corporation	3,800	28,828	30,247	0.67%
Exxon Mobil Corporation	2,360	64,703	100,249	2.21%
Fluor Corporation	680	19,278	21,192	0.47%
General Dynamics Corporation	610	11,116	20,530	0.45%
Johnson & Johnson	800	30,206	27,610	0.61%
Joy Global Inc.	1,880	44,398	40,804	0.90%
Market Vectors Gold Mining	1,000	20,616	22,977	0.51%
Microsoft Corp	2,160	45,774	31,197	0.69%
Netease.com Inc.	1,990	25,690	42,538	0.94%
Oil Service HOLDERS Trust	1,600	92,810	94,963	2.09%
PepsiCo Inc.	1,210	40,631	40,407	0.89%
Pfizer Inc.	3,000	32,864	27,343	0.60%
		674,902	717,338	15.84%
<b>Total Equities</b>		2,551,808	2,313,679	51.02%

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

## SCHEDULE OF INVESTMENTS (Pounds Sterling Class) (CONT'D)

As at June 30, 2009

(Expressed in Pounds Sterling)

Investments	Nominal Holding/ Shares	Cost £	Market Value £	% of Portfolio %
<b>Exchange Traded Funds - United States:</b>				
iShares MSCI Global Telecommunications Sector Index Fund	700	23,158	20,229	0.45%
iShares MSCI Japan Index Fund	34,500	219,222	197,679	4.36%
iShares MSCI Pacific Index Fund	5,235	79,490	100,738	2.22%
iShares S&P Global Financial Sector Index Fund	3,200	70,892	72,020	1.59%
SPDR KBW Bank ETF	1,300	25,368	14,258	0.31%
SPDR KBW Regional Bank ETF	1,200	24,525	13,300	0.29%
<b>Total Exchange Traded Funds</b>		<b>442,655</b>	<b>418,224</b>	<b>9.22%</b>
<b>Fixed Income Securities - Europe:</b>				
ASIF II, 5.3%, 28/01/2013	200,000	203,025	149,258	3.29%
CIE Financement Foncier, 5.125%, 16/05/2011	100,000	100,915	104,276	2.30%
ENI Coordination Center, 4.875%, 09/12/2010	300,000	298,839	311,163	6.86%
GE Capital UK Funding, 4.75%, 15/12/2010	300,000	297,150	303,756	6.70%
L-Bank BW Forderbank, 4.25%, 15/09/2010	250,000	138,407	156,652	3.45%
Nationwide Building Society, 3.75%, 21/11/2011	150,000	155,484	154,535	3.41%
Nestle Holding Inc, 4% 23/06/2010	200,000	101,096	127,172	2.80%
Kingdom of Sweden, 3.875%, 15/06/2010	225,000	123,002	140,751	3.10%
Rabobank Nederland, 4.75%, 30/09/2009	250,000	250,036	251,970	5.56%
Total Capital SA, 4.625%, 07/03/2012	100,000	99,415	103,733	2.29%
<b>Total Fixed Income Securities</b>		<b>1,767,369</b>	<b>1,803,266</b>	<b>39.76%</b>
<b>Total Investments</b>		<b>4,761,832</b>	<b>4,535,169</b>	<b>100.00%</b>

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009

### 1. ORGANISATION AND OPERATIONS

Butterfield International Balanced Fund (the "Fund") was established as an open-ended multi class Unit Trust under the laws of the Cayman Islands by a Trust Deed dated June 18, 1996 (the "Trust Deed ") executed by Butterfield Bank (Cayman) Limited as trustee (the "Trustee") and Butterfield Fund Services (Cayman) Limited as manager (the "Manager"). On December 15, 2008, the Trustee amended and restated the Trust Deed for the Fund, in which Butterfield Fulcrum Group (Cayman) Limited ceased being the Fund's Manager, and was immediately reappointed as the Fund's Administrator. Certain powers which had been delegated by the Trustee to the Manager, were re-assumed by the Trustee. The Fund is registered as a Mutual Fund under the Mutual Funds Law of the Cayman Islands.

On January 2, 1998, the Trustee and the Administrator executed a Supplemental Trust Deed creating the Sterling Class Units of the Fund.

The US Dollar Class and Sterling Class of the Fund commenced operations on July 17, 1996 and January 21, 1998, respectively, and are administered by Butterfield Fulcrum Group (Cayman) Limited (formerly Butterfield Fund Services (Cayman) Limited), a Cayman Islands licensed Mutual Fund Administrator.

On January 30, 1998 the Fund listed the US Dollar Class and the Sterling Class of the Fund on the Cayman Islands Stock Exchange. On January 18, 2000, the Fund listed the US Dollar and the Sterling Class on the Bermuda Stock Exchange.

The Fund's objective is to achieve long-term capital growth by investing in a global portfolio of money market instruments, eurobonds, government bonds and equities.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Actual results could differ from the estimates.

The principal accounting policies are as follows:

#### a) Valuation of Investments

Securities listed on a recognized exchange are valued at the last reported bid price on the day of valuation.

Securities for which there were no sales on that day are valued at the median price between the securities last bid price and asked price on the day of valuation.

The computation of the cost of sale of securities is made on the basis of the average cost. Purchases and sale of securities are accounted for on the transaction date, and the difference between the sale price and the cost is included in realized gain/ (loss) on investments in the statement of operations. The difference between the fair value and the cost of the securities is recorded as unrealised appreciation/(depreciation) on investments.

# Butterfield International Balanced Fund

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### a) Valuation of Investments (cont'd)

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

The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed for these investments. The valuation of such securities can be based on various valuation techniques that could include mathematical models, comparable valuation models, fundamental valuation models, or other techniques that would reflect the specific business situation or market the security operates within. The models would use observable market data as inputs where possible. However, in some instances, certain investments are fair valued based on assumptions that may not be supported by observable inputs. Securities without observable market value inputs in their valuation require judgment in establishing their fair value.

Changes in any of these assumptions could affect the reported fair value of financial assets or financial liabilities.

#### b) Investment Transactions and Income Recognition

Interest and dividend income are accrued as earned.

#### c) Foreign currency translation

The functional currency of the US Dollar class is USD. The functional currency of the Pounds Sterling Class is GBP.

Foreign currency transactions are translated to the functional currency of each Class at the rates of exchange in effect on the transactions dates. Foreign currency denominated assets and liabilities of the Class have been translated to the functional currency at the rates of exchange prevailing on each year end date. The resultant gain or loss on exchange is recorded in the statements of operations.

#### d) Financial Assets and Liabilities

The fair value of securities is considered to be the market value, which is based principally on quoted market prices. The carrying value of other financial instruments approximates their fair value principally because of the short-term maturities of these instruments.

#### e) Adoption of New Accounting Standards

The CICA issued CICA Handbook Section 3862 ("CICA 3862"), Financial Instruments — Disclosures and Section 3863 ("CICA 3863"), Financial Instruments — Presentation, effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. These standards provide comprehensive disclosure and presentation requirements for financial instruments, and introduce new requirements for specific qualitative and quantitative disclosure about risks.

# Butterfield International Balanced Fund

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### e) Adoption of New Accounting Standards (cont'd)

The main objective of these new standards is to enable investors to evaluate the significance of financial instruments, the nature and extent of risks involved, and how these risks are managed.

During 2009, the Accounting Standards Board issued amendments to CICA 3862 that are effective for annual financial statements relating to fiscal years ending after September 30, 2009. These amendments are designed to enhance the existing disclosure around fair value and liquidity risk. This is accomplished by classifying the Fund's financial assets and financial liabilities into levels based on the input used to value the Fund's investments:

Level 1 — for unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 — for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 — for inputs that are based on unobservable market data.

As part of the disclosure requirements, significant transfers between level 1 and level 2 and a reconciliation of level 3 investments are disclosed. The adoption of these amendments did not have an impact on net assets, increase (decrease) in net assets from operations, or increase (decrease) in net assets from operations per unit of the Fund.

Please refer to the Fair Value of Financial Assets (Note 4) for further details on the fair value of financial instruments.

#### **CICA Emerging Issues Committee Abstract 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities**

Effective January 20, 2009, the Fund adopted retrospectively without restatement the CICA Emerging Issues Committee Abstract 173 ("EIC-173"), Credit Risk and the Fair Value of Financial Assets and Liabilities. EIC-173 requires the Fund's own credit risk and the credit risk of its counterparties to be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 did not have a material impact on the financial position or results of operations of the Fund.

#### **International Financial Reporting Standards**

In February 2008, the CICA announced that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented publicly accountable enterprises. The change will be applicable for fiscal years commencing on or after January 1, 2011. The Fund is currently developing its changeover plan. The Fund has determined that there will be no impact to net asset value per unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional note disclosures in the financial statements of the Fund.

#### f) Comparatives

Certain prior year disclosures have been amended to conform with the current year presentation.

# Butterfield International Balanced Fund

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009

### 3. FINANCIAL RISK MANAGEMENT

The Fund maintains positions in a variety of non-derivative financial instruments as dictated by its investment management strategy. The Fund's investment portfolio is comprised of quoted equity instruments.

Asset allocation is determined by the Investment Advisor with reference to the target asset allocation set out in the Fund's prospectus. The Investment Advisor manages the distribution of the assets to achieve its investment objective. Divergence from target asset allocations and the composition of the portfolio is monitored by the Investment Advisor. In instances where the portfolio has diverged from target asset allocations, the Investment Advisor will rebalance the portfolio to fall in line with the target asset allocations.

The nature and extent of the financial instruments outstanding at the statements of assets and liabilities date and the risk management policies employed by the Fund are discussed below:

#### a) Market risk

Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and other price risk.

Market risk is the risk that changes in interest rates, foreign exchange rates or equity and commodity prices will affect the positions held by the Fund making them less valuable or more onerous. The Fund is exposed to market risk on financial instruments that are valued at market prices.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The Fund's market risk is managed on a daily basis by the Investment Advisor in accordance with the policies and procedures in place. The Fund's Trustee reviews the performance of the Investment Advisor on a continuous basis.

#### CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund may invest in financial instruments and enter into transactions denominated in currencies other than its functional currency. Consequently, each class of the Fund is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of the portion of the Fund's assets or liabilities denominated in currencies other than US Dollars (US Dollar Class) or British Pounds Sterling (Pounds Sterling Class). The Fund policy is not to enter into any currency hedging transactions. The Investment Advisor manages currency risk by monitoring exposure to different geographical regions.

At June 30, 2010, if the exchange rates of US Dollars against relevant foreign currencies had been 10% higher or lower with all other variables held constant, the net assets of the US Dollar Class would have increased/decreased by \$1,230,114 (2009: \$1,351,876). 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates.

At June 30, 2010, if the exchange rates of Sterling against relevant foreign currencies had been 10% higher or lower with all other variables held constant, the net assets of the Pounds Sterling Class would have increased/decreased by £228,686 (2009: £183,284). 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates.

# Butterfield International Balanced Fund

## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009

### 3. FINANCIAL RISK MANAGEMENT (CONT'D)

#### a) Market risk (cont'd)

As at June 30, 2010, the US Dollar Class has the following currency exposure in US Dollar equivalents:

	2010 USD	2010 % of Net Assets	2009 USD	2009 % of Net Assets
AUD	-	-	484,118	1.0%
BRL	247,790	0.5%	501,186	1.1%
CAD	-	-	334,068	0.7%
CHF	629,324	1.3%	572,703	1.2%
EUR	2,440,192	5.0%	3,346,353	7.1%
GBP	1,377,565	2.8%	2,111,318	4.5%
HKD	540,431	1.1%	1,426,940	3.0%
ILS	1,313,426	2.7%	1,496,838	3.2%
KRW	-	-	289,302	0.6%
TWD	-	-	244,955	0.5%
YEN	-	-	939,387	2.0%
ZAR	-	-	286,250	0.6%
Other	5,752,413	11.7%	1,485,340	3.1%
<b>Total</b>	<b>12,301,141</b>	<b>25.1%</b>	<b>13,518,758</b>	<b>28.6%</b>

As at June 30, 2010, the Pound Sterling Class has the following currency exposure in GBP equivalents:

	2010 GBP	2010 % of Net Assets	2009 GBP	2009 % of Net Assets
CHF	145,426	3.0%	152,740	3.2%
DKK	23,219	0.5%	-	-
EUR	407,098	8.5%	485,028	10.3%
USD	1,711,121	35.6%	1,195,072	25.3%
<b>Total</b>	<b>2,286,864</b>	<b>47.6%</b>	<b>1,832,840</b>	<b>38.8%</b>

#### 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. The Fund's exposure to changes in interest rates relates primarily to the Fund's investments in fixed income securities. Fixed income securities account for 45.9% of the US Dollar Class's Net Asset Value (2009: 39.0%), and 40.8% of the Pounds Sterling Class's Net Asset Value (2009: 38.2%). As a result, the Fund is subject to fair value interest rate risk due to possible fluctuations in the prevailing levels of market interest rates.

The Fund's exposure to cash flow interest rate risk is limited to its floating rate securities (3.20% of the US Dollar Class's Net Assets (2009:2.11%)) and cash and cash equivalents of \$3,108,292 for the US Dollar Class (6.33% of the US Dollar Class' Net Assets (2009:4.69%)), and £184,272 for the Pounds Sterling Class (3.84% of the Pounds Sterling Class' Net Assets (2009:3.26%)). The Fund believes these balances do not expose the Fund to significant sensitivity to changes in market interest rates.

# Butterfield International Balanced Fund

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009

### 3. FINANCIAL RISK MANAGEMENT (CONT'D)

As at June 30, 2010, the carrying amount of the Fund's net financial assets that bear fixed rates of interest amounted to \$21,138,199 (2009: \$18,496,488) for the US Dollar Class and £1,878,778 (2009: £1,803,266) for the Pounds Sterling Class. As at June 30, 2010, if long term market interest rates had been 0.5% lower or higher with other variables held constant, the net assets would have been \$162,764 (2009: \$162,015) lower or higher for the US Dollar Class and £13,506 (2009: £13,521) lower or higher for the Pounds Sterling Class, resulting from changes in fair values of such financial assets. 0.5% is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in market interest rates.

#### OTHER PRICE RISK

Other price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to a particular instrument, its issuer or all factors affecting all instruments traded in the market. The Fund is exposed to equity price risk on its investments.

Other price risk is managed by the Fund's Investment Advisor by constructing a diversified portfolio of investments traded on various markets. All of the Fund's equity investments at June 30, 2010 and 2009 are listed on stock exchanges.

As at June 30, 2010, the fair value of the Fund's investments in securities that are exposed to changes in equity prices amounted to \$24,889,648 (2009: \$26,524,664) for the US Dollar Class and £2,722,106 (2009: £2,731,903) for the Pounds Sterling Class. As at June 30, 2010, if equity prices had been 4% higher or lower with all variables held constant, the net assets would have been \$995,586 (2009: \$1,060,987) higher or lower for the US Dollar Class and £108,884 (2009: £109,276) for the Pounds Sterling Class. 4% is the sensitivity rate used when reporting other price risk internally to key management personnel and represents management's assessment of the reasonably possible change in market prices.

#### b) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

Financial instruments that potentially expose the Fund to credit and counterparty risk consist primarily of investments and cash and cash equivalents.

Credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk related to unsettled transactions, including dividends and interest accrued, is considered to be low due to the short settlement period involved and the high credit quality of the brokers used. The Fund monitors the credit rating of its brokers to mitigate this risk.

At the reporting date, the US Dollar Class's financial assets exposed to credit risk were as follows in USD:

	Carrying amount	
	2010	2009
Investments at market (Fixed income securities)	21,138,199	18,496,488
Cash and cash equivalents	3,108,292	2,221,497
Dividend income receivable	16,641	12,902
Bond interest receivable	188,443	160,319

# Butterfield International Balanced Fund

## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009

### 3. FINANCIAL RISK MANAGEMENT (CONT'D)

#### b) Credit Risk (cont'd)

At the reporting date, the USD values of the fixed income securities exposed to credit risk stratified by credit rating are as follows:

Credit Rating	2010		2009	
	Market Value	Percentage	Market Value	Percentage
A	\$ 3,050,581	14.4%	\$ 3,820,423	20.6%
A+	-	-	1,029,422	5.6%
AA-	2,969,100	14.0%	3,598,981	19.4%
AA	1,565,884	7.4%	601,140	3.3%
AA+	1,942,651	9.2%	30,839	0.2%
AAA	5,023,384	23.8%	3,450,018	18.7%
Not Rated	6,586,599	31.2%	5,966,265	32.2%
	<b>\$ 21,138,199</b>	<b>100.0%</b>	<b>\$ 18,496,488</b>	<b>100.0%</b>

At the reporting date, the Pound Sterling Class's financial assets exposed to credit risk were as follows in GBP:

	Carrying amount	
	2010	2009
Investments at market value (Fixed income securities)	1,878,778	1,803,266
Cash and cash equivalents	184,272	153,584
Dividend income receivable	4,899	6,754
Bond interest receivable	32,459	36,955

At the reporting date, the GBP values of the fixed income securities exposed to credit risk stratified by credit rating are as follows:

Credit Rating	2010		2009	
	Market Value	Percentage	Market Value	Percentage
BBB+	£ 104,411	5.6%	£ -	-
A-	105,142	5.6%	149,258	8.3%
A+	502,545	26.7%	149,258	8.3%
AA-	-	-	311,163	17.3%
AA	137,890	7.3%	230,905	12.8%
AA+	303,498	16.2%	460,408	25.5%
AAA	641,094	34.1%	651,532	36.1%
Not Rated	84,198	4.5%	-	-
	<b>£ 1,878,778</b>	<b>100.0%</b>	<b>£ 1,803,266</b>	<b>100.0%</b>

#### c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Fund's financial liabilities at June 30, 2010 represent 0.40% of the US Dollar Class's Net Assets (2009:0.06%) and 0.47% of the Pounds Sterling Class's Net Assets (2009:0.32%) and fall due not later than one month. The Fund does not anticipate any significant liquidity concerns in funding redemption requests and other liabilities. The Fund's constitution provides for the weekly subscription and redemption of units and it is therefore exposed to the liquidity risk of meeting unitholders redemptions. However, all of the Fund's investments at June 30, 2010 and 2009 are listed securities that are actively traded.

# Butterfield International Balanced Fund

## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009

### 3. FINANCIAL RISK MANAGEMENT (CONT'D)

#### c) Liquidity Risk (cont'd)

As such, they are considered to be highly realisable mitigating the liquidity risk of the Fund as at June 30, 2010 and 2009.

The Fund's liquidity risk is managed on a daily basis by the Investment Advisor in accordance with the policies and procedures in place.

#### CAPITAL RISK MANAGEMENT

The Fund's capital consists of the issued unitholders capital.

The Investment Advisor manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Prospectus, while maintaining sufficient liquidity to meet unitholder redemptions. The Fund's overall strategy for managing capital remains unchanged from 2009. The Fund does not have any externally imposed capital requirements.

### 4. FAIR VALUE OF FINANCIAL ASSETS

The following table summarizes the levels within the fair value hierarchy in which the fair value measurements of the Fund's investments fall as of June 30, 2010:

US Dollar Class

Classification	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 17,785,072	\$ -	\$ -	\$ 17,785,072
Fixed Income Securities	-	21,138,199	-	21,138,199
Exchange Traded Funds	7,104,576	-	-	7,104,576
Total Financial Assets	\$ 24,889,648	\$ 21,138,199	\$ -	\$ 46,027,847

Pound Sterling Class

Classification	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	£ 2,215,009	£ -	£ -	£ 2,215,009
Fixed Income Securities	-	1,878,778	-	1,878,778
Exchange Traded Funds	507,097	-	-	507,097
Total Financial Assets	£ 2,722,106	£ 1,878,778	£ -	£ 4,600,884

#### 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 in the current year. Financial assets and liabilities transferred from level 2 to level 1 might arise primarily as a 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 in the year.

#### Reconciliation of financial asset and liability movement - level 3

The Fund did not hold any level 3 investments at the beginning, during, or at the end of the year.

# Butterfield International Balanced Fund

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009

### 5. UNITHOLDERS CAPITAL

The Fund may issue an unlimited number of units of each Class, which are redeemable at the option of the unit holders.

Details of units issued, redeemed and outstanding during the year are as follows:

<b>US Dollar Class</b>	<b>2010</b>	2009
	<b>No. of Units</b>	No. of Units
Balance - beginning of year	<b>2,815,342</b>	3,204,805
Issue of units	<b>165,003</b>	130,161
Redemption of units	<b>(257,744)</b>	(519,624)
<b>Balance - end of year</b>	<b>2,722,601</b>	2,815,342

<b>Pound Sterling Class</b>	<b>2010</b>	2009
	<b>No. of Units</b>	No. of Units
Balance - beginning of year	<b>404,979</b>	421,321
Issue of units	<b>5,187</b>	9,674
Redemption of units	<b>(48,261)</b>	(26,016)
<b>Balance - end of year</b>	<b>361,905</b>	404,979

### 6. RELATED PARTY TRANSACTIONS

The Administrator is entitled to receive a monthly fee which is calculated at the rate of no more than one percent per annum of the net asset value of the entire Fund calculated and accrued weekly. During the year, fees earned by the Administrator were calculated at the following rates:

US Dollar Class – 0.35% per annum of the Net Asset Value

Sterling Class – 0.25% per annum of the Net Asset Value

In addition, Butterfield Bank (Cayman) Limited and Butterfield Bank (Guernsey) Limited (the “Sales Agents”) are entitled to receive a sales commission on subscriptions of up to 2% for the US Dollar Class and 4% for the Pound Sterling Class. No sales commission was charged in 2010 and 2009. As of June 30, 2010, the Fund owed the Administrator \$35,667 (2009: \$5,182) for the US Dollar Class and £2,120 (2009: £226) for the Pound Sterling Class.

On January 28, 1998, Butterfield Bank (Cayman) Limited (the “Custodian”) appointed Butterfield Bank (Guernsey) Limited as sub-custodian and principal banker for the Pound Sterling Class (the “Sub-Custodian”).

The Custodian and Sub-Custodian, related parties, are entitled to receive a monthly fee, calculated at a rate of 0.25% per annum of the net asset value of each Class of Units, calculated and accrued weekly.

# Butterfield International Balanced Fund

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## **NOTES TO THE FINANCIAL STATEMENTS** **For the years ended June 30, 2010 and 2009**

### **6. RELATED PARTY TRANSACTIONS (CONT'D)**

As of June 30, 2010, the Fund owed the Custodian \$12,338 (2009: \$2,273) for the US Dollar Class and £1,203 (2009: £226) for the Pound Sterling Class.

The Sub-Administrator and Transfer Agent, Butterfield Fulcrum Group (Bermuda) Limited, a related party, is entitled to receive a fee for providing unitholder services including a Branch register in Bermuda. The fee is based on time spent and is invoiced monthly by the Sub-Administrator to the Fund.

Butterfield Bank (Cayman) Limited (the "Investment Advisor") and Butterfield Bank (Guernsey) Limited (the "Sub-Investment Advisor") are entitled to receive a fee for providing investment advice to the Fund, calculated at a rate of 0.65% per annum of net asset value of each class of units calculated and accrued weekly, for the US Dollar Class and 0.75% for the Pounds Sterling Class.

As at June 30, 2010, the Fund owed the Investment Advisor and Sub-Investment Advisor \$32,078 (2009: \$5,910) for the US Dollar Class and £3,608 (2009: £679) for the Pound Sterling Class.

Employees of the Investment Advisor, its parent company and other affiliated companies, and their immediate family members hold units of the Fund. These investments are not significant.

# Butterfield International Balanced Fund

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009

### 7. FINANCIAL HIGHLIGHTS

#### US Dollar Class

Per unit operating performance  
(for a unit outstanding throughout the year)

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Net asset value, beginning of year	<b>\$16.83</b>	\$21.36	\$21.28	\$18.85	\$16.86
Income from investment operations					
Net investment income/(loss)	<b>0.20</b>	(0.02)	0.63	0.43	0.26
Net realised and unrealised gain/(loss) on investments	<b>1.02</b>	(4.51)	(0.55)	2.00	1.73
Total from investment operations	<b>1.22</b>	(4.53)	0.08	2.43	1.99
Net asset value, end of year	<b>\$18.05</b>	\$16.83	\$21.36	\$21.28	\$18.85
Total return	<b>7.25%</b>	(21.21%)	0.38%	12.89%	11.80%
Ratios/supplemental data					
Net assets, end of year	<b>\$49,150,823</b>	\$47,394,541	\$68,449,247	\$65,462,003	\$58,210,984
Ratio of expenses to weighted average net assets	<b>1.41%</b>	1.40%	1.37%	1.35%	1.32%
Ratio of net investment (loss)/income to weighted average net assets	<b>1.10%</b>	(26.88%)	1.61%	13.33%	12.08%
Portfolio turnover rate*	<b>44.61%</b>	47.17%	96.72%	87.35%	17.58%

\* 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.

An individual investor's return and ratios may vary from the above returns and ratios based on the timing of capital transactions.

# Butterfield International Balanced Fund

## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009

### 7. FINANCIAL HIGHLIGHTS (CONT'D)

#### Pound Sterling Class

Per unit operating performance  
(for a unit outstanding throughout the year)

	2010	2009	2008	2007	2006
Net asset value, beginning of year	£11.65	£13.09	£13.38	£12.57	£11.79
Income from investment operations					
Net investment income	0.48	0.21	0.08	0.06	0.10
Net realised and unrealised gain/(loss) on investments	1.14	(1.65)	(0.37)	0.75	0.68
Total from investment operations	1.62	(1.44)	(0.29)	0.81	0.78
Net asset value, end of year	£13.27	£11.65	£13.09	£13.38	£12.57
Total return	13.91%	(11.00%)	(2.17%)	6.44%	6.62%
Ratios/supplemental data					
Net assets, end of year	£4,801,476	£4,717,354	£5,513,213	£5,973,600	£6,138,650
Ratio of expenses to weighted average net assets	1.66%	2.00%	1.69%	1.75%	1.66%
Ratio of net investment (loss)/income to weighted average net assets	3.60%	(10.25%)	(0.58%)	8.04%	10.69%
Portfolio turnover rate*	17.17%	17.98%	27.24%	9.99%	14.62%

\* 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.

An individual investor's return and ratios may vary from the above returns and ratios based on the timing of capital transactions.