

Butterfield US\$ Bond Fund Limited

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2011

Butterfield US\$ Bond Fund Limited

To the Shareholders:

We are pleased to present the Annual Report of the Fund for the twelve months ended June 30th 2011. The net asset value per share on the Class A shares, after dividends and fees, held constant at \$10.441 over the past year. The Class B shares increased from \$10.635 to \$10.667. The Fund paid out dividends of \$0.38 per share during the year.

On a total return basis after fees and including dividends, the Class A shares of the Fund delivered a return of 3.69% for the twelve months ended June 30th 2011. Owing to a lower management fee structure, the Class B shares of the fund delivered a return of 3.92% over the same period.

The net asset value of the Fund stood at \$55.39 million at June 30th 2011, an increase of \$8.48 million for the year. The Fund continues to benefit from a large and diversified shareholder base.

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

Fund Review

The financial year covered a period of slow but uneven US economic growth, disruption for the peripheral European countries and more robust growth in the emerging market economies. Credit market conditions have generally been quite firm, particularly in 2011 as corporate credits have seen higher earnings and strong balance sheets although top line revenue growth has been difficult to produce in the US. Corporate and other credit spreads have tightened and proved resilient through the recent European sovereign volatility. The US economy continues its uneven growth and has recently hit a 'soft patch' not unlike it did in the 2Q 2010 and the US unemployment rate remains high at 9.2%. The Federal Reserve has held short interest rates near zero to boost growth in the face of a continued weak US housing market with consumers continuing to de-leverage and low job creation. Bank loan demand remains relatively weak and businesses are still finding financing challenging. The latest Quantitative Easing measure 'QE2' implemented by the Federal Reserve came to an end on 30th June 2011. The European sovereign crisis caused a flight to quality into US Treasuries which rallied further than expected given the stage of the economic cycle. The second 'bail-out' of Greece has been agreed but there is not universal agreement on its chances of success with a relatively modest 25% discount to the net present value of Greek bonds outstanding. The key to solving the solvency problems of the peripheral European countries is to allow them to re-establish an economic growth path which will not be overcome with a worsening debt burden.

The credit markets have performed well given the volatile conditions during parts of the year. We continue to maintain a very conservative credit stance in the Fund with no BBB exposure. The US Treasury yield curve steepened over the year with yields lower out to 5 years but beyond that yields increased out to 10 years and beyond. Overall, the 2 year US Treasury yield declined by 15 basis points from 0.61% to 0.46% and the 5 year US Treasury yield was virtually unchanged, falling a mere 1.5 basis points to 1.76%. The Fund is positioned conservatively with greater than 90% of the portfolio rated AAA and AA and under 10% A rated.

The Fund's strategy towards interest rate risk remains underweight duration at 90% of benchmark index. The US yield curve has flattened and there is a risk of higher US Treasury bond yields, particularly as real or inflation adjusted yields are currently low with further supply of US Treasuries anticipated. The US dollar has continued to be relatively strong over the period and the Fund has no non-US\$ exposure as at year end.

Butterfield US\$ Bond Fund Limited

Fund Outlook & Strategy

Quantitative Easing 3 (QE3) is a possibility, but only if deflationary risks re-emerge. The Fed does have other options besides large-scale asset purchases, such as providing more explicit guidance about how long it will keep short rates at near-zero or reducing the 0.25% interest rate it pays on bank reserves. We believe that it would require a considerable further deterioration in the incoming data before the Fed would realistically consider adding more stimulus to the mix. In addition, the outlook for financial institutions is now more positive. However, we believe that the outlook for the economy remains weak as data continue to show a fragile recovery, coupled with a weak housing market and a problematic long-term unemployment rate. Therefore, we expect the Fed to maintain a very accommodative monetary policy for the rest of calendar 2011 and perhaps much of 2012, with overnight rates ranging from 0% to 0.25%. Accommodative monetary policy will persist until the job market and credit conditions improve. When the economy eventually recovers, the Fed will need to have the fortitude to raise rates to contain future inflationary pressures.

A handwritten signature in black ink, appearing to read "Michael Neff". The signature is fluid and cursive, with a large, stylized initial "M" and "N".

Michael Neff
President
Butterfield Bermuda Fund Limited

October 31, 2011

Butterfield US\$ Bond Fund Limited

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Butterfield US\$ Bond Fund Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Butterfield US\$ Bond Fund Limited (the "Fund"), which comprise the statement of net assets, including the statement of portfolio investments, as at June 30, 2011, and the statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2011, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Canada and Bermuda.

Deloitte + Touche Ltd.

DELOITTE & TOUCHE LTD.

Hamilton, Bermuda

October 31, 2011

Butterfield US\$ Bond Fund Limited

DIRECTORS

Sheila Brown (Resigned June 30, 2011)
Curtis Dickinson (Resigned June 15, 2011)
David Stewart
Michael Neff (President) (Appointed June 15, 2011)
Daniel Frumkin (Appointed June 30, 2011)

INVESTMENT ADVISOR

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

CUSTODIAN

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

REGISTRAR, TRANSFER AGENT AND ADMINISTRATOR

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

AUDITORS

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

Butterfield US\$ Bond Fund Limited

As at June 30, 2011
(Expressed in US Dollars)

	2011	2010
ASSETS		
Investments, at current value (Cost 2011 - \$50,829,114; 2010 - \$43,409,764)	\$ 52,225,958	\$ 44,313,261
Cash and cash equivalents	3,639,649	2,645,496
Accrued interest receivable	400,499	391,383
Subscriptions receivable	-	100,000
Prepaid expenses	7,648	5,763
	56,273,754	47,455,903
LIABILITIES		
Dividends payable	423,222	447,927
Payable for unsettled trade	356,046	-
Accrued expenses	92,678	89,279
	871,946	537,206
	55,401,808	46,918,697
Organisational shares	12,000	12,000
FUND NET ASSETS	\$ 55,389,808	\$ 46,906,697
NET ASSETS AVAILABLE TO CLASS A SHAREHOLDERS	\$ 48,023,858	\$ 39,410,227
Number of common shares in issue Class A	4,599,706	3,774,392
NET ASSET VALUE PER COMMON SHARE CLASS A	\$ 10.441	\$ 10.441
NET ASSETS AVAILABLE TO CLASS B SHAREHOLDERS	\$ 7,365,950	\$ 7,496,470
Number of common shares in issue Class B	690,562	704,875
NET ASSET VALUE PER COMMON SHARE CLASS B	\$ 10.667	\$ 10.635

Signed on Behalf of the Board



DIRECTOR



DIRECTOR

The accompanying notes are an integral part of these financial statements

Butterfield US\$ Bond Fund Limited

STATEMENT OF PORTFOLIO INVESTMENTS As at June 30, 2011 (Expressed in US Dollars)

Investment	Nominal	2011		Nominal	2010	
		Fair Value	% of Portfolio		Fair Value	% of Portfolio
Corporate and Government Securities						
Allied Irish Bank 3% 16/8/10	- \$	-	-	1,000,000 \$	999,910	2.26%
Bank of Nova Scotia 2.25% 22/1/13	-	-	-	1,000,000	1,013,936	2.29%
Bank of Nova Scotia 2.9% 29/3/16	1,000,000	1,021,447	1.96%	-	-	-
Berkshire Hathaway 4.85% 15/1/15	1,000,000	1,104,028	2.11%	1,000,000	1,098,277	2.48%
Canadian Imperial Bank of Commerce 2% 4/2/13	1,000,000	1,018,772	1.95%	1,000,000	1,011,121	2.28%
CDP Financial 3% 25/11/14	1,000,000	1,040,241	1.99%	1,000,000	1,009,214	2.28%
Cie Financement Foncier 1.625% 23/7/12	1,025,000	1,033,225	1.98%	-	-	-
Cie Financement Foncier 2.5% 16/9/15	1,000,000	993,300	1.90%	-	-	-
Citibank NA 1.875% 4/6/12	-	-	-	1,000,000	1,020,145	2.30%
Dexia Credit 2.75% 29/4/14	2,125,000	2,153,900	4.12%	1,725,000	1,738,179	3.92%
Eksportfinans ASA 1.875% 2/4/13	1,100,000	1,121,046	2.15%	1,100,000	1,109,009	2.50%
Fannie Mae 1.52% 24/11/14	1,500,000	1,503,054	2.88%	-	-	-
Fannie Mae 1.25% 8/4/13	-	-	-	1,000,000	1,004,688	2.27%
Fannie Mae 1.625% 26/10/15	1,500,000	1,493,528	2.86%	-	-	-
Fannie Mae 5.125% 2/1/14	1,000,000	1,097,399	2.10%	1,000,000	1,099,740	2.48%
Fannie Mae 3.5% 25/8/14	-	-	-	1,000,000	1,004,375	2.27%
Fredie Mac 2.1% 26/1/15	1,000,000	1,008,799	1.93%	-	-	-
General Electric Capital Corp 5.25% 19/10/12	-	-	-	1,500,000	1,603,337	3.62%
Genworth Life 5.875% 3/5/13	1,835,000	1,936,476	3.71%	1,745,000	1,804,223	4.07%
Goldman Sachs 5.45% 1/11/12	1,000,000	1,056,877	2.02%	1,000,000	1,053,440	2.38%
HSBC Bank Plc 2% 19/1/14	1,650,000	1,658,905	3.18%	-	-	-
Hypo Pfandbrief Bank 5% 4/10/11	2,025,000	2,039,499	3.91%	2,025,000	2,057,561	4.64%
King County, Washington 2.851% 1/12/2015	500,000	524,025	1.00%	-	-	-
Ladesbank Baden-Wurttemberg 2% 15/7/13	1,200,000	1,216,490	2.33%	-	-	-
Macquarie Bank Limited 4.1% 17/12/13	1,000,000	1,075,609	2.06%	1,000,000	1,073,133	2.42%
Metropolitan Life 5.125% 10/6/14	1,000,000	1,092,560	2.09%	1,000,000	1,086,323	2.45%
National Australia Bank 2.75% 28/9/15	350,000	349,756	0.66%	-	-	-
National Australia Bank 3.75% 2/3/15	650,000	675,498	1.30%	650,000	665,471	1.50%
Network Rail Infrastructure 1.5% 13/1/14	1,900,000	1,925,521	3.69%	-	-	-
Network Rail Infrastructure 3.5% 17/6/13	-	-	-	1,000,000	1,056,148	2.38%
New York Life Global 4.625% 16/8/10	-	-	-	425,000	426,281	0.96%
Ontario Province 4.1% 16/6/14	1,000,000	1,083,119	2.07%	1,000,000	1,076,400	2.43%
Pricoa Global Funding 5.4% 18/10/12	1,000,000	1,051,475	2.01%	1,000,000	1,075,945	2.43%
Rabobank Nederland 3.2% 11/3/15	1,600,000	1,660,000	3.18%	1,600,000	1,618,048	3.65%

The accompanying notes are an integral part of these financial statements

Butterfield US\$ Bond Fund Limited

STATEMENT OF PORTFOLIO INVESTMENTS (CONT'D) As at June 30, 2011 (Expressed in US Dollars)

Investment	Nominal	2011		Nominal	2010	
		Fair Value	% of Portfolio		Fair Value	% of Portfolio
Corporate and Government Securities (cont'd)						
Royal Bank of Canada 3.125% 14/4/15	1,500,000 \$	1,566,735	3.00%	1,500,000 \$	1,540,875	3.48%
Seariver Maritime Inc. 0% 1/9/12	2,165,000	2,108,069	4.04%	1,320,000	1,260,582	2.84%
Swedish Export Credit 3.25% 16/9/14	1,000,000	1,059,519	2.03%	1,000,000	1,039,700	2.35%
Swedish Housing 3.125% 23/3/12	-	-	-	1,000,000	1,031,970	2.33%
Wells Fargo Company 3.625% 15/4/15	1,000,000	1,045,400	2.00%	500,000	510,887	1.15%
		37,714,271	72.21%		32,088,918	72.41%
Mortgage Backed Securities						
Equity One ABS Inc 5.369% 25/10/34	296,913	266,304	0.51%	377,849	306,632	0.69%
Fannie Mae 6% 25/6/31	1,364,084	37,512	0.07%	2,663,357	136,497	0.31%
Fannie Mae 4% 1/7/25	855,863	893,356	1.71%	-	-	-
Fannie Mae 4% 25/10/19	2,002,015	165,629	0.32%	-	-	-
Federal Home Loan Mortgage 3.5% 15/4/25	3,228,571	439,200	0.84%	-	-	-
Freddie Mac 4% 1/10/25	854,995	891,782	1.71%	-	-	-
GNMA 3.888% 16/7/26	720,078	734,086	1.41%	1,297,233	1,333,600	3.01%
GNMA 3.76% 16/9/28	162,224	167,436	0.32%	189,300	194,991	0.44%
GNMA 5.116% 16/1/28	640,000	656,018	1.26%	-	-	-
GNMA 4.658% 16/12/30	337,478	356,011	0.68%	-	-	-
GNMA 4.92% 16/5/34	1,500,000	1,588,623	3.04%	-	-	-
GS Mortgages 14/2/16	-	-	-	2,300,000	2,377,314	5.36%
JP Morgan Chase 12/1/43	2,135,000	2,205,674	4.23%	2,135,000	2,210,118	4.99%
Wachovia Bank 5.109% 15/12/35	2,500,000	2,556,107	4.89%	2,500,000	2,364,386	5.35%
Wachovia Bank 5.345% 15/1/41	750,000	716,175	1.37%	750,000	666,030	1.50%
Wells Fargo Home Equity Trust 4.89% 25/5/34	787,822	794,565	1.52%	1,500,000	1,490,942	3.36%
		12,468,478	23.88%		11,080,510	25.01%
Asset Backed Securities						
Harley-Davidson Motorcycle Trust 4.41% 15/6/12	-	-	-	149,995	150,228	0.34%
	\$	-	-	\$	150,228	0.34%

The accompanying notes are an integral part of these financial statements

Butterfield US\$ Bond Fund Limited

STATEMENT OF PORTFOLIO INVESTMENTS (CONT'D)

As at June 30, 2011

(Expressed in US Dollars)

Investment	Nominal	2011		Nominal	2010	
		Fair Value	% of Portfolio		Fair Value	% of Portfolio
Floating Rate Notes						
General Electric Capital Corp 23/09/2013	870,000 \$	871,827	1.67%	- \$	-	-
General Electric Capital Corp 20/06/2014	1,200,000	1,171,381	2.24%	-	-	-
Morgan Stanley 18/1/11	-	-	-	1,000,000	993,605	2.24%
		2,043,208	3.91%		993,605	2.24%
TOTAL INVESTMENTS AT CURRENT VALUE						
(Cost 2011 - \$50,829,114; 2010 - \$43,409,764)		\$ 52,225,958	100.00%	\$ 44,313,261	100.00%	

The accompanying notes are an integral part of these financial statements

Butterfield US\$ Bond Fund Limited

STATEMENT OF OPERATIONS For the year ended June 30, 2011 (Expressed in US Dollars)

	2011	2010
INVESTMENT INCOME		
Interest	\$ 1,815,600	\$ 2,248,491
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EXPENSES		
Management fee	221,109	219,756
Accounting fee	56,000	57,000
Registrar & transfer agent fee	54,325	49,492
Custodian fee	51,210	48,797
Audit fee	18,155	20,200
Miscellaneous	15,673	27,467
Government fee	8,359	12,665
Secretarial fee	6,142	8,702
Advertising	-	2,951
	430,973	447,030
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NET INVESTMENT INCOME	1,384,627	1,801,461
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NET REALISED AND UNREALISED GAIN (LOSS) ON INVESTMENTS		
Net realised (loss) on investments	(21,379)	(1,372,292)
Net change in unrealised gain on investments	493,347	5,457,233
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NET GAIN ON INVESTMENTS	471,968	4,084,941
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NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 1,856,595	\$ 5,886,402

The accompanying notes are an integral part of these financial statements

Butterfield US\$ Bond Fund Limited

STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30, 2011

(Expressed in US Dollars)

	2011	2010
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 1,856,595	\$ 5,886,402
DISTRIBUTIONS TO INVESTORS		
Dividends paid and payable	(1,881,614)	(1,883,286)
CAPITAL STOCK TRANSACTIONS		
Issue of shares	15,614,837	7,562,346
Redemption of shares	(7,106,707)	(14,615,457)
Net capital stock transactions	8,508,130	(7,053,111)
NET INCREASE/(DECREASE) IN NET ASSETS FOR THE YEAR	8,483,111	(3,049,995)
NET ASSETS - BEGINNING OF YEAR	46,906,697	49,956,692
NET ASSETS - END OF YEAR	\$ 55,389,808	\$ 46,906,697

The accompanying notes are an integral part of these financial statements

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in US Dollars)

1. ABOUT THE FUND

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

The Fund commenced operations on July 1, 1992. Butterfield Trust (Bermuda) Limited, acts as Custodian. Butterfield Asset Management Limited acts as Investment Advisor. Butterfield Fulcrum Group (Bermuda) Limited acts as Registrar and Transfer Agent and as Accountants for the Fund. Butterfield Trust (Bermuda) Limited and Butterfield Asset Management Limited are wholly owned subsidiaries of The Bank of N.T. Butterfield & Son Limited (the "Bank"). The Bank held a significant interest in Butterfield Fulcrum Group (Bermuda) Limited, until it was sold in February 2011.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Valuation of Investments

The fair values of investments are based on quoted market prices available from investment dealers, brokers, industry groups, pricing services, or regulatory agencies, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

The requirements of the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement ("CICA 3855") prescribe specific guidance for establishing fair values under GAAP, including the use of bid prices for long position and ask prices for short positions quoted in active markets. Had the Fund used the bid prices for long positions, the current value of investments and the fund net assets would have decreased by \$89,682 (2010: \$84,049) and the net asset value per common share would have decreased by \$0.017, for Class A, and \$0.017, for Class B (2009: Class A - \$0.019; Class B - \$0.019).

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in US Dollars)

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

b) Investment Transactions and Income Recognition

Investment transactions are accounted for on the trade date. Gains or losses arising from the sale of investments are determined using the average cost basis. Income from investments is recorded on the accrual basis. Interest income is recorded using the effective interest method.

c) Cash and Cash Equivalents

Cash equivalents are comprised primarily of shares in the Butterfield Money Market Fund Limited, denominated in US\$ shares. Shares may be redeemed on a same day notice. The value of the holding at June 30, 2011 was \$3,639,649 (2010: \$2,645,496).

d) Financial Assets and Liabilities

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

e) Adoption of New Accounting Standards

In January 2011, the Accounting Standards Board ("AcSB") amended the Introduction to Part I of the CICA Handbook—Accounting to allow investment companies, which include investment funds, to adopt International Financial Reporting Standards ("IFRS") for the first time no later than interim and annual financial statements relating to annual periods beginning on or after January 1, 2013. Investment companies electing to defer the first time adoption may continue to apply existing Canadian GAAP until the changeover to IFRS.

The Fund will defer the first time adoption and adopt IFRS beginning July 1, 2013.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in US Dollars)

3. FINANCIAL RISK MANAGEMENT

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

Credit Risk

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

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

Debt Securities by Credit Rating	% of Portfolio	
	2011	2010
AAA	57.10	54.00
AA	36.50	37.60
A	7.30	8.40
	100.00	100.00

Currency Risk

Currency risk is the risk that the value of an investment will fluctuate due to changes in foreign exchange rates. When the Fund enters into transactions which are denominated in currencies other than the Funds' reporting currency the Investment Advisor attempts to mitigate the associated currency risk in accordance with the above mentioned guidelines which may include the use of forward currency contracts. The Fund's transactions in a currency different from the reporting currency are not significant thus any risks associated are negligible.

Interest Rate Risk

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

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

Debt Securities by Maturity	Current Value	
	2011	2010
Less than 1 year	\$ 3,096,376	\$ 4,477,357
1 - 3 years	30,170,979	17,975,995
3 - 5 years	4,382,056	11,896,132
Greater than 5 years	12,468,478	8,703,196
Non-Interest Bearing	2,108,069	1,260,581
	\$ 52,225,958	\$ 44,313,261

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in US Dollars)

3. FINANCIAL RISK MANAGEMENT (CONT'D)

Interest Rate Risk (cont'd)

As at June 30, 2011, had the interest rates increased or decreased by 25 basis points and assuming a parallel shift in the yield curve, net assets would have increased or decreased by approximately \$290,800 (2010: \$261,505). This change is estimated using the weighted average duration of the fixed income portfolio. This analysis assumes that all other variables remained unchanged. In practice, actual results may differ from this analysis and the difference could be material.

Liquidity Risk

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

Price/market risk

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

4. FAIR VALUE OF FINANCIAL ASSETS

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

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

Level 2 - inputs other than quoted prices included within Level 1 that are 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

All of the Fund's investments are classified within Level 2 of the fair value hierarchy as the value of these investments are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly for the years ended June 30, 2011 and 2010.

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 or prior period. 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 year ended June 30, 2011 or June 30, 2010.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in US Dollars)

4. FAIR VALUE OF FINANCIAL ASSETS (CONT'D)

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 ended June 30, 2011 or June 30, 2010.

5. SHARES ISSUED AND OUTSTANDING

The present authorised share capital of the Fund is \$2,512,000 divided into 25,120,000 shares of \$0.10 par value each, of which 120,000 shares of \$0.10 par value have been designated as organisational shares and have been allocated for cash at par to the Investment Adviser and its nominees;

12,500,000 Class A common shares of a par value of \$0.10 each,
12,500,000 Class B common shares of a par value of \$0.10 each,

Under the Bye-Laws the organisational shares have only nominal rights if and so long as there are any other shares of the Fund in issue.

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

	2011		2010	
	Class A	Class B	Class A	Class B
Common shares				
Balance - beginning of year	3,774,392	704,875	4,132,570	1,034,860
Issue of common shares	1,360,190	123,768	704,213	31,432
Redemption of common shares	(534,876)	(138,081)	(1,062,391)	(361,417)
Balance - end of year	4,599,706	690,562	3,774,392	704,875
Organisational shares	120,000	-	120,000	-

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

6. DIVIDENDS

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

	2011		Payment date	2010	
\$0.10 (2010 \$0.10 per share)	\$	469,381	October 4, 2010	\$	494,426
\$0.10 (2010 \$0.10 per share)		479,717	January 10, 2011		467,910
\$0.10 (2010 \$0.10 per share)		509,295	April 11, 2011		473,023
\$0.08 (2010 \$0.10 per share)		423,221	July 11, 2011		447,927
	\$	1,881,614		\$	1,883,286

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in US Dollars)

7. NET REALISED GAIN (LOSS) ON INVESTMENTS

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

	2011	2010
Proceeds on sale of investments	\$ 22,205,568	\$ 46,661,162
Less cost of investments sold:		
Investments owned at beginning of year	43,409,764	53,865,737
Investments purchased during year	29,646,297	37,577,481
Investments owned at end of year	50,829,114	(43,409,764)
Investments sold during year	22,226,947	48,033,454
Net realised loss on investments	\$ (21,379)	\$ (1,372,292)

8. RELATED PARTY TRANSACTIONS

a) Management Fee

Under the terms of the Management Agreement, the Investment Advisor is entitled to receive a monthly fee calculated at the rate of no more than 1% per annum of the average valuation of the net assets of the Fund carried out on the Valuation Days during each month. Presently, the monthly fee is calculated at the rate of 0.5% per annum for the class A shares and 0.25% per annum for the class B shares. The fee of the Investment Advisor is reduced to take account of the management fee already levied on assets held in shares of other funds managed by the Investment Advisor. The management fee for the year was \$221,109 (2010 - \$219,756) of which \$23,867 (2010 - \$20,408) was payable at year end and included in accrued expenses. Management fees are measured at the exchange amount. The Fund and the Investment Advisor are related through common directorship.

b) Custodian Fee

Under the Custodian Agreement, the Custodian is entitled to receive a quarterly fee calculated at the rate of 0.1% per annum of the Fund's invested assets, including cash and unsettled trades, in accordance with the custodian's published fee schedule. The custodian fee for the year was \$51,210 (2010 - \$48,797) of which \$12,506 (2010 - \$11,103) was payable at year end and included in accrued expenses. Custodian fees are measured at the exchange amount. The Fund and Custodian are related through directorship.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in US Dollars)

8. RELATED PARTY TRANSACTIONS (CONT'D)

c) Accounting Fee and Registrar and Transfer Agent Fee

Accounting fees and Registrar and Transfer Agent fees were charged at a rate of 20 basis points per annum up to \$100 million of the net asset value of the Fund and 2.5 basis points on the excess, and is accrued on a weekly basis. Accounting fees for the year ended June 30, 2011 was \$56,000 (2010 - \$57,000), of which \$14,000 (2010 - \$10,000) remained payable at year end and included in accrued expenses. Registrar and Transfer Agent Fees for the year ended June 20, 2011 were \$54,325 (2010 - \$49,492), of which \$11,205 (2010 - \$4,067) remained payable at year end and included in accrued expenses. These fees are measured at the exchange amount.

d) Corporate Secretarial Fee

Corporate secretarial fees are charged on a time spent basis at their normal rates. Corporate secretarial fees for the year ended June 30, 2011 were \$6,142 (2010 - \$8,720), of which \$800 (2010 - \$Nil) remained payable at year end and included in accrued expenses. Corporate secretarial fees are measured at the exchange amount. Corporate secretarial services are provided by Butterfield Fulcrum Group, who is related to the Fund through common directorship.

e) Credit Facility

On June 17, 2008, the Fund entered into a revolving standby credit facility with the Bank of \$5 million to a maximum of 10% of the Fund's net asset value which expired on March 31, 2010. The facility was intended to assist the Fund in meeting short term liquidity. No amounts were drawn on the facility at March 31, 2010.

On October 7, 2010, the Fund renewed the credit facility with the Bank for the same terms and conditions as above, which expired on July 31, 2011. No amounts were drawn upon expiration.

9. TAXATION

Under current Bermuda law, the Company is not obligated to pay taxes in Bermuda on either income or capital gains. The Company 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 Company from any such Bermuda taxes until March 28, 2016.

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

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in US Dollars)

10. FINANCIAL HIGHLIGHTS

Per Share Information	2011		2010	
	CLASS A	CLASS B	CLASS A	CLASS B
Net asset value				
- beginning of year	\$10.441	\$10.635	\$9.638	\$9.786
Income from investment operations				
Net investment income	0.273	0.305	0.364	0.407
Net realised and unrealised gain (loss) on investments	0.107	0.107	0.839	0.842
Total from investment operations	0.380	0.412	1.203	1.249
Distributions to investors	(0.380)	(0.380)	(0.400)	(0.400)
Net asset value - end of year	\$10.441	\$10.667	\$10.441	\$10.635
Ratios / Supplemental Data				
	CLASS A	CLASS B	CLASS A	CLASS B
Total net assets - end of year (\$thousands)	48,024	7,366	39,410	7,496
Weighted average net assets* (\$thousands)	44,153	7,347	41,036	7,820
Ratio of expenses to weighted average net assets	0.818%	0.587%	1.074%	1.071%
Portfolio turnover rate**	18.63%	18.63%	81.99%	81.99%
Annual rate of return***	4.45%	4.67%	12.61%	12.89%

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

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

*** Annual rate of return for shareholders who reinvested dividends is calculated by comparing the end of year net asset value per share plus dividend per share amounts to the beginning of year net asset value per share.