

# Butterfield Select Fund Limited

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FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2012

# Butterfield Select Fund Limited

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## INVESTMENT MANAGER'S REPORT

### Butterfield Select Equity

The net asset value (NAV) per share for the year, closed at \$9.29, representing a -9.28% return for the period.

The period June 30, 2011 - June 30, 2012 was met with familiar Macroeconomic news, namely a worsening situation in Europe and continued uncertainty in the US. The top news was obviously S&P's downgrade of the US Government debt from AAA to AA+. This downgrade, while more symbolic in nature, left many questions as to the future of the US as the worlds' economic leader and the global reserve currency. The second half of the period however was met with a more optimistic view, with European decision makers seemingly "getting it" and favorable economic numbers coming out of the US. While the second half did produce somewhat of a relief rally, it could not bring markets out of negative territory for the full year.

Select Equity fund made a number of portfolio changes over the period, favoring top rated Global Equity managers going forward for investors. The fund added positions in MFS Global Equity, BNY Mellon Long Term Global Equity, Schroder's QEP Global Quality and Vanguard Total World Stock Index. Notable subtractions were Orbis Global equity and Fidelity European Growth.

### Butterfield Select Fixed Income

The Select Fixed Income fund rose 6.41% for the period for the period June 30, 2011 - June 30, 2012. The volatility in risk assets continues to buoy the fixed income markets, as investors chase yield in a low rate environment. The fund performed well during most of the period, the emerging market debt aided as a non dollar participant for the fund as did the new position in the iShares iBOXX US high yield aided index ETF. The most significant change in the portfolio has been the merger with the Butterfield Capital Appreciation fund. The new Global Select Fixed Income fund will at its core be comprised of Butterfields expertise in segregated investment grade credit securities, with a satellite strategy of adding both Emerging Market debt and High yield credit as opportunities are presented. This strategy aims to benefit investors by reducing fees in a low/zero interest rate environments.

### Butterfield Select Alternative

The NAV for the Butterfield Select Alternative fund finished the fiscal year end at 14.07, representing a -4.29% return for the Year.

Credit was the top performer as corporate activity picked up throughout the period, and credit spreads moved in response to market conditions. Macro Managers returns were more dispersed, as various trading vehicles in the strategies performed differently. Our Fixed Income Relative value provided the steady gains, sourced mostly from duration trading and volatility our Commodity heavy managers were also hurt during the period as commodities sold off on the back of a worsening economic outlook for the 1<sup>st</sup> half of the period. Our Trend Followers/CTA's also had mixed returns, with shorter term managers, able to shift direction as needed taking advantage of short term trends. Many L/S managers lead the way down, with more positive bias managers being forced lower by their beta. The fund is looking to make a number of changes to the portfolio, preferring to employ managers with idiosyncratic market strategies, rather than managers that are more broad in nature. The advisor believes that these strategies are more suitable to the fund in the current environment.

Michael Neff  
President  
Butterfield Select Fund Limited

October 30, 2012

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Directors of  
Butterfield Select Fund Limited, comprising Equity Class, Global Fixed Income Class and Alternative Investment Class (collectively referred to as the "Fund")

We have audited the accompanying statements of net assets and statements of portfolio investments of Butterfield Select Fund Limited (the "Fund"), comprising of Equity Class, Global Fixed Income Class and Alternative Investment Class, as at June 30, 2012, and the related statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

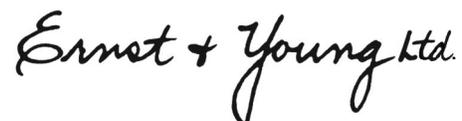
### Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund's Equity Class, Global Fixed Income Class and Alternative Investment Class as at June 30, 2012, and the results of their operations and the changes in their net assets for the year then ended in accordance with Canadian and Bermudian generally accepted accounting principles.

### Other Matters

The financial statements of the Fund's Equity Class, Global Fixed Income Class and Alternative Investment Class as at and for the year ended June 30, 2011 were audited by another auditor who expressed an unmodified opinion on those financial statements on October 31, 2011.

October 30, 2012

The signature of Ernst & Young Ltd. in a cursive, handwritten style.

# Butterfield Select Fund Limited

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## **DIRECTORS**

Barry Hanson  
Dawn Griffiths  
Michael Neff (President)  
Andrew Baron  
Richard Foley

## **INVESTMENT ADVISER**

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

## **CUSTODIAN**

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

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

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

## **AUDITORS**

Ernst & Young Ltd.  
P.O. Box HM 463  
Hamilton HM BX  
Bermuda

## **AUDIT COMMITTEE**

Barry Hanson  
Michael Neff  
Dawn Griffiths

# Butterfield Select Fund Limited

## STATEMENT OF NET ASSETS

As at June 30, 2012

(Expressed in US Dollars)

	NOTES	EQUITY CLASS	
		2012	2011
<b>ASSETS</b>			
Investments, at fair value (Cost: 2012 - \$84,970,844; 2011 - \$83,937,250)	3, 4	\$ 86,422,451	\$ 100,419,662
Cash and cash equivalents	2	9,827,215	5,021,978
Dividends receivable		16,743	62,897
Other assets		5,600	5,892
		<b>96,272,009</b>	105,510,429
<b>LIABILITIES</b>			
Accrued expenses	7	330,736	295,274
Other liabilities		6,000	-
Redemptions payable		3,042	-
Subscriptions received in advance		-	5,400
Unrealised loss on forward foreign exchange contract		-	505,832
		<b>339,778</b>	806,506
		<b>95,932,231</b>	104,703,923
Organisational shares		12,000	12,000
<b>NET ASSETS</b>		<b>\$ 95,920,231</b>	\$ 104,691,923
Number of common shares in issue	5	10,329,360	10,220,310
<b>NET ASSET VALUE PER COMMON SHARE</b>		<b>\$ 9.28</b>	\$ 10.24

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

## STATEMENT OF NET ASSETS (CONTINUED)

As at June 30, 2012

(Expressed in US Dollars)

	NOTES	GLOBAL FIXED INCOME CLASS	
		2012	2011
<b>ASSETS</b>			
Investments, at fair value (Cost: 2012 - \$59,271,342; 2011 - \$51,912,409)	3, 4	\$ 65,812,418	\$ 60,754,648
Cash and cash equivalents	2	3,653,757	1,017,875
Interest receivable		376,274	-
Other assets		5,856	5,891
		<b>69,848,305</b>	<b>61,778,414</b>
<b>LIABILITIES</b>			
Unrealised loss on forward foreign exchange contract		-	2,800
Accrued expenses	7	101,320	97,215
		<b>101,320</b>	<b>100,015</b>
<b>NET ASSETS</b>		<b>69,746,985</b>	<b>61,678,399</b>
Number of common shares in issue	5	4,040,000	3,801,954
<b>NET ASSET VALUE PER COMMON SHARE</b>		<b>\$ 17.26</b>	<b>\$ 16.22</b>

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# Butterfield Select Fund Limited

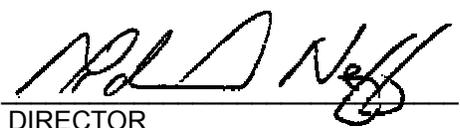
## STATEMENT OF NET ASSETS (CONTINUED)

As at June 30, 2012

(Expressed in US Dollars)

	NOTES	ALTERNATIVE INVESTMENT CLASS	
		2012	2011
<b>ASSETS</b>			
Investments at fair value (Cost: 2012 - \$53,886,705; 2011 - \$62,187,573)	3, 4	\$ 58,327,087	\$ 72,087,288
Cash and cash equivalents	2	1,042,748	4,981,925
Other assets		7,922	6,378
Receivable for investments sold		911,209	1,113,860
Unrealised gain on forward foreign exchange contract		-	41,763
		<b>60,288,966</b>	<b>78,231,214</b>
<b>LIABILITIES</b>			
Accrued expenses	7	126,000	162,788
		<b>126,000</b>	<b>162,788</b>
<b>NET ASSETS</b>		<b>\$ 60,162,966</b>	<b>\$ 78,068,426</b>
Number of common shares in issue	5	4,275,045	5,310,650
<b>NET ASSET VALUE PER COMMON SHARE</b>		<b>\$ 14.07</b>	<b>\$ 14.70</b>

Signed on Behalf of the Board

  
 \_\_\_\_\_  
 DIRECTOR

  
 \_\_\_\_\_  
 DIRECTOR

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

## STATEMENT OF PORTFOLIO INVESTMENTS - EQUITY CLASS

As at June 30, 2012

(Expressed in US Dollars)

INVESTMENTS	Nominal	2012	% of Portfolio	Nominal	2011	% of Portfolio
		Fair Value			Fair Value	
<b>Investment Funds</b>						
Blackrock Global Funds Global Equity Fund	1,145,869	\$ 6,898,131	7.98%	1,144,262	\$ 8,078,490	8.04%
BNY Mellon Long Term Global Equity Fund USD C	6,410,843	6,523,033	7.55%	-	-	-
Butterfield Bermuda Fund	-	-	-	158	2,648	-
Fidelity Funds – European Growth Fund	-	-	-	748,493	10,848,137	10.80%
JP Morgan EUR Strategic Value Fund	499,730	6,930,886	8.02%	499,730	8,776,214	8.74%
Martin Currie Global Asia Pacific Fund	-	-	-	548,302	6,206,776	6.18%
Martin Currie Global North American Fund	-	-	-	552,652	4,697,539	4.68%
MFS MER-Global Equity	47,739	6,819,546	7.89%	-	-	-
Omigsa Acadian Global Equity Fund	521,095	6,289,976	7.28%	521,095	6,536,730	6.51%
Orbis Global Equity Fund	72,861	8,425,601	9.75%	125,705	15,822,542	15.76%
Orbis Japan Equity Fund	175,214	4,738,841	5.48%	175,214	4,643,523	4.62%
SISF-QEP Global Quality - C\$A	69,916	6,667,899	7.72%	-	-	-
UBAM Neuberger Berman US Equity Value	9,740	7,039,082	8.14%	9,740	7,215,465	7.19%
		<b>60,332,995</b>	<b>69.81%</b>		<b>72,828,064</b>	<b>72.52%</b>
<b>Exchange Traded Funds</b>						
iShares MSCI Canada Index Fund	9,000	232,560	0.27%	9,000	285,030	0.28%
iShares Russell Mid Cap Value Index Fund	-	-	-	20,000	955,000	0.95%
iShares S&P 500 Value Index Fund	-	-	-	20,000	1,240,000	1.23%
iShares S&P/TSX 60 Capped Composite Index Fund	323,600	5,806,083	6.72%	323,600	7,026,896	7.00%
Market Vectors Gold Miners Fund	40,000	1,790,800	2.07%	40,000	2,183,600	2.17%
SPDR DJIA Trust	85,000	10,918,250	12.63%	-	-	-
SPDR S&P 500 ETF Trust	-	-	-	80,100	10,570,797	10.53%
SPDR S&P 500 ETF Trust	7,600	1,034,398	1.20%	-	-	-
SPDR S&P ETF Emerging Europe	-	-	-	5,000	257,900	0.26%
Vanguard Energy ETF	8,500	826,965	0.96%	8,500	939,675	0.94%
Vanguard MSCI Emerging Market	-	-	-	85,000	4,132,700	4.12%
Vanguard TOT World Stock Index	120,000	5,480,400	6.34%	-	-	-
		<b>26,089,456</b>	<b>30.19%</b>		<b>27,591,598</b>	<b>27.48%</b>
<b>TOTAL INVESTMENTS (Cost: 2012 - \$84,970,844; 2011 - \$83,937,250)</b>		<b>\$ 86,422,451</b>	<b>100.00%</b>		<b>\$ 100,419,662</b>	<b>100.00%</b>
<b>Forward Foreign Exchange Contract</b>						
Sell EUR/Buy USD July 18, 2011	-	-	-	18,338,970	(505,832)	100.00%
<b>UNREALISED LOSS ON FORWARD FOREIGN EXCHANGE CONTRACT</b>		<b>\$ -</b>	<b>-</b>		<b>\$ (505,832)</b>	<b>100.00%</b>

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

## STATEMENT OF PORTFOLIO INVESTMENTS - GLOBAL FIXED INCOME CLASS

As at June 30, 2012

(Expressed in US Dollars)

INVESTMENTS	Nominal	2012	% of Portfolio	Nominal	2011	% of Portfolio
		Fair Value			Fair Value	
<b>Corporate and Government</b>						
<b>Debt Securities</b>	\$			\$		
Asian Development Bank 1.000% 05/17/18	1,500,000	1,475,400	2.24%	-	-	-
Australian & New Zealand Banking Group 2.400% 11/23/16	500,000	511,956	0.78%	-	-	-
Australian & New Zealand Banking Group 2.400% 11/23/16	1,000,000	1,023,911	1.56%	-	-	-
Barclays Banks PLC 5.125% 01/08/20	1,500,000	1,627,748	2.47%	-	-	-
Berkshire Hathaway Inc 3.750% 08/15/21	2,000,000	2,133,562	3.24%	-	-	-
BHP Billiton Finance USA Ltd 2.875% 02/24/22	1,000,000	1,010,499	1.54%	-	-	-
CIE Financement Foncier FLT 04/17/14	1,500,000	1,459,110	2.22%	-	-	-
Citibank Credit Card Issuance Trust 4.150% 07/07/17	1,000,000	1,098,743	1.67%	-	-	-
Citigroup Inc 6.125% 11/21/17 Corp Andina De Fomento 5.750% 01/12/17	1,000,000	1,123,100	1.71%	-	-	-
Dexia Credit Local 2.750% 04/29/14	1,000,000	980,700	1.49%	-	-	-
Dexia Municipal Agency 5.250% 02/16/17	1,000,000	1,057,630	1.61%	-	-	-
Equity One ABS Inc 10/25/34	276,647	262,214	0.40%	-	-	-
Fedex Corp 1998 PASS TST 6.720% 01/15/22	1,180,977	1,399,457	2.13%	-	-	-
General Electric Capital Corp 4.650% 10/17/21	1,000,000	1,110,526	1.69%	-	-	-
General Electric Capital Corp 5.625% 05/01/18	1,200,000	1,379,448	2.10%	-	-	-
Goldman Sachs Group Inc 6.150% 04/01/18	1,200,000	1,300,896	1.98%	-	-	-
Gov't of Bermuda 5.603% 07/20/20	400,000	457,600	0.70%	-	-	-
International Bank Reconstruction & Development 0.000% 05/01/18	500,000	450,618	0.68%	-	-	-
John Hancock Global Funding II 5.250% 02/25/15	500,000	536,159	0.81%	-	-	-
JPMorgan Chase & Co 5.150% 10/01/15	500,000	536,536	0.82%	-	-	-
LB-UBS Commercial Mortgage Trust 03/15/36	1,000,000	1,045,579	1.59%	-	-	-
Merrill Lynch & Co 09/25/18	100,000	73,051	0.11%	-	-	-
Merill Lynch & Co 0.000% 08/30/13	750,000	715,968	1.09%	-	-	-
Metropolitan Life Global Funding I 3.875% 04/11/22	1,500,000	1,557,465	2.37%	-	-	-
Morgan Stanley FLT 05/14/13	1,000,000	998,631	1.52%	-	-	-

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# Butterfield Select Fund Limited

## STATEMENT OF PORTFOLIO INVESTMENTS - GLOBAL FIXED INCOME CLASS (CONTINUED) As at June 30, 2012 (Expressed in US Dollars)

INVESTMENTS (CONTINUED)	Nominal	2012	% of Portfolio	Nominal	2011	% of Portfolio
		Fair Value			Fair Value	
<b>Corporate and Government</b>						
<b>Debt Securities (continued)</b>	\$			\$		
Principal Life Global 5.050% 03/15/15	1,000,000	1,084,970	1.65%	-	-	-
RioTinto Finance USA Ltd 3.500% 03/22/22	1,000,000	1,053,916	1.60%	-	-	-
SW Airlines 07-1 Trust 6.150% 08/01/22	1,239,855	1,413,434	2.15%	-	-	-
US Gov't National (Strips) 08/15/20	2,000,000	1,779,986	2.70%	-	-	-
US Gov't National (Strips) 08/15/21	2,000,000	1,719,178	2.61%	-	-	-
US Gov't National (Strips) 08/15/22	2,000,000	1,661,216	2.52%	-	-	-
US Gov't National (Strips) 08/15/23	1,000,000	799,154	1.21%	-	-	-
Wachovia Bank Commercial Mortgage Trust 02/15/41	865,618	908,037	1.37%	-	-	-
Wachovia Bank Commercial Mortgage Trust 06/15/35	432,079	439,002	0.66%	-	-	-
WESTLB AG New York 4.796% 07/15/15	1,199,000	1,257,305	1.90%	-	-	-
		<b>39,104,590</b>	<b>59.42%</b>	-	-	-
<b>Investment Funds</b>						
Ishares Markit iBoxx \$ HIGH	30,000	3,240,300	4.92%	-	-	-
Legg Mason Western Asset Emerging Markets Bond Fund	40,000	4,826,800	7.33%	40,000	4,484,000	7.38%
Pimco Global Investment Grade Credit Fund	487,502	7,054,152	10.72%	487,502	6,552,025	10.78%
Pimco Global Total Return Bond	-	-	-	359,426	8,662,167	14.26%
Vanguard US Government Bond Index Fund	-	-	-	133,242	21,267,617	35.01%
Vanguard Euro Investment Grade Bond Index Fund	-	-	-	25,686	6,095,705	10.03%
Vanguard US Investment Grade Credit Index Fund	34,667	5,269,093	8.01%	54,748	7,671,554	12.63%
Vanguard US Mortgage Backed Securities Bond Index Fund	42,236	6,317,483	9.60%	42,236	6,021,580	9.91%
		<b>26,707,828</b>	<b>40.58%</b>		<b>60,754,648</b>	<b>100.00%</b>
<b>TOTAL INVESTMENTS (Cost: 2012 - \$59,271,342; 2011 - \$51,912,409)</b>	\$	<b>65,812,418</b>	<b>100.00%</b>	\$	<b>60,754,648</b>	<b>100.00%</b>
<b>Forward Foreign Exchange Contract</b>						
Sell EUR/Buy USD July 26, 2011	\$	-	-	5,071,850	\$ (2,800)	100.00%
<b>UNREALISED LOSS ON FORWARD FOREIGN EXCHANGE CONTRACT</b>	\$	-	-	\$	<b>(2,800)</b>	<b>100.00%</b>

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

## STATEMENT OF PORTFOLIO INVESTMENTS - ALTERNATIVE INVESTMENT CLASS

As at June 30, 2012

(Expressed in US Dollars)

INVESTMENTS	Nominal	2012		Nominal	2011	
		Fair Value	% of Portfolio		Fair Value	% of Portfolio
<b>Investment Funds</b>	<b>\$</b>			<b>\$</b>		
Alphadyne Global Rates Fund Ltd. - B-USD-1 - Series 2009-12	-	-	-	1,043	1,265,170	1.76%
Alphadyne Global Rates Fund Ltd. - B-USD-2 - Series 2009-12	-	-	-	843	954,086	1.32%
Arrowgrass International Fund Ltd Class B	-	-	-	28,086	3,843,460	5.33%
Brevan Howard Fund Ltd. Class A	-	-	-	7,469	2,001,613	2.78%
Capula Global Relative Value Fund Ltd. Class C	23,405	4,159,881	7.13%	23,405	3,962,970	5.50%
Claren Road Credit Fund B1	623	1,096,333	1.88%	623	869,347	1.21%
Claren Road Credit Fund B25	1,910	2,714,555	4.65%	1,910	2,524,678	3.50%
Clive Fund Limited Class B	18,877	2,805,443	4.81%	15,177	2,163,834	3.00%
Comac Global Macro Fund Limited	20,582	3,270,456	5.61%	20,582	3,224,957	4.47%
Criterion Capital Partners Ltd. - Class B - Series 0312	18,000	1,781,300	3.05%	-	-	-
Criterion Capital Partners Ltd. - Class B - Series 0412	6,500	630,534	1.08%	-	-	-
Criterion Capital Partners Ltd. - Class B - Series 0512	5,000	492,083	0.84%	-	-	-
Dabroes Offshore Investment Fund Ltd	2,430	2,230,511	3.82%	2,430	2,323,201	3.22%
Dabroes Offshore Investment Fund Ltd - Series D/10	650	616,635	1.06%	-	-	-
Diamondback Offshore Fund Ltd Tranche D	-	-	-	3,072	4,298,015	5.96%
Dymon Asia Macro - Class P Restricted	1,500	1,517,955	2.60%	-	-	-
Exane Funds 1 - Templers Funds	-	-	-	86	2,161,298	3.00%
Global Undervalued Securities Fund, Ltd.	180	1,625,153	2.79%	-	-	-
Global Undervalued Securities Fund, Ltd. - Series May 2012	65	616,973	1.06%	-	-	-
Green T G2 Fund Limited Class A	-	-	-	17,543	3,224,614	4.47%
Halcyon Offshore Asset-Backed Value Fund Ltd. - Initial Series Restricted Class	1,423	2,513,715	4.31%	-	-	-
Halcyon Offshore Asset-Backed Value Fund Ltd. - April 2012 Special	-	178	0.00%	-	-	-
Halcyon Offshore Asset-Backed Value Fund Ltd. - Class Restricted USD April 2012	650	654,618	1.12%	-	-	-
IAM Trading Fund Class O Shares USD	35,896	3,759,413	6.45%	64,502	6,781,754	9.41%
JCAM Global Fund Ltd Class F Ex Series	315	325,439	0.56%	3,152	3,765,116	5.22%
Lakewood Capital Offshore Fund Ltd	3,500	3,590,930	6.16%	3,500	3,524,917	4.89%

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

## STATEMENT OF PORTFOLIO INVESTMENTS - ALTERNATIVE INVESTMENT CLASS (CONTINUED) As at June 30, 2012 (Expressed in US Dollars)

INVESTMENTS (CONTINUED)	Nominal	2012		Nominal	2011	
		Fair Value	% of Portfolio		Fair Value	% of Portfolio
<b>Investment Funds (continued)</b>						
Lansdowne UK Equity Fund	7,933	\$ 2,896,927	4.97%	10,116	\$ 3,760,197	5.22%
Majedie Tortoise Fund - Class G	912,306	1,965,876	3.37%	-	-	-
MidOcean Credit Opportunity Offshore Fund, Ltd. - Class B	2,000	2,000,000	3.43%	-	-	-
MKM Longboat Multi Strategy	371	-	-	371	-	-
Ortus Fund (Cayman) Limited - Series 82	8,595	2,454,702	4.21%	-	-	-
Pamli Global Credit Strategies Offshore Ltd. - Class B, Sub Class B-1 - Series 04-2012	1,200	1,205,534	2.07%	-	-	-
PFM Diversified Offshore Fund, Ltd	1,983	3,285,343	5.63%	2,415	4,378,099	6.07%
Prologue Feeder Fund	-	-	-	1,993	3,310,142	4.59%
Real Return Asian Class B	-	-	-	10,919	2,751,205	3.82%
Saba Capital Offshore Fund Ltd - Class A Sub Class 2 - Series 30	2,500	2,580,559	4.42%	-	-	-
The Drake Global Opportunities Fund	84	78,771	0.14%	141	131,443	0.18%
Triskele China Fund - Class B	92,272	2,152,715	3.69%	131,416	3,715,122	5.15%
WCG Offshore Fund Ltd. - Class C	2,699	3,139,447	5.38%	2,699	3,178,237	4.41%
York European Opportunities Unit Trust A10 - 2009	150,459	2,165,108	3.71%	260,920	3,973,813	5.52%
<b>TOTAL INVESTMENTS (Cost: 2012 - \$53,886,705; 2011 - \$62,187,573)</b>		<b>\$ 58,327,087</b>	<b>100.00%</b>	<b>-</b>	<b>\$ 72,087,288</b>	<b>100.00%</b>
<b>Forward Foreign Exchange Contract</b>						
Sell EUR/Buy USD July 5, 2011	-	-	-	2,202,369	41,763	100.00%
<b>UNREALISED GAIN ON FORWARD FOREIGN EXCHANGE CONTRACT</b>		<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>\$ 41,763</b>	<b>100.00%</b>

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

## STATEMENT OF OPERATIONS For the year ended June 30, 2012 (Expressed in US Dollars)

	Notes	EQUITY CLASS	
		2012	2011
<b>INVESTMENT INCOME</b>			
Interest		\$ 9,445	\$ 4,460
Dividends (net of withholding taxes)		400,234	442,163
Other income		76,642	93,826
		<b>486,321</b>	<b>540,449</b>
<b>EXPENSES</b>			
Management fee	7 a)	763,859	943,458
Administration fee	7 c)	203,819	207,778
Miscellaneous		100,847	102,194
Audit fee		15,000	15,302
Custodian fee	7 b)	9,990	10,603
Government fee		4,189	2,140
Corporate secretarial fee		1,487	2,155
		<b>1,099,191</b>	<b>1,283,630</b>
<b>NET INVESTMENT LOSS</b>		<b>\$ (612,870)</b>	<b>\$ (743,181)</b>
<b>NET REALISED AND CHANGE IN UNREALISED GAIN/(LOSS) ON INVESTMENTS AND FOREIGN CURRENCY</b>			
Net realised gain on investments	6	5,549,921	3,779,604
Net change in unrealised (loss)/gain on investments		(14,542,131)	21,179,545
Net realised loss on foreign currency		(440,450)	(2,829,142)
<b>NET (LOSS)/GAIN ON INVESTMENTS</b>		<b>(9,432,660)</b>	<b>22,130,007</b>
<b>NET (DECREASE)/INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>		<b>\$ (10,045,530)</b>	<b>\$ 21,386,826</b>

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

## STATEMENT OF OPERATIONS (CONTINUED) For the year ended June 30, 2012 (Expressed in US Dollars)

	Notes	GLOBAL FIXED INCOME CLASS	
		2012	2011
<b>INVESTMENT INCOME</b>			
Bond interest		\$ 494,810	\$ 2,564
Dividends (net of withholding taxes)		149,957	5,299
Other income		55	-
		<b>644,822</b>	<b>7,863</b>
<b>EXPENSES</b>			
Management fee	7 a)	554,159	650,141
Administration fee	7 c)	139,575	153,877
Miscellaneous		30,830	18,400
Audit fee		15,000	15,262
Custodian fee	7 b)	9,991	9,655
Government fee		9,137	4,886
Corporate secretarial fee		2,222	2,722
		<b>760,914</b>	<b>854,943</b>
<b>NET INVESTMENT LOSS</b>		\$ (116,092)	\$ (847,080)
<b>NET REALISED AND CHANGE IN UNREALISED GAIN/(LOSS) ON INVESTMENTS AND FOREIGN CURRENCY</b>			
Net realised gain on investments	6	5,935,899	2,688,387
Net change in unrealised (loss)/gain on investments		(2,298,173)	2,657,124
Net realised gain/(loss) on foreign currency		598,946	(2,678,551)
<b>NET GAIN ON INVESTMENTS</b>		<b>4,236,672</b>	<b>2,666,960</b>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>		\$ <b>4,120,580</b>	\$ <b>1,819,880</b>

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

## STATEMENT OF OPERATIONS (CONTINUED)

For the year ended June 30, 2012

(Expressed in US Dollars)

	Notes	ALTERNATIVE INVESTMENT CLASS	
		2012	2011
<b>INVESTMENT INCOME</b>			
Interest		\$ 2,022	\$ 2,077
Other income		16,053	-
		<b>18,075</b>	<b>2,077</b>
<b>EXPENSES</b>			
Management fee	7 a)	914,845	1,181,057
Administration fee	7 c)	133,224	173,702
Miscellaneous		36,715	25,597
Audit fee		15,000	15,262
Custodian fee	7 b)	9,991	9,981
Government fee		9,079	2,568
Corporate secretarial fee		2,367	2,872
		<b>1,121,221</b>	<b>1,411,039</b>
<b>NET INVESTMENT LOSS</b>		<b>(1,103,146)</b>	<b>(1,408,962)</b>
<b>NET REALISED AND CHANGE IN UNREALISED GAIN/(LOSS) ON INVESTMENTS AND FOREIGN CURRENCY</b>			
Net realised gain on investments	6	3,773,466	4,301,039
Net change in unrealised (loss)/gain on investments		(5,501,096)	248,634
Net realised gain/(loss) on foreign currency		70,263	(324,605)
<b>NET (LOSS)/GAIN ON INVESTMENTS</b>		<b>(1,657,367)</b>	<b>4,225,068</b>
<b>NET (DECREASE)/INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>		<b>\$ (2,760,513)</b>	<b>\$ 2,816,106</b>

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

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## STATEMENT OF CHANGES IN NET ASSETS For the year ended June 30, 2012 (Expressed in US Dollars)

	EQUITY CLASS	
	2012	2011
<b>NET (DECREASE)/INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ (10,045,530)</b>	<b>\$ 21,386,826</b>
<hr/>		
<b>CAPITAL STOCK TRANSACTIONS</b>		
Issue of shares	23,700,889	11,515,313
Redemption of shares	(22,427,051)	(33,417,158)
<hr/>		
Net capital stock transactions	1,273,838	(21,901,845)
<hr/>		
<b>NET DECREASE IN NET ASSETS FOR THE YEAR</b>	<b>(8,771,692)</b>	<b>(515,019)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>104,691,923</b>	<b>105,206,942</b>
<hr/>		
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 95,920,231</b>	<b>\$ 104,691,923</b>

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

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**STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)**  
For the year ended June 30, 2012  
(Expressed in US Dollars)

	<b>GLOBAL FIXED INCOME CLASS</b>	
	<b>2012</b>	<b>2011</b>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 4,120,580</b>	<b>\$ 1,819,880</b>
<hr/>		
<b>CAPITAL STOCK TRANSACTIONS</b>		
Issue of shares	<b>25,119,984</b>	8,871,555
Redemption of shares	<b>(21,171,978)</b>	(38,842,587)
<hr/>		
Net capital stock transactions	<b>3,948,006</b>	(29,971,032)
<hr/>		
<b>NET INCREASE/(DECREASE) IN NET ASSETS FOR THE YEAR</b>	<b>8,068,586</b>	(28,151,152)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>61,678,399</b>	89,829,551
<hr/>		
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 69,746,985</b>	<b>\$ 61,678,399</b>

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

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## STATEMENT OF CHANGES IN NET ASSETS (CONTINUED)

For the year ended June 30, 2012

(Expressed in US Dollars)

	ALTERNATIVE INVESTMENT CLASS	
	2012	2011
<b>NET (DECREASE)/INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ (2,760,513)</b>	<b>\$ 2,816,106</b>
<hr/>		
<b>CAPITAL STOCK TRANSACTIONS</b>		
Issue of shares	9,829,824	4,969,798
Redemption of shares	(24,974,772)	(17,566,821)
<hr/>		
Net capital stock transactions	(15,144,948)	(12,597,023)
<hr/>		
<b>NET DECREASE IN NET ASSETS FOR THE YEAR</b>	<b>(17,905,461)</b>	<b>(9,780,917)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>78,068,426</b>	<b>87,849,343</b>
<hr/>		
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 60,162,965</b>	<b>\$ 78,068,426</b>

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

### 1. ABOUT THE FUND

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

The Fund commenced operations on February 17, 2000. Butterfield Trust (Bermuda) Limited acts as custodian (the "Custodian"). Butterfield Asset Management Limited acts as investment adviser (the "Investment Adviser"). Butterfield Fulcrum Group (Bermuda) Limited acts as registrar and transfer agent and as accountants/administrator (the "Registrar and Transfer Agent" or "Administrator") for the Fund. The Custodian and Investment Adviser are wholly owned subsidiaries of the Bank of N.T. Butterfield & Son Limited (the "Bank").

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

The objective of the Fund is to offer a convenient and efficient vehicle for investing in mutual fund products which are anticipated to provide the best opportunities for capital appreciation having regard to diversification.

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

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

For the Alternative Investment Class, the policy of the Fund is to invest in underlying funds with professional money managers who invest in common and preferred stocks (including small cap stocks), options, warrants, convertible securities, bonds, foreign securities, foreign currencies, commodities, commodity futures, financial futures, derivatives, mortgage backed and mortgage related securities, real estate and other assets of investment grade or below investment grade.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a) Valuation of Investments

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

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### a) Valuation of Investments (continued)

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

The net change in the period between fair value and cost is shown as net change in unrealised gain or loss on investments in the statement of operations.

#### b) Investment Transactions and Income Recognition

Investment transactions are accounted for on the trade date. Gains or losses arising from the sale of investments are determined using the average cost basis.

The Fund holds positions in investment funds which offer varying periods in which shareholders may redeem their holdings.

#### c) Cash and Cash Equivalents

Cash equivalents are primarily comprised of shares in Butterfield Money Market Fund Limited, an affiliated money market fund, denominated in US\$ shares. Shares may be redeemed on 24 hours' notice. The fair value of the Fund's holding in the money market fund at June 30, 2012 was \$9,518,094 (2011 - \$4,795,844) for the Equity Class and \$3,652,377 (2011 - \$1,017,450) for the Global Fixed Income Class, and \$976,226 (2011 - \$4,983,680) for the Alternative Investment Class. Interest income earned from cash and cash equivalent balances is recorded as earned.

#### d) Foreign Currency Forward Contracts

Foreign currency forward contracts are recorded on the trade date and are reflected in the statement of net assets at the difference between the original contract amount and the market value on the last business day of the reporting period. Realised and changes in unrealised gains and losses on forward contracts are reflected in the statement of operations.

#### e) Translation of Foreign Currencies

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

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

#### f) Financial Assets and Liabilities

In addition to the estimated fair values of investments as disclosed in the statement of portfolio of investments, the estimated fair values of the Fund's other financial instruments, including cash and cash equivalents, dividends receivable, other assets, accrued expenses, subscriptions received in advance, redemptions payable and other liabilities approximate their carrying values.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### g) Adoption of New Accounting Standards

International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which include investment funds and other reporting issuers. Under the general transition rules for publicly accountable enterprises, the Fund would adopt IFRS for its fiscal period beginning on or after January 1, 2011. On December 12, 2011, the Canadian Accounting Standards Board amended the requirement to prepare financial statements in accordance with IFRS as issued by the International Accounting Standards Board, permitting investment companies, which include investment funds, to defer adoption of IFRS to fiscal years beginning on or after January 1, 2013.

The Fund has elected to defer the adoption of IFRS and is still assessing the impact IFRS will have on its financial statements.

### 3. FINANCIAL RISK MANAGEMENT

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

#### Credit Risk

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

The value of such balances on the statement of net assets includes consideration of the creditworthiness of the issuer, and, accordingly represents the maximum credit risk exposure of the Fund. The Fund monitors the credit rating of its broker to mitigate this risk.

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

<b>Debt Securities by Credit Rating</b>	<b>% of Portfolio</b>
A-	<b>23.41</b>
A+	<b>12.39</b>
AA	<b>2.51</b>
AA-	<b>6.52</b>
AA/*-	<b>0.67</b>
AA+	<b>11.82</b>
AA+/*-	<b>2.71</b>
AAA	<b>32.83</b>
Not Rated	<b>7.14</b>
	<b>100.00</b>

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Debt Securities by Credit Rating	% of Portfolio 2012
Aa1	3.22
Aaa	3.92
	7.14

#### Currency Risk

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

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

The table below indicates the currencies to which the Fund had significant exposure at June 30, 2012 and 2011 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the US Dollar on the net assets, with all other variables held constant.

Class	Currency	Change in Currency Rate	Effect on Net Assets	
			2012	2011
Equity Class	CAD	5% \$	305,371 \$	361,122
	EUR	5%	663,591	368,556
	JPY	5%	236,887	232,176
Global Fixed Income Class	CAD	5%	2	-
	EUR	5%	85	51,056
Alternative Investment Class	CAD	5%	69	-
	EUR	5%	31	63
	GPB	5%	98,296	-

An equivalent decrease in each of the aforementioned currencies against the US Dollar would have resulted in an equivalent but opposite impact.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Prices of fixed income securities generally increase when interest rates decline, and decrease when interest rates rise.

#### 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. Each Fund Class retains sufficient holdings in underlying funds which offer redemptions on a daily or weekly basis which combined with cash and cash equivalents provide adequate liquidity to address the risk of cash redemptions of redeemable units.

As of June 30, 2012, investment funds held by the Equity Class representing \$73,258,008 (85%) offer redemptions on a daily basis and \$13,164,443 (15%) offer redemptions on a weekly basis. As of June 30, 2011, investment funds held by the Equity Class representing \$79,953,597 (81%) offer redemptions on a daily basis and \$20,466,065 (19%) offer redemptions on a weekly basis. The Equity Class also has a credit facility in place to further mitigate liquidity risk.

As of June 30, 2012 and 2011, all investment funds (2012: - \$26,707,828; 2011: - \$60,754,648) held by the Global Fixed Income Class offer redemptions on a daily basis. The Global Fixed Income Class also has a credit facility in place to further mitigate liquidity risk.

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

<b>Debt Securities by Maturity</b>	<b>Fair Vaue 2012</b>
Less than 1 year	\$ 998,631
1 - 3 years	4,060,939
3 - 5 years	5,510,438
Greater than 5 years	21,335,411
Non-interest bearing	7,199,171
	<b>\$ 39,104,590</b>

As of June 30, 2012, investment funds held by the Alternative Investment Class representing \$36,831,860 (63%) offer redemptions on a quarterly basis, \$18,956,085 (33%) offer redemptions on a monthly basis, \$1,965,876 (3%) offer redemptions on a daily basis and \$573,266 (1%) has redemption restrictions. As of June 30, 2011, investment funds held by the Alternative Investment Class representing \$31,197,111 (49%) offer redemptions on a quarterly basis, \$34,753,976 (40%) offer redemptions on a monthly basis and \$6,136,201 (11%) offer redemptions on a weekly basis. The Alternative Investment Class also has a credit facility in place to further mitigate liquidity risk.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Price/Market Risk

Price/market risk is the risk that the value of investments will fluctuate as a result of market conditions. The Investment Adviser attempts to mitigate price/market risk by selecting appropriate portfolio investments based on the Fund's strategy.

As at June 30, 2012, all of the Equity Class' investments were exposed to changes in portfolio prices. As at June 30, 2012, if portfolio prices had been 5% higher or lower with all other variables held constant, the net assets of the Equity Class would have been \$4,321,123 (2011 - \$5,020,983) higher or lower.

As at June 30, 2012, all of the Global Fixed Income Class' investments were exposed to changes in portfolio prices. As at June 30, 2012, if portfolio prices had been 5% higher or lower with all other variables held constant, the net assets of the Global Fixed Income Class would have been \$3,290,621 (2011 - \$3,037,732) higher or lower.

As at June 30, 2012, all of the Alternative Investment Class' investments were exposed to changes in portfolio prices. As at June 30, 2012, if portfolio prices had been 5% higher or lower with all other variables held constant, the net assets of the Alternative Investment Class would have been \$2,916,354 (2011 - \$3,604,364) higher or lower.

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

### 4. FAIR VALUE OF FINANCIAL ASSETS

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

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

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

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

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

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

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

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

2012

#### EQUITY CLASS

Classification	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Investment funds	\$ -	\$ 60,332,995	\$ -	\$ 60,332,995
Exchange traded funds	26,089,456	-	-	26,089,456
Total Financial Assets	\$ 26,089,456	\$ 60,332,995	\$ -	\$ 86,422,451

#### GLOBAL FIXED INCOME CLASS

Classification	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Corporate and government debt securities	\$ -	\$ 39,104,590	\$ -	\$ 39,104,590
Investment funds	-	\$ 26,707,828	-	\$ 26,707,828
Total Financial Assets	\$ -	\$ 65,812,418	\$ -	\$ 65,812,418

#### ALTERNATIVE INVESTMENT CLASS

Classification	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Investment funds	\$ -	\$ 57,753,821	\$ 573,266	\$ 58,327,087
Total Financial Assets	\$ -	\$ 57,753,821	\$ 573,266	\$ 58,327,087

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

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

2011

#### EQUITY CLASS

Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Investment funds	\$ -	\$ 72,828,064	\$ -	\$ 72,828,064
Exchange traded funds	27,591,598	-	-	27,591,598
Forward foreign exchange contract	-	(505,832)	-	(505,832)
Total Financial Assets	\$ 27,591,598	\$ 72,322,232	\$ -	\$ 99,913,830

#### GLOBAL FIXED INCOME CLASS

Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Investment funds	\$ -	\$ 60,754,648	\$ -	\$ 60,754,648
Forward foreign exchange contract	-	(2,800)	-	(2,800)
Total Financial Assets	\$ -	\$ 60,751,848	\$ -	\$ 60,751,848

#### ALTERNATIVE INVESTMENT CLASS

Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Investment funds	\$ -	\$ 72,087,288	\$ -	\$ 72,087,288
Forward foreign exchange contract	-	41,763	-	41,763
Total Financial Assets	\$ -	\$ 72,129,051	\$ -	\$ 72,129,051

#### Transfers of Assets between Level 1 and Level 2

Financial assets and liabilities transferred from Level 1 to Level 2 are the result of, among others, the securities no longer being traded in an active market. There were no transfers of financial assets and liabilities from Level 1 to Level 2 during the years ended June 30, 2012 and 2011. Financial assets and liabilities transferred from Level 2 to Level 1 are the result of, among others, the securities now being traded in an active market. There were no transfers of financial assets and liabilities from Level 2 to Level 1 during the years ended June 30, 2012 and 2011.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

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

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

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

	<u>2012</u>
Beginning balance	\$ -
Purchases	-
Sales	(3,102,595)
Transfers in	4,046,323
Transfers out	-
Realised gain	196,814
Net change in unrealised loss	<u>(567,276)</u>
Ending balance	<u>\$ 573,266</u>
Net change in unrealized loss included in the statement of operations related to Level 3 investments still held at year end	<u>(\$ 31,558)</u>

The Fund's Equity Class and Global Fixed Income Class did not hold any Level 3 investments at the beginning, during, or at the end of the year ended June 30, 2012. The Fund's Equity Class, Global Fixed Income Class and Alternative Investment Class did not hold any Level 3 investments at the beginning, during, or at the end of the year ended June 30, 2011.

### 5. SHARES ISSUED AND OUTSTANDING

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

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

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.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

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

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

#### EQUITY CLASS COMMON SHARES

	2012	2011
Balance - beginning of year	10,220,310	12,393,036
Issue of common shares	2,482,428	1,180,422
Redemption of common shares	(2,373,378)	(3,353,148)
Balance - end of year	10,329,360	10,220,310

#### GLOBAL FIXED INCOME CLASS COMMON SHARES

	2012	2011
Balance - beginning of year	3,801,954	5,678,150
Issue of common shares	1,498,511	567,401
Redemption of common shares	(1,260,465)	(2,443,597)
Balance - end of year	4,040,000	3,801,954

#### ALTERNATIVE INVESTMENT CLASS COMMON SHARES

	2012	2011
Balance - beginning of year	5,310,650	6,186,103
Issue of common shares	689,675	355,857
Redemption of common shares	(1,725,280)	(1,231,310)
Balance - end of year	4,275,045	5,310,650

Common shares are allotted to subscribers at a value determined by reference to the weekly valuation of the net assets of the Fund. 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.

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

### 6. NET REALISED GAIN (LOSS) ON INVESTMENTS

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

#### EQUITY CLASS

	2012	2011
Proceeds on sale of investments	\$ 50,700,773	\$ 52,901,942
Less cost of investments sold:		
Investments owned at beginning of year	83,937,250	100,630,415
Investments purchased during year	46,184,446	32,429,173
Investments owned at end of year	84,970,844	83,937,250
Investments sold during year	45,150,852	49,122,338
Net realised gain on investments	\$ 5,549,921	\$ 3,779,604

#### GLOBAL FIXED INCOME CLASS

	2012	2011
Proceeds on sale of investments	\$ 43,386,359	\$ 31,631,255
Less cost of investments sold:		
Investments owned at beginning of year	51,912,409	78,350,319
Investments purchased during year	44,809,393	2,504,958
Investments owned at end of year	59,271,342	51,912,409
Investments sold during year	37,450,460	28,942,868
Net realised gain on investments	\$ 5,935,899	\$ 2,688,387

#### ALTERNATIVE INVESTMENT CLASS

	2012	2011
Proceeds on sale of investments	\$ 41,369,763	\$ 43,123,613
Less cost of investments sold:		
Investments owned at beginning of year	62,187,573	76,171,595
Investments purchased during year	29,295,430	24,838,552
Investments owned at end of year	53,886,705	62,187,573
Investments sold during year	37,596,298	38,822,574
Net realised gain on investments	\$ 3,773,465	\$ 4,301,039

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

### 7. RELATED PARTY TRANSACTIONS

#### a) Management Fee

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

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

Management fee for the year was \$763,859 (2011: 943,458) for Equity Class, \$554,159 (2011: \$652,141) for Global Fixed Income Class and \$914,845 (2011: \$1,181,057) for Alternative Investment Class; with \$60,918 (2011: \$83,148) for Equity Class, \$47,199 (2011: \$51,086) for Global Fixed Class, and \$73,618 (2011: \$109,669) for Alternative Investment Class, being payable and included in accrued expenses at year end.

#### b) Custodian Fee

The Custodian is related to the Fund through common directorship.

In accordance with the custodian agreement, the Custodian receives a fee based upon the nature and extent of the services provided. Relevant out-of-pocket expenses may also be charged to the Fund by the Custodian. The custodian fee for the year was \$9,990 (2011: \$10,603) for Equity Class, \$9,991 (2011: 9,655) for Global Fixed Income Class and \$9,991 (2011: \$9,981) for Alternative Investment Class; with \$4,166 (2011: \$2,509) for Equity Class, \$5,000 (2011: \$2,509) for Global Fixed Income Class and \$4,167 (2011: \$2,509) for Alternative Investment Class, being payable and included in accrued expenses at year end.

#### c) Administration Fee (including Accounting Fee and Registrar and Transfer Agent Fee)

The Administrator was related to the Fund by way of the Administrator being owned by the Bank. In May 2011, the Administrator was purchased by unrelated parties and full ownership and control of the Administrator were transferred to such unrelated parties.

In accordance with the administration agreement, the Administrator receives a fee based upon the nature and extent of the services provided. The administration fee for the year was \$203,819 (2011: \$207,778) for Equity Class, \$139,575 (2011: \$153,877) for Global Fixed Income Class, and \$133,224 (2011: \$173,702) for Alternative Investment Class, with \$40,707 (2011: \$35,294) for Equity Class, \$27,329 (2011: \$21,460) for Global Fixed Income Class and \$24,176 (2011: \$27,225) for Alternative Investment Class being payable and included in accrued expenses at year end.

#### d) Investment Transactions

As of June 30, 2012, Butterfield Select Invest Fund Limited ("Select Invest") held 57,959 shares (2011: 135,941) having a fair value of \$815,486 (2011: \$1,998,339) in the Equity Class, 246,235 shares (2011: 468,641) having a fair value of \$4,250,019 (2011: \$7,601,360) in the Global Fixed Income Class and 258,720 shares (2011: 332,550) having a fair value of \$2,403,510 (2011: \$3,405,309) in the Alternative Investment Class. Select Invest is related through common directorship. In addition, Select Invest is also managed by the Fund's Investment Adviser.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

### 7. RELATED PARTY TRANSACTIONS (CONTINUED)

#### e) Credit Facility

On October 7, 2010, the Fund entered into a credit facility with the Bank for up to \$21.5 million. Notwithstanding this aggregate total, the individual classes of the Fund will be limited to \$5 million for Equity Class, \$5 million for Global Fixed Income Class and \$11.5 million for Alternative Investment Class; subject to a maximum of 10% of the class' net assets, except for Alternative Investment Class which is subject to a maximum of 20% of the class' net assets. The agreement expired on July 31, 2011 and was subsequently renewed until May 31, 2013.

### 8. TAXATION

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

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.

### 9. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year presentation.

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

### 10. FINANCIAL HIGHLIGHTS

2012

		EQUITY CLASS		GLOBAL FIXED INCOME CLASS		ALTERNATIVE INVESTMENT CLASS
<b>Per Share Information</b>						
<b>Net asset value - beginning of year</b>	\$	10.24	\$	16.22	\$	14.70
<b>Net investment income from operations</b>						
Net investment loss		(0.06)		(0.04)		(0.25)
Net realised and change in unrealised gain/(loss) on investments		(0.89)		1.08		(0.38)
Total from investment operations		(0.95)		1.04		(0.63)
<b>Net asset value - end of year</b>	\$	9.29	\$	17.26	\$	14.07

#### Ratios / Supplemental Data

Total net assets - end of year	\$	95,920,231	\$	69,746,985	\$	60,162,966
Weighted average net assets*	\$	94,495,392	\$	66,024,664	\$	61,970,272
Ratio of expenses to weighted average net assets		1.16%		1.15%		1.81%
Portfolio turnover rate**		52.69%		68.32%		46.79%
Annual rate of return***		(9.28%)		6.41%		(4.35%)

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

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

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

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

(Expressed in US Dollars)

### 10. FINANCIAL HIGHLIGHTS (CONTINUED)

2011

		EQUITY CLASS	GLOBAL FIXED INCOME CLASS	ALTERNATIVE INVESTMENT CLASS
Per Share Information				
Net asset value - beginning of year	\$	8.49	\$ 15.82	\$ 14.20
Net investment income from operations				
Net investment loss		(0.07)	(0.18)	(0.26)
Net realised and change in unrealised gain on investments		1.82	0.58	0.76
Total from investment operations		1.75	0.40	0.50
Net asset value - end of year	\$	10.24	\$ 16.22	\$ 14.70

#### Ratios / Supplemental Data

Total net assets - end of year	\$	104,691,923	\$ 61,678,399	\$ 78,068,426
Weighted average net assets*	\$	111,098,369	\$ 74,855,999	\$ 80,562,183
Ratio of expenses to weighted average net assets		1.16%	1.14%	1.75%
Portfolio turnover rate**		30.33%	3.41%	32.34%
Annual rate of return***		20.66%	2.53%	3.53%

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

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

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