

# Butterfield Select Invest Fund Limited

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FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2010 AND 2009

# Butterfield Select Invest Fund Limited

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## Butterfield Select Invest Fund Limited - Annual Report 2010

### Introduction

The Butterfield Select Invest Fund Limited was launched on October 6, 2005. The Fund invests in fixed allocations to the three classes of the Butterfield Select Fund Limited.

The net asset value (NAV) per share of the Fund increased from \$9.39 to \$9.98 over the period from June 30, 2009 to June 30, 2010, an increase of 6.20%. Net assets of the Fund totaled \$12.67 million as of June 30, 2010.

### Butterfield Select Equity Fund Review -

The net asset value (NAV) per share of the Fund increased from \$7.86 to \$8.49 over the 12 month period to 30 June 2010, an increase of 8.02%, underperforming the benchmark which gained 10.20%. Similarly, all major world indices posted positive returns over the period: S&P 500 14.43%, FTSE-100 9.29% and Nikkei 225 3.93% (all returns expressed in USD terms; the reporting currency of the fund).

Asset markets, fuelled by both monetary and fiscal stimulus, continued their ascension from the March 2009 lows. Quantitative easing by the central banks; namely the Federal Reserve provided sufficient liquidity (\$1 Trillion +) to “unlock” credit markets, allowing economies to begin their recovery from the systemic failure that was surely to happen. The second half of 2009 saw a number of improvements in economic statistics, signalling that the worst was indeed over. Unemployment peaked and disappointing retail sales signalled a bottom during the 2nd half of the year, giving investors reasons to be attracted to risky assets. The first half of 2010 was met with somewhat less exuberance as questions about the strength of a global recovery started to arise, signalled by the crisis in Greece that spread to the rest of Europe. The government stimulus effects on the economy had also started to run out, as evidenced by waning economic numbers. In short, investors recognized that there are still significant concerns in the global economy; namely unemployment, housing and the consumer demand. With this realization, the demand for risk assets had trailed off and equity markets stalled in their recovery; correcting 9+% since December 2009.

The Equity Fund participated in the rally for the most part, but remained cautious; recognizing risks still remain. As the markets sold off, the fund benefited from a cash holding and a reduced European stock exposure as well as an overweight position in Canada. This contributed to a more muted reduction in NAV; had the geographic allocation mirrored the benchmark. Going forward we expect to see continued volatility in equity markets, as investors continue to wait for signs of a sustainable recovery in stocks.

During the year the Fund sold its position in Fidelity US Equity, Martin Currie Pan European Alpha and Butterfield Systematic Equity. The fund increased its weighting in EEM (Emerging Market ETF) and XIC/EWC (Canadian ETF's). Longer term, the outlook for emerging market economies is still bright; however we will drill down further in the regions, gaining exposure to more favourable countries. Our exposure to Canada also reflects this sentiment as the resource rich country will benefit from emerging country development.

# Butterfield Select Invest Fund Limited

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## **Butterfield Select Fixed Income Fund Review -**

The net asset value (NAV) per share of the Fund increased from \$14.68 to \$15.82 over the 12 month period to 30 June 2010, an increase of 7.77%, outperforming the benchmark which increased 7.75%.

Credit market conditions have improved substantially as shown by tightening credit spreads and improved liquidity. The US economy continues its uneven recovery and the Federal Reserve has held short interest rates near zero to boost growth in the face of a weak US housing market and an economy which is struggling with high unemployment and low job creation. The quantitative easing measures implemented have mostly been unwound in the US, but the European sovereign crisis caused an unexpected flight to quality in US Treasuries and the US dollar and a significant weakening of the Euro currency.

The US Treasury yield curve moved significantly lower over the year even as the US economy recovered in the second half of 2009. Overall, the 2 year US Treasury yield declined by 50 basis points from 1.11% to 0.61% and the 10 year US Treasury yield decreased by 61 basis points from 3.54% to 2.93%. The yield curve thus flattened over the period as the 2 to 10 year spread declined from +243 basis points to +232 basis points.

The Fund was well positioned to enjoy a return to a calmer credit market and strongly outperformed its benchmark through the second half of 2009. The first half of 2010 proved more difficult for the fund as a flight to quality lifted US treasuries/agencies, which makes up +/- 50% of the fund. Going forward the current allocation which utilizes sovereign/supra and credit participation will make up for the short term underperformance in the first half of 2010.

The Fund continued to reduce its holdings in ABS and CMBS (by not replacing maturing issues) and increase its exposure to investment grade corporate debt and Supranational / Sovereign issuers. In the closing weeks of 2009, the fund sold all positions in individual securities, having reaped the rewards of the short term position in Sovereign backed financial issues and the improved pricing in the ABS/CMBS within the portfolio. Most issues (save for one) were sold around or above acquisition price. The strategy going forward was to participate in chosen sectors via Index funds and carefully selected managers, believing this will benefit unit holders in the future.

## **Butterfield Select Alternative Fund Review -**

International Asset Management (IAM), a well established specialist in alternative investment management based in London, UK, continues to assume its role as a sub-advisor for the Butterfield Select Alternative Class. The net asset value (NAV) per share of the Fund increased from \$13.62 to \$14.20 over the 12 month period to 30 June 2010, an increase of 4.26%. The conservative stance to maintain liquidity caused the fund to slightly underperform its benchmark which gained 4.97%.

The second half of 2009; with liquidity improvement and asset markets rallying, did not benefit the fund as much as its benchmark; as a 20% cash weighting was held to fund redemptions for investors. This resulted in a 264 basis point lag against the benchmark. However this same stance resulted in a 183 basis point out performance in the first half of 2010. The fund went to 95% invested for the first half of 2010, with the sub advisor being very diligent in selecting constituent funds.

## Butterfield Select Invest Fund Limited

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Long/Short Equity, Credit and RV strategies performed best in the last half of 2009; riding the wave of increased investor confidence and liquidity improvements worldwide. During the second half, Credit and RV continued their upswing albeit more muted than in 2009. Global Macro managers provided solid returns as many took advantage of dislocations in their chosen vehicles. One disappointing performer for much of the year has been the exposure to CTA/Trend followers. Constituents of the IAM trading fund had a difficult time in the unsettled conditions. This resulted in the advisor reducing its exposure. The Fund continues to reduce its exposure to Long/Short equity managers and is therefore becoming less directionally exposed to asset (more specifically equity) markets. The Fund remains well diversified with exposure to many different alternative investment strategies.



David Stewart  
President  
Butterfield Select Invest Fund Limited

October 11, 2010

# Butterfield Select Invest Fund Limited

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## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying statements of net assets of Butterfield Select Invest Fund Limited ("the Fund"), including the statements of portfolio investments, as at June 30, 2010 and 2009, and the statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada and Bermuda. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

**Deloitte + Touche Ltd.**

### **DELOITTE & TOUCHE LTD.**

Chartered Accountants  
Hamilton, Bermuda

October 11, 2010

# Butterfield Select Invest Fund Limited

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## **DIRECTORS**

Sheila Brown  
Curtis Dickinson  
David Stewart (Appointed on December 10, 2009)  
Ian Coulman (Resigned on July 20, 2009)

## **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

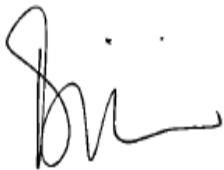
# Butterfield Select Invest Fund Limited

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

	2010	2009
<b>ASSETS</b>		
Investments, at current value (Cost 2010 - \$12,534,909; 2009 - \$12,733,147)	\$ 12,692,686	\$ 12,023,328
Cash and cash equivalents	7,117	2,766
Prepaid expenses	2,825	1,163
	<b>12,702,628</b>	<b>12,027,257</b>
<b>LIABILITIES</b>		
Accrued expenses	37,391	33,089
Bank overdraft	-	6,535
	<b>37,391</b>	<b>39,624</b>
<b>FUND NET ASSETS</b>	<b>12,665,237</b>	<b>11,987,633</b>
Number of common shares in issue	<b>1,269,441</b>	<b>1,276,076</b>
<b>NET ASSET VALUE PER COMMON SHARE</b>	<b>\$ 9.98</b>	<b>\$ 9.39</b>

Signed on Behalf of the Board



DIRECTOR



DIRECTOR

The accompanying notes are an integral part of these financial statements

# Butterfield Select Invest Fund Limited

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## STATEMENTS OF PORTFOLIO INVESTMENTS

As at June 30, 2010 and 2009

(Expressed in US Dollars)

Investment Fund	Shares	2010		2009		
		Current Value	% of Portfolio	Shares	Current Value	% of Portfolio
Butterfield Select Alternative Class	141,134	\$ 2,004,104	15.79%	145,866	\$ 1,986,698	16.52%
Butterfield Select Equity Class	345,777	2,935,649	23.13%	354,042	2,782,770	23.14%
Butterfield Select Fixed Income Class	490,072	7,752,933	61.08%	494,132	7,253,860	60.34%
<b>TOTAL INVESTMENTS AT CURRENT VALUE</b>						
<b>(Cost 2010 - \$12,534,909; 2009 - \$12,733,147)</b>		<b>\$ 12,692,686</b>	<b>100.00%</b>		<b>\$ 12,023,328</b>	<b>100.00%</b>

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The accompanying notes are an integral part of these financial statements



# Butterfield Select Invest Fund Limited

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

	2010	2009
<b>INVESTMENT INCOME</b>		
Deposit interest	\$ 30	\$ 9
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<b>EXPENSES</b>		
Accounting fee	31,566	36,136
Management fee	31,957	30,119
Registrar & transfer agent fee	28,174	26,418
Miscellaneous	12,647	8,895
Audit fee	12,002	13,220
Secretarial fee	7,339	9,621
Custodian fee	3,000	3,000
Government fee	395	1,915
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	127,080	129,324
<hr/>		
<b>NET INVESTMENT LOSS</b>	<b>(127,050)</b>	<b>(129,315)</b>
<hr/>		
<b>NET REALISED AND UNREALISED GAIN (LOSS) ON INVESTMENTS</b>		
Net realized gain (loss) on investments	4,229	(52,233)
Net change in unrealised gain (loss) on investments	867,596	(1,638,095)
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<b>NET GAIN (LOSS) ON INVESTMENTS</b>	<b>871,825</b>	<b>(1,690,328)</b>
<hr/>		
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 744,775</b>	<b>\$ (1,819,643)</b>

The accompanying notes are an integral part of these financial statements

## Butterfield Select Invest Fund Limited

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

	2010	2009
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 744,775</b>	<b>\$ (1,819,643)</b>
<hr/>		
<b>CAPITAL STOCK TRANSACTIONS</b>		
Issue of shares	<b>392,057</b>	286,163
Redemption of shares	<b>(459,228)</b>	(584,199)
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Net capital stock transactions	<b>(67,171)</b>	(298,036)
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<b>NET INCREASE (DECREASE) IN NET ASSETS FOR THE YEAR</b>	<b>677,604</b>	(2,117,679)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>11,987,633</b>	14,105,312
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<b>NET ASSETS - END OF YEAR</b>	<b>\$ 12,665,237</b>	<b>\$ 11,987,633</b>

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The accompanying notes are an integral part of these financial statements

# Butterfield Select Invest Fund Limited

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## **NOTES TO THE FINANCIAL STATEMENTS** **For the years ended June 30, 2010 and 2009** **(Expressed in US Dollars)**

### **1. ABOUT THE FUND**

Butterfield Select Invest Fund Limited (the "Fund"), is a mutual fund which was incorporated as an exempted company with limited liability and with unlimited duration under the laws of Bermuda on September 1, 2005.

The Fund commenced operations on October 6, 2005. 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"), and the Bank also holds a significant interest in Butterfield Fulcrum Group (Bermuda) Limited.

The objective of the Fund is to act as a fund of fund, investing in the three classes of the Butterfield Select Fund Limited, which offers a convenient and efficient vehicle for investing in mutual funds and index instruments which are anticipated to provide the best opportunity for capital appreciation having regard to diversification. The Fund 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. 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**

Investments in underlying funds are recorded at their fair values, determined by management at the date of the statement of net assets using the latest available net asset values obtained from the administrators of the respective underlying funds. The net change in the period between these amounts and cost is shown as unrealised gain (loss) on investments.

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

CICA 3855 also requires that transaction costs (such as brokerage commissions) incurred on portfolio transactions be recognized immediately in net income and presented as a separate expense item in the financial statements. Prior to the adoption of CICA 3855, transaction costs were included in the average cost of investments or as a reduction in the proceeds on the disposition of investments. Transaction costs were recognized immediately in net assets and results of operations, but were not presented as a separate line item.

# Butterfield Select Invest Fund Limited

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

As of June 30, 2010 the Fund holds positions in investment funds which offer redemption on a weekly basis.

#### c) Cash and Cash Equivalents

Cash equivalents are comprised primarily of shares in the Butterfield Money Market Fund Limited, an affiliated money market fund, denominated in US\$ shares. Shares may be redeemed on a same day notice.

#### 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 expenses and redemptions payable approximate their carrying value.

#### e) Adoption of New Accounting Standards

The CICA issued CICA Handbook Section 3862 ("CICA 3862"), Financial Instruments — Disclosures and Section 3863 ("CICA 3863"), Financial Instruments — Presentation, effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. These standards provide comprehensive disclosure and presentation requirements for financial instruments, and introduce new requirements for specific qualitative and quantitative disclosure about risks. The main objective of this standard is to enable investors to evaluate the significance of financial instruments, the nature and extent of risks involved, and how these risks are managed. CICA 3862 requirements were adopted since the prior year.

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

Level 1 — for unadjusted quoted prices in active markets for identical assets or liabilities;  
Level 2 — for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and  
Level 3 — for inputs that are based on unobservable market data.

# Butterfield Select Invest Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

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

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

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

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

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

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

In February 2008, the CICA announced that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented publicly accountable enterprises. The change will be effective for fiscal years commencing on or after January 1, 2011. The Fund is currently determining the impact of IFRS 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 Advisor also has various internal controls to oversee the Fund's investment activities, including monitoring compliance with the investment objective and strategies, internal guidelines and securities regulations.

#### **Credit Risk**

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

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.

#### **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.

# Butterfield Select Invest Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

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

As at June 30, 2010 and 2009, the Fund's exposure to currencies other than the Funds' reporting currency was limited to small balances of cash and cash equivalents denominated in foreign currencies which are not significant to the Fund as a whole.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to cash flow interest rate risk is limited to its cash and cash equivalents which represent 0.06% (2009 - 0.02%) of the Fund's net assets. The Fund does not have any other significant interest-bearing assets or liabilities.

#### 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. The Fund invests solely in other investment companies which could expose the Fund to increased liquidity risk. However, the Fund's entire portfolio of investments companies is realizable on a weekly basis which mitigates the risk related to weekly cash redemptions. The Fund may be exposed to additional liquidity risks in extraordinary cases where underlying investment companies had periods in which redemptions are suspended due to adverse market conditions.

#### Other price/market risk

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

As at June 30, 2010, if underlying fund prices had been 5% higher or lower with all other variables held constant, the net assets of the Fund would have been \$634,634 (2009 - \$601,166) 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 is a summary of the inputs used as of June 30, 2010 in valuing the Fund's financial assets carried at current value:

Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Butterfield Select Fixed Income	\$ -	\$ 7,752,933	\$ -	\$ 7,752,933
Butterfield Select Equity	-	2,935,649	-	2,935,649
Butterfield Select Alternative	-	2,004,104	-	2,004,104
Total Financial Assets	\$ -	\$ 12,692,686	\$ -	\$ 12,692,686

# Butterfield Select Invest Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

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

#### 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 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, 2010.

#### 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, 2010.

### 5. SHARES ISSUED AND OUTSTANDING

The present authorised share capital of the Fund is US\$10,001 divided into 100 Organisational Shares of US\$0.01 par value each ("the Organisational Shares") and of 1,000,000,000 shares of US\$0.00001 par value each, which have been designated as non-voting participating shares (the "Shares"). The Organisational Shares have been allotted for cash at par to the investment Advisor.

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

	2010	2009
Balance - beginning of year	1,276,076	1,306,534
Issue of common shares	38,996	31,051
Redemption of common shares	(45,631)	(61,509)
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Balance - end of year	1,269,441	1,276,076

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 for an amount equal to the net asset value per share as at the close of business on the Valuation Day, following receipt of the properly completed request for redemption, subject to the power of the directors to deduct therefrom an amount sufficient in their opinion to meet sale and fiscal charges incurred in realising assets to provide funds to meet the request. The organisational shares are owned by the Investment Advisor.

# Butterfield Select Invest Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

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

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

	2010		2009
Proceeds on sale of investments	\$ 588,726	\$	993,194
<hr/>			
Less cost of investments sold:			
Investments owned at beginning of year	12,733,147		13,196,272
Investments purchased during year	386,259		582,302
Investments owned at end of year	(12,534,909)		(12,733,147)
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Investments sold during year	584,497		1,045,427
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Net realised gain (loss) on investments	\$ 4,229	\$	(52,233)

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### 7. 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 0.25% per annum of the average valuation of the net assets of the Fund in each month, and will be paid on the last Valuation Day in each month. Management fees for the first twelve months from the Fund's launch date were waived.

In regards to the underlying investments in the Butterfield Select Fund classes, the Investment Advisor 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 Fixed Income Classes and 1.5% per annum of the Alternative Income Class. Presently, the monthly fee is calculated at the rate of 0.875% per annum for each of the Equity and Fixed Income Classes and 1.5% per annum for the Alternative Income Class.

#### b) Custodian Fee

Custodian fees are charged at a fixed fee of \$3,000 per annum.

#### c) Accounting Fee and Registrar and Transfer Agent Fee

Administrator fees for Accounting and Valuation Services are charged at a fixed weekly fee of \$500. Registrar and Transfer Agency Services are charged at US\$20 per transaction, subject to a minimum fee of \$500 per week.

#### d) Credit Facility

On June 17, 2009, the Fund entered into a revolving standby credit facility with the Bank of \$0.5 million to a maximum of 10% of the Fund's net asset value which expired on March 31, 2010. The facility is intended to assist the Fund in meeting short term liquidity. No amounts were drawn on the facility at March 31, 2010 upon expiration and the facility has not been subsequently renewed.



# Butterfield Select Invest Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

### 8. TAXATION

Under current Bermuda law the Fund is not required to pay any taxes in Bermuda on either income or capital gains. The Fund has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed the Fund will be exempted from taxation until the year 2016.

### 9. FINANCIAL HIGHLIGHTS

	2010	2009
<b>Per Share Information</b>		
<b>Net asset value - beginning of year</b>	<b>\$ 9.39</b>	\$ 10.80
<b>Income from investment operations</b>		
Net investment loss	<b>(0.09)</b>	(0.08)
Net realised and unrealised gain (loss) on investments	<b>0.68</b>	(1.33)
Total from investment operations	<b>0.59</b>	(1.41)
<b>Net asset value - end of year</b>	<b>\$ 9.98</b>	\$ 9.39
<b>Ratios / Supplemental Data</b>		
Total net assets - end of year	<b>\$ 12,665,237</b>	\$ 11,987,633
Weighted average net assets*	<b>\$ 12,786,052</b>	\$ 12,013,292
Ratio of expenses to weighted average net assets annualized	<b>0.99%</b>	1.08%
Portfolio turnover rate**	<b>3.17%</b>	4.88%
Annual rate of return***	<b>6.20%</b>	(13.05%)

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

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

\*\*\* Annual rate of return for shareholders is calculated by comparing the end of year net asset value multiplied by the beginning of the year number of shares to the beginning of year net asset value multiplied by the beginning of the year number of shares.