

# Butterfield International Balanced Fund

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FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2012

## INDEPENDENT AUDITOR'S REPORT

To the unitholders of Butterfield International Balanced Fund

### Report on the Financial Statements

We have audited the accompanying financial statements of Butterfield International Balanced Fund (the "Fund"), which comprise the statement of assets and liabilities, including the schedule of investments, as at June 30, 2012, and the statements of operations and changes in net assets for the year then ended, (expressed in United States Dollars for the US Dollar Class and Pounds Sterling for the Pounds Sterling Class) and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2012, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Canada.

*Deloitte & Touche*

October 3, 2012

# Butterfield International Balanced Fund

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## **Trustee**

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

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

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

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

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

## **Investment Advisor**

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

## **Sub-Investment Advisor**

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

## **Custodian and Banker**

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

## **Sub-Custodian and Banker**

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

# Butterfield International Balanced Fund

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## **Sales Agents**

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

## **Butterfield Bank (Guernsey) Limited**

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

## **Auditors**

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

## **Legal Advisors and Listing Agent**

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

# Butterfield International Balanced Fund

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## STATEMENT OF ASSETS AND LIABILITIES

As at June 30, 2012

(Expressed in US Dollars)

US DOLLAR CLASS	Notes	2012	2011
<b>ASSETS</b>			
Investments, at market value (Cost 2012 - \$35,036,985; 2011 - \$44,768,747)	2, 3, 4 \$	36,512,485 \$	49,071,014
Cash and cash equivalents		219,523	4,523,342
Bond interest receivable		103,308	142,285
Dividend income receivable		4,773	8,130
Other assets		3,237	4,438
		<b>36,843,326</b>	<b>53,749,209</b>
<b>LIABILITIES</b>			
Payable for capital units redemption		-	8,400
Accrued expenses	6	120,564	159,837
		<b>120,564</b>	<b>168,237</b>
<b>NET ASSETS</b>	\$	<b>36,722,762 \$</b>	<b>53,580,972</b>
Number of units in issue	5	1,806,885	2,558,052
<b>NET ASSET VALUE PER UNIT</b>	\$	<b>20.32 \$</b>	<b>20.95</b>

On behalf of the Trustees

Butterfield Bank (Cayman) Limited

As Trustee

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

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## STATEMENT OF ASSETS AND LIABILITIES

As at June 30, 2012

(Expressed in Pounds Sterling)

<b>POUNDS STERLING CLASS</b>	<b>Notes</b>	<b>2012</b>	<b>2011</b>
<b>ASSETS</b>			
Investments, at market value (Cost 2012 - £1,845,431; 2011 - £4,235,488)	<b>2, 3, 4</b>	<b>£ 2,029,760</b>	<b>£ 4,857,269</b>
Cash and cash equivalents		<b>147,007</b>	334,601
Bond interest receivable		<b>13,939</b>	28,696
Dividend income receivable		<b>1,553</b>	4,952
Other assets		<b>19,251</b>	1,894
		<b>2,211,510</b>	5,227,412
<b>LIABILITIES</b>			
Payable for capital units redemption		-	51,160
Accrued expenses	<b>6</b>	<b>33,611</b>	22,606
		<b>33,611</b>	73,766
<b>NET ASSETS</b>		<b>£ 2,177,899</b>	<b>£ 5,153,646</b>
Number of units in issue	<b>5</b>	<b>150,214</b>	342,825
<b>NET ASSET VALUE PER UNIT</b>		<b>£ 14.50</b>	<b>£ 15.03</b>

On behalf of the Trustees

Butterfield Bank (Cayman) Limited

As Trustee

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

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

<b>US DOLLAR CLASS</b>	<b>Notes</b>	<b>2012</b>	<b>2011</b>
<b>INCOME</b>			
Bond interest income		\$ 570,347	\$ 747,358
Net dividend income		462,828	577,530
Foreign exchange (losses)/gains		(11,575)	33,635
Miscellaneous income		-	3,305
		<b>1,021,600</b>	<b>1,361,828</b>
<b>EXPENSES</b>			
Management fee	6	281,877	342,285
Administration and accounting fee		119,108	204,251
Custodian fee	6	108,414	131,648
Audit and legal fees		21,231	19,996
Transfer agent fee		3,470	12,131
Sundry expenses		8,288	10,590
		<b>542,388</b>	<b>720,901</b>
<b>NET INVESTMENT INCOME</b>		<b>479,212</b>	<b>640,927</b>
<b>REALISED AND UNREALISED GAIN/(LOSS) ON INVESTMENTS</b>			
Net realised gain on investments		858,480	2,302,920
Net change in unrealised appreciation on investments		(2,826,767)	4,751,001
<b>NET (LOSS)/GAIN ON INVESTMENTS</b>		<b>(1,968,287)</b>	<b>7,053,921</b>
<b>NET (DECREASE)/INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>		<b>\$ (1,489,075)</b>	<b>\$ 7,694,848</b>

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

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**STATEMENT OF OPERATIONS**  
**For the year ended June 30, 2012**  
**(Expressed in Pounds Sterling)**

<b>POUNDS STERLING CLASS</b>	<b>Notes</b>	<b>2012</b>	<b>2011</b>
<b>INCOME</b>			
Bond interest income		£ 56,905	£ 77,520
Net dividend income		51,962	66,769
Foreign exchange losses		(3,580)	(5,410)
Miscellaneous income		120	116
		<b>105,407</b>	<b>138,995</b>
<b>EXPENSES</b>			
Management fee	6	30,142	38,200
Administration and accounting fee		11,950	22,300
Audit and legal fees		10,945	13,222
Custodian fee	6	10,047	12,732
Sundry expenses		3,734	3,371
		<b>66,818</b>	<b>89,825</b>
<b>NET INVESTMENT INCOME</b>		<b>38,589</b>	<b>49,170</b>
<b>REALISED AND UNREALISED GAIN/(LOSS)</b>			
<b>ON INVESTMENTS</b>			
Net realised gain on investments		306,743	193,000
Net change in unrealised appreciation on investments		(437,452)	385,287
<b>NET (LOSS)/GAIN ON INVESTMENTS</b>		<b>(130,709)</b>	<b>578,287</b>
<b>NET (DECREASE)/INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>		£ (92,120)	£ 627,457

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

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## STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30, 2012

(Expressed in US Dollars)

US DOLLAR CLASS	Notes	2012	2011
<b>(DECREASE)/INCREASE IN NET ASSETS:</b>			
<b>From Operations</b>			
Net investment income		\$ 479,212	\$ 640,927
Net realised gain on investments		858,480	2,302,920
Net change in unrealised (depreciation)/appreciation on investments		(2,826,767)	4,751,001
		<b>(1,489,075)</b>	7,694,848
<b>From Capital Transactions</b>			
Issuance of units	5	1,076,792	1,435,002
Redemption of units	5	(16,445,927)	(4,699,701)
		<b>(15,369,135)</b>	(3,264,699)
<b>(DECREASE)/INCREASE IN NET ASSETS</b>		<b>(16,858,210)</b>	4,430,149
<b>NET ASSETS – BEGINNING OF YEAR</b>		<b>53,580,972</b>	49,150,823
<b>NET ASSETS – END OF YEAR</b>		<b>\$ 36,722,762</b>	<b>\$ 53,580,972</b>

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

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## STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30, 2012

(Expressed in Pounds Sterling)

POUNDS STERLING CLASS	Notes	2012	2011
<b>(DECREASE)/INCREASE IN NET ASSETS:</b>			
<b>From Operations</b>			
Net investment income	£	<b>38,589</b>	£ 49,170
Net realised gain on investments		<b>306,743</b>	193,000
Net change in unrealised (depreciation)/appreciation on investments		<b>(437,452)</b>	385,287
		<b>(92,120)</b>	627,457
<b>From Capital Transactions</b>			
Issuance of units	5	<b>420,882</b>	65,853
Redemption of units	5	<b>(3,304,509)</b>	(341,140)
		<b>(2,883,627)</b>	(275,287)
<b>(DECREASE)/INCREASE IN NET ASSETS</b>		<b>(2,975,747)</b>	352,170
<b>NET ASSETS – BEGINNING OF YEAR</b>		<b>5,153,646</b>	4,801,476
<b>NET ASSETS – END OF YEAR</b>	£	<b>2,177,899</b>	£ 5,153,646

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

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## SCHEDULE OF INVESTMENTS (US Dollar Class)

As at June 30, 2012

(Expressed in US Dollars)

Investments	Holding/ Shares	Cost	Market Value	% of Portfolio
		\$	\$	%
<b>Equities - Europe</b>				
Adidas AG	5,800	365,021	416,681	1.14%
Essilor International SA	5,710	397,634	530,127	1.45%
Nestle SA	7,800	361,025	465,089	1.27%
Novartis AG	7,950	460,285	443,436	1.22%
Total SA	9,860	567,706	443,348	1.22%
Vivendi SA	17,453	534,244	322,194	0.88%
		2,685,915	2,620,875	7.18%
<b>Equities - United Kingdom</b>				
BG Group Plc	17,960	341,592	366,727	1.00%
Reckitt Benckiser Group Plc	9,000	383,202	475,687	1.30%
Smith & Nephew Plc	43,310	411,849	433,672	1.19%
		1,136,643	1,276,086	3.49%

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

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

As at June 30, 2012

(Expressed in US Dollars)

Investments	Holding/ Shares	Cost \$	Market Value \$	% of Portfolio %
<b>Equities/ADRs - United States</b>				
Accenture Plc	7,570	241,717	454,881	1.25%
Automatic Data Processing	5,600	299,423	311,696	0.85%
BHP Billiton Ltd ADR	5,490	356,224	358,497	0.98%
Biogen Idec Inc.	3,620	183,942	522,656	1.43%
Caterpillar Inc.	3,610	352,511	306,525	0.84%
Check Point Software Technologies Limited	8,290	207,296	411,101	1.13%
Chevron Corporation	5,500	465,076	580,250	1.59%
Cisco Systems Inc.	25,400	491,604	436,118	1.19%
ConocoPhillips	6,810	439,798	380,543	1.04%
Diageo Plc ADR	5,220	313,188	538,025	1.47%
Eli Lilly & Co.	5,880	240,440	252,311	0.69%
EMC Corp	19,330	417,427	495,428	1.36%
Exxon Mobil Corp.	7,077	433,279	605,579	1.66%
Fedex Corp.	5,520	481,100	505,687	1.38%
Intel Corp.	15,890	436,700	423,468	1.16%
Intercontinental Hotels Group ADR	13,690	320,495	329,929	0.90%
International Business Machines Corp.	1,950	390,975	381,381	1.05%
Johnson & Johnson	6,810	421,534	460,084	1.26%
Microsoft Corp.	18,210	451,483	557,044	1.53%
Pepsico Inc.	10,390	684,055	734,157	2.01%
Petroleo Brasileiro SA ADR	12,040	382,411	225,991	0.62%
Philip Morris International	5,900	340,523	514,834	1.41%
Phillips 66	3,405	137,122	113,182	0.31%
Procter & Gamble Co.	10,320	575,699	632,100	1.73%
Royal Dutch Shell Plc ADR	6,690	446,026	451,107	1.24%
Teva Pharmaceutical ADR	10,604	441,068	418,222	1.15%
Wal-Mart Stores Inc.	3,870	225,467	269,816	0.74%
Zimmer Holdings Inc.	8,350	439,853	537,406	1.47%
		10,616,436	12,208,018	33.44%
<b>Total Equities/ADRs</b>		<b>14,438,994</b>	<b>16,104,979</b>	<b>44.11%</b>

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

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

As at June 30, 2012

(Expressed in US Dollars)

Investments	Holding/ Shares	Cost \$	Market Value \$	% of Portfolio %
<b>Fixed Income Securities - Australia</b>				
National Australia Bank, 3%, 07/27/2016	100,000	99,984	102,460	0.28%
		99,984	102,460	0.28%
<b>Fixed Income Securities - Canada</b>				
Bank of Montreal, 2.625%, 01/25/2016	1,000,000	1,056,770	1,055,641	2.89%
Bank of Nova Scotia, 2.05%, 10/07/2015	625,000	626,181	638,803	1.75%
Province of Ontario, 1.875%, 11/19/2012	300,000	300,891	301,620	0.83%
		1,983,842	1,996,064	5.47%
<b>Fixed Income Securities - Europe</b>				
Caisse Centrale Desjardn, 1.6%, 03/06/2017	1,300,000	1,304,108	1,314,573	3.60%
CIE Financement Foncier, 2.5%, 09/16/2015	700,000	707,350	702,471	1.92%
European Investment Bank, 1.25%, 10/14/2016	500,000	499,050	500,600	1.37%
HSBC Bank Plc, 3.5%, 06/28/2015	645,000	672,890	674,498	1.85%
Kommunalbanken, 2.375% 01/19/2016	710,000	736,412	743,054	2.03%
L-Bank Bw Foerderbank, 2.75%, 05/26/2015	200,000	208,780	209,484	0.57%
Ned Waterschapsbank, 3%, 03/17/2015	525,000	550,867	546,626	1.50%
Rabobank Nederland, 3.2%, 03/11/2015	1,000,000	1,051,700	1,029,487	2.82%
Shell International Finance, 4%, 03/21/2014	625,000	656,125	661,712	1.81%
Societe Financement de l'Economie Francaise, 3.375%, 05/05/2014	100,000	101,240	104,082	0.29%
Statoilhydro ASA, 3.875%, 04/15/2014	400,000	423,736	422,298	1.16%
		6,912,258	6,908,885	18.92%

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

### SCHEDULE OF INVESTMENTS (US Dollar Class) (CONT'D) As at June 30, 2012 (Expressed in US Dollars)

Investments	Holding/ Shares	Cost \$	Market Value \$	% of Portfolio %
<b>Fixed Income Securities - United States</b>				
Berkshire Hathaway Inc, 3.2%, 02/11/2015	500,000	500,285	530,894	1.45%
General Electric Capital Corp, 2.8%, 01/08/2013	600,000	605,340	606,997	1.66%
General Electric Capital Corp, 5.25%, 10/19/2012	30,000	31,055	30,420	0.08%
Goldman Sachs Group Inc, 5.45%, 11/01/2012	2,385,000	2,423,443	2,419,590	6.63%
Fannie Mae, 1.25%, 03/28/2017	60,000	60,000	60,528	0.17%
Federal Home Loan Bank, 4.75%, 12/16/2016	500,000	587,658	586,935	1.61%
Freddie Mac, 1%, 03/08/2017	125,000	124,238	125,676	0.34%
Nestle Holdings Inc, 2%, 11/28/2016	100,000	102,750	103,303	0.28%
Westpac Banking Corp, 2.45%, 11/28/2016	670,000	680,720	689,095	1.89%
		5,115,489	5,153,438	14.11%
<b>Total Fixed Income Securities</b>		<b>14,111,573</b>	<b>14,160,847</b>	<b>38.78%</b>
<b>Exchange Traded Funds - United States</b>				
iShares MSCI Emerging Markets Index Fund	15,610	586,059	610,897	1.67%
iShares MSCI Pacific Ex Japan Index Fund	14,710	547,648	599,433	1.64%
iShares S&P Global Financials Sector Index Fund	44,070	1,999,891	1,702,865	4.66%
iShares S&P Global Industrials Sector Index Fund	7,930	376,576	396,103	1.09%
iShares S&P Global Materials Sector Index Fund	11,780	659,081	658,620	1.80%
iShares S&P Global Telecommunications Sector Index Fund	11,840	776,128	681,747	1.87%
iShares S&P Global Utilities Sector Index Fund	12,680	539,379	533,067	1.46%
Market Vectors Gold Miners	5,550	222,391	248,474	0.68%
Market Vectors Oil Service	8,355	371,732	297,772	0.82%
Vanguard Industrials ETF	7,780	407,533	517,681	1.42%
<b>Total Exchange Traded Funds</b>		<b>6,486,418</b>	<b>6,246,659</b>	<b>17.11%</b>
<b>Total Investments</b>		<b>35,036,985</b>	<b>36,512,485</b>	<b>100.00%</b>

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

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### SCHEDULE OF INVESTMENTS (US Dollar Class)

As at June 30, 2011

(Expressed in US Dollars)

Investments	Holding/ Shares	Cost	Market Value	% of Portfolio
		\$	\$	%
<b>Equities - Europe</b>				
Adidas AG	6,670	419,719	529,394	1.08%
Carlsberg AS-B	3,960	413,035	430,770	0.88%
Essilor International SA	6,400	446,543	519,102	1.06%
Nestle SA	14,010	596,450	870,937	1.77%
Novartis AG	8,930	518,468	547,168	1.12%
Total SA	10,240	610,664	592,220	1.21%
Vivendi SA	18,480	603,638	510,534	1.03%
		3,608,517	4,000,125	8.15%
<b>Equities - United Kingdom</b>				
BG Group Plc	20,290	384,159	460,562	0.94%
Reckitt Benckiser Group Plc	8,040	321,693	443,987	0.90%
Smith & Nephew Plc	47,760	454,862	509,850	1.04%
		1,160,714	1,414,399	2.88%

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

### SCHEDULE OF INVESTMENTS (US Dollar Class) (CONT'D) As at June 30, 2011 (Expressed in US Dollars)

Investments	Holding/ Shares	Cost \$	Market Value \$	% of Portfolio %
<b>Equities/ADRs - United States</b>				
Accenture Plc	10,300	326,707	622,326	1.27%
Archer Daniels Midland Company	14,310	453,582	431,447	0.88%
Biogen Idec Inc.	5,110	257,961	546,361	1.11%
Checkpoint Software Technologies Limited	10,510	262,809	597,493	1.22%
Chevron Corporation	6,520	548,555	670,517	1.37%
Cisco Systems Inc.	39,030	755,406	609,258	1.24%
Citrix Systems Inc.	7,310	511,351	584,800	1.19%
ConocoPhillips	7,480	645,139	562,421	1.15%
Diageo Plc ADR	5,310	297,930	434,730	0.89%
EMC Corp	21,170	457,623	583,234	1.19%
Exxon Mobil Corp.	8,217	499,861	668,699	1.36%
Johnson & Johnson	8,200	507,234	545,464	1.11%
Microsoft Corp.	24,450	606,192	635,700	1.30%
Netease.com Inc ADR	12,870	518,375	580,308	1.17%
Pepsico Inc.	9,520	632,842	670,494	1.37%
Petroleo Brasileiro SA ADR	17,690	687,947	598,983	1.22%
Pfizer Inc.	26,680	466,405	549,608	1.12%
Phillip Morris International	6,430	358,265	429,331	0.87%
Procter & Gamble Company	10,220	550,739	649,685	1.32%
Royal Dutch Shell Plc ADR	7,840	523,011	557,659	1.14%
Teva Pharmaceutical ADR	11,474	483,854	553,276	1.13%
Time Warner Inc.	14,546	404,662	529,038	1.08%
Zimmer Holdings Inc.	8,120	433,319	513,185	1.05%
		11,189,769	13,124,017	26.75%
<b>Total Equities/ADRs</b>		<b>15,959,000</b>	<b>18,538,541</b>	<b>37.78%</b>

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

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

As at June 30, 2011

(Expressed in US Dollars)

Investments	Holding/ Shares	Cost \$	Market Value \$	% of Portfolio %
<b>Fixed Income Securities - Australia</b>				
Commonwealth Bank of Australia, 2.4%, 12/01/2012	640,000	655,418	646,752	1.32%
Wells Fargo Co, 5.25%, 10/23/2012	770,000	785,352	782,610	1.59%
		1,440,770	1,429,362	2.91%
<b>Fixed Income Securities - Canada</b>				
Bank of Nova Scotia, 2.05%, 10/07/2015	625,000	626,181	620,778	1.27%
Province of Ontario, 1.875%, 11/19/2012	500,000	501,485	509,048	1.04%
		1,127,666	1,129,826	2.31%
<b>Fixed Income Securities - Europe</b>				
Barclays Bank Plc, 2.7%, 03/05/2012	600,000	613,380	607,953	1.24%
BK Nederlandse Gemeenten, 2.375%, 06/04/2012	675,000	687,488	686,240	1.40%
BP Capital Markets Plc, 2.375%, 12/14/2011	610,000	611,675	615,089	1.25%
CIE Financement Foncier, 2.5%, 09/16/2015	700,000	707,350	693,453	1.41%
Denmark Kingdom, 2.75%, 11/15/2011	600,000	614,760	605,036	1.23%
Dexia Municipal Agency, 5.125%, 01/17/2012	275,000	294,267	281,236	0.57%
Dexia Municipal Agency, 5.125%, 05/31/2012	350,000	367,885	362,877	0.74%
Eksportfinans ASA, 2.375%, 05/25/2016	900,000	902,700	902,592	1.84%
Kommunalbanken, 5.125%, 05/30/2012	600,000	694,665	672,443	1.37%
L-Bank Foerderbank, 2.75%, 05/15/2015	200,000	208,780	206,614	0.42%
Ned Waterschapsbank, 3%, 03/17/2015	525,000	550,867	547,778	1.12%
Rabobank Nederland, 3.2%, 03/11/2015	1,000,000	1,051,700	1,034,535	2.11%
Royal Bank of Scotland, 1.45%, 10/20/2011	600,000	600,168	601,964	1.23%
Shell International Finance, 4%, 03/21/2014	625,000	656,125	672,876	1.37%
Societe Financement de l'Economie Francaise, 3.375%, 05/05/2014	100,000	101,240	105,948	0.22%
Swedbank AB, 2.8%, 02/10/2012	300,000	306,990	304,332	0.62%
Total Capital, 5%, 05/22/2012	600,000	644,400	622,992	1.27%
		9,614,440	9,523,958	19.41%

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

### SCHEDULE OF INVESTMENTS (US Dollar Class) (CONT'D) As at June 30, 2011 (Expressed in US Dollars)

Investments	Holding/ Shares	Cost \$	Market Value \$	% of Portfolio %
<b>Fixed Income Securities - United States</b>				
Berkshire Hathaway, 3.2%, 02/11/2015	500,000	500,285	521,127	1.06%
General Electric Capital Corp, 2.8%, 01/08/2013	600,000	605,340	615,234	1.25%
General Electric Capital Corp, 5.25%, 10/19/2012	30,000	31,055	31,627	0.06%
Goldman Sachs GP, 5.45%, 11/01/2012	2,385,000	2,423,443	2,520,652	5.14%
Procter & Gamble, 1.75%, 08/01/2012	1,010,000	1,011,323	1,017,777	2.07%
Westpac Securities, 2.5%, 05/25/2012	1,380,000	1,397,036	1,456,027	2.97%
		5,968,482	6,162,444	12.55%
<b>Total Fixed Income Securities</b>		<b>18,151,358</b>	<b>18,245,590</b>	<b>37.18%</b>
<b>Exchange Traded Funds - United States</b>				
iShares MSCI Emerging Markets Index Fund	34,040	1,275,942	1,620,304	3.30%
iShares MSCI Pacific Index Fund	33,800	1,257,691	1,609,218	3.28%
iShares S&P Global Financial Sector Index Fund	57,090	2,590,737	2,621,002	5.34%
iShares S&P Global Industrials Sector Index Fund	29,370	1,395,044	1,671,153	3.41%
iShares S&P Global Materials Sector Index Fund	21,000	1,174,932	1,541,190	3.14%
iShares S&P Global Telecommunications Sector Index Fund	18,500	1,233,226	1,120,915	2.28%
iShares S&P Global Utilities Sector Index Fund	9,240	398,247	424,393	0.86%
Market Vectors Gold Miners	9,150	366,259	499,499	1.02%
Oil Services Holders Trust	3,065	427,822	465,880	0.95%
Vanguard Industrials ETF	10,280	538,489	713,329	1.46%
<b>Total Exchange Traded Funds</b>		<b>10,658,389</b>	<b>12,286,883</b>	<b>25.04%</b>
<b>Total Investments</b>		<b>44,768,747</b>	<b>49,071,014</b>	<b>100.00%</b>

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

### SCHEDULE OF INVESTMENTS (Pounds Sterling Class)

As at June 30, 2012

(Expressed in Pounds Sterling)

Investments	Holding/ Shares	Cost £	Market Value £	% of Portfolio %
<b>Equities - Europe</b>				
Adidas AG	530	21,696	24,233	1.19%
Air Liquide SA	241	11,115	17,487	0.86%
Allianz SE	205	21,591	13,073	0.64%
BASF SE	330	4,918	14,557	0.72%
BG Group Plc	1,960	20,792	25,480	1.25%
BHP Billiton Plc	870	11,102	15,712	0.77%
British American Tobacco Plc	590	9,757	19,125	0.94%
Carlsberg AS	370	15,742	18,507	0.91%
Diageo Plc	1,250	13,506	20,525	1.01%
Essilor International Plc	350	9,945	20,681	1.02%
GlaxoSmithKline Plc	1,260	20,068	18,232	0.90%
HSBC Holdings Plc	2,885	19,806	16,188	0.80%
Lafarge SA	420	26,935	11,903	0.59%
Nestle SA	950	16,941	36,058	1.78%
Novartis AG	510	13,180	18,108	0.89%
PPR	245	15,284	22,170	1.09%
Reckitt Benckiser Group Plc	550	11,033	18,508	0.91%
Rio Tinto Plc	491	14,349	14,823	0.73%
Royal Dutch Shell Plc	2,065	39,956	45,946	2.26%
Siemens AG	350	22,422	18,664	0.92%
Smith & Nephew Plc	2,830	17,169	18,041	0.89%
Smiths Group Plc	1,996	12,021	20,259	1.00%
Tesco Plc	5,870	26,814	18,200	0.90%
Total SA	1,015	30,693	29,047	1.43%
Unilever Plc	1,000	17,501	21,440	1.06%
Vivendi SA	992	16,426	11,699	0.58%
Vodafone Group Plc	7,765	11,939	13,919	0.69%
Xstrata Plc	1,520	13,100	12,139	0.60%
		485,801	554,724	27.33%

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

### SCHEDULE OF INVESTMENTS (Pounds Sterling Class) (CONT'D) As at June 30, 2012 (Expressed in Pounds Sterling)

Investments	Holding/ Shares	Cost £	Market Value £	% of Portfolio %
<b>Equities/ADRs - United States</b>				
Accenture Plc	520	10,947	19,893	0.98%
Caterpillar Inc.	300	7,537	16,218	0.80%
Check Point Software Technologies Limited	520	7,607	16,417	0.81%
Chevron Corporation	350	18,132	23,509	1.16%
Cisco Systems Inc.	1,630	18,846	17,818	0.88%
Citrix Systems Inc.	410	5,414	21,911	1.08%
EMC Corporation	1,110	8,421	18,112	0.89%
Exxon Mobil Corp.	875	23,990	47,669	2.35%
Fluor Corp.	560	16,993	17,591	0.87%
General Dynamics Corp.	480	12,952	20,157	0.99%
Johnson & Johnson	470	17,746	20,216	0.99%
Microsoft Corp.	1,055	21,361	20,546	1.01%
Netease.com Inc. ADR	600	7,746	22,480	1.11%
PepsiCo Inc.	470	16,263	21,144	1.04%
Petroleo Brasileiro ADR	1,750	39,496	20,211	0.99%
Pfizer Inc.	1,320	14,460	19,329	0.95%
Teva Pharmaceutical ADR	635	12,868	15,945	0.79%
Zimmer Holdings Inc.	450	14,955	18,439	0.91%
		275,734	377,605	18.60%
<b>Total Equities/ADR's</b>		<b>761,535</b>	<b>932,329</b>	<b>45.93%</b>

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

## SCHEDULE OF INVESTMENTS (Pounds Sterling Class) (CONT'D) As at June 30, 2012 (Expressed in Pounds Sterling)

Investments	Holding/ Shares	Cost £	Market Value £	% of Portfolio %
<b>Fixed Income Securities - Australia</b>				
Commonwealth Bank Australia, 3.875%, 12/14/2015	72,000	75,485	76,890	3.79%
Suncorp Metway Ltd, 4%, 01/16/2014	80,000	84,397	83,802	4.13%
		159,882	160,692	7.92%
<b>Fixed Income Securities - Canada</b>				
Province of Ontario, 2%, 12/10/2013	50,000	49,832	50,957	2.51%
Royal Bank Of Canada, 3.125%, 04/14/2015	100,000	67,703	67,448	3.32%
		117,535	118,405	5.83%
<b>Fixed Income Securities - Europe</b>				
Bk Nederlandse Gemeenten, 1%, 11/17/2014	60,000	38,216	38,094	1.88%
European Investment Bank, 3%, 12/07/2015	50,000	52,083	52,228	2.57%
GE Capital UK Funding, 5.875%, 11/1/2012	70,000	74,342	71,091	3.50%
Landwirtschaftliche Rentenbank, 2.125%, 07/15/2016	50,000	31,765	33,178	1.63%
Ned Waterschapsbank, 3%, 03/17/2015	10,000	6,851	6,634	0.33%
Total Capital SA, 4.250%, 12/08/2017	40,000	44,453	44,411	2.19%
Unilever PLC, 4%, 12/19/2014	70,000	74,160	75,177	3.70%
Vodafone Group Plc, 4.625%, 09/08/2014	50,000	51,733	53,449	2.63%
Volkswagen International Finance, 2.125%, 12/19/2014	50,000	50,100	50,825	2.51%
		423,703	425,087	20.94%
<b>Fixed Income Securities - United States</b>				
ASIF II, 5.125%, 28/01/2013	70,000	71,059	71,184	3.51%
Phillip Morris International Inc, 2.5%, 05/16/2016	50,000	31,905	33,470	1.65%
		102,964	104,654	5.16%
<b>Total Fixed Income Securities</b>		<b>804,084</b>	<b>808,838</b>	<b>39.85%</b>
<b>Exchange Traded Funds - United States</b>				
iShares DJ US Oil Equipment & Services Index Fund	650	25,041	19,136	0.94%
iShares MSCI Japan Index Fund	13,900	88,324	83,274	4.10%
iShares MSCI Pacific Index Fund	1,625	24,675	42,159	2.08%
iShares Nasdaq Biotech Index	210	16,749	17,375	0.86%
iShares S&P Global Financials Sector Index Fund	2,865	70,056	70,480	3.47%
iShares S&P Global Telecommunications Sector Index Fund	500	16,749	18,329	0.90%
iShares S&P Global Utilities Sector Index Fund	860	25,624	23,018	1.14%
Market Vector Gold Miners	520	12,594	14,822	0.73%
<b>Total Exchange Traded Funds</b>		<b>279,812</b>	<b>288,593</b>	<b>14.22%</b>
<b>Total Investments</b>		<b>1,845,431</b>	<b>2,029,760</b>	<b>100.00%</b>

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

## SCHEDULE OF INVESTMENTS (Pounds Sterling Class)

As at June 30, 2011

(Expressed in Pounds Sterling)

Investments	Holding/ Shares	Cost £	Market Value £	% of Portfolio %
<b>Equities - Europe</b>				
3i Group Plc	4,662	21,631	13,105	0.27%
Air Liquide SA	530	26,785	47,314	0.97%
Allianz SE	575	60,561	50,040	1.03%
Aviva Plc	3,250	24,169	14,268	0.29%
Barclays Plc	8,000	55,362	20,516	0.42%
BASF SE	950	14,159	57,872	1.19%
BG Group Plc	4,000	42,433	56,560	1.16%
BHP Billiton Plc	1,500	19,141	36,780	0.76%
British American Tobacco Plc	1,550	25,630	42,331	0.87%
Carlsberg AS	450	21,074	30,493	0.63%
Diageo Plc	3,140	33,927	39,972	0.82%
Essilor International Plc	950	26,993	48,002	0.99%
GlaxoSmithKline Plc	4,190	66,734	55,895	1.15%
HSBC Holdings Plc	6,815	46,786	42,144	0.87%
Lafarge SA	520	33,348	20,645	0.43%
Nestle SA	2,720	44,726	105,337	2.17%
Novartis AG	1,050	27,135	40,079	0.83%
Post NL NV	2,000	15,616	10,574	0.22%
PPR	485	26,922	53,806	1.11%
Reckitt Benckiser Group Plc	1,090	21,866	37,496	0.77%
Rio Tinto Plc	1,301	38,019	58,421	1.20%
Royal Bank of Scotland Plc	20,124	67,567	7,740	0.16%
Royal Dutch Shell Plc	7,095	137,284	157,793	3.25%
Siemens AG	600	38,712	51,295	1.06%
Smith & Nephew Plc	6,300	38,221	41,895	0.86%
Smiths Group Plc	3,036	14,071	36,462	0.75%
Telefonica SA	1,850	20,559	28,179	0.58%
Tesco Plc	14,080	64,316	56,602	1.17%
TNT Express NV	2,000	18,050	12,923	0.27%
Total SA	2,295	69,400	82,686	1.70%
Unilever Plc	1,000	17,501	20,060	0.41%
Vivendi SA	1,900	34,865	32,914	0.68%
Vodafone Group Plc	22,495	34,588	37,184	0.77%
WPP Group Plc	6,800	37,317	53,040	1.09%
Xstrata Plc	3,450	29,734	47,314	0.96%
		1,315,202	1,547,737	31.86%

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

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

As at June 30, 2011

(Expressed in Pounds Sterling)

Investments	Holding Shares	Cost £	Market Value £	% of Portfolio %
<b>Equities/ADRs - United States</b>				
Accenture Plc	1,540	32,420	57,962	1.19%
Archer Daniels Midland Co	1,670	33,959	31,365	0.65%
Biogen Idec Inc.	490	13,157	32,636	0.67%
Caterpillar Inc.	1,050	26,380	69,633	1.43%
Checkpoint Software Technologies Limited	1,680	24,576	59,495	1.22%
Chevron Corporation	800	41,446	51,250	1.06%
Cisco Systems Inc.	3,070	35,496	29,853	0.62%
Citrix Systems Inc.	1,030	13,600	51,330	1.06%
EMC Corporation	2,610	19,800	44,793	0.92%
Exxon Mobil Corp.	2,185	59,905	110,768	2.29%
Fluor Corporation	680	19,278	27,390	0.56%
General Dynamics Corp.	610	11,116	28,317	0.58%
Johnson & Johnson	800	30,206	33,150	0.68%
Microsoft Corp.	2,665	53,960	43,163	0.89%
Netease.com Inc.	1,460	18,848	41,009	0.84%
PepsiCo Inc.	870	29,214	38,170	0.79%
Petroleo Brasileiro ADR	1,750	39,496	33,445	0.69%
Pfizer Inc.	3,000	32,864	38,497	0.79%
Teva Pharmaceutical ADR	1,185	22,305	35,595	0.73%
Zimmer Holdings Inc.	400	12,597	15,749	0.32%
		570,623	873,570	17.98%
<b>Total Equities</b>		<b>1,885,825</b>	<b>2,421,307</b>	<b>49.84%</b>

The accompanying notes form an integral part of these financial statements

## Butterfield International Balanced Fund

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

As at June 30, 2011

(Expressed in Pounds Sterling)

Investments	Holding/ Shares	Cost £	Market Value £	% of Portfolio %
<b>Fixed Income Securities - Australia</b>				
Suncorp Metway Ltd, 4%, 01/16/2014	200,000	210,992	211,448	4.35%
		210,992	211,448	4.35%
<b>Fixed Income Securities - Canada</b>				
Province of Ontario, 2%, 12/10/2013	100,000	99,665	101,179	2.08%
Export Development Canada, 3.125%, 04/24/2014	100,000	70,594	66,055	1.36%
		170,259	167,234	3.44%
<b>Fixed Income Securities - Europe</b>				
GE Capital UK Funding, 5.875%, 11/01/2012	150,000	159,305	157,800	3.25%
Landwirth Rentenbank, 2.125%, 07/15/2016	100,000	63,529	62,228	1.28%
Nationwide Building Society, 3.75%, 04/24/2014	150,000	155,484	151,707	3.12%
Ned Waterschapsbank, 3%, 03/17/2015	70,000	47,959	45,519	0.94%
Rabobank Nederland, 4.625%, 05/31/2012	250,000	265,365	257,210	5.30%
Royal Bank of Scotland, 3%, 12/09/2012	125,000	82,358	78,751	1.62%
Total Capital SA, 4.625%, 03/07/2012	100,000	99,415	102,279	2.11%
Unilever Plc, 4%, 12/19/2014	150,000	158,915	159,285	3.28%
Vodafone Group Plc, 4.625%, 09/08/2014	100,000	103,465	105,975	2.18%
		1,135,795	1,120,754	23.08%
<b>Fixed Income Securities - United States</b>				
ASIF II, 5.125%, 01/28/2013	200,000	203,031	206,406	4.25%
Phillip Morris International Inc. 2.5%, 05/16/2016	100,000	63,810	62,667	1.29%
		266,841	269,073	5.54%
<b>Total Fixed Income Securities</b>		<b>1,783,887</b>	<b>1,768,509</b>	<b>36.41%</b>
<b>Exchange Traded Funds - United States</b>				
iShares DJ US Oil Equipment, & Services Index Fund	1,500	57,787	59,737	1.23%
iShares MSCI Japan Index Fund	30,800	195,711	200,115	4.12%
iShares MSCI Pacific Index Fund	3,825	58,079	113,442	2.34%
iShares S&P Global Consumer Discretionary Sector Index Fund	1,080	28,765	38,231	0.79%
iShares S&P Global Financials Sector Index Fund	3,775	94,330	107,961	2.22%
iShares S&P Global Telecommunications Sector Index Fund	1,240	41,538	46,801	0.96%
iShares S&P Global Utilities Sector Index Fund	1,860	55,418	53,217	1.10%
Market Vector Gold Miners	1,410	34,148	47,949	0.99%
<b>Total Exchange Traded Funds</b>		<b>565,776</b>	<b>667,453</b>	<b>13.75%</b>
<b>Total Investments</b>		<b>4,235,488</b>	<b>4,857,269</b>	<b>100.00%</b>

The accompanying notes form an integral part of these financial statements

# Butterfield International Balanced Fund

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

### 1. ORGANISATION AND OPERATIONS

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

On January 2, 1998, the Trustee and the Administrator executed a Supplemental Trust Deed creating the Pounds Sterling Class Units of the Fund. The US Dollar Class and Pounds Sterling Class of the Fund commenced operations on July 17, 1996 and January 21, 1998, respectively, and are administered by Butterfield Fulcrum Group (Cayman) Limited, a Cayman Islands licensed Mutual Fund Administrator.

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

The significant accounting policies are as follows:

#### a) Valuation of Investments

The fair value of investments 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 last sales price reported by the principal securities exchange on which the issue is traded, or lacking any sales, at the closing bid price. An investment is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange. The fair value of investments not traded in active markets are based on quoted prices readily available from dealers, brokers, industry groups, pricing services, or regulatory agencies, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The net change during the year between these amounts and cost is shown as net change in unrealised appreciation and depreciation on investments in the Statement of Operations.

# Butterfield International Balanced Fund

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

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

#### b) Investment Transactions and Income Recognition

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

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. Interest income is accrued as earned and dividend income is recognized at ex-dividend date. The discount or premium on the purchase of fixed income securities is amortised based on the yield to maturity. The amortization is included in interest income. Transaction costs incurred on portfolio expenses are recognized immediately in net income and presented as a separate expense item on the Statement of Operations.

#### c) Foreign Currency Translation

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

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

#### d) Financial Assets and Liabilities

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

#### e) Adoption of New Accounting Standards

In January 2012, the Accounting Standards Board ("AcSB") amended the Introduction to Part I of the CICA Handbook-Accounting to allow investment companies, which include investment funds, to adopt International Financial Reporting Standards ("IFRS") for the first time no later than interim and annual financial statements relating to annual periods beginning on or after January 1, 2014. Investment companies electing to defer the first time adoption may continue to apply existing Canadian GAAP until the changeover to IFRS.

The Fund will defer the first time adoption and adopt IFRS beginning July 1, 2014. The Fund is currently evaluating the impact of this changeover.

# Butterfield International Balanced Fund

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

### 3. FINANCIAL RISK MANAGEMENT

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

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

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

#### a) Market Risk

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

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

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

#### CURRENCY RISK

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

At June 30, 2012, if the exchange rates of US Dollars against relevant foreign currencies had been 10% higher or lower with all other variables held constant, the net assets of the US Dollar Class would have increased/decreased by \$389,696 (2011: \$935,930). 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates.

At June 30, 2012, if the exchange rates of Sterling against relevant foreign currencies had been 10% higher or lower with all other variables held constant, the net assets of the Pounds Sterling Class would have increased/decreased by £111,786 (2011: £257,534). 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in exchange rates.

# Butterfield International Balanced Fund

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

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

#### a) Market Risk (Cont'd)

##### CURRENCY RISK (CONT'D)

As at June 30, 2012, the US Dollar Class has the following currency exposure in US Dollar equivalents:

	2012 USD	2012 % of Net Assets	2011 USD	2011 % of Net Assets
BRL	-	-	598,983	1.12%
CHF	908,525	2.47%	1,418,105	2.65%
CNY	-	-	580,308	1.08%
DKK	-	-	430,770	0.80%
EUR	1,712,350	4.66%	3,331,236	6.22%
GBP	1,276,086	3.47%	1,849,128	3.45%
ILS	-	-	1,150,770	2.15%
<b>Total</b>	<b>3,896,961</b>	<b>10.60%</b>	<b>9,359,300</b>	<b>17.47%</b>

As at June 30, 2012, the Pounds Sterling Class has the following currency exposure in GBP equivalents:

	2012 GBP	2012 % of Net Assets	2011 GBP	2011 % of Net Assets
CHF	54,974	2.52%	145,082	2.82%
DKK	18,668	0.86%	30,501	0.59%
EUR	187,028	8.59%	506,257	9.82%
USD	857,189	39.36%	1,893,502	36.74%
<b>Total</b>	<b>1,117,859</b>	<b>51.33%</b>	<b>2,575,342</b>	<b>49.97%</b>

##### INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's exposure to changes in interest rates relates primarily to the Fund's investments in fixed income securities. Fixed income securities account for 38.56% of the US Dollar Class Net Asset Value (2011: 34.05%), and 37.14% of the Pounds Sterling Class Net Asset Value (2011: 34.32%). As a result, the Fund is subject to fair value interest rate risk due to possible fluctuations in the prevailing levels of market interest rates.

The Fund's exposure to cash flow interest rate risk is limited to cash and cash equivalents of \$219,523 for the US Dollar Class (0.60% of the US Dollar Class' Net Assets (2011: 8.44%)), and £147,007 for the Pounds Sterling Class (6.75% of the Pounds Sterling Class' Net Assets (2011: 6.49%)). The Fund believes these balances do not expose the Fund to significant sensitivity to cash flow interest rate risk.

# Butterfield International Balanced Fund

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

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

#### a) Market Risk (Cont'd)

##### INTEREST RATE RISK (cont'd)

As at June 30, 2012, the carrying amount of the Fund's financial assets that bear fixed rates of interest amounted to \$14,160,847 (2011: \$18,245,590) for the US Dollar Class and £808,838 (2011: £1,794,762) for the Pounds Sterling Class. As at June 30, 2012, if long term market interest rates had been 0.5% lower or higher with the other variables held constant, the net assets would have been \$70,804 (2011: \$161,884) lower or higher for the US Dollar Class and £4,044 (2011: £34,234) lower or higher for the Pounds Sterling Class, resulting from changes in fair values of such financial assets. 0.5% is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in market interest rates.

##### PRICE RISK

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

Price risk is managed by the Fund's Investment Advisor by constructing a diversified portfolio of investments traded on various markets. All of the Fund's equity investments at June 30, 2012 and 2011 are listed on stock exchanges.

As at June 30, 2012, the fair value of the Fund's investments in securities that are exposed to movement in equity prices amounted to \$22,351,638 (2011: \$30,825,424) for the US Dollar Class and £1,220,922 (2011: £3,087,419) for the Pounds Sterling Class.

The Fund estimates that a reasonably possible movement in its equity portfolio for the US Dollar Class is calculated using the average performance of the US Dollar Class' benchmark over the past eight years of 6% (2011: 8%) adjusted to correlate to the actual investment portfolio held. As at June 30, 2012, if the benchmark equity market prices had been 6% (2011: 8%) higher or lower with all other variables held constant, the US Dollar Class' net assets would have been \$1,250,137 (2011: \$1,904,111) higher or lower. The adjusted rate is the rate used when reporting price risk internally to key management personnel for the US Dollar Class.

The Fund estimates that a reasonably possible movement in its equity portfolio for the Pounds Sterling Class is calculated using the average performance of the Pounds Sterling Class' benchmark over the past eight years of 6% (2011: 4%) adjusted to correlate to the actual investment portfolio held. As at June 30, 2012, if benchmark equity market prices had been 6% (2011: 4%) higher or lower with all other variables held constant, the Pounds Sterling Class' net assets would have been £70,195 (2011: £123,497) higher or lower. The adjusted rate is the rate used when reporting price risk internally to key management personnel for the Pounds Sterling Class.

#### b) Credit Risk

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

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

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

# Butterfield International Balanced Fund

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

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

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

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

	Carrying amount	
	2012	2011
Investments at market value (Fixed income securities)	\$ 14,160,847	\$ 18,245,590
Cash and cash equivalents	\$ 219,523	\$ 4,523,342
Dividend income receivable	\$ 4,773	\$ 8,130
Bond interest receivable	\$ 103,308	\$ 142,285

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

Credit Rating	2012		2011	
	Market Value	Percentage	Market Value	Percentage
AAA	\$ 2,702,236	19.08%	\$ 7,150,546	39.19%
Aaa	3,059,309	21.60%	-	-
AA+	2,045,532	14.44%	2,157,212	11.82%
Aa2	103,302	0.73%	-	-
AA	1,691,200	11.94%	1,575,470	8.63%
AA-	2,139,678	15.11%	4,226,621	23.17%
A-	2,419,590	17.10%	3,135,741	17.19%
	\$ 14,160,847	100.00%	\$ 18,245,590	100.00%

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

	Carrying amount	
	2012	2011
Investments at market value (Fixed income securities)	£ 808,838	£ 1,768,508
Cash and cash equivalents	£ 147,007	£ 334,601
Dividend income receivable	£ 1,553	£ 4,952
Bond interest receivable	£ 13,939	£ 28,696

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

Credit Rating	2012		2011	
	Market Value	Percentage	Market Value	Percentage
AAA	£ 281,384	34.79%	£ 872,918	49.36%
AA+	71,091	8.79%	157,800	8.92%
AA-	172,258	21.30%	203,458	11.50%
A+	146,361	18.10%	365,691	20.68%
A	33,470	4.13%	62,667	3.54%
A-	104,274	12.89%	-	-
BBB+	-	-	105,974	6.00%
	£ 808,838	100.00%	£ 1,768,508	100.00%

# Butterfield International Balanced Fund

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

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

#### c) Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Fund's financial liabilities at June 30, 2012 represent 0.33% of the US Dollar Class's Net Assets (2011: 0.31%) and 1.54% of the Pounds Sterling Class Net Assets (2011: 1.43%) and fall due not later than one month. The Fund does not anticipate any significant liquidity concerns in funding redemption requests and other liabilities. The Fund's constitution provides for the weekly subscription and redemption of units and it is therefore exposed to the liquidity risk of meeting unitholders redemptions. However, all of the Fund's investments at June 30, 2012 and 2011 are actively traded. As such, they are considered to be highly realisable, mitigating the liquidity risk of the Fund as at June 30, 2012 and 2011.

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

### 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 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.

June 30, 2012  
US Dollar Class

Classification	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities/ADRs	\$ 16,104,979	\$ -	\$ -	\$ 16,104,979
Fixed Income Securities	-	14,160,847	-	14,160,847
Exchange Traded Funds	6,246,659	-	-	6,246,659
Total Financial Assets	\$ 22,351,638	\$ 14,160,847	\$ -	\$ 36,512,485

Pounds Sterling Class

Classification	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	£ 932,329	£ -	£ -	£ 932,329
Fixed Income Securities	-	808,838	-	808,838
Exchange Traded Funds	288,593	-	-	288,593
Total Financial Assets	£ 1,220,922	£ 808,838	£ -	£ 2,029,760

# Butterfield International Balanced Fund

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

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

June 30, 2011  
US Dollar Class

Classification	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 18,538,541	\$ -	\$ -	\$ 18,538,541
Fixed Income Securities	-	18,245,590	-	18,245,590
Exchange Traded Funds	12,286,883	-	-	12,286,883
Total Financial Assets	\$ 30,825,424	\$ 18,245,590	\$ -	\$ 49,071,014

Pounds Sterling Class

Classification	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	£ 2,421,307	£ -	£ -	£ 2,421,307
Fixed Income Securities	-	1,768,509	-	1,768,509
Exchange Traded Funds	667,453	-	-	667,453
Total Financial Assets	£ 3,088,760	£ 1,768,509	£ -	£ 4,857,269

#### 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 quoted in an active market. There were no transfers of financial assets and liabilities from Level 1 to Level 2 in the current or prior year. Financial assets and liabilities transferred from Level 2 to Level 1 might arise primarily as a result of the securities now being traded in an active market. There were no transfers of financial assets and liabilities from Level 2 to Level 1 in the years ended June 30, 2012 and 2011.

#### 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 years ended June 30, 2012 and 2011.

### 5. UNITHOLDERS CAPITAL

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

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

US Dollar Class	2012 No. of Units	2011 No. of Units
Balance - beginning of year	2,558,052	2,722,601
Issue of units	52,555	71,968
Redemption of units	(803,722)	(236,517)
Balance - end of year	1,806,885	2,558,052

Pounds Sterling Class	2012 No. of Units	2011 No. of Units
Balance - beginning of year	342,825	361,905
Issue of units	28,419	4,554
Redemption of units	(221,030)	(23,634)
Balance - end of year	150,214	342,825

# Butterfield International Balanced Fund

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2012

### 6. RELATED PARTY TRANSACTIONS

Butterfield Bank (Cayman) Limited and Butterfield Bank (Guernsey) Limited (the "Sales Agents") are entitled to receive a sales commission on subscriptions of up to 2% for the US Dollar Class and 4% for the Pounds Sterling Class. No sales commission was charged in 2012 and 2011.

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

Custodian fees charged for the year ended June 30, 2012 were \$108,414 (2011: \$131,648) for the US Dollar Class, of which \$23,739 (2011: \$33,563) remained payable at year end and is included in accrued expenses. Custodian fees charged for the year ended June 30, 2012 were £10,047 (2011: £12,732) for the Pounds Sterling Class, of which £5,002 (2011: £1,046) remained payable at year end and is included in accrued expenses. These amounts were measured at the exchange amount.

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

Management fees for the year ended June 30, 2012 were \$281,877 (2011: \$342,285) for the US Dollar Class, of which \$61,723 (2011: \$87,263) remained payable at year end and is included in accrued expenses. Management fees for the year ended June 30, 2012 were £30,142 (2011: £38,200) for the Pounds Sterling Class, of which £15,005 (2011: £3,139) remained payable at year end and is included in accrued expenses. These amounts were measured at the exchange amount.

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

# Butterfield International Balanced Fund

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## NOTES TO THE FINANCIAL STATEMENTS For the year ended June 30, 2012

### 7. FINANCIAL HIGHLIGHTS

#### US Dollar Class

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

	<b>2012</b>	2011
Net asset value, beginning of year	<b>\$20.95</b>	\$18.05
Income from investment operations		
Net investment income	<b>0.24</b>	0.23
Net realised and unrealized (loss)/gain on investments	<b>(0.87)</b>	2.67
Total from investment operations	<b>(0.63)</b>	2.90
Net asset value, end of year	<b>\$20.32</b>	\$20.95
Total return	<b>(3.01)%</b>	16.07%

#### **Ratios/supplemental data**

Net assets, end of year	<b>\$36,722,762</b>	\$53,580,972
Ratio of expenses to weighted average net assets	<b>1.26%</b>	1.37%
Ratio of net investment income to weighted average net assets	<b>1.11%</b>	1.22%
Portfolio turnover rate*	<b>28.71%</b>	42.61%

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

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

# Butterfield International Balanced Fund

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## NOTES TO THE FINANCIAL STATEMENTS For the year ended June 30, 2012

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

#### Pounds Sterling Class

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

	<b>2012</b>	2011
Net asset value, beginning of year	<b>£15.03</b>	£13.27
Income from investment operations		
Net investment income	<b>0.17</b>	0.15
Net realised and unrealised (loss)/gain on investments	<b>(0.70)</b>	1.61
Total from investment operations	<b>(0.53)</b>	1.76
Net asset value, end of year	<b>£14.50</b>	£15.03
Total return	<b>(3.53)%</b>	13.26%

#### **Ratios/supplemental data**

Net assets, end of year	<b>£2,177,899</b>	£5,153,646
Ratio of expenses to weighted average net assets	<b>1.66%</b>	1.76%
Ratio of net investment income to weighted average net assets	<b>0.96%</b>	0.96%
Portfolio turnover rate*	<b>16.70%</b>	17.29%

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

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