

**Butterfield Bermuda Fund
Limited**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020

Butterfield Bermuda Fund Limited

To the Shareholders:

For the year ended June 30, 2020, the Fund's total return was -10.57%. The performance for the fiscal year reflects a challenging environment as the world continued to digest the fallout from the COVID-19 global pandemic. The fund paid out \$0.60 in dividends throughout the year giving a dividend yield of 2.01% (based on June 30, 2020 NAV). The Fund continues to maintain a dividend policy whereby the dividend yield of the Fund is representative of the dividend yield for the Fund's constituent companies.

The domestic market continued to provide steady returns in the form of dividend income. BF&M Group reinstated its share repurchase program, with the firm committing to buying shares over the long term in an effort to increase shareholder value. Ascendant Group's proposed sale to Canadian firm Algonquin Power & Utilities was delayed by a few months as the Bermuda Regulatory Authority requested more time to review the proposed transaction. A date of October 4 was selected as a deadline for approval of the deal which is expected to be confirmed. The deal is valued at \$367.38 Million with investors receiving \$36.00 per share. ONE Communications also has again maintained their share-repurchase program, which saw shares gain 23% over the course of the fiscal year. The telecommunications firm continues to invest in local infrastructure of fibre in an effort to bolster their offerings. Argus Group shares fell sharply during the year as the acquisition of One Team Health used up some of their cash reserves. However, the long term financial prospects are positive. Butterfield Bank, while keeping its dividend current also issued sub-debt to the markets in an effort to raise capital for potential acquisitions. The diversification strategy as the standard in offshore financial services is a niche that the Bank has continued to make significant headway as a market leader.

The Bermuda economy was significantly impacted by the effects of COVID-19 global pandemic. In April of this year Bermuda was put under a 4-week shelter in place order that halted just about all commerce albeit for essential services. In tandem with the rest of the globe, Bermuda was forced to act in an effort to curb the spread of the virus before it was too late. The Ministry of Finance quickly stepped in and offered unemployment benefits to residents who were out of work, with banks and other companies providing temporary relief on loan and credit card payments. The negotiations with labour unions quickly got underway and yielded an agreement for most government workers to take a 10% pay cut. Additionally, the Bermuda Economic Development Corporation's lending power was increased to help support local business' weather their storm of cash-flow needs. Finally the Bermuda Government went to the credit markets and issued \$1 Billion of debt and repurchased \$500 Million, in a restructuring exercise that will allow them to lock in lower borrowing rates.

The foreign reinsurance sector performance was in line with the global equity markets and did not escape the downdraft caused by the COVID-19 pandemic. The significant impact was seen to firms with more exposure to health and life policy lines. The more diversified insurers also held the line better in comparison as the economies of scale allowed them to withstand significant impact to shareholder value.

M&A activity was strong up until early 2020, and then robust deal making collapsed with volume dropping to all-time lows between April and June. The pre-virus capital levels did provide some cushion for firms to weather the storm a bit, however with the uncertainty around future activity there remains a bit of caution. The opportunity of innovation on risk management and coverage options is key for the continued revitalisation of the industry.

The fund is moving to be positioned overweight P&C, based on the value shift of the US equity stocks, and in anticipation of continued consolidation of the Bermuda domestic market. The future of the global reinsurance market will be dominated by firms that can innovate and take advantage of the increased coverage opportunities caused by the COVID19 pandemic. A disciplined approach to managing risk in the midst of a new normal will be the key as firms look for ways to provide value for their shareholders.

Butterfield Bermuda Fund Limited

Outlook

Major changes in the way we do business and with a new normal starting to settle in, it is incumbent on the fund to keep up with the times as a way of continually providing long-term value to fund holders. The further consolidation of BSX-listed firms in the domestic space provides both a challenge and an opportunity to direct the fund in a direction that assures long-term sustainability. The P&C reinsurance sector will become a vital part of any major business' comprehensive plans to manage risk and ensure growth. The Bermuda economy is in a prime position to capitalise of the changing world through its innovation and robust regulatory regime. The fund will press forward with a nimble approach to capitalizing on the changing landscape while seeking new opportunities within the Bermuda-based landscape.

Dwayne Outerbridge, CFA
President
Butterfield Bermuda Fund Limited
November 4, 2020

Independent Auditor's Report

The Board of Directors
Butterfield Bermuda Fund Limited

Opinion

We have audited the financial statements of Butterfield Bermuda Fund Limited (the Fund), which comprise the statement of financial position as at June 30, 2020, and the statements of comprehensive income, changes in net assets attributable to holders of common shares and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

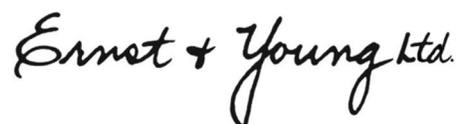
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditor's report is Cordelia Davis.



November 9, 2020

Butterfield Bermuda Fund Limited

DIRECTORS

Jeffrey Abbott
Sean Lee
Dwayne Outerbridge (alternative: Michael Neff)

INVESTMENT ADVISER

Butterfield Asset Management Limited
65 Front Street
Hamilton HM 12
Bermuda

CUSTODIAN

The Bank of N.T. Butterfield & Son Limited
65 Front Street
Hamilton HM 12
Bermuda

REGISTRAR, TRANSFER AGENT AND ADMINISTRATOR

MUFG Fund Services (Bermuda) Limited
Cedar House, 4th Floor North
41 Cedar Avenue
Hamilton HM 12
Bermuda

AUDITORS

Ernst & Young Ltd.
3 Bermudiana Road
Hamilton HM 08
Bermuda

Butterfield Bermuda Fund Limited

STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

(Expressed in Bermuda Dollars)

	Notes	June 30, 2020 \$	June 30, 2019 \$
ASSETS			
Cash and cash equivalents	2 h)	182,892	-
Financial assets at fair value through profit or loss	3, 4	11,760,495	13,933,382
Dividends receivable		26,274	25,636
Prepaid expenses		5,232	10,578
Total assets		11,974,893	13,969,596
LIABILITIES			
Bank overdraft	2 h)	-	33,286
Dividends payable	6	59,509	60,897
Accrued expenses	7, 8	26,729	26,462
Subscriptions received in advance		7,364	600
Withholding tax payable		2,115	2,557
Total liabilities		95,717	123,802
Organisational shares	5	12,000	12,000
Total liabilities and equity (including net assets attributable to holders of common shares)		11,974,893	13,969,596
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		11,867,176	13,833,794
Number of shares in issue - Class A	5	396,725	405,980
NET ASSET VALUE PER SHARE - CLASS A		29.91	34.08

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

SCHEDULE OF PORTFOLIO INVESTMENTS

As at June 30, 2020

(Expressed in Bermuda Dollars)

			2020	
	Number of		Fair	% of
	Shares		Value	Portfolio
INVESTMENTS				
Common Stock				
Aon Plc	1,850	\$	356,309	3.04%
Arch Capital Group Ltd.	19,500		558,675	4.75%
Argo Group International Holdings Ltd.	5,820		202,711	1.72%
Argus Group Holdings Ltd.	315,493		896,000	7.62%
Ascendant Group Ltd.	84,124		2,565,782	21.82%
Assured Guaranty Ltd.	12,000		292,920	2.49%
Athene Holding Ltd.	4,000		124,760	1.06%
Axis Capital Holdings Ltd.	10,000		405,600	3.45%
Bank of N.T. Butterfield & Son Ltd.	63,643		1,549,824	13.18%
Bermuda Aviation Services Ltd.	110,556		143,723	1.22%
Bermuda Press (Holdings) Ltd.	5,431		38,017	0.32%
BF&M Limited	65,150		1,099,732	9.35%
Chubb Ltd.	6,900		873,678	7.43%
Everest Re Group Ltd.	2,000		412,400	3.51%
Markel Corp.	500		461,585	3.92%
One Communications Ltd.	200,066		765,252	6.51%
RenaissanceRe Holdings Ltd.	3,900		667,017	5.67%
West Hamilton Holdings Ltd.	1,900		11,695	0.10%
Willis Towers Watson Plc	1,700		334,815	2.84%
TOTAL INVESTMENTS, AT FAIR VALUE		\$	11,760,495	100.00%

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2020

(Expressed in Bermuda Dollars)

	Notes	2020 \$	2019 \$
INCOME			
Net realised and change in unrealised (loss)/gain on financial assets at fair value through profit or loss		(1,660,322)	1,538,384
Dividends and interest		387,494	372,393
Total (loss)/income		(1,272,828)	1,910,777
EXPENSES			
Management fee	7 a)	100,061	103,211
Administration fee	8	18,761	19,274
Audit fee		4,984	467
Custodian fee	7 b)	6,684	6,764
Government fee		6,836	6,572
Miscellaneous		17,179	18,620
Foreign withholding tax expense		5,592	5,042
Total expenses		160,097	159,950
NET (LOSS)/INCOME		(1,432,925)	1,750,827
Less: Withholding tax on dividend income		2,580	3,390
NET (DECREASE)/INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		(1,435,505)	1,747,437

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES For the year ended June 30, 2020 (Expressed in Bermuda Dollars)

	Note	2020 \$	2019 \$
NET (DECREASE)/INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		(1,435,505)	1,747,437
DISTRIBUTIONS TO INVESTORS			
Dividends paid and payable	6	(239,372)	(259,447)
CAPITAL STOCK TRANSACTIONS			
Issue of redeemable shares		1,012,491	723,341
Redemption of redeemable shares		(1,304,232)	(2,403,867)
Net capital stock transactions		(291,741)	(1,680,526)
NET DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		(1,966,618)	(192,536)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES - BEGINNING OF THE YEAR		13,833,794	14,026,330
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES - END OF THE YEAR		11,867,176	13,833,794

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

STATEMENT OF CASH FLOWS For the year ended June 30, 2020 (Expressed in Bermuda Dollars)

	2020 \$	2019 \$
Cash flows from operating activities		
Net (decrease)/increase in net assets resulting from operations attributable to holders of common shares	(1,435,505)	1,747,437
<i>Adjustments for:</i>		
Purchase of financial assets	(461,036)	(414,212)
Net proceeds from sale of financial assets	973,601	2,018,134
Net realised and change in unrealised loss/(gain) on financial assets	1,660,322	(1,538,384)
Changes in:		
Dividends receivable	(638)	485
Prepaid expenses	5,346	(1,600)
Accrued expenses	267	(8,948)
Withholding tax payable	(442)	2,557
Net cash provided by operating activities	741,915	1,805,469
Cash flows from financing activities		
Subscriptions received in advance	6,764	(1,189)
Proceeds from issuance of shares	819,839	515,635
Payments from redemption of shares	(1,304,232)	(2,403,867)
Dividends paid	(48,108)	(59,663)
Net cash used in financing activities	(525,737)	(1,949,084)
Net increase/(decrease) in cash and cash equivalents	216,178	(143,615)
Cash and cash equivalents – beginning of year	(33,286)	110,329
Cash and cash equivalents – end of year	182,892	(33,286)
Supplemental cash flow information:		
Interest received	12	5
Dividends received, net of withholding taxes	384,264	369,483
Supplemental non-cash information:		
Shares – Class A issued through dividend reinvestment	192,652	207,706

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

(Expressed in Bermuda Dollars)

1. CORPORATE INFORMATION

Butterfield Bermuda Fund Limited (the "Fund") is an open-ended investment company which was incorporated under the laws of Bermuda on February 22, 1994.

The Fund commenced operations on March 31, 1994. The Bank of N. T. Butterfield & Son Limited acts as custodian (the "Custodian"). Butterfield Asset Management Limited acts as investment adviser (the "Investment Adviser"). MUFG Fund Services (Bermuda) Limited acts as registrar and transfer agent and as accountants/administrator (the "Registrar and Transfer Agent" or "Administrator") for the Fund. The Custodian and Investment Adviser are wholly owned subsidiaries of The Bank of N.T. Butterfield & Son Limited (the "Bank").

The registered address of the Fund is c/o MUFG Fund Services (Bermuda) Limited, Cedar House, 4th Floor North, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

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

The investment objective of the Fund is to provide long term capital growth and current income by investing in a diversified portfolio of Bermuda assets.

2. BASIS OF PREPARATION

Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Statements Board ("IASB"). The financial statements have been prepared on a historical-cost basis, except for financial assets held at fair value through profit or loss.

The financial statements are presented in Bermuda dollars, which is the functional currency of the Fund, and all values are rounded to the nearest dollar, except when otherwise stated.

Summary of significant accounting policies

a) Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the Fund's management to make judgements, estimates and assumptions that affect the amounts reported and disclosures made in the financial statements, and accompanying notes. Management believes that the estimates and judgements utilised in preparing the Fund's financial statements are reasonable and prudent. Actual results could differ from these estimates.

b) Financial instruments

i. Classification

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2020 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

i. Classification (continued)

- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts, accrued income and other receivables.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category:

Debt instruments: These include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

Instruments held for trading: This category includes equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2020 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

i. Classification (continued)

Financial liabilities

Financial liabilities measured at fair value through profit or loss (FVPL)

A financial liability is measured at FVPL if it meets the definition of held for trading.

The Fund includes in this category, derivative contracts in a liability position and equity and debt instruments sold short since they are classified as held for trading.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category convertible bonds, debentures, and other short-term payables.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Other financial liabilities

This category includes all financial liabilities, other than those classified as held for trading. The Fund includes in this category amounts for other short-term payables.

ii. Recognition

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

iii. Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Receivables and other financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the statement of comprehensive income, unless specified otherwise.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2020 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

iv. Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net change in unrealised gain/(loss) on financial assets at fair value through profit or loss in the statement of comprehensive income. Interest and dividend earned or paid on these instruments are recorded separately in interest income or expense and dividend income or expense in the statement of comprehensive income.

Receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

v. Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired or the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either: the Fund has transferred substantially all the risks and rewards of the asset, or the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

c) Fair value measurement

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or dealer price quotations, without any deduction for transaction costs.

It is the policy of the Fund to value any asset quoted, listed, traded or dealt with on an exchange or market by reference to the last traded price on or prior to the relevant Valuation Day on the major exchange or market in which the assets are dealt, to the extent that such valuation is based on a price within the bid-ask spread that is most representative of fair value on valuation date. In circumstances where the last traded price is not within the bid-ask spread, the Directors will determine the point within the bid-ask spread that is most representative of fair value.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2020 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

c) Fair value measurement (continued)

The Directors at their absolute discretion may permit some other method of valuation to that described above if they consider such valuation better reflects the fair value of any investment.

d) Impairment of financial assets

The Fund holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. As at June 30, 2020, the Fund had no ECLs and had, therefore, not recognised a loss allowance.

The Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The Fund uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

e) Functional and presentation currency

The Fund's functional currency is the Bermuda Dollar, which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in Bermuda Dollars. Therefore, the Bermuda Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the Bermuda Dollar.

f) Offsetting and financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Management has determined that, as at June 30, 2020 and 2019, there were no assets and liabilities offset in the statement of financial position, nor were there any assets or liabilities available for offset. The Fund does not have a legally enforceable right to offset, nor does it have master netting agreements or similar arrangements that would allow for related amounts to be set off.

g) Foreign currency translations

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

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

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2020

(Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, money market funds with daily liquidity and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

i) Due from and due to broker

Amounts due from and to brokers represents cash held with brokers and receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date, respectively. These amounts are recognised at fair value.

j) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

k) Dividend income and expense

Dividend income is recognised on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

l) Realised and change in unrealised gains and losses

Realised and change in unrealised gains/(losses) on financial assets at fair value through profit or loss are recognised in the statement of comprehensive income. The cost of investments sold is accounted for using the average cost basis.

m) Expenses

All expenses (including management fees) are recognised in the statement of comprehensive income on an accrual basis.

n) Going concern

The Fund's management has assessed the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

o) Share capital

The Fund's Organisational Shares are classified as equity in accordance with IFRS and the Fund's articles of association. These shares do not participate in the profits of the Fund.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2020 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

p) Redeemable participating shares

Redeemable participating shares (i.e., Class A shares) are redeemable at the shareholder's option and are classified as financial liabilities. The redeemable participating shares can be put back to the Fund on any dealing day (normally the next business day following the Valuation Day, which is on Wednesday in each week) at a value equal to a proportionate share of the Fund's net asset value ("NAV"). The Fund's net asset value per share is calculated by dividing the net assets attributable to holders of common shares with the total number of outstanding common shares.

q) Investment entity

IFRS 10 defines an investment entity and requires a reporting entity that meets the definition of an investment entity not to consolidate but instead to measure its investments at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Management has determined that the Fund meets the definition of an investment entity and recognizes all investments at fair value through profit and loss.

r) Impact of new accounting pronouncements

IFRIC 23 - Uncertainty over income tax treatments

On June 7, 2017, the IFRS Interpretations Committee (IFRS IC) issued IFRIC 23 'Uncertainty over income tax treatments' ("IFRIC 23"). IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019.

IFRIC 23 addresses:

- (i) whether an entity considers uncertain tax treatments separately;
- (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (iv) how an entity considers changes in fact and circumstances.

The Fund has analyzed its tax positions and has concluded that no asset/liability for unrecognized tax benefits/obligations should be recorded relating to uncertain tax positions for the year ended June 30, 2020. Currently, the only taxes recorded by the Fund are withholding taxes applicable to certain income. For the year ended June 30, 2020, no other income tax liability or expense has been recorded in the accompanying financial statements.

The general tax position of the Fund is disclosed in note 8 to the financial statements.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2020 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

s) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Fair value

For fair value of financial instruments please refer to Note 4.

3. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management approach includes formal guidelines to govern the extent of exposure to various types of risk. The Investment Adviser also has various internal controls to oversee the 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 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 risk consist primarily of cash and cash equivalents and balances held at brokers. The value of such balances on the statement of financial position includes consideration of the creditworthiness of the issuer, and, accordingly represents the maximum credit risk exposure of the Fund.

Substantially all of the assets of the Fund are held by the Fund's Custodian and the Bank. The Fund monitors its risk by monitoring the credit quality of the Custodian and the Bank. As at June 30, 2020, the credit rating of the Custodian and the Bank, as provided by Standard and Poor's, were both BBB+ (2019 – BBB+).

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 Fund's reporting currency, the Investment Adviser attempts to mitigate the associated currency risk, which may include the use of forward currency contracts. As at June 30, 2020 and 2019, the Fund's exposure to currencies other than the Fund's 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.

The Bermuda Dollar is pegged to the US dollar. The Fund invests in both US Dollar and Bermuda Dollar instruments. There is no guarantee that the Bermuda Dollar will always be pegged to the US dollar or that the ratio will remain at 1:1.

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. Predominantly all of the Fund's investments are securities which are traded on stock exchanges. As a result, the Fund is not subject to fair value interest rate risk due to possible fluctuations in the prevailing levels of market interest rates.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2020 (Expressed in Bermuda Dollars)

3. FINANCIAL RISK MANAGEMENT (Continued)

Interest Rate Risk (continued)

The Fund's exposure to interest rate risk is limited to its cash at the bank which represents 1.54% (2019 – (0.24)%) of the Fund's net assets. The Fund also holds an interest bearing unsecured credit facility agreement with the Bank (as disclosed in Note 7 c)). As at June 30, 2020 and 2019, the credit facility remained unused.

Liquidity Risk

Liquidity risk is the risk that the Fund 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 shares. However, the Fund retains sufficient cash, cash equivalents, marketable securities and credit facilities to maintain adequate liquidity to address this risk. The Fund has a credit facility in place to assist the Fund in meeting short term liquidity obligations.

As at June 30, 2020 and June 30, 2019, the Fund did not hold preferred stocks.

Price/Market Risk

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 price/market risk. The Investment Adviser attempts to mitigate price/market risk by selecting appropriate portfolio investments based on the Fund's strategy. All of the Fund's investments at June 30, 2020 and 2019 were listed on stock exchanges.

All of the Fund's investments were exposed to changes in equity prices. As at June 30, 2020, if equity prices had been 5% higher or lower with all other variables held constant, the net assets of the Fund would have been \$588,025 (2019 - \$696,669) higher or lower. A sensitivity rate of 5% is used when reporting price/market risk internally to key management personnel and represents management's assessment of possible change in market prices.

4. FAIR VALUE OF FINANCIAL ASSETS

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

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are market observable for the asset or liability, either directly or indirectly; and
- 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, 2020				
Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common Stock	\$ 6,433,729	\$ 5,326,766	\$ -	\$ 11,760,495
Total Financial Assets	\$ 6,433,729	\$ 5,326,766	\$ -	\$ 11,760,495
June 30, 2019				
Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common Stock	\$ 11,459,716	\$ 2,473,666	\$ -	\$ 13,933,382
Total Financial Assets	\$ 11,459,716	\$ 2,473,666	\$ -	\$ 13,933,382

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2020 (Expressed in Bermuda Dollars)

4. FAIR VALUE OF FINANCIAL ASSETS (Continued)

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 transfers of financial assets from Level 1 to Level 2 of \$2,760,984 and \$2,473,666 during the years ended June 30, 2020 and 2019 respectively. 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 years ended June 30, 2020 and 2019. The Fund did not hold any Level 3 investments at the beginning, during, or at the end of the years ended June 30, 2020 and 2019.

5. SHARES ISSUED AND OUTSTANDING

The authorised capital stock of the Fund is \$25,012,000 (2019: \$25,012,000) divided into:

25,000,000 (2019: 25,000,000) Class A participating, non-voting common shares of a par value of \$1.00 each share, and

12,000 (2019: 12,000) organisational non-participating, voting shares of a par value of \$1.00 each share.

Details of number of shares issued and outstanding as of June 30, 2020 and 2019 are as follows:

	2020	2019
Participating Shares	Class A	Class A
Balance - beginning of year	405,980	458,833
Issue of common shares	29,905	23,025
Redemption of common shares	(39,160)	(75,878)
Balance - end of year	396,725	405,980
Organisational Shares	12,000	12,000

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

The initial minimum subscription is \$1,000.00 for Class A Shares. Additional subscriptions will be accepted in any amount. The management fees payable to the Investment Adviser in respect of Class A shares are described in Note 7 a.

The organisational shares are owned by the Investment Adviser and its nominees. Under the Bye-Laws, the organisational shares have only nominal rights if and so long as there are any other shares of the Fund in issue.

Capital Management

As a result of the ability to issue, repurchase and resell shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable shares beyond those included in the Fund's Prospectus.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2020 (Expressed in Bermuda Dollars)

6. DIVIDENDS

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

	Declaration Date	2020	Declaration Date	2019
\$0.15 per share (2019 - \$0.15 per share)	Sept 30, 2019	\$ 59,503	Sept 28, 2018	\$ 68,017
\$0.15 per share (2019 - \$0.15 per share)	Dec 31, 2019	60,277	Dec 31, 2018	66,246
\$0.15 per share (2019 - \$0.15 per share)	March 31, 2020	60,083	March 31, 2019	64,287
\$0.15 per share (2019 - \$0.15 per share)	June 30, 2020	59,509	June 30, 2019	60,897
		\$ 239,372		\$ 259,447

7. RELATED PARTY TRANSACTIONS

a) Management Fee

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

Under the terms of the management agreement, the Investment Adviser is entitled to receive a monthly fee calculated at the rate of no more than 1% per annum of the average valuation of the net assets of the Fund carried out on the Valuation Days during each month. Presently, the monthly fee is calculated at the rate of 0.75% per annum. The fee of the Investment Adviser is reduced to take account of the management fee already levied on assets held in shares of other funds managed by the Investment Adviser. Management fee for the year was \$100,061 (2019 - \$103,211) with \$8,409 (2019 - \$9,129) being payable and included in accrued expenses at year end.

b) Custodian Fee

In accordance with the custodian agreement, the Custodian receives a fee based upon the nature and extent of the services provided. Relevant out-of-pocket expenses may also be charged to the Fund by the Custodian. The custodian fee for the year was \$6,684 (2019 - \$6,764) with \$4,315 (2019 - \$2,820) being payable and included in accrued expenses at year end.

c) Credit Facility

On August 9, 2019 (2019: September 6, 2018), the Fund renewed the unsecured credit facility agreement with the Bank in the amount of \$1,400,000. The agreement bears an interest rate of 1% per annum above the higher of the LIBOR or the funding costs incurred by the Bank in making the revolving credit facility available on any date of drawdown. The full amount of any amount advanced under the revolving facility, together with the accrued interest and other amounts payable by the Fund to the Bank, is payable on the earlier of seven days following the utilization date or the expiry date, unless extended at the Bank's sole discretion and the advances will be limited to 10% of the Fund's net asset value. If any payment falls due and payable on a day which is not a business day the payment shall be made on the next following business day. The renewed unsecured facility expired on June 30, 2020 (2019: June 30, 2019).

On August 7, 2020, the Fund renewed the unsecured credit facility agreement with the Bank and increased the amount of the agreement to \$2,000,000. The terms remain otherwise unchanged from the previous agreement, as outlined above. The renewed unsecured facility expires on June 30, 2021.

8. ADMINISTRATION FEE

In accordance with the administration agreement, the Administrator receives a fee based upon the nature and extent of the services provided. Administration fee for the year was \$18,761 (2019 - \$19,274) with \$3,990 (2019 - \$3,496) being payable and included in accrued expenses at year end.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2020

(Expressed in Bermuda Dollars)

9. TAXATION

The Fund is a local Bermuda Company and under current Bermuda law, the Fund is not obligated to pay taxes in Bermuda on either income or capital gains.

10. COMMITMENTS AND CONTINGENCIES

Management has determined that the Fund had no commitments or contingencies as at June 30, 2020 (2019: none).

11. SUBSEQUENT EVENTS

The Fund has evaluated all the events or transactions that occurred after June 30, 2020 through November 9, 2020, the date the financial statements were available to be issued.

The Investment Adviser acknowledges the current outbreak of COVID-19 which is causing economic disruption in most countries and is actively monitoring developments closely. Given the nature of the outbreak and the on-going developments, there is a high degree of uncertainty and it is not possible at this time to predict the extent and nature of the overall future impact on the Fund.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2020 (Expressed in Bermuda Dollars)

12. FINANCIAL HIGHLIGHTS

	2020 CLASS A	2019 CLASS A
Per Share Information		
Net asset value - beginning of year	\$ 34.08	\$ 30.57
Net (loss)/income from investment operations		
Net investment income****	0.55	0.48
Net realised and change in unrealised (loss)/gain on investments	(4.12)	3.63
Total from investment operations	(3.57)	4.11
Distributions to investors	(0.60)	(0.60)
Net asset value – end of year	\$ 29.91	\$ 34.08

	2020 CLASS A	2019 CLASS A
Ratios / Supplemental data		
Total net assets - end of year	\$ 11,867,176	\$ 13,833,794
Weighted average net assets*	13,274,442	13,804,577
Ratio of expenses to weighted average net assets annualised	1.21%	1.16%
Portfolio turnover rate**	3.48%	3.01%
Annual rate of return***	(10.47)%	13.44%

* 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 who reinvested dividends is calculated by comparing the end of year net asset value per share plus any dividend per share amounts to the beginning of year net asset value per share.

****Net investment income represents dividends, deposit interest and other income net of expenses.

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on November 4, 2020.