

31 March 2013

Fund Review



Butterfield

INTERNATIONAL BALANCED FUND: USD CLASS

OBJECTIVE

To achieve long-term capital growth whilst exposing the investor to a moderate level of risk.

INVESTMENT POLICY

To hold a global portfolio of money market instruments, Euro-bonds, domestic government bonds and international equities. This combination of investment and geographical spread provides the Fund with the necessary diversification to reduce risk and maximise returns for the US Dollar based investor.

INVESTMENT PROCESS

Benchmarked against a portfolio of 60% International Equities and 40% US Dollar fixed income. The primary consideration for our fixed income strategy is liquidity and safety of principal. The duration will move to facilitate this capital preservation objective. The equity process is to focus on large capitalisation companies with market leadership positions and a history of consistent earnings growth.

FUND REVIEW

US equity markets had their best start to the year since 1998! The Dow Jones Industrial Average returned just over 10% while most areas of the bond market saw positive returns on an absolute basis. Long duration US government bonds were the notable underperformers with negative returns during the period. The positive return on the stock market and the rotation into credit occurred in spite of strong headwinds facing the U.S. and global markets.

The US in particular has been struggling with higher food costs, payroll tax hike and cuts in state and federal government budgets known as the "Sequester". The \$85 billion automatic spending reductions will undoubtedly impact numerous government agencies and could potentially become a real drag on the U.S. economy if Congress did not come to a consensus on the new budgetary plan by Friday, March 1st, 2013. With the deadline coming and going it became apparent that Republicans and Democrats in Congress were not going to reach a consensus and that the automatic cuts enacted would be felt on April 1st.

As global investors continued the great rotation from fixed income and cash, equity markets felt the impact. All sectors posted positive absolute returns during the quarter with the exception of Materials. Some of the traditionally defensive areas – Healthcare and Consumer Staples – were the best performers posting double-digit gains of 13.36% and 12.01% respectively. Consumer Discretionary and Industrials also had good absolute performance, outperforming the broad market with quarterly returns of 9.46% and 7.87% respectively. The remaining sectors came in below the market average of 7.73% with Materials ranking as the worse performing sector, at a 3.95% loss.

In regards to fixed income the first quarter of the year saw credit outperforming all other sectors. The Bank of America US Corporate, A-AAA, 1-5 yrs Index returned 0.58% while a bit more credit exposure proved worthwhile with the US Corporate, 1-5 yrs, A rated and above handsomely rewarding investors with a 0.63% return. Intermediate duration government performed mediocre as reflected by the Current 5

Year US Treasury Index yielding a return of 0.15%. The 10 Year Current US Treasury Index was one of the worst performers with a -0.34% return over the period.

Looking forward into the rest of 2013, we believe interest rates will remain range bound due to the stable macroeconomic policies undertaken by the central bank. As employment continues to improve we could experience upward pressure in the longer end of the yield curve, forcing the Fed to employ additional measures that could sidetrack the recovery. Given the strong support for risk assets, we maintain duration at 90-95% of benchmark with a credit bias while strategically laddering the portfolios to take advantage of any misalignments along the yield curve.

BENCHMARK COMPOSITION

- 40% Merrill Lynch US Corporates and Governments, 1 to 5 years, A Rated and above.
- 60% S&P Global 100

All benchmark components are calculated on a total return basis i.e., dividends included and net appropriate withholding taxes.

Note: As at 1 April 2006 the benchmark changed from: 40% Merrill Lynch US Corporates and Governments, 1 - 5 years, A Rated and above, 60% MSCI World, to: 40% Merrill Lynch US Corporates and Governments, 1 - 5 years, A Rated and above, 60% S&P Global 100

The new benchmark has been applied retroactively as we believe it to be a better representation of the investment strategy of the Fund.

TOP 10 EQUITY HOLDINGS

Name	Sector	Fund(%)
1. Johnson & Johnson	Health Care	4.3%
2. Novartis AG	Health Care	3.9%
3. Zimmer Holdings Inc	Health Care	3.8%
4. Chevron Corporation	Energy	3.5%
5. Exxon Mobil Corporation	Energy	3.5%
6. Total SA	Energy	3.2%
7. International Business Machines	Technology	3.2%
8. Microsoft Corporation	Technology	3.1%
9. GlaxoSmithKline	Health Care	3.0%
10. Cisco Systems Inc	Technology	3.0%

Note: Index tracking products have been excluded.

TOP 5 EQUITY SECTORS

Sector	Equity(%)	S&P 100(%)
1. Health Care	20.7%	15.3%
2. Energy	18.5%	14.0%
3. Technology	17.2%	12.4%
4. Consumer Staples	15.7%	16.6%
5. Financial	8.1%	15.2%

Note: Index tracking products are excluded for the purposes of comparison to the benchmark.

Contact Information:

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Morningstar Rating[®]

www.butterfieldgroup.com

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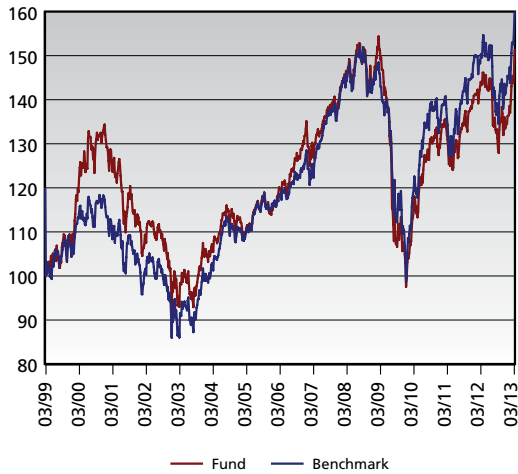
Fund Review



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INTERNATIONAL BALANCED FUND: USD CLASS (CONTINUED)

FUND VERSUS BENCHMARK



Note: This graph has been rebased such that 31 December 1998 = 100 as that was the date the new benchmark came into existence.

AVERAGE ANNUAL COMPOUND RETURNS

	1 Year	3 Years	5 Years	10 Years	Inception
BIBF	5.77%	4.15%	0.48%	4.70%	4.85%
Benchmark	6.70%	5.39%	2.42%	6.08%	N/A

AVERAGE DURATION AND CREDIT RATING

Duration	2.7 Years
Credit Rating	S&P AA
Yield to Maturity	0.86%

GENERAL INFORMATION

Currency: USD

Valuation: Tuesday
Dealings: Wednesday

Front End Fee: None
Units Available: Accumulation
Identifier: BUTIBLI KY

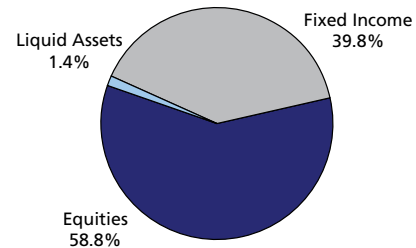
Fiscal Year End: June 30th
Min. Investment: USD 5,000
Total Expense Ratio: 1.26%

Size of Fund (millions): USD 29.94
NAV per share (31.03.2013): \$22.00

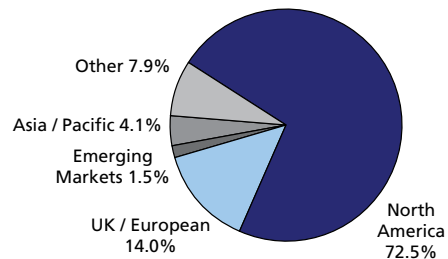
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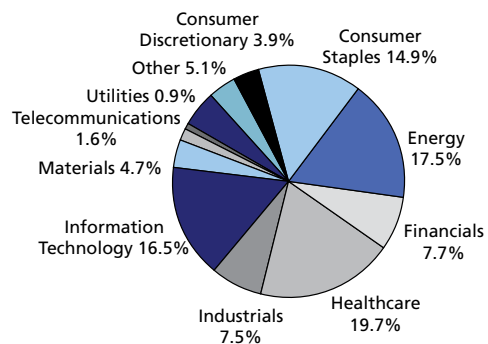
ASSET ALLOCATION



GEOGRAPHIC ALLOCATION



EQUITY SECTOR ALLOCATION



★★★★
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