

31 December 2015

Fund Review



Butterfield

MONEY MARKET FUND: GBP CLASS

OBJECTIVE

To seek as high an overall rate of return as is consistent with maintaining liquidity and security of principal.

INVESTMENT POLICY

To invest in a range of British Pound denominated money market instruments, the issuers of which will have first class credit ratings. Instruments will consist of cash equivalents and a range of debt securities.

INVESTMENT PROCESS

Seek out short-term high quality money market instruments that offer attractive spreads on a LIBOR basis.

FUND REVIEW

Another quarter has passed, but the Bank of England's stance is the same. The longstanding rate of 0.5% is deemed appropriate and additional use of quantitative easing is off the table. One voting member has argued that it is time to begin a very gradual course of rate increases, but this sentiment is not shared by his 8 counterparts. The Central Bank is insistent that they want to see more progress in the labour market before its first rate hike. The unemployment rate itself was a respectable 5.1% for November, but the attention is not on this metric. Rather, the focus is on productivity and wage growth, both of which have underwhelmed the BoE. A pickup in wage growth should feed into inflation and inflation expectations at a time when annual CPI inflation was a mere 0.2% in December. The BoE forecast a return to the 2% target in the next 2 years, but the hard data does not instil confidence that this goal will be reached. This has kept them on the side-lines despite the Fed move in December and the chance of their own rate hike during the first half of 2016 looks dubious.

Average life was unchanged from the previous quarter at 44 days. The aim remains to keep extending average life to benefit from higher yields offered by holding longer maturities. Bond exposure declined to 5% from 14% as the availability of bonds was limited heading into the close of the year. The quarter ended with a single floating rate note and one fixed rate note position. On the other hand, euro-commercial paper holdings doubled to end the quarter at 19% versus 9% previously. Treasury Bills, the chief holding in the portfolio, at 73%, are a mainstay in the Fund given their high degree of liquidity and good credit quality derived from the UK's solid position. Consequently, A-1+ exposure, the highest rating assigned by S&P, was high at 97% by the end of December.

GENERAL INFORMATION

Currency: GBP	Fiscal Year End: 30 June
Valuation: Daily	Min. Investment: GBP 10,000
Dealings: Daily	Total Expense Ratio: 0.46% Class A 0.39% Class B
Front End Fee: None	
Units Available: Accumulation	Size of Fund (millions): GBP 32
Identifier: BUTMMSI BH	NAV per share Class A (31.12.2015): GBP 20.3029

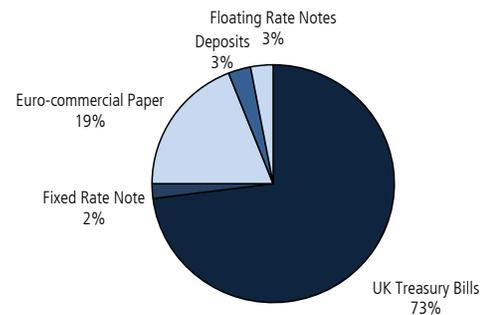
AVERAGE ANNUAL COMPOUND RETURNS

Class	1 Year	3 Years	5 Years	7 Years	10 Years
A	0.01%	0.03%	0.06%	0.16%	1.57%
B	0.05%	0.06%	0.14%	0.24%	1.66%

AVERAGE DURATION AND CREDIT RATING

Duration	43.7 days
Credit Rating	S&P AAAm
7 Day Yield (31.12.2015)	0.002% Class A 0.072% Class B

FUND ALLOCATION



Contact Information

Butterfield Asset Management Limited | Tel (441) 299 3817

www.butterfieldgroup.com

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