

31 December 2015

Fund Review



Butterfield

MONEY MARKET FUND: USD 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 US dollar 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

Heading into the fourth quarter, many were disappointed that the Fed was still on hold, however, the Central Bank felt conditions still were not quite right. Fastforward a few months to a less volatile market, and the Fed decided the time had finally come to lift the rate from the zero bound to a range of 0.25% to 0.5%. Whilst a few voting members likely believed the rate hike could wait until 2016, ultimately that minority were convinced enough during the December meeting to produce a unanimous result. The principal determining factor is inflation and inflation expectations. The committee suggests the 2% target will be reached within 2 years. However, concern remains surrounding the low level of oil prices and the impact on trade due to the appreciation of the US dollar. These factors could delay the rebound in inflation and extend the Fed's timeline. The Fed will continue rate increases during 2016, but the pace of these will be directly determined by progress on inflation. The Fed are satisfied that their other mandate of full employment is successfully on track. The labour market is on a positive trend with December posting an above consensus 292,000 jobs and a low unemployment rate of 5%.

At the end of Q4, exposure to A-1+ securities was similar to the prior quarter at 71%. Floating rate note exposure decreased slightly from 11% to 9%, whereas fixed rate notes increased to 11% during the quarter. The bulk of the portfolio is held in commercial paper, accounting for 70% of holdings at quarter end. Duration finished 2015 at 50 days from a prior level of 42 days back in September. Amidst the rate hike uncertainty, the yield curve steepened making it beneficial to extend where possible. The realisation of the rate increase in December resulted in an uplift of the Class yield to 0.125%. The yield will climb further during the next year as short-term investments benefit from the current rate move and any additional policy tightening.

GENERAL INFORMATION

Currency: USD	Fiscal Year End: 30 June
Valuation: Daily	Min. Investment: USD 10,000
Dealings: Daily	Total Expense Ratio: 0.27% Class A 0.26% Class B
Front End Fee: None	
Units Available: Accumulation	Size of Fund (millions): USD 1,338
Identifier: BUTMMKI BH	NAV per share Class A (31.12.2015): USD 24.4599

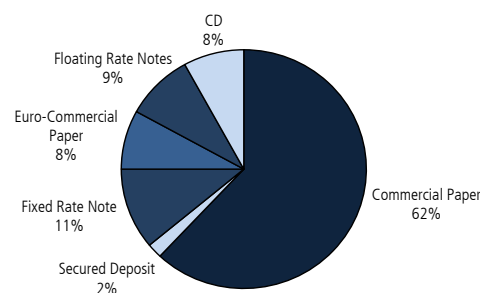
AVERAGE ANNUAL COMPOUND RETURNS

Class	1 Year	3 Years	5 Years	7 Years	10 Years
A	0.02%	0.01%	0.01%	0.03%	1.22%
B	0.03%	0.03%	0.06%	0.09%	1.30%

AVERAGE DURATION AND CREDIT RATING

Duration	50 days
Credit Rating	S&P AAAM
7 Day Yield (31.12.2015)	0.110% Class A 0.125% Class B

FUND ALLOCATION



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