



International Balanced Fund: USD Class

Quarter 3 2020

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, eurobonds, 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.

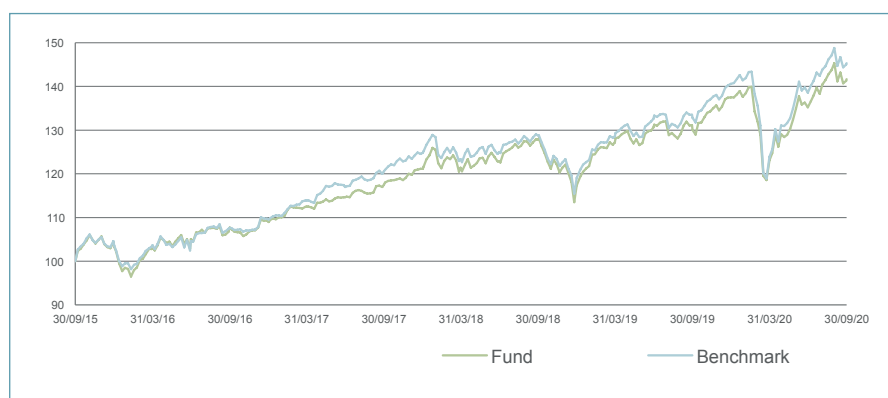
Investment process

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.

Key facts as at 30 September 2020

Currency	USD
Valuation	Weekly
Dealings	Tuesday
Front end fee	None
Units available	Accumulation
Identifier	BUTIBLI KY
Fiscal year end	30 June
Minimum investment	USD 5,000
Total expense ratio	1.19%
Size of fund (millions)	USD 19.9
NAV per share	USD 32.92

Performance chart



Average annual compound returns

	1 year	3 years	5 years	7 years	10 years
Fund	8.08%	6.45%	7.22%	5.51%	5.44%
Benchmark	8.83%	6.42%	7.76%	5.92%	6.23%

Fund review

Against a backdrop of a global economy that continues to recover from the depths of the crisis in the second quarter, financial markets spent the third quarter of 2020 grappling with the contrasting forces of better economic data, together with rising virus cases in Europe and fading policy support.

Equity markets finished markedly higher for a second consecutive quarter, despite a pull back from all-time highs (in some markets) in September. The MSCI World index returned 7.9% in US dollar terms for the third quarter, following a strong second quarter recovery from the March lows. Global equities are now mildly positive on a year-to-date basis, returning 1.7% in dollar terms, and are meaningfully higher over the past 12 months, returning 10.4%. As has been the case for much of the year, the Technology and Consumer Discretionary sectors performed well, while the interest rate sensitive sectors underperformed.

In contrast to the volatility in equity markets, fixed income markets were relatively subdued in the third quarter. The two-year treasury yield remained pinned at a very low level of 0.13% and despite the economic recovery, the 10-year treasury yield only managed to rise a few basis points to 0.69%. Inflation protected bonds, investment grade, high yield and emerging market debt all managed to outperform government bonds.



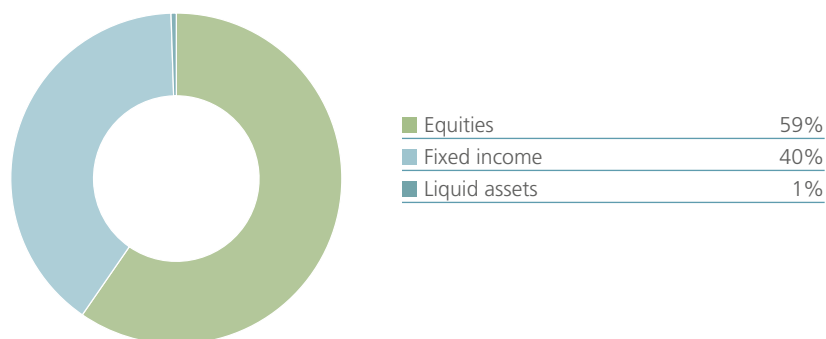


Fixed income markets currently await the outcome of three key events, all of which should provide clarity in the fourth quarter. Firstly, as we enter winter in the Northern Hemisphere, will COVID-19 reestablish itself? Secondly, can the EU/UK come to an agreement on Brexit? And finally what will be the outcome of the US election? Even though we do not know the outcome of any of these events at this stage, we are optimistic. Simply put, these events will pass soon and we can move on; a degree of certainty will return to the world - especially on the trade front - and this is good for risk assets. The Fund remains diversified across equities and fixed income as we await a more clearer and certain market environment.

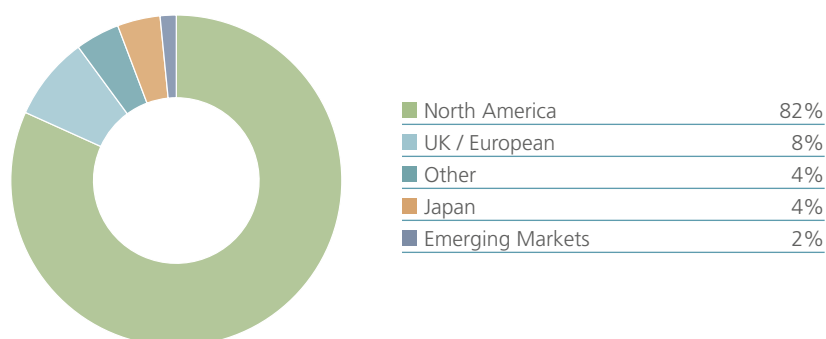
Average duration and credit rating

Duration	2.38 Yrs
Credit rating	S&P AA+
Yield to maturity	0.25%

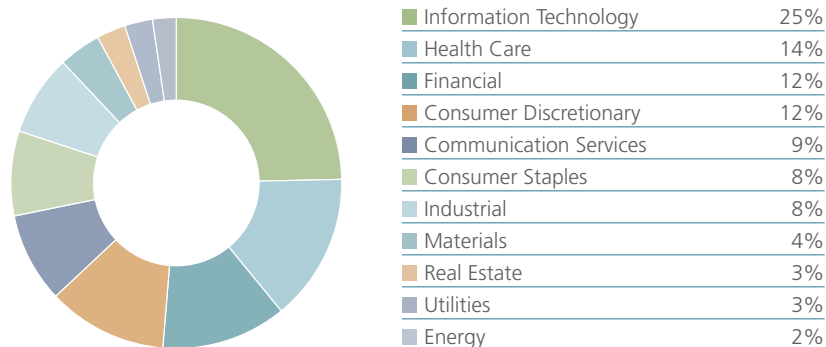
Asset allocation



Geographic allocation



Equity sector allocation



Note: Regional index tracking products have been excluded.



Butterfield

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Top 10 holdings

1	MICROSOFT CORP	Information Technology	5.39%
2	APPLE COMPUTER INC	Information Technology	3.25%
3	AMAZON COM INC	Consumer Discretionary	3.15%
4	MASTERCARD INC - CLASS A	Information Technology	2.97%
5	ALPHABET INC CLASS C	Communication Services	2.95%
6	CISCO SYS INC	Information Technology	2.93%
7	E.ON SE NPV	Utilities	2.43%
8	APPLIED MATLS INC	Information Technology	2.26%
9	CITRIX SYS INC	Information Technology	2.20%
10	UNITED PARCEL SERVICE INC - CL B	Industrial	1.86%

Note: Index tracking products have been excluded.

Benchmark composition

60% MSCI World Index / 40% ICE BofAML 1-5 Year AAA-A US Corp & Govt Index.

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

Note: As at 1 July 2018 the Equity benchmark changed from the S&P Global 100 to the MSCI World.

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