

Butterfield Systematic Equity Fund Limited

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2011

Butterfield Systematic Equity Fund Limited

Systematic Equity Fund Limited - Annual Report 2011

For the past year, the global economic recovery has had a positive impact on global markets. The Fund returned +17.2% compared to the S&P/TSX Composite Index return of +20.8%. Throughout most of the past year, we remained fully invested and maintained a broad diversification in holdings across the ten S&P/TSX sectors. While our overweight position in Discretionary generally detracted from returns, our bullish view on the Materials sector benefited the Fund's performance.

At June 30, 2011, the Fund's biggest weightings were in the Energy, Materials and Financials sectors and the Fund was fully invested with only 1.8% held in cash.

Market Review & Outlook

During the past 12 months, the Canadian economy continued to grow at a healthy pace. While many other markets and economies are still very much dependent on government and central banks' support, Canada's fiscal and political strength and stability have continued to provide support for growth and foreign investments.

In fact, M&A activities in Canada were once again very strong this past year. The continued recovery in equity markets, rising corporate confidence and low interest rates were all important catalysts for more and bigger deals. The mining sector remained a key target for foreigners looking to secure long-term projects amidst rising commodity prices. On a few occasions, we even saw cash-rich producers outbidding rivals in battles for attractive targets. The acquisition of Equinox Minerals (a copper producer in Zambia and a core holding of the Fund) by Barrick Gold this past spring provides a good example of that as Barrick had to sweeten its offer substantially to win the contest against China's state-owned Minmetals.

As the Canadian dollar appreciated throughout most of the year (putting pressure on exporters) and with the recent pickup in inflation seen as transitory, the Bank of Canada has maintained a relatively loose monetary policy in recent quarters. As the US remains Canada's main trading partner, the still slow and fragile recovery south of the border is a reason for cautiousness on the part of the central bank.

On the political front, Canadian Prime Minister Stephen Harper won a majority of seats in Parliament for the first time in May, virtually ending seven years of minority governments that have fuelled government spending. Despite already benefiting from a very strong fiscal position relative to their US and European counterparts, his Conservative party indicated its intention to bolster the economy by providing additional personal and corporate tax cuts and reducing government spending.

Despite a stellar performance in the second half of 2010, the Fund gave back some of its gains in the first six months of 2011. Concerns over the crisis in the Middle East/North Africa and the European credit crisis were the main catalysts for investors to reduce exposure to risky assets, disproportionately punishing the smaller market cap holdings of the Fund.

The volatile conditions of the past few months have however created interesting opportunities that have been identified by our proprietary screening models. As always, our focus remains on identifying companies that exhibit the best characteristics that predispose them to outperform the broad market over time.

Butterfield Systematic Equity Fund Limited

Thank you for your interest in the Fund.

A handwritten signature in black ink, appearing to read "Michael Neff". The signature is fluid and cursive, with the first name "Michael" written in a more legible style than the last name "Neff".

Michael Neff
President
Butterfield Systematic Equity Fund Limited

October 31, 2011

Butterfield Systematic Equity Fund Limited

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Butterfield Systematic Equity Fund Limited

Report on the Financial Statements

We have audited the accompanying financial statements of the Butterfield Systematic Equity Fund Limited (the "Fund"), which comprise the statement of net assets, including the statement of portfolio investments, as at June 30, 2011, and the statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Canada and Bermuda, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Canada and Bermuda. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2011, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Canada and Bermuda.

Deloitte + Touche Ltd.

DELOITTE & TOUCHE LTD.

Hamilton, Bermuda

October 31, 2011

Butterfield Systematic Equity Fund Limited

DIRECTORS

Robert Lotmore (Resigned June 30, 2011)
Curtis Dickinson (Resigned June 15, 2011)
David Stewart
Michael Neff (President) (Appointed June 15, 2011)
Andrew Baron (Appointed June 30, 2011)

INVESTMENT ADVISOR

Butterfield Asset Management Limited
P.O. Box HM 195
Hamilton HM AX
Bermuda

CUSTODIAN

Butterfield Trust (Bermuda) Limited
P.O. Box HM 195
Hamilton HM AX
Bermuda

REGISTRAR, TRANSFER AGENT AND ADMINISTRATOR

Butterfield Fulcrum Group (Bermuda) Limited
P.O. Box HM 195
Hamilton HM AX
Bermuda

AUDITORS

Deloitte & Touche Ltd.
P.O. Box HM 1556
Hamilton HM FX
Bermuda

Butterfield Systematic Equity Fund Limited

STATEMENT OF NET ASSETS As at June 30, 2011 (Expressed in Canadian Dollars)

	2011	2010
ASSETS		
Investments, at current value (Cost 2011 - \$7,894,438 ; 2010 - \$7,334,685)	\$ 8,356,473	\$ 6,749,536
Cash and cash equivalents	150,989	383,739
Accrued dividends receivable	27,972	20,007
Prepaid expenses	4,439	3,914
	8,539,873	7,157,196
LIABILITIES		
Accrued expenses	44,763	53,218
FUND NET ASSETS	\$ 8,495,110	\$ 7,103,978
Number of common shares in issue	974,812	955,525
NET ASSET VALUE PER COMMON SHARE CLASS A	\$ 8.71	\$ 7.43

Signed on Behalf of the Board



DIRECTOR



DIRECTOR

The accompanying notes are an integral part of these financial statements

Butterfield Systematic Equity Fund Limited

STATEMENT OF PORTFOLIO INVESTMENTS

As at June 30, 2011

(Expressed in Canadian Dollars)

Investment	2011			2010		
	Shares	Current Value	% of Portfolio	Shares	Current Value	% of Portfolio
Common Shares		\$			\$	
AGF MANAGEMENT Limited – Cl. B	2,000	37,420	0.45%	-	-	-
Air Canada – Class B	26,500	61,215	0.73%	-	-	-
Aastra Technologies Limited	-	-	-	1,550	35,650	0.53%
Atco Limited – Class 1	700	43,729	0.52%	-	-	-
Avenex Energy Group	16,000	91,680	1.10%	-	-	-
Bank of Montreal	2,760	169,326	2.03%	3,410	196,893	2.92%
Bank of Nova Scotia	4,750	275,975	3.30%	6,750	331,087	4.88%
Barrick Gold Corp.	1,900	83,201	1.00%	-	-	-
BCE Inc.	7,680	290,458	3.48%	7,680	238,541	3.53%
BMTC Group Inc. - Class A	-	-	-	500	9,620	0.14%
Brookfield Properties Corp.	-	-	-	3,660	54,717	0.81%
Canadian Imperial Bank of Commerce	2,370	180,475	2.16%	2,570	169,980	2.52%
Canadian National Railway Company	2,400	185,136	2.22%	-	-	-
Canadian Natural Resources Limited	-	-	-	1,400	49,462	0.73%
Canadian Pacific Railway Limited	1,300	78,221	0.94%	-	-	-
Canadian Tire Corp – Class A	1,100	69,410	0.83%	-	-	-
Canfor Pulp Products Inc	14,550	254,334	3.04%	-	-	-
Capstone Mining Corp	20,000	71,800	0.86%	-	-	-
Cardiome Pharma Corp.	-	-	-	4,000	35,120	0.52%
Cascades Inc.	-	-	-	6,000	38,520	0.57%
Celestica Inc.	10,000	84,500	1.01%	5,160	44,376	0.66%
Genovous Energy Inc.	5,000	182,000	2.18%	2,100	57,540	0.85%
Centerra Gold Inc.	4,300	68,800	0.82%	-	-	-
CGA Mining Limited	-	-	-	25,000	46,980	0.70%
Cogeco Inc.	1,700	73,287	0.88%	3,400	102,000	1.51%
Corus Entertainment Inc. – Class B	1,470	30,209	0.36%	5,770	108,361	1.61%
Davis & Henderson Income Corp	7,500	147,300	1.76%	-	-	-
Domtar Corp.	3,500	319,795	3.83%	3,500	182,210	2.70%
Dundee Corp – Class A	4,000	101,400	1.21%	-	-	-
Enbridge Inc.	-	-	-	1,100	54,538	0.81%
Encana Corp.	-	-	-	1,000	32,240	0.48%
First Majestic Silver Corp.	-	-	-	15,000	64,200	0.95%
First Quantum Minerals Limited	-	-	-	700	37,485	0.56%
Gildan Activewear Inc.	-	-	-	1,700	51,986	0.77%
Glentel Inc.	4,400	79,200	0.95%	-	-	-
GMP Capital Inc	6,200	79,298	0.95%	-	-	-
Goldenstar Resources Limited	-	-	-	8,500	39,950	0.59%
High River Gold Mines Limited	-	-	-	124,000	95,480	1.41%
Husky Energy Inc.	3,700	97,310	1.16%	-	-	-

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Butterfield Systematic Equity Fund Limited

STATEMENT OF PORTFOLIO INVESTMENTS

As at June 30, 2011

(Expressed in Canadian Dollars)

Investment	2011			2010		
	Shares	Current Value	% of Portfolio	Shares	Current Value	% of Portfolio
Common Shares (cont'd)						
IGM Financial Inc.	700	\$ 35,385	0.42%	-	\$ -	-
Imperial Oil Limited	1,300	58,396	0.70%	-	-	-
Indigo Books & Music Inc.	-	-	-	11,750	168,025	2.49%
Intact Financial Corp	2,000	110,800	1.33%	-	-	-
Ithaca Energy Inc	25,000	52,000	0.62%	-	-	-
La Mancha Resources Inc	39,500	91,640	1.10%	-	-	-
Laurentian Bank of Canada	1,200	53,472	0.64%	2,400	101,112	1.50%
Magna International Inc. - Class A	3,000	156,450	1.87%	500	35,065	0.52%
Manitoba Telecom SVCS Inc	1,300	42,471	0.51%	-	-	-
Manulife Financial Corp	9,000	153,720	1.84%	-	-	-
Methanex Corp.	-	-	-	4,660	97,627	1.45%
Mosaid Technologies Inc	3,200	89,600	1.07%	-	-	-
Mullen Group Ltd	2,200	44,638	0.53%	-	-	-
Neo Material Technologies Inc	9,100	84,448	1.01%	-	-	-
Nevsun Resources Ltd	13,5000	78,840	0.94%	-	-	-
North American Energy Partners	-	-	-	11,830	111,320	1.65%
Oceanagold Corp.	-	-	-	49,380	152,090	2.25%
Pacific Rubiales Energy Corp	3,400	87,890	1.05%	-	-	-
Pan American Silver Corp.	1,500	44,805	0.54%	-	-	-
Parkland Fuel Corp	6,500	80,600	0.96%	-	-	-
Pengrowth Energy Corp	7,000	85,050	1.02%	-	-	-
Penn West Petroleum Ltd	3,700	82,399	0.99%	-	-	-
Petrominerals Limited	3,300	93,423	1.12%	6,300	156,555	2.32%
Pinetree Captial Limited	62,600	142,102	1.70%	62,600	72,616	1.08%
QLT Inc.	-	-	-	21,990	134,359	1.99%
Quebecor Inc. - Class B	3,070	97,258	1.16%	6,070	197,457	2.93%
Reitmans (Canada) Limited - Class A	-	-	-	11,730	219,820	3.26%
Research in Motion Limited	3,105	86,567	1.04%	1,605	83,990	1.24%
Rogers Communications - Class B	2,000	76,380	0.91%	4,000	139,120	2.06%
Royal Bank of Canada	3,980	219,417	2.63%	5,030	255,021	3.78%
Sherritt International Corp.	8,000	49,120	0.59%	-	-	-
Sears Canada Inc.	-	-	-	7,190	185,862	2.75%
Shaw Communications Inc. - Class B	2,600	57,174	0.68%	10,440	200,135	2.97%
Sierra Wireless Inc.	-	-	-	12,890	91,132	1.35%
Sprott Resource Corp.	24,000	110,160	1.32%	-	-	-
Sun Life Financial Inc.	3,500	101,675	1.22%	3,200	89,472	1.33%
Suncor Energy Inc.	6,900	260,820	3.12%	-	-	-

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Butterfield Systematic Equity Fund Limited

STATEMENT OF PORTFOLIO INVESTMENTS

As at June 30, 2011

(Expressed in Canadian Dollars)

Investment	Shares	2011 Current Value	% of Portfolio	Shares	2010 Current Value	% of Portfolio
Common Shares (cont'd)						
Superior Plus Corp.	-	\$ -	-	4,000	\$ 51,200	0.76%
Teck Cominco Limited - Class B	2,700	132,354	1.58%	1,400	44,072	0.65%
Telus Corp.	3,500	185,850	2.22%	2,700	108,459	1.61%
Temec Inc	50,000	215,000	2.57%	-	-	-
Toronto-Dominion Bank	3,630	296,861	3.55%	5,300	365,593	5.42%
Torstar Corp. – Class B	21,060	252,720	3.02%	21,060	224,078	3.32%
Total Energy Services Inc.	10,220	146,759	1.76%	6,820	56,197	0.83%
Transforce Inc.	8,300	124,500	1.49%	-	-	-
Vermillion Energy Inc	1,800	91,800	1.10%	-	-	-
Wajax Corp	4,500	163,620	1.96%	-	-	-
Wesdome Gold Mines Limited	-	-	-	22,000	51,700	0.77%
West Fraser Timber Co Ltd	1,400	73,598	0.88%	-	-	-
Western Uranium Corp.	-	-	-	73,500	58,800	0.87%
Winpak Limited	12,730	154,670	1.85%	12,730	113,552	1.68%
Zarlink Semi Conductor Inc.	-	-	-	122,820	218,620	3.24%
		7,719,911	92.38%		5,859,985	86.82%

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Butterfield Systematic Equity Fund Limited

STATEMENT OF PORTFOLIO INVESTMENTS

As at June 30, 2011

(Expressed in Canadian Dollars)

Investment	Shares	2011 Current Value	% of Portfolio	Shares	2010 Current Value	% of Portfolio
Unit Trusts						
Canfor Pulp Income Fund Trust	-	\$ -	-	9,350	\$ 134,547	1.99%
Chemtrade Logistics Income Trust	5,600	80,808	0.97%	-	-	-
Cineplex Galaxy Income Fund Trust	-	-	-	1,900	37,050	0.55%
First National Financial Income Fund Trust	-	-	-	2,700	45,873	0.68%
Labrador Iron Ore Royalty Trust	6,400	248,256	2.97%	2,200	94,182	1.40%
Parkland Income Fund Trust	-	-	-	18,070	195,337	2.89%
Penn West Energy Trust	-	-	-	2,660	53,998	0.80%
Peyto Energy Trust	-	-	-	5,500	80,135	1.19%
Provident Energy Trust	-	-	-	6,000	43,740	0.65%
Rogers Sugar Income Fund Trust	23,240	124,799	1.49%	23,240	112,249	1.66%
Wajax Income Fund Trust	-	-	-	4,000	92,440	1.37%
Westshore Terminals Income Fund Trust	-	-	-	-	-	-
		453,863	5.43%		889,551	13.18%
Exchange Traded Funds						
Market Vectors Junior Gold Miners	5,500.00	182,699	2.19%			
		182,699	2.19%		-	-
TOTAL INVESTMENTS AT CURRENT VALUE						
(Cost 2011 - \$7,894,438; 2010 - \$7,334,685)		\$ 8,356,473	100.00%		\$ 6,749,536	100.00%

The accompanying notes are an integral part of these financial statements

Butterfield Systematic Equity Fund Limited

STATEMENT OF OPERATIONS For the year ended June 30, 2011 (Expressed in Canadian Dollars)

	2011	2010
INVESTMENT INCOME		
Dividends (net of withholding taxes - 2011 - \$69,628; 2010 - \$51,018)	\$ 213,245	\$ 150,638
Deposit interest	22	17
	213,267	150,655
EXPENSES		
Accounting fee	70,942	72,745
Registrar & transfer agent fee	56,578	52,781
Management fee	41,377	39,665
Exchange fee	13,692	5,214
Audit fee	9,702	11,491
Miscellaneous	7,878	6,969
Secretarial fee	4,970	6,313
Custodian fee	4,938	5,515
BSX fee	-	5,472
Interest expense	82	330
	210,159	206,495
NET INVESTMENT GAIN	3,108	(55,840)
NET REALISED AND UNREALISED GAIN ON INVESTMENTS		
Net realised gain/(loss) on investments	169,112	(673,477)
Net change in unrealised gain on investments	1,047,184	1,074,483
NET GAIN ON INVESTMENTS	1,216,296	401,006
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	\$ 1,219,404	\$ 345,166

The accompanying notes are an integral part of these financial statements

Butterfield Systematic Equity Fund Limited

STATEMENT OF CHANGES IN NET ASSETS

For the year ended June 30, 2011

(Expressed in Canadian Dollars)

	2011	2010
NET INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 1,219,404	\$ 345,166
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CAPITAL STOCK TRANSACTIONS		
Issue of shares	1,081,048	1,011,864
Redemption of shares	(909,320)	(1,462,538)
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Net capital stock transactions	171,728	(450,674)
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NET INCREASE/(DECREASE) IN NET ASSETS FOR THE YEAR	1,391,132	(105,508)
NET ASSETS - BEGINNING OF YEAR	7,103,978	7,209,486
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NET ASSETS - END OF YEAR	\$ 8,495,110	\$ 7,103,978

The accompanying notes are an integral part of these financial statements

Butterfield Systematic Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in Canadian Dollars)

1. ABOUT THE FUND

Butterfield Systematic Equity Fund Limited (the "Fund"), is an open-ended investment company which was incorporated under the laws of Bermuda on December 12, 2006.

The Fund commenced operations on November 28, 2007. Butterfield Trust (Bermuda) Limited, acts as custodian (the "Custodian"). Butterfield Asset Management Limited acts as Investment Advisor. Butterfield Fulcrum Group (Bermuda) Limited acts as registrar and transfer agent (the "Registrar and Transfer Agent") and as accountants (the "Accountants") for the Fund. Butterfield Trust (Bermuda) Limited and Butterfield Asset Management Limited are wholly owned subsidiaries of The Bank of N.T. Butterfield & Son Limited (the "Bank"). The Bank held a significant interest in Butterfield Fulcrum Group (Bermuda) Limited, until it was sold in February 2011

The investment objective of the Fund is to offer a systematic method of investing in companies within specific geographical regions or countries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and Bermuda. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund.

a) Valuation of Investments

The fair value of investments traded in active markets are based on quoted market prices at the close of trading on the period end date. The quoted market price used for investments held by the Fund is the last sales price reported by the principal securities exchange on which the issue is traded, or lacking any sales, at the closing bid price. An investment is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The net change during the year between these amounts and cost is shown as net change in unrealized gain (loss) on investments in the statement of operations.

The requirements of the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement ("CICA 3855") prescribe specific guidance for establishing fair values under GAAP, including the use of bid prices for long position quoted in active markets. Had the Fund used the bid prices for long positions, the current value of investments and the Fund net assets would have decreased by \$25,280 (2010 - \$30,705) and the net asset value per common share would have decreased by \$0.03 (2009 - \$0.03).

Butterfield Systematic Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

b) Investment Transactions and Income Recognition

Investment transactions are accounted for on the trade date. Gains or losses arising from the sale of investments are determined using the average cost basis. Income from investments is recorded on the accruals basis. Interest income is recorded as earned and dividend income is recorded on the ex-dividend date.

c) Cash and Cash Equivalents

Cash equivalents are comprised primarily of shares in the Butterfield Money Market Fund Limited, an affiliated money market fund, denominated in CAD\$ shares. Shares may be redeemed on 24 hours notice.

d) Financial Assets and Liabilities

In addition to the estimated fair values of investments as disclosed in the statements of portfolio investments, the estimated fair value of the Fund's other financial instruments, including cash and cash equivalents, accrued dividends receivable, prepaid expenses and accrued expenses approximate their carrying value.

e) Adoption of New Accounting Standards

In January 2011, the Accounting Standards Board ("AcSB") amended the Introduction to Part I of the CICA Handbook—Accounting to allow investment companies, which include investment funds, to adopt International Financial Reporting Standards ("IFRS") for the first time no later than interim and annual financial statements relating to annual periods beginning on or after January 1, 2013. Investment companies electing to defer the first time adoption may continue to apply existing Canadian GAAP until the changeover to IFRS.

The Fund will defer the first time adoption and adopt IFRS beginning July 1, 2013.

3. FINANCIAL RISK MANAGEMENT

The Funds' overall risk management approach includes formal guidelines to govern the extent of exposure to various types of risk. The Investment Advisor 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 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 and counterparty risk consist primarily of cash and cash equivalents and balances held at brokers.

The value of such balances on the statement of net assets includes consideration of the creditworthiness of the issuer, and, accordingly represents the maximum credit risk exposure of the Fund.

Butterfield Systematic Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in Canadian Dollars)

3. FINANCIAL RISK MANAGEMENT (CONT'D)

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 Advisor attempts to mitigate the associated currency risk in accordance with the above mentioned guidelines which may include the use of forward currency contracts.

As at June 30, 2011 and 2010, the Fund did not have significant exposure to foreign currencies.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows for a financial instrument will fluctuate because of changes in market interest rates. Predominantly all of the Fund's investments are highly liquid securities which are actively 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.

The Fund's exposure to cash flow interest rate risk is limited to its cash at bank which represents 1.77% (2010 – 5.40%) of the Fund's net assets. The Fund does not have any other significant interest-bearing assets or liabilities.

Liquidity Risk

Liquidity risk is the risk that the entity 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 units. However, the Fund retains sufficient cash, cash equivalents and actively traded marketable securities to maintain adequate liquidity to address this risk. As well, the Fund has access to a credit facility to further address this risk.

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 Advisor 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, 2011 and 2010 are listed on stock exchanges.

As at June 30, 2011, all of the Fund's investments were exposed to changes in equity prices. As at June 30, 2011, if Canadian equity prices had been 5% higher or lower, adjusted for the correlation of the actual investment portfolio value held to Canadian equity price movements, with all other variables held constant, the net assets of the Fund would have been \$420,303 (2010 - \$303,758) higher or lower. 5% is the sensitivity rate used when reporting other price/market risk internally to key management personnel and represents management's assessment of reasonably possible change in market prices.

Butterfield Systematic Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in Canadian Dollars)

4. FAIR VALUE OF FINANCIAL ASSETS

The following 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 observable for the asset or liability, either directly or indirectly;
- 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.

All of the Fund's investments are classified within Level 1 of the fair value hierarchy as the value of these investments are based on unadjusted quoted prices in active markets for identical assets as at June 30, 2011 and 2010.

Transfers of assets between level 1 and level 2

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 no transfers of financial assets and liabilities from level 1 to level 2 in the current period. 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 year ended June 30, 2011.

Reconciliation of financial asset and liability movement — level 3

The Fund did not hold any level 3 investments at the beginning, during, or at the end of the year ended June 30, 2011.

Butterfield Systematic Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in Canadian Dollars)

5. SHARES ISSUED AND OUTSTANDING

The authorised capital stock is as follows:

10,000,000,000 common shares of a par value of \$0.000001 each ("Common Shares")

100 organisational shares of a par value of \$1.00 each ("Organisational Shares")

Details of shares issued and outstanding during the year are as follows:

Common Shares	2011	2010
Balance - beginning of year	955,525	1,005,451
Issue of common shares	131,207	133,284
Redemption of common shares	(111,920)	(183,210)
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Balance - end of the year	974,812	955,525

Common Shares are allotted to subscribers at a value determined by reference to the weekly valuation of the net assets of the Fund. Common Shares may be redeemed 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 Organisational Shares are owned by the Investment Advisor.

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.

6. NET REALISED GAIN/(LOSS) ON INVESTMENTS

The net realised gain/(loss) on sale of investments was as follows:

	2011	2010
Proceeds on sale of investments	\$ 5,664,473	\$ 8,567,011
<hr/>		
Less cost of investments sold:		
Investments owned at beginning of year	7,334,685	7,667,592
Investments purchased during year	6,055,114	8,907,586
Investments owned at end of year	(7,894,438)	(7,334,685)
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Investments sold during year	5,489,483	9,240,493
<hr/>		
Net realised gain/(loss) on investments	\$ 169,112	\$ (673,482)

Butterfield Systematic Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

a) Management Fee

The Investment Advisor is related through common directorship.

Under the terms of the Management Agreement, the Investment Advisor 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 0.5% per annum. The management fee for the year was \$41,377 (2010 - \$39,665) with \$4,175 (2010 - \$3,476) being payable at year end. These amounts were measured at the exchange amount, which is the amount agreed between the related parties.

b) Custodian Fee

The Custodian is related through common directorship.

Under the Custodian Agreement, the Custodian is entitled to receive a monthly fee calculated at the rate of 0.05% per annum, up to net assets of US\$50 million and thereafter at 0.003% per annum, such fees to be calculated on each valuation of the gross assets of the Fund carried out on the Valuation Days during each quarter. For purposes of the fee calculation, the valuation excludes accrued income and prepaid expenses. Relevant out-of-pocket expenses may also be charged to the Fund by the Custodian. The custodian fee for the year was \$4,938 (2010 - \$5,515) with \$1,204 (2010 - \$1,311) being payable at year end. These amounts were measured at the exchange amount, which is the amount agreed between the related parties.

c) Accounting Fee and Registrar and Transfer Agent Fee

Accounting fees and Registrar and Transfer Agent fees were charged at a rate of 20 basis points per annum up to \$100 million of the net asset value of the Fund and 2.5 basis points on the excess, and is accrued on a weekly basis. The accounting for fee for the year was \$70,942 (2010 - \$72,745) with \$15,655 (2010 - \$15,425) being payable at year end. These amounts were measured at the exchange amount, which is the amount agreed between the related parties.

d) Corporate Secretarial Fee

The Corporate Secretary is related to the Fund through common directorship.

Corporate secretarial fees are charged on a time spent basis at their normal rates. Secretarial fees for the year were \$4,970 (2010 - \$6,313) with \$771 (2010 - \$823) being payable at year end. These amounts were measured at the exchange amount, which is the amount agreed between the related parties.

e) Investment Transaction

As of June 30, 2011, the Bank held 500,000 shares (2010 - 500,000) of the Fund having a fair value of \$4,355,000 (2010 - \$3,715,000).

Butterfield Systematic Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS (CONT'D)

f) Credit Facility

On June 17, 2009, the Fund entered into a revolving standby credit facility with the Bank of \$1 million to a maximum of 10% of the Fund's net asset value which expired on March 31, 2010. The facility was intended to assist the Fund in meeting short term liquidity. No amounts were drawn on the facility upon expiration.

On October 7, 2010, the Fund renewed the credit facility with the Bank for the same terms and conditions as above, which expired on July 31, 2011. No amounts were drawn upon expiration.

8. TAXATION

Under current Bermuda law, the Fund is not obligated to pay taxes in Bermuda on either income or capital gains. The Fund has received an undertaking from the Minister of Finance in Bermuda, pursuant to the provisions of the exempted undertaking Tax Protection Act, 1966 which exempts the Fund from any such Bermuda taxes until March 28, 2016.

In March 2011, the Bermuda Government enacted the Exempted Undertakings Tax Protection Amendment Act 2011, allowing the Minister of Finance to grant assurance up to March 31, 2035.

Butterfield Systematic Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2011

(Expressed in Canadian Dollars)

9. FINANCIAL HIGHLIGHTS

Per Share Information

		2011		2010
Net asset value - beginning of year	\$	7.43	\$	7.17
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Income from investment operations				
Net investment gain/(loss)		0.01		(0.04)
Net realised and unrealised gain/(loss) on investments		1.27		0.30
<hr/>				
Total from investment operations		1.28		0.26
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Net asset value – end of year	\$	8.71	\$	7.43

Ratios / Supplemental Data

Total net assets - end of year	\$	8,495,110	\$	7,103,978
Weighted average net assets*	\$	8,538,544	\$	7,867,820
Ratio of expenses to weighted average net assets		2.46%		2.62%
Portfolio turnover rate**		68.12%		124.53%
Annual rate of return***		17.22%		(3.63%)

* Weighted 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 is calculated by comparing the end of year net asset value multiplied by the beginning of the year number of shares to the beginning of year net asset value multiplied by the beginning of the year number of shares.