

**Butterfield Bermuda Fund
Limited**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2018

Butterfield Bermuda Fund Limited

To the Shareholders:

During the fiscal year ending June 30 2018, the net asset value per share increased 8.21% net of all fees and expenses. The Fund paid total dividends of \$0.60 per share throughout the year, bringing the total return of the fund to 10.34%. The Fund's blended benchmark returned 13.7% for the same period. The Fund continues to maintain a dividend policy whereby the dividend yield of the Fund is representative of the dividend yield for the Fund's constituent companies.

Market Review

The domestic market, as represented by the BSX, returned 44.26% for the year, driven by the continued strong performance of Butterfield Bank (up 38%) and the rise of Ascendant Group (up 123%). Ascendant Group shares benefitted from an unsolicited bid for the company in the spring that catapulted the prices to fresh highs. Butterfield's attractive dividend yield and increasing profit margins have resulted in continued strong performance since the 2016 IPO.

Elsewhere in the domestic market, ONE Communications and Ascendant Group continued with share buyback programmes. ONE's share price has stabilised a bit after a bumpy few years that saw significant M&A and restructuring at the company. Bermuda Press and BFM were the slightly down for the year as continued restructuring and the ending of a share repurchase programme at the respective companies affected performance. Economic activity continued to gradually improve in Bermuda with retail sales, consumption and GDP data all showing improvements over the year.

On the political front, the new Progressive Labour Party Government completed its first year in office and has been busy implementing their agenda. The swift passage of new legislation for Digital Currencies in Bermuda shows how much this government is focused on economic development through the Fintech industry. At the end of July the Ministry of Finance reported that 21 Fintech companies had incorporated on the island. Bermuda continues to champion the arrival of digital currency firms to the island, but their impact on the local economy remains to be seen.

The foreign reinsurance market, as represented by the BSX Insurance Index, returned -6.67% for the year. P&C Reinsurance stocks continue to face significant headwinds with US tax reform, global catastrophes and soft pricing all sending stocks lower over the year. Global catastrophe losses this year were significantly higher than recent annual averages with numerous natural disasters. The Atlantic Hurricane season was extremely busy, bringing three of the costliest storms in recent history.

Additionally, M&A activity continued with AIG Group agreeing to buy Validus Group for \$5.6B, whilst AXA acquired XL Group for \$15.3B, and Private Equity Firm Apollo agreed to buy Aspen Insurance Holdings for \$2.6B. The theme with recent M&A seems to be "bigger is better" as the changing landscape of the Bermuda reinsurance market continues to unfold. The rise in ILS funds being created is a strong theme with the shift toward alternative capital funding in the industry.

Outlook

It is encouraging to see the Bermuda Government has taken tangible steps to spur economic activity through the establishment of a new and growing global Fintech industry. Local companies continue to add value through share repurchase programmes and the intelligent deployment of increased capital. P&C insurance firms are poised to continually adjust to market conditions as the landscape is dynamic. Alternative capital and ILS funds continue to push the envelope as industry participants find creative ways to add value. We will monitor industry trends both globally domestically as the fund remains steadfast in our disciplined approach of holding companies high quality names that can deliver the best value for shareholders.

Dwayne Outerbridge
President
Butterfield Bermuda Fund Limited
October 19, 2018



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Report of Independent Auditors

The Board of Directors
Butterfield Bermuda Fund Limited

We have audited the accompanying financial statements of Butterfield Bermuda Fund Limited (the Fund), which comprise the statements of financial position as at June 30, 2018 and 2017, and the statements of comprehensive income, changes in net assets attributable to holders of common shares and cash flows for the years 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of 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 Canadian generally accepted auditing standards. 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 of 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 auditors' 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 auditors consider 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 in our audit 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 Butterfield Bermuda Fund Limited as at June 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Ernst & Young Ltd.

October 19, 2018

Butterfield Bermuda Fund Limited

DIRECTORS

Shane English
Sean Lee
Dwayne Outerbridge (alternative: Michael Neff)

INVESTMENT ADVISER

Butterfield Asset Management Limited
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Hamilton HM 12
Bermuda

CUSTODIAN

Butterfield Trust (Bermuda) Limited
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REGISTRAR, TRANSFER AGENT AND ADMINISTRATOR

MUFG Fund Services (Bermuda) Limited
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AUDITORS

Ernst & Young Ltd.
3 Bermudiana Road
Hamilton HM 11
Bermuda

Butterfield Bermuda Fund Limited

STATEMENT OF FINANCIAL POSITION As at June 30, 2018 (Expressed in Bermuda Dollars)

	Notes	June 30, 2018 \$	June 30, 2017 \$
ASSETS			
Cash and cash equivalents	2 h)	110,329	39,871
Financial assets at fair value through profit or loss	3, 4	13,998,920	16,716,854
Dividends receivable		26,121	37,377
Prepaid expenses		8,978	1,652
Total assets		14,144,348	16,795,754
LIABILITIES			
Dividends payable	6	68,819	88,379
Accrued expenses	7, 8	35,410	51,064
Subscriptions received in advance		1,789	1,500
Total liabilities		106,018	140,943
Organisational shares	5	12,000	12,000
Total liabilities and equity (including net assets attributable to holders of common shares)		14,144,348	16,795,754
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		14,026,330	16,642,811
Number of shares in issue - Class A	5	458,833	589,192
NET ASSET VALUE PER SHARE - CLASS A		30.57	28.25

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

SCHEDULE OF PORTFOLIO INVESTMENTS

As at June 30, 2018

(Expressed in Bermuda Dollars)

	Number of Shares	2018 Fair Value	% of Portfolio
INVESTMENTS			
Common Stock			
Aon Plc	1,850	\$ 253,765	1.81%
Arch Capital Group Ltd.	24,000	635,040	4.55%
Argo Group International	5,820	338,433	2.42%
Argus Group Holdings Ltd.	315,493	1,261,972	9.01%
Ascendant Group Ltd	105,124	1,713,520	12.24%
Aspen Insurance Holdings Ltd	11,350	461,944	3.30%
Assured Guaranty Ltd.	12,000	428,760	3.06%
Axis Capital Holdings Ltd.	10,000	556,200	3.97%
Bank of N.T. Butterfield & Son	60,443	2,763,578	19.74%
Bermuda Aviation Services	110,556	176,890	1.26%
Bermuda Press (Holdings) Ltd.	5,431	43,448	0.31%
BF&M Limited	56,150	1,005,085	7.18%
Chubb Ltd.	11,600	1,473,432	10.53%
Everest Re Group Ltd.	2,260	520,885	3.72%
Markel Corp.	535	580,127	4.14%
One Communications Ltd.	269,166	794,040	5.67%
RenaissanceRe Holdings Ltd.	6,000	721,920	5.16%
West Hamilton Holdings Ltd.	1,900	12,160	0.09%
Willis Towers Watson Plc	1,700	257,721	1.84%
TOTAL INVESTMENTS, AT FAIR VALUE		\$ 13,998,920	100.00%

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

STATEMENT OF COMPREHENSIVE INCOME For the year ended June 30, 2018 (Expressed in Bermuda Dollars)

	Notes	2018 \$	2017 \$
INCOME			
Net realised and change in unrealised gain on financial assets at fair value through profit or loss		1,170,996	4,603,606
Dividends and interest		410,264	444,855
Total income		1,581,260	5,048,461
EXPENSES			
Management fee	7 a)	110,531	116,929
Administration fee	8	25,706	42,063
Audit fee		19,045	18,153
Custodian fee	7 b)	12,460	15,774
Investment service fee	7 d)	3,083	4,917
Government fee		6,491	6,473
Miscellaneous		27,406	43,710
Total expenses		204,722	248,019
NET INCOME		1,376,538	4,800,442
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES			
		1,376,538	4,800,442

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES For the year ended June 30, 2018 (Expressed in Bermuda Dollars)

	Note	2018 \$	2017 \$
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		1,376,538	4,800,442
DISTRIBUTIONS TO INVESTORS			
Dividends paid and payable	6	(307,168)	(328,697)
CAPITAL STOCK TRANSACTIONS			
Issue of redeemable shares		1,079,932	3,521,621
Redemption of redeemable shares		(4,765,783)	(4,439,338)
Net capital stock transactions		(3,685,851)	(917,717)
NET (DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		(2,616,481)	3,554,028
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES - BEGINNING OF THE YEAR		16,642,811	13,088,783
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES - END OF THE YEAR		14,026,330	16,642,811

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

STATEMENT OF CASH FLOWS For the year ended June 30, 2018 (Expressed in Bermuda Dollars)

	2018	2017
	\$	\$
Cash flows from operating activities		
Net increase in net assets resulting from operations attributable to holders of common shares	1,376,538	4,800,442
<i>Adjustments for:</i>		
Purchase of financial assets	(5,624,755)	(11,529,782)
Net proceeds from sale of financial assets	9,513,685	13,074,651
Net realised and change in unrealised gain on financial assets	(1,170,996)	(4,603,153)
Changes in:		
Dividends receivable	11,256	(9,692)
Prepaid expenses	(7,326)	3,834
Due from broker	-	126,972
Accrued expenses	(15,654)	10,997
Net cash provided by operating activities	4,082,748	1,874,269
Cash flows from financing activities		
Subscriptions received in advance	289	1,200
Proceeds from issuance of shares	853,401	2,282,759
Payments from redemption of shares	(4,765,783)	(4,439,338)
Dividends paid	(100,197)	(117,095)
Net cash used in financing activities	(4,012,290)	(2,272,474)
Net increase/(decrease) in cash and cash equivalents	70,458	(398,205)
Cash and cash equivalents – beginning of year	39,871	438,076
Cash and cash equivalents – end of year	110,329	39,871
Supplemental cash flow information:		
Interest received	9	2,184
Dividends received, net of withholding taxes	421,511	432,599
Supplemental non-cash information:		
Shares – Class A issued through dividend reinvestment	226,531	204,576
Subscription in-kind – receipt of securities from an investor in exchange for Class A common shares in the Fund (Note 5)	-	1,034,286

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2018

(Expressed in Bermuda Dollars)

1. CORPORATE INFORMATION

Butterfield Bermuda Fund Limited (the "Fund") is an open-ended investment company which was incorporated under the laws of Bermuda on February 22, 1994.

The Fund commenced operations on March 31, 1994. Butterfield Trust (Bermuda) Limited acts as custodian (the "Custodian"). Butterfield Asset Management Limited acts as investment adviser (the "Investment Adviser"). MUFG Fund Services (Bermuda) Limited acts as registrar and transfer agent and as accountants/administrator (the "Registrar and Transfer Agent" or "Administrator") for the Fund. The Custodian and Investment Adviser are wholly owned subsidiaries of The Bank of N.T. Butterfield & Son Limited (the "Bank").

The registered address of the Fund is c/o MUFG Fund Services (Bermuda) Limited, The Belvedere Building 69 Pitts Bay Road, Pembroke HM 08, Bermuda.

The Investment Adviser, Custodian and Bank each maintains separate business units, roles and responsibilities to ensure segregation between different functions.

The investment objective of the Fund is to provide long term capital growth and current income by investing in a diversified portfolio of Bermuda assets.

2. BASIS OF PREPARATION

Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Statements Board ("IASB"). The financial statements have been prepared on a historical-cost basis, except for financial assets held at fair value through profit or loss.

The financial statements are presented in Bermuda dollars, which is the functional currency of the Fund, and all values are rounded to the nearest dollar, except when otherwise stated.

The Fund presents its statement of financial position in order of liquidity.

Summary of significant accounting policies

a) Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the Fund's management to make judgements, estimates and assumptions that affect the amounts reported and disclosures made in the financial statements, and accompanying notes. Management believes that the estimates and assumptions utilised in preparing the Fund's financial statements are reasonable and prudent. Actual results could differ from these estimates.

b) Financial instruments

i. Classification

The Fund classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2018 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

Financial assets and liabilities at fair value through profit or loss

The category of financial assets and liabilities at fair value through profit or loss is sub-divided into:

Financial assets and liabilities held for trading: financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category includes equities. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price.

Financial instruments designated at fair value through profit or loss upon initial recognition: these include equity securities not held for trading. The Fund did not hold any financial instruments designated at fair value through profit or loss upon initial recognition as at June 30, 2018 and 2017.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market.

Other financial liabilities

This category includes all financial liabilities, other than those classified as held for trading. The Fund includes in this category amounts for other short-term payables.

ii. **Recognition**

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

iii. **Initial measurement**

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Receivables and other financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the statement of comprehensive income, unless specified otherwise.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2018 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

iv. Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net change in unrealised gain/(loss) on financial assets at fair value through profit or loss in the statement of comprehensive income. Interest and dividend earned or paid on these instruments are recorded separately in interest income or expense and dividend income or expense in the statement of comprehensive income.

Receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

v. Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired or the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either: the Fund has transferred substantially all the risks and rewards of the asset, or the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2018 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

c) Fair value measurement

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs.

It is the policy of the Fund to value any asset quoted, listed, traded or dealt with on an exchange or market by reference to the last traded price on or prior to the relevant Valuation Day on the major exchange or market in which the assets are dealt, to the extent that such valuation is based on a price within the bid-ask spread that is most representative of fair value on valuation date. In circumstances where the last traded price is not within the bid-ask spread, the Directors will determine the point within the bid-ask spread that is most representative of fair value.

The Directors at their absolute discretion may permit some other method of valuation to that described above if they consider such valuation better reflects the fair value of any investment.

d) Impairment of financial assets

The Fund assesses at each reporting date whether a financial asset or group of financial assets is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor/counterparty or a group of debtors/counterparties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate.

e) Functional and presentation currency

The Fund's functional currency is the Bermuda Dollar, which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in Bermuda Dollars. Therefore, the Bermuda Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the Bermuda Dollar.

f) Offsetting and financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Management has determined that, as at June 30, 2018 and 2017, there were no assets and liabilities offset in the statement of financial position, nor were there any assets or liabilities available for offset. The Fund does not have a legally enforceable right to offset, nor does it have master netting agreements or similar arrangements that would allow for related amounts to be set off.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2018 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

g) Foreign currency translations

Assets and liabilities that are denominated in foreign currencies are translated into Bermuda dollars at rates of exchange on the period end date. Transactions during the period are translated at the rate in effect at the date of the transaction. Foreign currency translation gains and losses are included in the statement of comprehensive income.

The Fund does not isolate that portion of gains and losses on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included in the net realised and change in unrealised gain/(loss) on investments in the statement of comprehensive income.

h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, money market funds with daily liquidity and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

i) Due from and due to broker

Amounts due from and to brokers represents cash held with brokers and receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date, respectively. These amounts are recognised at fair value.

j) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

k) Dividend income and expense

Dividend income is recognised on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

l) Realised and change in unrealised gains and losses

Realised and change in unrealised gains/(losses) on financial assets at fair value through profit or loss are recognised in the statement of comprehensive income. The cost of investments sold is accounted for using the average cost basis.

m) Expenses

All expenses (including management fees) are recognised in the statement of comprehensive income on an accrual basis.

n) Going concern

The Fund's management has assessed the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2018 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

o) Share capital

The Fund's Organisational Shares are classified as equity in accordance with the Fund's articles of association. These shares do not participate in the profits of the Fund.

p) Redeemable participating shares

Redeemable participating shares (i.e., Class A shares) are redeemable at the shareholder's option and are classified as financial liabilities. The redeemable participating shares can be put back to the Fund on any dealing day (normally the next business day following the Valuation Day, which is on Wednesday in each week) at a value equal to a proportionate share of the Fund's net asset value ("NAV"). The Fund's net asset value per share is calculated by dividing the net assets attributable to holders of common shares with the total number of outstanding common shares.

q) Investment entity

IFRS 10 defines an investment entity and requires a reporting entity that meets the definition of an investment entity not to consolidate but instead to measure its investments at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments

Management has determined that the Fund meets the definition of an investment entity and recognizes all investments at fair value through profit and loss.

r) Impact of new accounting pronouncements

IAS 7 Disclosure Initiative – Amendments to IAS 7

In January 2016, the IASB issued amendments to IAS 7 *Statement of Cash Flows* to aid users of financial statements to better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from cash flows and non-cash changes. IAS 7 Disclosure Initiative is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. As the Fund already provided disclosures about changes in liabilities arising from cash flows and non-cash changes, the adoption of IAS 7 Disclosure Initiative has not had an impact on the Fund.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2018 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

s) Impact of accounting pronouncements issued but not yet effective

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Fund is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Fund is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

3. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management approach includes formal guidelines to govern the extent of exposure to various types of risk. The Investment Adviser 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 a 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 risk consist primarily of cash and cash equivalents and balances held at brokers. The value of such balances on the statement of financial position includes consideration of the creditworthiness of the issuer, and, accordingly represents the maximum credit risk exposure of the Fund.

Substantially all of the assets of the Fund are held by the Fund's Custodian and the Bank. The Fund monitors its risk by monitoring the credit quality of the Custodian and the Bank. As at June 30, 2018, the credit rating of the Custodian and the Bank, as provided by Standard and Poor's, were both BBB+ (2017 – BBB).

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 Adviser attempts to mitigate the associated currency risk, which may include the use of forward currency contracts. As at June 30, 2018 and 2017, the Fund's exposure to currencies other than the Fund's reporting currency was limited to small balances of cash and cash equivalents denominated in foreign currencies which are not significant to the Fund as a whole.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2018 (Expressed in Bermuda Dollars)

3. FINANCIAL RISK MANAGEMENT (Continued)

Currency Risk (continued)

The Bermuda Dollar is pegged to the US dollar. The Fund invests in both US Dollar and Bermuda Dollar instruments. There is no guarantee that the Bermuda Dollar will always be pegged to the US dollar or that the ratio will remain at 1:1.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Predominantly all of the Fund's investments are 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 interest rate risk is limited to its cash at the bank which represents 0.79% (2017 – 0.24%) of the Fund's net assets. The Fund also holds an interest bearing unsecured credit facility agreement with the Bank (as disclosed in Note 7 c)). As at June 30, 2018 and 2017, the credit facility remained unused.

Liquidity Risk

Liquidity risk is the risk that the Fund 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. The Fund also has a credit facility in place to assist the Fund in meeting short term liquidity obligations.

As at June 30, 2018, the Fund did not hold preferred stocks. As at June 30, 2017, the Fund held \$249,100 in preferred stocks with a maturity of greater than five years from year-end.

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 Adviser 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, 2018 and 2017 were listed on stock exchanges.

All of the Fund's investments were exposed to changes in equity prices. As at June 30, 2018, if equity prices had been 5% higher or lower, adjusted for the correlation of the actual investment portfolio value held to equity price movements with all other variables held constant, the net assets of the Fund would have been \$699,946 (2017 - \$835,843) higher or lower. A sensitivity rate of 5% is used when reporting price/market risk internally to key management personnel and represents management's assessment of possible change in market prices.

4. FAIR VALUE OF FINANCIAL ASSETS

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

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2018 (Expressed in Bermuda Dollars)

4. FAIR VALUE OF FINANCIAL ASSETS (Continued)

June 30, 2018 Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common Stock	\$ 13,998,920	\$ -	\$ -	\$ 13,998,920
Total Financial Assets	\$ 13,998,920	\$ -	\$ -	\$ 13,998,920
June 30, 2017				
Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common Stock	\$ 16,467,754	\$ -	\$ -	\$ 16,467,754
Preferred Stock	-	249,100	-	249,100
Total Financial Assets	\$ 16,467,754	\$ 249,100	\$ -	\$ 16,716,854

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 during the years ended June 30, 2018 and 2017. 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 years ended June 30, 2018 and 2017. The Fund did not hold any Level 3 investments at the beginning, during, or at the end of the years ended June 30, 2018 and 2017.

5. SHARES ISSUED AND OUTSTANDING

The authorised capital stock of the Fund is \$25,012,000 (2017: \$25,012,000) divided into:

25,000,000 (2017: 25,000,000) Class A participating, non-voting common shares of a par value of \$1.00 each share

12,000 (2017: 12,000) organisational non-participating, voting shares of a par value of \$1.00 each share

Details of number of shares issued and outstanding as of June 30, 2018 and 2017 are as follows:

Participating Shares	2018	2017
	Class A	Class A
Balance - beginning of year	589,192	625,790
Issue of common shares	37,787	136,208
Redemption of common shares	(168,146)	(172,806)
Balance - end of year	458,833	589,192
Organisational Shares	12,000	12,000

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2018 (Expressed in Bermuda Dollars)

5. SHARES ISSUED AND OUTSTANDING (Continued)

Class A shares are allotted to subscribers at a value determined by reference to the weekly valuation of the net assets of the Fund. Class A shares may be redeemed weekly 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 initial minimum subscription is \$1,000.00 for Class A Shares. Additional subscriptions will be accepted in any amount. The management fees payable to the Investment Adviser in respect of Class A shares are described in Note 7 a.

The organisational shares are owned by the Investment Adviser and its nominees. 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.

During the year, the Fund received securities having a fair value of \$0 (2017: \$1,034,286) in exchange for Class A common shares in the Fund.

Capital Management

As a result of the ability to issue, repurchase and resell shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable shares beyond those included in the Fund's Prospectus.

6. DIVIDENDS

Dividends declared by the Fund on Class A shares were as follows:

	Declaration Date	2018	Declaration Date	2017
\$0.15 per share (2017 - \$0.13 per share)	Sept 29, 2017	\$ 82,822	Sept 30, 2016	\$ 81,189
\$0.15 per share (2017 - \$0.13 per share)	Dec 29, 2017	80,464	Dec 30, 2016	78,860
\$0.15 per share (2017 - \$0.13 per share)	March 29, 2018	75,057	March 31, 2017	80,270
\$0.15 per share (2017 - \$0.15 per share)	June 29, 2018	68,825	June 30, 2017	88,378
		\$ 307,168		\$ 328,697

7. RELATED PARTY TRANSACTIONS

a) Management Fee

The Investment Adviser is related to the Fund through common directorship.

Under the terms of the management agreement, the Investment Adviser 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 0.75% per annum. The fee of the Investment Adviser is reduced to take account of the management fee already levied on assets held in shares of other funds managed by the Investment Adviser. Management fee for the year was \$110,531 (2017 - \$116,929) with \$9,014 (2017 - \$10,270) being payable and included in accrued expenses at year end.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2018 (Expressed in Bermuda Dollars)

7. RELATED PARTY TRANSACTIONS (Continued)

b) Custodian Fee

In accordance with the custodian agreement, the Custodian receives a fee based upon the nature and extent of the services provided. Relevant out-of-pocket expenses may also be charged to the Fund by the Custodian. The custodian fee for the year was \$12,460 (2017 - \$15,774) with \$1,303 (2017 - \$8,536) being payable and included in accrued expenses at year end.

c) Credit Facility

On August 14, 2017, the Fund renewed the unsecured credit facility agreement with the Bank in the amount of \$1,400,000. The agreement bears an interest rate of 1% per annum above the higher of the LIBOR or the funding costs incurred by the Bank in making the revolving credit facility available on any date of drawdown. The full amount of any amount advanced under the revolving facility, together with the accrued interest and other amounts payable by the Fund to the Bank, is payable on the earlier of seven days following the utilization date or the expiry date, unless extended at the Bank's sole discretion and the advances will be limited to 10% of the Fund's net asset value. If any payment falls due and payable on a day which is not a business day the payment shall be made on the next following business day. The renewed unsecured facility expired on June 30, 2018.

On September 6, 2018, the Fund renewed the unsecured credit facility agreement with the Bank. The terms remain unchanged from the previous agreement, as outlined above. The renewed unsecured facility expires on June 30, 2019.

d) Investment Service Fee

The investment services fee is paid to the Bank for additional registrar and transfer agent services provided to the Fund which had been previously provided by the administrator. The investment services fee is a set fee for the Butterfield group of funds, allocated to the individual funds based on their proportion of net asset value. The fee for 2018 was \$3,083 (2017 - \$4,917), none of which remained payable at year end. Effective March 1, 2018, the investment services fee paid to the Bank was discontinued.

8. ADMINISTRATION FEE

In accordance with the administration agreement, the Administrator receives a fee based upon the nature and extent of the services provided. Administration fee for the year was \$25,706 (2017 - \$42,063) with \$4,871 (2017 - \$12,066) being payable and included in accrued expenses at year end.

9. TAXATION

The Fund is a local Bermuda Company and under current Bermuda law, the Fund is not obligated to pay taxes in Bermuda on either income or capital gains.

10. COMMITMENTS AND CONTINGENCIES

Management has determined that the Fund had no commitments or contingencies as at June 30, 2018 (2017: none).

11. SUBSEQUENT EVENTS

The Fund has evaluated all the events or transactions that occurred after June 30, 2018 through October 19, 2018, the date the financial statements were available to be issued. The Fund did not have any other material subsequent events.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended June 30, 2018
(Expressed in Bermuda Dollars)

12. FINANCIAL HIGHLIGHTS

	2018 CLASS A	2017 CLASS A
Per Share Information		
Net asset value - beginning of year	\$ 28.25	\$ 20.92
Income from investment operations		
Net investment income****	0.40	0.32
Net realised and change in unrealised gain on investments	2.52	7.55
Total from investment operations	2.92	7.87
Distributions to investors	(0.60)	(0.54)
Net asset value – end of year	\$ 30.57	\$ 28.25
	2018 CLASS A	2017 CLASS A
Ratios / Supplemental data		
Total net assets - end of year	\$ 14,026,330	\$ 16,642,811
Weighted average net assets*	14,671,787	15,810,264
Ratio of expenses to weighted average net assets annualised	1.40%	1.57%
Portfolio turnover rate**	38.34%	75.15%
Annual rate of return***	10.34%	37.62%

* 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 for shareholders who reinvested dividends is calculated by comparing the end of year net asset value per share plus any dividend per share amounts to the beginning of year net asset value per share.

****Net investment income represents dividends, deposit interest and other income net of expenses.

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on October 19, 2018.

