

# Butterfield Systematic Equity Fund Limited

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FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009  
AND FOR THE PERIOD  
FROM NOVEMBER 28, 2007 (COMMENCEMENT OF OPERATIONS) TO JUNE 30, 2008

# Butterfield Systematic Equity Fund Limited

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## Systematic Equity Fund Limited - Annual Report 2009

For the past year, the global economic crisis has had an adverse affect on all global stock markets, including Canada. The Fund returned -32.6% compared to the S&P/TSX Composite Index return of -28.3%. There has been some light at the end of the proverbial tunnel, as year-to-date 2009 the Fund has regained some of the losses; producing a +13.6% return.

At June 30, 2009 the Fund's strategy continues to focus on the commodity driven theme. Whereas our 2008 outlook focussed on the secular bull market for commodities, and how the Fund would be positioned to benefit, today we remain bullish on those sectors while also adopting a negative view on the Canadian banking sector. This is reflected in our barbell strategy of overweighting the commodity sensitive sectors, and underweighting the financial sector. At June 30, 2009 the Fund had an allocation of 61% to the Energy and Materials sectors, and 14% to the Financial sector.

## Market Review & Outlook

During the last 12 months, the Canadian stock market performed in-line with other markets. By now, everyone is aware that all risky assets (i.e. everything except for US Treasuries and gold bullion) declined significantly during the global economic crisis – there were very few places to hide. Stock markets around the world produced declines ranging between -20% to -50%.

Within individual markets however, different industries produced vastly different results. In general, growth and commodity sensitive industries (oil & gas, mining, engineering & construction) produced returns worse than the defensive sectors including healthcare, and consumer staples. The Canadian experience was no different, with the growth industries declining -35% to -40%, while the defensive sectors enjoyed single digit losses.

When investing in Canada it is important to understand that the Canadian market is heavily tilted towards just 3 sectors (Energy 28%, Mining 18%, and Financials 31%), with the combined weighting equalling 77% of the market cap weighted index. As the winds blow in these sectors, so will your overall return. As a result, the global market place views Canada as a great way to play the commodity driven theme. If you believe in the China, emerging markets, and commodity story, then Canada is a great place to gain exposure while assuming little political or systemic market risk.

Turning to the domestic economy, adjectives to describe the experience to date would range from “pretty good” to “horrible.” If you live on either coast, the economic downturn hasn't been that bad. In fact, people there often ask “what crisis?” The economies on both coasts are mostly aligned with oil/gas, and trade with Asia (west coast of Canada). However, if you are in southern Ontario and Quebec, you are likely very well aware of the bankruptcies in the American auto sector, as well as substantially reduced demand from export markets south of the border. In fact, the manufacturing sector has contracted 27% since the start of the US recession in December 2007, with Ontario and Quebec experiencing the majority of the pain.

The Canadian housing market is another story of extremes. While the condo market in Toronto and Vancouver has softened, single family homes elsewhere have largely held up during the crisis. Yes, home price declines have occurred, but again we are talking about single digits – nothing remotely close to the -50% declines experienced in California, Nevada, and Florida. Canadian homeowners remain very comfortable with their lot in life. Naturally, a lot of this is due to the job market. Job losses have been extreme compared to other recessions. The manufacturing sector has definitely done their share of cuts, while the boom bust moniker for the oil/gas industry is certainly holding true in Alberta. However, there is a distinct difference between these two regions in Canada. To understand the difference, one really must be on the ground. If you work in the auto or manufacturing sector, there is little to be optimistic about (and justifiably so). Yet, head out to the oil patches and the mood is considerably different. The slowdown is just that - a slowdown. People there firmly believe good times will return again soon.

# Butterfield Systematic Equity Fund Limited

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## Market Review & Outlook (cont'd)

Our long-term view and strategy certainly reflects the optimism brewing in Alberta. We continue to believe we are in the middle of a secular bull market for commodities. Commodity sensitive industries and currencies will benefit from this trend over time. However, in the short-term we are cautious. Global macro issues remain the most significant factors driving all asset class returns during this cycle. Starting from the market lows of March 2009, US bank stress tests were successfully engineered for a favourable outcome, while the US Federal Reserve also managed to orchestrate a "green shoots" perspective of the economy. While it is true that economic data is no longer falling off a cliff, it is now merely quickly rolling down a hill. In fact, once you exclude government spending (Canada will run a \$50 billion plus deficit in 2009, the US will run a \$2 trillion plus deficit), private sector data remains grim. Naturally, the global economy will have to learn how to walk again before it can run; a slower rate of decline is a part of this process. However, during this transition we expect to see many mini-cycles along the way.

The Fund is currently positioned with an overweight allocation to the Energy and Mining sectors. Within these markets we are starting to see some opportunities specifically within the natural gas markets. We will remain patient for entry points. Meanwhile, we do remain underweight Financials. This sector did lead the market during the recent rally, yet fundamentals, especially within loan portfolios, does not provide us with confidence to increase the allocation at this time.

Thank you for your interest in the Fund.



Curtis Dickinson  
President  
Butterfield Systematic Equity Fund Limited

October 7, 2009

# Butterfield Systematic Equity Fund Limited

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## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying statements of net assets of Butterfield Systematic Equity Fund Limited ("the Fund"), including the statements of portfolio investments, as at June 30, 2009 and 2008, and the statements of operations and changes in net assets for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Canada and Bermuda. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2009 and 2008, and the results of its operations and the changes in its net assets for the years then ended, in accordance with accounting principles generally accepted in Canada and Bermuda.

**Deloitte + Touche**

**DELOITTE & TOUCHE**  
Chartered Accountants  
Hamilton, Bermuda

October 7, 2009

# Butterfield Systematic Equity Fund Limited

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## **DIRECTORS**

Robert Lotmore  
Curtis Dickinson  
Ian Coulman (Resigned on July 20, 2009)

## **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  
P.O. Box HM 1556  
Hamilton HM FX  
Bermuda

# Butterfield Systematic Equity Fund Limited

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**STATEMENTS OF NET ASSETS**  
**As at June 30, 2009 and 2008**  
**(Expressed in Canadian Dollars)**

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
Investments, at current value (Cost 2009 - \$7,667,592; 2008 - \$7,890,601)	\$ 6,007,960	\$ 8,579,222
Cash and cash equivalents	1,256,537	1,329,307
Accrued dividends receivable	14,485	21,873
Prepaid expenses	1,079	-
	<b>7,280,061</b>	<b>9,930,402</b>
<b>LIABILITIES</b>		
Accrued expenses	70,575	51,936
<b>FUND NET ASSETS</b>	<b>\$ 7,209,486</b>	<b>\$ 9,878,466</b>
Number of common shares in issue	1,005,451	927,673
<b>NET ASSET VALUE PER COMMON SHARE CLASS A</b>	<b>\$ 7.17</b>	<b>\$ 10.65</b>

Signed on Behalf of the Board



DIRECTOR



DIRECTOR

The accompanying notes are an integral part of these financial statements

# Butterfield Systematic Equity Fund Limited

## STATEMENTS OF PORTFOLIO INVESTMENTS

As at June 30, 2009 and 2008

(Expressed in Canadian Dollars)

Investment	Shares	2009		2008		
		Current Value	% of Portfolio	Shares	Current Value	% of Portfolio
<b>Common Shares</b>						
Addax Petroleum Corp.	2,300	\$ 113,459	1.89%	1,925	\$ 94,787	1.10%
Agnico Eagle Mines Limited	340	20,832	0.35%	-	-	-
Agrium Inc.	1,930	89,649	1.49%	1,375	151,181	1.76%
Altagas Income Trust	1,190	19,100	0.32%	710	18,183	0.21%
Atco Limited	855	33,644	0.56%	855	44,520	0.52%
Bank of Montreal	3,565	174,756	2.91%	4,030	171,275	2.00%
Bank of Nova Scotia	4,295	186,489	3.10%	6,140	286,554	3.34%
Barrick Gold Corp.	10	392	0.01%	5,120	238,643	2.78%
Biovail Corp.	3,195	49,906	0.83%	3,195	31,726	0.37%
Bombardier Inc.	495	1,708	0.03%	-	-	-
Bonavista Energy Trust	200	3,608	0.06%	-	-	-
Boardwalk Real Estate Investment Trust	-	-	-	435	16,595	0.19%
Canadian Imperial Bank of Commerce	-	-	-	2,835	159,043	1.85%
Canadian National Railway Company	270	13,492	0.22%	-	-	-
Canadian National Resources Limited	6,370	389,780	6.49%	3,465	349,410	4.07%
Canadian Oil Sands Trust	4,005	111,299	1.85%	3,005	165,275	1.93%
Canadian Pacific Railway Limited	220	10,204	0.17%	-	-	-
Canadian Utilities Limited	465	17,647	0.29%	465	20,469	0.24%
Canadian Western Bank	785	13,298	0.22%	785	19,429	0.23%
Centerra Gold Inc.	10,425	55,253	0.92%	4,725	22,538	0.26%
Crescent Point Energy Trust	695	23,852	0.40%	695	28,064	0.33%
Denison Mines Corp.	32,430	62,590	1.04%	7,740	68,963	0.80%
Eastern Platinum Limited	13,570	7,056	0.12%	-	-	-
Eldorado Gold Corp.	3,620	37,938	0.63%	2,805	24,375	0.28%
Emera Inc.	1,125	24,446	0.41%	1,125	25,954	0.30%
Enbridge Inc.	2,780	112,201	1.87%	2,780	122,487	1.43%
Encana Corp.	5,130	295,847	4.92%	4,310	402,381	4.69%
Enerplus Resources Fund Trust	2,280	57,296	0.95%	1,805	85,160	0.99%
Ensign Energy Services Inc.	1,380	23,460	0.39%	-	-	-
Fairfax Financial Holdings Limited	265	77,380	1.29%	265	69,165	0.81%
First Quantum Minerals Limited	410	23,063	0.38%	310	21,809	0.25%
Flint Energy Services Limited	500	5,775	0.10%	-	-	-
Fording Canadian Coal Trust	-	-	-	210	215,475	2.51%
Fort Chicago Energy Partners L.P.	10,420	89,091	1.48%	10,420	113,578	1.32%
GMP Capital Trust	-	-	-	1,155	18,365	0.21%
Goldcorp Inc.	4,870	196,894	3.28%	4,290	201,673	2.35%
Home Capital Group Inc.	345	10,422	0.17%	345	13,628	0.16%
Horizons BetaPro NYMEX Natural Gas Bull Plus ETF	9,000	50,580	0.84%	-	-	-
Husky Energy Inc.	1,900	61,807	1.03%	1,385	67,616	0.79%
IAMGOLD Corp.	3,640	42,879	0.71%	1,980	12,078	0.14%
IGM Financial Inc.	530	21,810	0.36%	530	22,398	0.26%

The accompanying notes are an integral part of these financial statements

# Butterfield Systematic Equity Fund Limited

## STATEMENTS OF PORTFOLIO INVESTMENTS

As at June 30, 2009 and 2008

(Expressed in Canadian Dollars)

Investment	2009			2008		
	Shares	Current Value	% of Portfolio	Shares	Current Value	% of Portfolio
<b>Common Shares (cont'd)</b>						
Imperial Oil Limited	1,890	\$ 85,277	1.42%	1,445	\$ 81,151	0.95%
Industrial Alliance Insurance Financial Services	455	11,716	0.20%	455	15,584	0.18%
Inmet Mining Group Corp.	620	26,455	0.44%	435	29,441	0.34%
Interpipeline Fund	7,470	65,064	1.08%	5,870	58,876	0.69%
Ishares Canada S&P/TSA Gold Index	22,800	446,880	7.44%	2,700	238,680	2.78%
Ishares Canada S&P/TSA 60 Index	9,040	142,920	2.38%	5,760	496,281	5.78%
Kinross Gold Corp.	3,860	81,832	1.36%	680	16,388	0.19%
Labrador Iron Ore Royalty	750	23,813	0.40%	570	31,749	0.37%
Laurentian Bank Canada	-	-	-	350	14,679	0.17%
Lundin Mining Corp.	7,200	24,120	0.40%	5,565	34,614	0.40%
Major Drilling Group International Inc.	865	15,795	0.26%	865	43,250	0.50%
Manulife Financial Corp.	-	-	-	9,110	324,863	3.79%
Methanex Corp.	1,995	28,149	0.47%	1,995	57,496	0.67%
NAL Oil & Gas Trust	1,940	18,178	0.30%	-	-	-
National Bank of Canada	925	49,719	0.83%	925	46,842	0.55%
Northgate Mineral Corp.	11,910	29,418	0.49%	11,910	33,467	0.39%
Nova Chemical Corp.	-	-	-	3,080	77,308	0.90%
Opti Canada Inc.	2,970	5,792	0.10%	2,340	54,054	0.63%
Paladin Energy Limited	38,140	173,537	2.90%	7,260	45,302	0.53%
Pan American Silver Corp.	760	16,393	0.27%	585	20,510	0.24%
Pason Systems Inc.	1,715	16,070	0.27%	-	-	-
Pembina Pipeline Income Fund	3,335	49,558	0.82%	3,335	59,730	0.70%
Pengrowth Energy Trust	4,010	36,812	0.61%	2,935	60,168	0.70%
Petro-Canada	3,520	158,118	2.63%	2,580	147,344	1.72%
Petrobank Energy & Resources Limited	785	26,517	0.44%	785	41,762	0.49%
Peyto Energy Trust	4,150	38,886	0.65%	4,150	83,623	0.97%
Potash Corporation of Saskatchewan Inc.	2,610	283,159	4.71%	2,410	570,133	6.65%
Power Corp.	2,335	62,671	1.04%	2,335	72,899	0.85%
Precision Drilling Trust	3,250	18,168	0.30%	715	19,663	0.23%
Red Back Mining Inc.	2,830	28,696	0.48%	2,050	17,630	0.21%
Research in Motion Limited	1,605	132,701	2.21%	3,205	383,605	4.47%
Royal Bank of Canada	3,450	164,116	2.73%	7,900	362,056	4.22%
Savanna Energy Services Corp.	1,090	6,638	0.11%	-	-	-
Sherritt International Corp.	3,460	18,130	0.30%	2,045	31,391	0.37%
Shoppers Drug Mart Corp.	680	33,993	0.57%	680	38,005	0.44%
Shore Gold Inc.	2,885	1,356	0.02%	-	-	-
Silver Standard Resources Inc.	830	18,401	0.31%	590	17,234	0.20%
Silver Wheaton Corp.	2,140	20,672	0.34%	1,855	27,825	0.32%
Silvercorp Metals Inc.	3,010	12,221	0.20%	-	-	-
Sino Forest Corp.	1,000	12,400	0.21%	1,000	17,860	0.21%
Sprott Inc.	7,240	22,082	0.37%	-	-	-
Sprott Resource Corp.	35,700	109,956	1.83%	-	-	-

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# Butterfield Systematic Equity Fund Limited

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## STATEMENTS OF PORTFOLIO INVESTMENTS

As at June 30, 2009 and 2008

(Expressed in Canadian Dollars)

Investment	2009			2008		
	Shares	Current Value	% of Portfolio	Shares	Current Value	% of Portfolio
<b>Common Shares (cont'd)</b>						
Sun Life Financial Inc.	1,610	\$ 50,554	0.85%	3,210	\$ 134,660	1.57%
Suncor Energy Inc.	7,950	281,192	4.68%	5,450	322,640	3.76%
Superior Plus Corp.	140	1,466	0.02%	-	-	-
Talisman Energy Inc.	9,020	150,724	2.51%	6,855	154,786	1.80%
Teck Cominco Limited	-	-	-	5,755	282,973	3.30%
Toronto Dominion Bank	2,750	165,248	2.75%	5,805	372,971	4.35%
Transalta Corp.	1,735	38,708	0.64%	1,735	63,952	0.75%
Transcanada Corp.	3,400	106,488	1.77%	3,400	134,300	1.57%
Tristar Oil & Gas Limited	1,575	17,309	0.29%	625	12,888	0.15%
TMX Group Inc.	-	-	-	780	32,838	0.38%
Uranium One Inc.	45,580	121,699	2.03%	6,710	32,208	0.38%
Western Canadian Coal Corp.	10,000	18,500	0.31%	-	-	-
Westshore Terminals Income Fund	935	10,790	0.18%	935	18,485	0.22%
Others	-	-	-	-	42,261	0.50%
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<b>TOTAL INVESTMENTS AT CURRENT VALUE</b>						
<b>(Cost 2009 - \$7,667,592; 2008 - \$7,890,601)</b>		<b>\$ 6,007,960</b>	<b>100.00%</b>		<b>\$ 8,579,222</b>	<b>100.00%</b>

The accompanying notes are an integral part of these financial statements

# Butterfield Systematic Equity Fund Limited

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## STATEMENTS OF OPERATIONS

For the year ended June 30, 2009 and for the period from November 28, 2007 (commencement of operations) to June 30, 2008  
(Expressed in Canadian Dollars)

<b>INVESTMENT INCOME</b>	<b>2009</b>	<b>2008</b>
Dividends (net of withholding taxes - 2009 - \$47,564; 2008 - \$26,518)	\$ 152,213	\$ 82,519
Deposit interest	6,865	11,592
	<b>159,078</b>	<b>94,111</b>
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<b>EXPENSES</b>		
Accounting fee	63,266	21,809
Registrar & transfer agent fee	55,592	15,679
Management fee	35,522	29,855
Audit fee	14,772	20,429
Miscellaneous	13,308	6,733
Secretarial fee	9,250	2,833
Exchange fee	8,800	-
BSX fee	6,305	-
Custodian fee	6,021	3,008
Organisational costs	-	6,246
Government fee	-	457
	<b>212,836</b>	<b>107,049</b>
	<b>(53,758)</b>	<b>(12,938)</b>
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<b>NET INVESTMENT LOSS</b>		
	<b>(53,758)</b>	<b>(12,938)</b>
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<b>NET REALISED AND UNREALISED (LOSS) GAIN ON INVESTMENTS</b>		
Net realised loss on investments	(946,525)	(59,757)
Net change in unrealised (loss) gain on investments	(2,348,253)	688,621
	<b>(3,294,778)</b>	<b>628,864</b>
<hr/>		
<b>NET (LOSS) GAIN ON INVESTMENTS</b>		
	<b>(3,294,778)</b>	<b>628,864</b>
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<b>NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ (3,348,536)</b>	<b>\$ 615,926</b>
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The accompanying notes are an integral part of these financial statements

# Butterfield Systematic Equity Fund Limited

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## STATEMENTS OF CHANGES IN NET ASSETS

For the year ended June 30, 2009 and for the period from November 28, 2007 (commencement of operations) to June 30, 2008  
(Expressed in Canadian Dollars)

	2009	2008
<b>NET (DECREASE) INCREASE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ (3,348,536)</b>	<b>\$ 615,926</b>
<b>CAPITAL STOCK TRANSACTIONS</b>		
Proceeds on the issue of shares	1,022,569	9,273,023
Payment on the redemption of shares	(343,013)	(10,483)
Net capital stock transactions	679,556	9,262,540
<b>NET (DECREASE) INCREASE IN NET ASSETS FOR THE YEAR</b>	<b>(2,668,980)</b>	<b>9,878,466</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>9,878,466</b>	<b>-</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 7,209,486</b>	<b>\$ 9,878,466</b>

The accompanying notes are an integral part of these financial statements

# Butterfield Systematic Equity Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2009 and for the period from November 28, 2007 (commencement of operations) to June 30, 2008  
(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. Butterfield Asset Management Limited acts as Investment Advisor. Butterfield Fulcrum Group (Bermuda) Limited acts as Registrar and Transfer Agent and as 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"), and the Bank also holds a significant interest in Butterfield Fulcrum Group (Bermuda) Limited.

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

Portfolio securities listed on an exchange are valued at the latest sale price reported by the principal securities exchange on which the issue is traded or, lacking any sales, at the closing bid prices. Over the counter securities are valued on the basis of the mean between the current bid and ask prices on that date. The net change during the year between these amounts and cost is shown as unrealized gain (loss) on investments.

The requirements of the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement ("CICA 3855"), became effective for fiscal years beginning on or after October 1, 2006. CICA 3855 prescribes specific guidance for establishing fair values under GAAP, including the use of bid prices for long positions and ask prices for short positions for investments quoted in active markets. Where active markets do not exist, fair values are established using a fair valuation technique. Prior to the adoption of CICA 3855, fair values were based on last traded or closing prices or based on management's best estimate where market quotations were not reliable or available.

CICA 3855 also requires that transaction costs (such as brokerage commissions) incurred on portfolio transactions be recognized immediately in net income and presented as a separate expense item in the financial statements. Prior to the adoption of CICA 3855, transaction costs were included in the average cost of investments or as a reduction in the proceeds on the disposition of investments. Transaction costs were recognized immediately in net assets and results of operations, but were not presented as a separate line item.

Had the Fund used the bid prices for long positions, as prescribed by CICA 3855, the current value of investments and fund net assets would have decreased by \$454,273 (2008 - \$Nil) and the net asset value per common share would have decreased by \$0.4518 (2008 - \$Nil).

# Butterfield Systematic Equity Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2009 and for the period from November 28, 2007 (commencement of operations) to June 30, 2008  
(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. The value of the holding at June 30, 2009 was \$1,248,901 (2008 - \$1,317,850).

#### 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 and accrued expenses approximate their carrying value.

#### e) Adoption of New Accounting Standards

CICA Handbook Institute of Chartered Accountants ("CICA") issued CICA Handbook Section 1535, Capital Disclosure, effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The main objective of this new standard is to disclose information about a legal entity's capital and how it is managed. The adoption of this standard did not have an impact on the Fund's results.

The CICA issued CICA Handbook Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation effective for financial statements relating to fiscal years beginning on or after October 1, 2007. These standards provide comprehensive disclosure and presentation requirements for financial instruments and have been adopted by the fund for the current fiscal year.

### 3. 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 Funds' 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. The value of such securities on the Statement of Portfolio Investments includes consideration of the creditworthiness of the issuer, and, accordingly represents the maximum credit risk exposure of the Fund.

#### 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 Funds' 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.

# Butterfield Systematic Equity Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2009 and for the period from November 28, 2007 (commencement of operations) to June 30, 2008  
(Expressed in Canadian Dollars)

### 3. RISK MANAGEMENT (CONT'D)

#### Interest Rate Risk

Prices of fixed income securities generally increase when interest rates decline, and decrease when interest rates rise. This risk is known as interest rate risk.

#### Liquidity Risk

The Fund is exposed to liquidity risk by way of cash redemptions of redeemable units. The Fund retains sufficient cash and cash equivalents and has a credit facility available to maintain adequate liquidity to address this risk.

#### Other price/market risk

Other price/market risk is the risk that the value of investments will fluctuate as a result of market conditions. The Investment Advisor attempts to mitigate price/market risk by selecting appropriate portfolio investments based on the Fund's strategy.

### 4. 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  
100 organisational shares of a par value of \$1.00 each

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

Common Shares	2009	2008
Balance - beginning of year	927,673	-
Issue of common shares	127,696	928,644
Redemption of common shares	(49,918)	(971)
Balance - end of the year	1,005,451	927,673

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 therefrom 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.

# Butterfield Systematic Equity Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2009 and for the period from November 28, 2007 (commencement of operations) to June 30, 2008  
(Expressed in Canadian Dollars)

### 5. NET REALISED LOSS ON INVESTMENTS

The net realised loss on sale of investments was as follows:

	2009	2008
Proceeds on sale of investments	\$ 2,418,148	\$ 3,005,834
Less cost of investments sold:		
Investments owned at beginning of year	7,890,601	-
Investments purchased during year	3,141,664	10,956,192
Investments owned at end of year	(7,667,592)	(7,890,601)
Investments sold during year	3,364,673	3,065,591
Net realised loss on investments	\$ (946,525)	\$ (59,757)

### 6. RELATED PARTY TRANSACTIONS

#### a) Management Fee

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.

#### b) Custodian Fee

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 pays the Sub-Custodian out of its fees.

#### 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.

#### d) Corporate Secretarial Fee

Corporate secretarial fees are charged on a time spent basis at their normal rates.

#### e) Investment Transaction

As of June 30, 2009, The Bank of N.T. Butterfield & Son Limited held 500,000 shares of the fund having a fair value of CAD\$3,585,000. The Butterfield Select Fund Limited - Equity Class held 116,892 shares having a fair value of CAD\$838,117.

#### f) Credit Facility

On May 15, 2008, 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 April 30, 2009. The facility is intended to assist the Fund in meeting short term liquidity. The facility was renewed on June 17, 2009 and expires on March 31, 2010. The interest rate on the facility will be determined at the time the facility is utilized. No amounts were drawn on the facility at June 30, 2009. Amounts borrowed by the Fund are secured against the assets of the Fund.

# Butterfield Systematic Equity Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2009 and for the period from November 28, 2007 (commencement of operations) to June 30, 2008  
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### 7. TAXATION

Under current Bermuda law the Fund is not required to pay any taxes in Bermuda on either income or capital gains. The Fund has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed the Fund will be exempted from taxation until the year 2016.

### 8. FINANCIAL HIGHLIGHTS

Per Share Information	2009	2008
<b>Net asset value - beginning of year</b>	<b>\$ 10.65</b>	\$ 10.00
<b>Income from investment operations</b>		
Net investment loss	<b>(0.05)</b>	(0.04)
Net realised and unrealised (loss) gain on investments	<b>(3.43)</b>	0.69
<b>Total from investment operations</b>	<b>(3.48)</b>	0.65
<b>Net asset value - end of year</b>	<b>\$ 7.17</b>	\$ 10.65

#### Ratios / Supplemental Data

Total net assets - end of year	\$	<b>7,209,486</b>	\$	9,878,466
Weighted average net assets*	\$	<b>7,139,223</b>	\$	7,197,180
Ratio of expenses to weighted average net assets (annualized in 2008)		<b>2.98%</b>		2.50%
Portfolio turnover rate**		<b>37.98%</b>		162.83%
Annual rate of return***		<b>(32.67%)</b>		6.50%

\* 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. For 2008, the rate of return is from inception on November 28, 2007, and has not been annualized.