

# Butterfield Select Fund Limited

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FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
JUNE 30, 2010 AND 2009

# Butterfield Select Fund Limited

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## Introduction

We are pleased to present the Annual Report of the Fund for the twelve months ended June 30, 2010. The Butterfield Select Fund had positive cash flows over the 12 months to June 30, 2010. When combined with the positive fund price performance, the total assets of the Fund increased approximately 9%; to \$283 million AUM.

## Butterfield Select Equity Fund Review

The net asset value (NAV) per share of the Fund increased from \$7.86 to \$8.49 over the 12 month period to 30 June 2010, an increase of 8.02%, underperforming the benchmark which gained 10.20%. Similarly, all major world indices posted positive returns over the period: S&P 500 14.43%, FTSE-100 9.29% and Nikkei 225 3.93% (all returns expressed in USD terms; the reporting currency of the fund).

Asset markets, fuelled by both monetary and fiscal stimulus, continued their ascension from the March 2009 lows. Quantitative easing by the central banks; namely the Federal Reserve provided sufficient liquidity (\$1 Trillion +) to “unlock” credit markets, allowing economies to begin their recovery from the systemic failure that was surely to happen. The second half of 2009 saw a number of improvements in economic statistics, signalling that the worst was indeed over. Unemployment peaked and disappointing retail sales signalled a bottom during the 2nd half of the year, giving investors reasons to be attracted to risky assets. The first half of 2010 was met with somewhat less exuberance as questions about the strength of a global recovery started to arise, signalled by the crisis in Greece that spread to the rest of Europe. The government stimulus effects on the economy had also started to run out, as evidenced by waning economic numbers. In short, investors recognized that there are still significant concerns in the global economy; namely unemployment, housing and the consumer demand. With this realization, the demand for risk assets had trailed off and equity markets stalled in their recovery; correcting 9+% since December 2009.

The Equity Fund participated in the rally for the most part, but remained cautious; recognizing risks still remain. As the markets sold off, the fund benefited from a cash holding and a reduced European stock exposure as well as an overweight position in Canada. This contributed to a more muted reduction in NAV; had the geographic allocation mirrored the benchmark. Going forward we expect to see continued volatility in equity markets, as investors continue to wait for signs of a sustainable recovery in stocks.

During the year the Fund sold its position in Fidelity US Equity, Martin Currie Pan European Alpha and Butterfield Systematic Equity. The fund increased its weighting in EEM (Emerging Market ETF) and XIC/EWC (Canadian ETF's). Longer term, the outlook for emerging market economies is still bright; however we will drill down further in the regions, gaining exposure to more favourable countries. Our exposure to Canada also reflects this sentiment as the resource rich country will benefit from emerging country development.

## Butterfield Select Fixed Income Fund Review

The net asset value (NAV) per share of the Fund increased from \$14.68 to \$15.82 over the 12 month period to 30 June 2010, an increase of 7.77%, outperforming the benchmark which increased 7.75%.

Credit market conditions have improved substantially as shown by tightening credit spreads and improved liquidity. The US economy continues its uneven recovery and the Federal Reserve has held short interest rates near zero to boost growth in the face of a weak US housing market and an economy which is struggling with high unemployment and low job creation. The quantitative easing measures implemented have mostly been unwound in the US, but the European sovereign crisis caused an unexpected flight to quality in US Treasuries and the US dollar and a significant weakening of the Euro currency.

# Butterfield Select Fund Limited

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## Butterfield Select Fixed Income Fund Review (continued)

The US Treasury yield curve moved significantly lower over the year even as the US economy recovered in the second half of 2009. Overall, the 2 year US Treasury yield declined by 50 basis points from 1.11% to 0.61% and the 10 year US Treasury yield decreased by 61 basis points from 3.54% to 2.93%. The yield curve thus flattened over the period as the 2 to 10 year spread declined from +243 basis points to +232 basis points.

The Fund was well positioned to enjoy a return to a calmer credit market and strongly outperformed its benchmark through the second half of 2009. The first half of 2010 proved more difficult for the fund as a flight to quality lifted US treasuries/agencies, which makes up +/- 50% of the fund. Going forward the current allocation which utilizes sovereign/supra and credit participation will make up for the short term underperformance in the first half of 2010.

The Fund continued to reduce its holdings in ABS and CMBS (by not replacing maturing issues) and increase its exposure to investment grade corporate debt and Supranational / Sovereign issuers. In the closing weeks of 2009, the fund sold all positions in individual securities, having reaped the rewards of the short term position in Sovereign backed financial issues and the improved pricing in the ABS/CMBS within the portfolio. Most issues (save for one) were sold around or above acquisition price. The strategy going forward was to participate in chosen sectors via Index funds and carefully selected managers, believing this will benefit unit holders in the future.

## Butterfield Select Alternative Fund Review

International Asset Management (IAM), a well established specialist in alternative investment management based in London, UK, continues to assume its role as a sub-advisor for the Butterfield Select Alternative Class. The net asset value (NAV) per share of the Fund increased from \$13.62 to \$14.20 over the 12 month period to 30 June 2010, an increase of 4.26%. The conservative stance to maintain liquidity caused the fund to slightly underperform its benchmark which gained 4.97%.

The second half of 2009; with liquidity improvement and asset markets rallying, did not benefit the fund as much as its benchmark; as a 20% cash weighting was held to fund redemptions for investors. This resulted in a 264 basis point lag against the benchmark. However this same stance resulted in a 183 basis point out performance in the first half of 2010. The fund went to 95% invested for the first half of 2010, with the sub advisor being very diligent in selecting constituent funds.

Long/Short Equity, Credit and RV strategies performed best in the last half of 2009; riding the wave of increased investor confidence and liquidity improvements worldwide. During the second half, Credit and RV continued their upswing albeit more muted than in 2009. Global Macro managers provided solid returns as many took advantage of dislocations in their chosen vehicles. One disappointing performer for much of the year has been the exposure to CTA/Trend followers. Constituents of the IAM trading fund had a difficult time in the unsettled conditions. This resulted in the advisor reducing its exposure. The Fund continues to reduce its exposure to Long/Short equity managers and is therefore becoming less directionally exposed to asset (more specifically equity) markets. The Fund remains well diversified with exposure to many different alternative investment strategies.



David Stewart  
President  
Butterfield Select Fund Limited

October 11, 2010

# Butterfield Select Fund Limited

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## AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accompanying statements of net assets of Butterfield Select Fund Limited ("the Fund"), including the statements of portfolio investments, as at June 30, 2010 and 2009, 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, 2010 and 2009, 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 Ltd.**

**DELOITTE & TOUCHE LTD.**

Chartered Accountants  
Hamilton, Bermuda

October 11, 2010

# Butterfield Select Fund Limited

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## **DIRECTORS**

Barry Hanson  
Curtis Dickinson  
Dawn Griffiths  
Sheila Brown  
David Stewart (Appointed on November 23, 2009)  
John Weale (Resigned on November 23, 2009)  
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 Ltd.  
P.O. Box HM 1556  
Hamilton HM FX  
Bermuda

## **AUDIT COMMITTEE**

Barry Hanson  
John Weale (Resigned November 23, 2009)

# Butterfield Select Fund Limited

## STATEMENTS OF NET ASSETS

As at June 30, 2010 and 2009

(Expressed in US Dollars)

	2010 EQUITY CLASS	2009 EQUITY CLASS
<b>ASSETS</b>		
Investments, at current value	\$ 95,933,282	\$ 94,693,292
Cash and cash equivalents	5,802,615	2,866,577
Receivable for investments sold	3,965,072	-
Accrued dividends receivable	198,531	27,714
Bond interest receivable	-	-
Advanced payment for purchase of investments	-	-
Unrealized gain on forward exchange contract	-	-
Other assets	4,174	1,902
	<b>105,903,674</b>	<b>97,589,485</b>
<b>LIABILITIES</b>		
Accrued expenses	228,139	174,481
Subscriptions received in advance	119,491	150,000
Unrealized loss on forward exchange contract	337,102	-
	<b>684,732</b>	<b>324,481</b>
Organisational shares	105,218,942 12,000	97,265,004 12,000
<b>FUND NET ASSETS</b>	<b>\$ 105,206,942</b>	<b>\$ 97,253,004</b>
Number of common shares in issue	12,393,036	12,367,307
<b>NET ASSET VALUE PER COMMON SHARE</b>	<b>\$ 8.49</b>	<b>\$ 7.86</b>

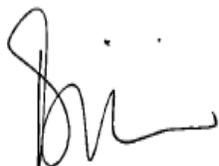
The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

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2010 FIXED INCOME CLASS		2009 FIXED INCOME CLASS		2010 ALTERNATIVE INVESTMENT CLASS		2009 ALTERNATIVE INVESTMENT CLASS	
\$	84,535,434	\$	79,712,571	\$	85,822,676	\$	66,150,653
	4,429,642		3,511,342		927,208		8,822,419
	463,822		-		1,454,198		4,424,558
	-		34,106		-		-
	-		105,503		-		-
	-		-		-		6,800,000
	535,192		-		-		-
	11,582		10,999		16,186		13,453
<b>89,975,672</b>		<b>83,374,521</b>		<b>88,220,268</b>		<b>86,211,083</b>	
	124,121		121,794		180,953		183,323
	22,000		-		136,077		201
	-		359,423		53,895		-
<b>146,121</b>		<b>481,217</b>		<b>370,925</b>		<b>183,524</b>	
<b>89,829,551</b>		<b>82,893,304</b>		<b>87,849,343</b>		<b>86,027,559</b>	
	-		-		-		-
\$	89,829,551	\$	82,893,304	\$	87,849,343	\$	86,027,559
<b>5,678,150</b>		<b>5,647,438</b>		<b>6,186,103</b>		<b>6,316,715</b>	
\$	15.82	\$	14.68	\$	14.20	\$	13.62

Signed on Behalf of the Board



DIRECTOR



DIRECTOR

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

## STATEMENT OF PORTFOLIO INVESTMENTS - EQUITY CLASS

As at June 30, 2010 and 2009

(Expressed in US Dollars)

Investment Funds	2010			2009		
	Notional/ Shares/ Units	Current Value	% of Portfolio	Notional/ Shares/ Units	Current Value	% of Portfolio
<b>Investment Funds</b>						
Blackrock Global Funds US Flexible Equity	595,374	\$ 8,650,784	9.02%	595,374	\$ 7,632,694	8.06%
Butterfield Bermuda Fund	62,727	997,358	1.04%	60,718	1,101,416	1.16%
Butterfield Systematic Equity Fund	-	-	-	116,892	721,150	0.77%
Davis Value Fund	261,514	6,012,215	6.27%	261,514	5,334,893	5.63%
Fidelity Funds - America Growth Fund	-	-	-	237,802	4,142,510	4.37%
Fidelity Funds – European Growth Fund	730,054	7,892,000	8.23%	730,054	7,588,354	8.01%
JP Morgan EUR Strategic Value Fund	499,730	6,420,952	6.69%	499,730	6,444,678	6.81%
Martin Currie Global Asia Pacific Fund	544,764	4,832,055	5.04%	541,148	4,269,657	4.51%
Martin Currie Global North American Fund	550,465	3,770,684	3.93%	546,806	3,477,684	3.67%
Martin Currie Global Pan European Fund	-	-	-	267,710	3,456,235	3.65%
Orbis Global Equity Fund	125,705	12,686,191	13.22%	125,705	12,148,172	12.83%
Orbis Japan Equity Fund	277,798	6,480,076	6.75%	277,798	6,630,559	7.00%
RIC OMIGSA Acadia Global Equity Fund	259,793	2,435,177	2.54%	-	-	-
Spencer House Capital Management Global Equity	40,324	2,878,217	3.00%	40,324	2,580,926	2.73%
UBAM Neuberger Berman US Equity Value	9,740	5,513,085	5.75%	9,740	4,925,886	5.20%
Vanguard European Stock Index Fund	544,564	6,460,383	6.73%	544,564	5,880,858	6.21%
		75,029,177	78.21%		76,335,672	80.61%
<b>Exchange Traded Funds</b>						
iShares MSCI Canada Index Fund	9,000	223,830	0.23%	-	-	-
iShares MSCI Emerging Markets Index Fund	169,500	6,325,740	6.59%	80,500	2,594,515	2.74%
iShares MSCI Japan Fund	-	-	-	135,000	1,273,050	1.34%
iShares Russell 2000 Growth Fund	-	-	-	60,000	3,401,400	3.60%
iShares S&P 500 Value Index Fund	20,000	993,200	1.04%	-	-	-
iShares S&P/TSX 60 Capped Composite Index Fund	323,600	5,426,795	5.66%	207,600	2,913,415	3.08%
Market Vectors Gold Miners Fund	10,000	519,600	0.54%	-	-	-
Oil Service Holders Trust Depository Receipt	-	-	-	17,000	1,660,560	1.75%
Powershares Dynamic Large Cap Value Portfolio	245,000	3,853,850	4.02%	-	-	-
Powershares Value Line Time Fund	-	-	-	418,000	4,050,420	4.28%
SPDR S&P 500 ETF Trust Series 1	34,500	3,561,090	3.71%	26,800	2,464,260	2.60%
		20,904,105	21.79%		18,357,620	19.39%
<b>TOTAL INVESTMENTS AT CURRENT VALUE</b>						
<b>(Cost 2010 - \$100,630,415; 2009 - \$112,229,041)</b>		95,933,282	100.00%		94,693,292	100.00%
<b>Foreign Currency Forward Contract</b>						
<b>Sell EUR/Buy USD 9 August 2010</b>	14,472,810	(337,102)		-	-	
<b>UNREALIZED LOSS ON FOREIGN CURRENCY FORWARD CONTRACT</b>						
		\$ (337,102)		\$	-	

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

## STATEMENT OF PORTFOLIO INVESTMENTS - FIXED INCOME CLASS

As at June 30, 2010 and 2009

(Expressed in US Dollars)

Investment	Notional/ Shares/ Units	2010		Notional/ Shares/ Units	2009	
		Current value	% of Portfolio		Current Value	% of Portfolio
<b>Bonds</b>						
Federal Home Loan Bank 4% 6 September 2013	-	\$ -	-	1,000,000	\$ 1,052,188	1.32%
US Treasury N/B 1.875% 15 July 2015	-	-	-	2,000,000	2,214,667	2.78%
			-		3,266,855	4.10%
<b>Mortgage Backed Securities</b>						
ARG Funding 4.29% 20 April 2011	-	-	-	1,000,000	931,875	1.17%
Equity One ABS Inc 5.369% 25 October 2034	-	-	-	632,179	454,941	0.57%
FREDDIE MAC 4.75% 15 July 2015	-	-	-	1,152,402	1,178,504	1.48%
FREDDIE MAC 5.75% 15 December 2018	-	-	-	1,189,633	1,229,702	1.54%
FREDDIE MAC 7.05% 25 March 2029	-	-	-	782,476	832,789	1.04%
GE Capital Comm Mort 4.371% 10 January 2038	-	-	-	2,500,000	2,473,342	3.10%
GRMT Mortgage Loan Trust 6.65% 20 July 2031	-	-	-	534,545	403,646	0.51%
Hertz Vehicle Financing 25 November 2011	-	-	-	1,000,000	929,098	1.16%
JP Morgan Chase Mort 4.959% 15 August 2042	-	-	-	4,000,000	3,345,622	4.20%
LB - UBS Comm Mort 5.103% 15 November 2030	-	-	-	2,500,000	2,436,172	3.06%
Residential Asset Mort 5.35% 25 June 2032	-	-	-	1,878,296	1,248,165	1.57%
Wachovia CMBS 2004-C10 4.748% 1 February 2041	-	-	-	2,500,000	2,297,551	2.88%
Wachovia CMBS 2004-C8 3.894% 15 November 2035	-	-	-	734,050	732,492	0.92%
		\$ -	-		\$ 18,493,899	23.20%

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

## STATEMENT OF PORTFOLIO INVESTMENTS - FIXED INCOME CLASS (CONT'D)

As at June 30, 2010 and 2009

(Expressed in US Dollars)

Investment Funds	Notional/ Shares/ Units	2010		Notional/ Shares/ units	2009	
		Current Value	% of Portfolio		Current Value	% of Portfolio
Ashmore Emerging Markets Liquid Investment Portfolio	- \$	-	-	646,218 \$	5,239,402	6.57%
Butterfield Capital Appreciation Bond Fund	-	-	-	72,843	2,380,500	2.99%
Butterfield US\$ Bond Fund	-	-	-	341,063	3,337,642	4.19%
Centaur Classic Convertible Arbitrage Fund	-	-	-	32,209	5,968,465	7.49%
Cypress Tree Leveraged Fund	-	-	-	10,498	482,929	0.61%
Legg Mason Western Asset Emerging Markets Bond Fund	40,000	3,968,800	4.69%	-	-	-
Pimco Global Investment Grade Credit Fund	487,502	6,064,523	7.17%	487,502	5,177,270	6.49%
Pimco Global Total Return Bond	529,494	12,098,939	14.31%	529,494	10,875,808	13.64%
Vanguard Euro Government Bond Index Fund	31,455	6,358,518	7.52%	-	-	-
Vanguard Euro Investment Grade Bond Index Fund	72,274	14,249,451	16.86%	72,274	14,879,415	18.67%
Vanguard US Government Bond Index Fund	198,991	31,132,895	36.84%	-	-	-
Vanguard US Investment Grade Credit Index Fund	36,681	4,845,909	5.73%	36,681	4,218,708	5.29%
Vanguard US Mortgage Backed Securities Bond Index Fund	42,236	5,816,399	6.88%	42,236	5,391,678	6.76%
		<b>84,535,434</b>	<b>100.00%</b>		57,951,817	72.70%
<b>TOTAL INVESTMENTS AT CURRENT VALUE (Cost 2010 - \$78,350,319; 2009 - \$85,835,088)</b>		<b>84,535,434</b>	<b>100.00%</b>		79,712,571	100.00%
<b>Foreign Currency Forward Contract</b>						
Sell EUR/Buy USD 26 July 2010	21,150,922	535,192		-	-	
Sell EUR/Buy USD 20 July 2009	-	-		14,375,550	(359,423)	
<b>UNREALIZED GAIN (LOSS) ON FOREIGN CURRENCY FORWARD CONTRACT</b>	<b>\$</b>	<b>535,192</b>		<b>\$</b>	<b>(359,423)</b>	

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

## STATEMENT OF PORTFOLIO INVESTMENTS - ALTERNATIVE INVESTMENT CLASS As at June 30, 2010 and 2009 (Expressed in US Dollars)

Investment Funds	Notional/ Shares /Units	2010		Notional/ Shares/ Units	2009	
		Current Value	% of Portfolio		Current Value	% of Portfolio
Alphadyne Global Rates Fund Ltd. – B-USD-1 - Series 2009-12	1,137	\$ 1,189,283	1.39%	-	\$ -	-
Alphadyne Global Rates Fund Ltd. – B-USD-2 - Series 2009-12	863	900,678	1.05%	-	-	-
Alydar Fund Limited - Class H1	20,084	2,472,017	2.88%	-	-	-
Amber Fund (Cayman) Ltd.	7,563	150,902	0.18%	13,406	717,055	1.08%
Arrowgrass International Fund Ltd Class B	37,000	3,700,000	4.31%	-	-	-
Brevan Howard Fund Ltd. Class A	14,938	3,905,352	4.55%	14,885	3,652,058	5.52%
Capula Global Relative Value Fund Ltd. Class C	23,405	3,812,522	4.44%	-	-	-
Claren Road Credit Fund B25	1,910	2,307,270	2.69%	1,910	2,263,581	3.42%
Claren Road Credit Fund B1	623	760,697	0.89%	1,171	1,507,750	2.28%
Clive Fund Limited Class B	21,960	2,846,880	3.32%	-	-	-
Comac Global Macro Fund Limited	23,709	3,875,915	4.51%	-	-	-
DB Equilibria Japan Fund	16,580	3,589,987	4.18%	-	-	-
Diamondback Offshore Fund Ltd Tranche D	3,072	3,836,442	4.47%	-	-	-
Egerton European Dollar Fund	-	-	-	31,317	2,834,519	4.28%
Exane Funds 1 - Templiers Funds	180	3,723,376	4.34%	-	-	-
Green T G2 Fund Limited Class A	20,285	3,683,457	4.29%	-	-	-
IAM Trading Fund Class O Shares USD	87,977	8,619,151	10.04%	124,475	12,111,378	18.31%
JCAM Global Fund Ltd Class D	-	-	-	1,303	1,444,402	2.18%
JCAM Global Fund Ltd Class F Ex Series	3,563	4,204,599	4.90%	5,090	5,281,134	7.99%
Karsch Capital Ltd.	-	-	-	28,692	5,310,788	8.03%
Lansdowne UK Equity Fund	10,116	3,802,293	4.43%	10,116	3,599,709	5.44%
MKM Longboat Multi Strategy	371	-	0.00%	1,789	130,993	0.20%
Oz Overseas Fund II, Ltd.	3,021	4,757,256	5.54%	4,704	6,552,388	9.91%
PFM Diversified Offshore Fund, Ltd	2,415	4,108,519	4.79%	-	-	-
Plexus Fund Ltd. Class A 2	-	-	-	16,924	1,185,549	1.79%
Plexus Fund Ltd. Class A 3	-	-	-	5,153	257,314	0.39%
Prologue Feeder Fund	2,299	3,669,889	4.27%	3,255	4,908,953	7.42%
Real Return Asian Class B	12,917	3,029,023	3.53%	-	-	-
SCP Ocean Fund Ltd. Series AR	442	1,171,813	1.37%	1,461	3,613,004	5.46%
SCP Ocean Fund Ltd. Series AAR	1,426	2,197,300	2.56%	1,426	2,051,998	3.10%
SEG Partners Offshore, Ltd.	-	-	-	23,422	4,117,434	6.22%
The Alphagen Capella Fund, Ltd.	-	-	-	12,023	4,227,179	6.39%
The Drake Global Opportunities Fund	270	205,409	0.24%	560	383,467	0.59%
WCG Offshore Fund Ltd. Class C	2,699	3,186,051	3.71%	-	-	-
Woodbine Capital Fund Ltd Class A	1,900	1,803,236	2.10%	-	-	-
York European Opportunities Unit Trust A9 - 2009	226,767	3,226,896	3.76%	-	-	-
York European Opportunities Unit Trust A10 - 2009	75,659	1,086,463	1.27%	-	-	-
<b>TOTAL INVESTMENTS AT CURRENT VALUE (Cost 2010 - \$76,171,595; 2009 - \$55,900,435)</b>		<b>85,822,676</b>	<b>100%</b>		<b>66,150,653</b>	<b>100.00%</b>
<b>Foreign Currency Forward Contract Sell EUR/Buy USD 16 August 2010</b>	<b>3,692,670</b>	<b>(53,895)</b>		<b>-</b>	<b>-</b>	
<b>UNREALIZED LOSS ON FOREIGN CURRENCY FORWARD CONTRACT</b>		<b>\$ (53,895)</b>		<b>-</b>	<b>\$ -</b>	

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

## STATEMENT OF OPERATIONS

For the years ended June 30, 2010 and 2009

(Expressed in US Dollars)

	2010 EQUITY CLASS	2009 EQUITY CLASS
<b>INVESTMENT INCOME</b>		
Interest	\$ 9,681	\$ 20,677
Dividends (net of withholding taxes)	481,206	804,098
Bond interest income	-	-
Other income	198,102	123,809
	<b>688,989</b>	<b>948,584</b>
<b>EXPENSES</b>		
Management fee	974,468	927,503
Registrar & transfer agent fee	157,854	160,368
Management fee – Blackrock	78,354	68,288
Accounting fee	46,115	51,303
Miscellaneous	18,438	26,146
Audit fee	20,465	17,333
Custodian fee	10,000	10,000
Secretarial fee	8,851	7,052
Government fee	8,706	6,071
	<b>1,323,251</b>	<b>1,274,064</b>
<b>NET INVESTMENT (LOSS) GAIN</b>	<b>(634,262)</b>	<b>(325,480)</b>
Net realised (loss) gain on investments	(5,297,114)	(9,230,268)
Net change in unrealised gain (loss) on investments	12,667,789	(48,298,735)
Net gain (loss) on foreign currency forward contracts	991,934	(32,340)
<b>NET GAIN (LOSS) ON INVESTMENTS</b>	<b>8,362,609</b>	<b>(57,561,343)</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 7,728,347</b>	<b>\$ (57,886,823)</b>

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

2010 FIXED INCOME CLASS		2009 FIXED INCOME CLASS		2010 ALTERNATIVE INVESTMENT CLASS		2009 ALTERNATIVE INVESTMENT CLASS	
\$	9,244	\$	42,597	\$	8,857	\$	172,119
	33,646		547,896		128,994		-
	489,111		1,254,649		-		-
	45		-		2,690		2,054
	<b>532,046</b>		<b>1,845,142</b>		<b>140,541</b>		<b>174,173</b>
	777,642		753,490		1,447,794		1,829,492
	137,312		124,232		143,102		157,034
	-		-		-		-
	48,136		50,427		54,583		53,400
	29,305		31,906		35,451		53,593
	17,121		16,664		17,121		17,626
	10,000		10,000		10,000		10,000
	3,485		2,296		5,689		1,995
	4,366		4,045		495		5,595
	<b>1,027,367</b>		<b>993,060</b>		<b>1,714,235</b>		<b>2,128,735</b>
	(495,321)		852,082		(1,573,694)		(1,954,562)
	(7,443,359)		289,102		6,413,713		7,509,795
	12,307,632		(6,135,640)		(599,137)		(23,203,376)
	2,131,181		1,876,872		(75,313)		18,997
	<b>6,995,454</b>		<b>(3,969,666)</b>		<b>5,739,263</b>		<b>(15,674,584)</b>
\$	<b>6,500,133</b>	\$	<b>(3,117,584)</b>	\$	<b>4,165,569</b>	\$	<b>(17,629,146)</b>

The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

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## STATEMENTS OF CHANGES IN NET ASSETS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

	2010 EQUITY CLASS	2009 EQUITY CLASS
<b>NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>\$ 7,728,347</b>	<b>\$ (57,886,823)</b>
<hr/>		
<b>CAPITAL STOCK TRANSACTIONS</b>		
Issue of shares	12,922,935	18,291,431
Redemption of shares	(12,697,344)	(34,803,443)
<hr/>		
Net capital stock transactions	225,591	(16,512,012)
<hr/>		
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	<b>7,953,938</b>	<b>(74,398,835)</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>97,253,004</b>	<b>171,651,839</b>
<hr/>		
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 105,206,942</b>	<b>\$ 97,253,004</b>

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The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

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	<b>2010 FIXED INCOME CLASS</b>		<b>2009 FIXED INCOME CLASS</b>		<b>2010 ALTERNATIVE INVESTMENT CLASS</b>		<b>2009 ALTERNATIVE INVESTMENT CLASS</b>
<b>\$</b>	<b>6,500,133</b>	<b>\$</b>	<b>(3,117,584)</b>	<b>\$</b>	<b>4,165,569</b>	<b>\$</b>	<b>(17,629,146)</b>
	<b>10,903,489</b>		<b>8,485,283</b>		<b>17,909,181</b>		<b>4,597,153</b>
	<b>(10,467,375)</b>		<b>(20,851,615)</b>		<b>(20,252,966)</b>		<b>(64,805,361)</b>
	<b>436,114</b>		<b>(12,366,332)</b>		<b>(2,343,785)</b>		<b>(60,208,208)</b>
	<b>6,936,247</b>		<b>(15,483,916)</b>		<b>1,821,784</b>		<b>(77,837,354)</b>
	<b>82,893,304</b>		<b>98,377,220</b>		<b>86,027,559</b>		<b>163,864,913</b>
<b>\$</b>	<b>89,829,551</b>	<b>\$</b>	<b>82,893,304</b>	<b>\$</b>	<b>87,849,343</b>	<b>\$</b>	<b>86,027,559</b>

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The accompanying notes are an integral part of these financial statements

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2010 and 2009

(Expressed in US Dollars)

### 1. ABOUT THE FUND

Butterfield Select Fund Limited (the "Fund") is an open-ended investment company which was incorporated under the laws of Bermuda on January 31, 2000.

The Fund commenced operations on February 17, 2000. 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 objective of the Fund is to offer a convenient and efficient vehicle for investing in mutual fund products which are anticipated to provide the best opportunities for capital appreciation having regard to diversification.

For the Equity Class the policy of the Fund is to hold a global portfolio by investing in international equity mutual funds and International equity index-linked instruments.

For the Fixed Income Class the policy of the Fund is to hold a portfolio of international fixed income mutual funds and/or securities.

For the Alternative Investment Class the policy of the Fund is to invest in underlying funds with professional money managers who invest in common and preferred stocks (including small cap stocks), options, warrants, convertible securities, bonds, foreign securities, foreign currencies, commodities, commodity futures, financial futures, derivatives, mortgage backed and mortgage related securities, real estate and other assets of investment grade or below investment grade.

All three Classes may also hold money market instruments or mutual funds for cash management purposes.

### 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. Investments in underlying funds are recorded at their fair value, determined at the date of the statement of net assets using the latest available net asset value obtained from the administrators of the respective underlying funds. The net change during the year between these amounts and cost is shown as changes in unrealised gain (loss) on investments.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

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

#### a) Valuation of Investments (cont'd)

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 net asset value per share for investments in other investment funds, 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.

The process of valuing investments for which no active market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been used had an active market existed for these investments. The valuation of such securities can be based on various valuation techniques that could include mathematical models, comparable valuation models, fundamental valuation models, or other techniques that would reflect the specific business situation or market the security operates within. The models would use observable market data as inputs where possible. However, in some instances, certain investments are fair valued based on assumptions that may not be supported by observable inputs. Securities without observable market value inputs in their valuation require judgment in establishing their fair value. Changes in any of these assumptions could affect the reported fair value of financial assets or financial liabilities.

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.

As of June 30, 2010, the entire portfolio of each Class of the Fund is comprised of investments in other investment funds which have been valued using the net asset value per share. Had the Fund used the bid prices for long positions, as prescribed by CICA 3855, the current value of investments and fund net assets of the Equity Class would have decreased by \$25,108 (2009 - \$329,532) and the net asset value per common share would have decreased by \$0.0020 (2009 - \$0.0266), the current value of investments and fund net assets of the Fixed Income Class would have remained unchanged (2009 - \$377,620) and the net asset value per common share would have remained unchanged (2009 - \$0.0669) and the current value of investments, fund net assets and net asset value per common share of the Alternative Investment Class would have remained unchanged (2009 - \$Nil).

#### 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 accrual basis. Interest income is recorded as earned and dividend income is recorded on the ex-dividend date.

The Fund holds positions in investment funds which offer varying periods in which shareholders may redeem their holdings.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

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

#### b) Investment Transactions and Income Recognition (cont'd)

As of June 30, 2010, investments held by the Equity Class representing \$72,891,440 ( 76%) offer redemptions on a daily basis and \$23,041,842 (24%) offer redemptions on a weekly basis. As of June 30, 2009, investments held by the Equity Class representing \$71,511,069 (76%) of the investments in the Equity Class offer redemptions on a daily basis and \$23,182,223 (24%) offer redemptions on a weekly basis.

As of June 30, 2010, investment funds held by the Fixed Income Class representing \$84,535,434 (100%) of investments in the Fixed Income Class offer redemptions on a daily basis. As of June 30, 2009, investment funds held by the Fixed Income Class representing \$62,303,632 (78%) of investments in the Fixed Income Class offer redemptions on a daily basis, \$5,718,142 (7%) offer redemptions on a weekly basis, and \$11,690,797 (15%) offer redemptions on a monthly basis.

As of June 30, 2010, investment funds held by the Alternative Investment Class representing \$44,943,251 (53%) of investments in the Alternative Investment Class offer redemptions on a quarterly basis, \$36,799,738 (43%) offer redemptions on a monthly basis and \$3,723,376 (4%) offer redemptions on a weekly basis. As of June 30, 2009, investment funds held by the Alternative Investment Class representing \$38,087,446 (58%) of investments in the Alternative Investment Class offer redemptions on a monthly basis, \$21,337,671 (32%) offer redemptions on a quarterly basis and \$6,725,536 (10%) offer redemptions on a semi-annual basis.

#### c) Cash and Cash Equivalents

Cash equivalents are primarily comprised of shares in Butterfield Money Market Fund, an affiliated money market fund, denominated in US\$ shares. Shares may be redeemed on a same day notice.

#### d) Foreign Currency Forward Contracts

Foreign Currency Forward Contracts are recorded on the trade date and are reflected in the statement of net assets at the difference between the original contract amount and the market value on the last business day of the reporting period. Realised and unrealised gains and losses on forward contracts are reflected in the statement of operations.

#### e) Financial Assets and Liabilities

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

#### f) Adoption of New Accounting Standards

The CICA issued CICA Handbook Section 3862 ("CICA 3862"), Financial Instruments — Disclosures and Section 3863 ("CICA 3863"), Financial Instruments — Presentation, effective for interim and annual 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 introduce new requirements for specific qualitative and quantitative disclosure about risks. The main objective of this new standard is to enable investors to evaluate the significance of financial instruments, the nature and extent of risks involved, and how these risks are managed. CICA 3862 requirements were adopted in the prior year.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### f) Adoption of New Accounting Standards (cont'd)

During 2009, the Accounting Standards Board issued amendments to CICA 3862 that are effective for annual financial statements relating to fiscal years ending after September 30, 2009. These amendments are designed to enhance the existing disclosure around fair value and liquidity risk. This is accomplished by classifying the Fund's financial assets and financial liabilities into levels based on the input used to value the Fund's investments:

Level 1 — for unadjusted quoted prices in active markets for identical assets or liabilities;  
Level 2 — for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and  
Level 3 — for inputs that are based on unobservable market data.

As part of the disclosure requirements, significant transfers between level 1 and level 2 investments are disclosed. The adoption of these amendments did not have an impact on net assets, increase (decrease) in net assets from operations, or increase (decrease) in net assets from operations per share of the Fund.

#### **CICA Emerging Issues Committee Abstract 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities**

Effective January 20, 2009, the Fund adopted retrospectively without restatement the CICA Emerging Issues Committee Abstract 173 ("EIC-173"), Credit Risk and the Fair Value of Financial Assets and Liabilities. EIC-173 requires the Fund's own credit risk and the credit risk of the counterparties to be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. The adoption of EIC-173 did not have a material impact on the financial position or results of operations of the Fund.

#### **International Financial Reporting Standards**

In February 2008, the CICA announced that International Financial Reporting Standards ("IFRS") will replace Canadian GAAP in 2011 for profit-oriented publicly accountable enterprises. The change will be effective for fiscal years commencing on or after January 1, 2011. The Fund is currently determining the impact of IFRS on its financial statements.

### 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 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. The Fund invests in securities and other investments that are denominated in currencies other than the US Dollar. Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Fund will necessarily be subject to foreign exchange risks.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

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

#### Currency Risk (cont'd)

The primary purpose of the Fund's foreign currency economic hedging activities is to protect against the volatility associated with investments denominated in foreign currencies and other assets and liabilities denominated in foreign currencies created in the normal course of business. The Fund utilises foreign currency forward exchange contracts to hedge foreign-currency-denominated financial instruments. Increases or decreases in the fair values of the Fund's foreign-currency-denominated financial assets and liabilities are partially offset by gains and losses on the economic hedging instruments.

The table below indicates the currencies to which the Fund had significant exposure at June 30, 2010 and 2009 on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the US Dollar on the net assets, with all other variables held constant.

Class	Currency	Change in Currency Rate	Effect on Net Assets	
			2010	2009
Equity Class	CAD	5%	\$ 96,886	\$ 146,385
	EUR	5%	324,004	874,463
	JPY	5%	320,364	331,544
Fixed Income Class	EUR	5%	491	7,286
Alternative Class	CAD	5%	-	149
	EUR	5%	1,234	171,905

An equivalent decrease in each of the aforementioned currencies against the US Dollar would have resulted in an equivalent but opposite impact.

#### 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. Prices of fixed income securities generally increase when interest rates decline, and decrease when interest rates rise.

#### 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 cash redemptions of redeemable units. Refer to Note 2(b) for a summary of the redemption liquidity terms for the underlying funds of the individual Classes. Each Fund Class retains sufficient holdings in underlying funds which offer redemptions on a daily or weekly basis which combined with cash and cash equivalents provide adequate liquidity to address the risk of cash redemptions of redeemable units.

#### 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.

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

### 4. FAIR VALUE OF FINANCIAL ASSETS

The following is a summary of the inputs used as of June 30, 2010 in valuing the Fund's financial assets carried at fair value:

#### EQUITY CLASS

Classification	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Investment funds	\$ -	\$ 75,029,177	\$ -	\$ 75,029,177
Exchange traded funds	20,904,105	-	-	20,904,105
Foreign currency forward contract	-	(337,102)	-	(337,102)
Total Financial Assets	\$ 20,904,105	\$ 74,692,075	\$ -	\$ 95,596,180

#### FIXED INCOME CLASS

Classification	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Investment funds	\$ -	\$ 84,535,434	\$ -	\$ 84,535,434
Foreign currency forward contract	-	535,192	-	535,192
Total Financial Assets	\$ -	\$ 85,070,626	\$ -	\$ 85,070,626

#### ALTERNATIVE INVESTMENT CLASS

Classification	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Investment funds	\$ -	\$ 85,822,676	\$ -	\$ 85,822,676
Foreign currency forward contract	-	(53,895)	-	(53,895)
Total Financial Assets	\$ -	\$ 85,768,781	\$ -	\$ 85,768,781

#### 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 in the year ended June 30, 2010.

#### 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, 2010.

### 5. SHARES ISSUED AND OUTSTANDING

999,880,000 common shares of a par value of \$0.10 each

120,000 organisational shares of a par value of \$0.10 each

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

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

### 5. SHARES ISSUED AND OUTSTANDING (CONT'D)

#### EQUITY CLASS COMMON SHARES

	2010	2009
Balance - beginning of year	12,367,307	14,632,014
Issue of common shares	1,442,734	2,408,971
Redemption of common shares	(1,417,005)	(4,673,678)
<hr/>		
Balance - end of year	12,393,036	12,367,307

#### FIXED INCOME CLASS COMMON SHARES

	2010	2009
Balance - beginning of year	5,647,438	6,501,803
Issue of common shares	705,434	589,115
Redemption of common shares	(674,722)	(1,443,480)
<hr/>		
Balance - end of year	5,678,150	5,647,438

#### ALTERNATIVE INVESTMENT CLASS COMMON SHARES

	2010	2009
Balance - beginning of year	6,316,715	10,813,636
Issue of common shares	1,298,312	324,911
Redemption of common shares	(1,428,924)	(4,821,832)
<hr/>		
Balance - end of year	6,186,103	6,316,715

Common shares are allotted to subscribers at a value determined by reference to the weekly valuation of the net assets of the Fund. 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.

# Butterfield Select Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

### 6. NET REALISED (LOSS) GAIN ON INVESTMENTS

#### EQUITY CLASS

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

	2010	2009
Proceeds on sale of investments	\$ 35,819,740	\$ 52,629,216
<hr/>		
Less cost of investments sold:		
Investments owned at beginning of year	112,229,041	139,461,007
Investments purchased during year	29,518,228	34,627,518
Investments owned at end of year	(100,630,415)	(112,229,041)
<hr/>		
Investments sold during year	41,116,854	61,859,484
<hr/>		
Net realised loss on investments	\$ (5,297,114)	\$ (9,230,268)

#### FIXED INCOME CLASS

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

	2010	2009
Proceeds on sale of investments	\$ 55,866,173	\$ 21,890,726
<hr/>		
Less cost of investments sold:		
Investments owned at beginning of year	85,835,088	95,003,475
Investments purchased during year	55,824,763	12,433,237
Investments owned at end of year	(78,350,319)	(85,835,088)
<hr/>		
Investments sold during year	63,309,532	21,601,624
<hr/>		
Net realised (loss) gain on investments	\$ (7,443,359)	\$ 289,102

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

### 6. NET REALISED (LOSS) GAIN ON INVESTMENTS (CONT'D)

#### ALTERNATIVE INVESTMENT CLASS

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

	2010	2009
Proceeds on sale of investments	\$ 90,629,034	\$ 98,201,671
Less cost of investments sold:		
Investments owned at beginning of year	55,900,435	123,791,366
Investments purchased during year	104,486,481	22,800,945
Investments owned at end of year	(76,171,595)	(55,900,435)
Investments sold during year	84,215,321	90,691,876
Net realised gain on investments	\$ 6,413,713	\$ 7,509,795

### 7. 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 net asset value of each of the Equity and Fixed Income Classes and 1.5% per annum of the Alternative Investment Class. Presently the monthly fee is calculated at the rate of 0.875% per annum for each of the Equity and Fixed Income Classes and 1.5% per annum for the Alternative Investment Class.

#### b) Custodian Fee

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

#### 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) Investment Transactions

As of June 30, 2010, The Bank of N.T. Butterfield & Son Limited held Nil shares (2009 - 185,636) having a fair value of \$Nil (2009 - \$2,528,363) in the Alternative Class.

As of June 30, 2010 the Butterfield Select Invest Fund held 141,134 shares (2009 - 145,866) having a fair value of \$2,004,104 (2009 - \$1,986,698) in the Alternative Class, 490,072 shares (2009 - 494,132) having a fair value of \$7,752,933 (2009 - \$7,253,860) in the Fixed Income Class and 345,777 shares (2009 - 354,042) having a fair value of \$2,935,649 (2009 - \$2,782,770) in the Equity Class.

As of June 30, 2010 the Fixed Income Class held Nil% of the Class B (2009 - 32.9%) shares of the Butterfield US\$ Bond Fund and Nil% (2009 - 10.3%) of the shares of Butterfield Capital Appreciation. The Equity Class held 6.2% of the Class A (2009 - 5.4%) shares of Butterfield Bermuda Fund and Nil% (2009 - 11.6%) of the shares of Butterfield Systematic Equity Fund.

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

### 7. RELATED PARTY TRANSACTIONS (CONT'D)

#### e) Credit Facility

On June 17, 2009, the Fund entered into a revolving standby credit facility with the Bank of \$5 million for Equity Class, \$5 million for Fixed Income Class and \$11.5 million for Alternative Investment Class to a maximum of 10% of the Fund's net asset value which expired on March 31, 2010. The facility is intended to assist the Fund in meeting short term liquidity. The interest rate on the facility will be determined at the time the facility is utilized. Amounts borrowed by the Fund are secured against the assets of the Fund. The facility was not renewed subsequent to March 31, 2010.

### 8. 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.

### 9. FINANCIAL HIGHLIGHTS

#### 2010 Per Share Information

	EQUITY CLASS	FIXED INCOME CLASS	ALTERNATIVE INVESTMENT CLASS
<b>Net asset value – beginning of year \$</b>	<b>7.86 \$</b>	<b>14.68 \$</b>	<b>13.62</b>
<b>Net investment income from operations</b>			
Net investment loss	(0.05)	(0.10)	(0.23)
Net realised and unrealised gain on investments	0.68	1.24	0.81
<b>Total from investment operations</b>	<b>0.63</b>	<b>1.14</b>	<b>0.58</b>
<b>Net asset value – end of year \$</b>	<b>8.49 \$</b>	<b>15.82 \$</b>	<b>14.20</b>

#### 2010 Ratios / Supplemental Data

Total net assets - end of year	\$ 105,206,942	\$ 89,829,551	\$ 87,849,343
Weighted average net assets*	\$ 111,162,693	\$ 89,045,484	\$ 96,778,393
Ratio of expenses to weighted average net assets	1.19%	1.15%	1.77%
Portfolio turnover rate**	28.06%	70.00%	106.82%
Annual rate of return***	8.02%	7.77%	4.26%

# Butterfield Select Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (Expressed in US Dollars)

### 9. FINANCIAL HIGHLIGHTS (CONT'D) 2009 Per Share Information

	EQUITY CLASS	FIXED INCOME CLASS	ALTERNATIVE INVESTMENT CLASS
<b>Net asset value – beginning of year</b>	\$ 11.73	\$ 15.13	\$ 15.15
<b>Net investment income from operations</b>			
Net investment (loss) income	(0.01)	0.15	(0.22)
Net realised and unrealised loss on investments	(3.86)	(0.60)	(1.31)
<b>Total from investment operations</b>	<b>(3.87)</b>	<b>(0.45)</b>	<b>(1.53)</b>
<b>Net asset value – end of year</b>	<b>\$ 7.86</b>	<b>\$ 14.68</b>	<b>\$ 13.62</b>

### 2009 Ratios / Supplemental Data

Total net assets - end of year	\$ 97,253,004	\$ 82,893,304	\$ 86,027,559
Weighted average net assets*	\$ 104,958,445	\$ 85,790,623	\$ 119,889,466
Ratio of expenses to weighted average net assets	1.21%	1.16%	1.78%
Portfolio turnover rate**	33.36%	13.99%	21.73%
Annual rate of return***	(32.99%)	(2.97%)	(10.10%)

\*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.