

Butterfield Systematic Equity Fund Limited

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

Butterfield Systematic Equity Fund Limited

Systematic Equity Fund Limited - Annual Report 2010

For the past year, the global economic recovery has had a positive impact on global markets. The Fund returned 3.6% compared to the S&P/TSX Composite Index return of 12.0%. Throughout most of the past year, we maintained an underweight position in financials which has been a drag on relative returns as the sector outperformed the broad market.

At June 30 2010, the Fund's biggest weightings were in the energy, materials and financials sectors. The Fund also held 5.4% in cash at year-end; funds that were ready to be invested on market pullbacks.

Market Review & Outlook

During the past 12 months, the Canadian economy benefited from various stimulus programs, but not to the same degree as the US or other European countries. As a result, we have the benefit of seeing now what is happening to the real economy in Canada. In contrast, many other markets and economies are still very much dependent on government support and will eventually have to learn to live without their crutches.

As financial markets forced Canada to go through a painful recession in the early 1990s, the federal and provincial governments have since dramatically improved their finances leaving the country in a very strong fiscal position relative to their US and European counterparts. As a result, the country emerged from the recession more quickly and in much better shape than many other markets.

Canada's strong turnaround over the past year was another indication that its good fortune extends beyond its commodity and energy exposure. While the country's exposure to resources boosted growth (primary products account for about 40% of Canada's exports), residential investment and government spending all posted good gains that are likely to continue in the near future. While the country's large dependence on trade with the US is not desirable, Canada's exports to fast-growing emerging Asian economies have been increasing steadily.

As a result, after indicating in late April that the need for extraordinary monetary policy stimulus was passing, the Bank of Canada raised its policy interest rate from 0.25% to 0.50% in June 2010. At the same time, the Bank was careful to emphasize that the extent and timing of any additional withdrawal of monetary stimulus would depend on how uncertainties – particularly those emanating from Europe – play out.

Canada remains a relatively safe place to invest given the strength of its banking and regulatory systems. In the past 7 years or so, what has made the Canadian market attractive to foreign investors is mostly the country's large exposure to commodity related equities that are benefiting from continued growth in emerging markets. The continued appreciation in the Canadian Dollar versus most major currencies has provided an additional kicker to returns.

Butterfield Systematic Equity Fund Limited

Market Review & Outlook (cont'd)

Following Keith Dicker's recent departure in early 2010, Yan Arsenault is now assuming the day-to-day investment management responsibilities of the Fund. In order to maximize the potential contribution to the Fund of the best ideas generated from the manager's proprietary equity selection process, the Fund underwent several changes in early April 2010 with core positions established in a number of new companies that exhibit the key qualities that investors find most desirable.

Thank you for your interest in the Fund.

A handwritten signature in black ink, appearing to read 'C. Dickinson', with a stylized flourish at the end.

Curtis Dickinson
President
Butterfield Systematic Equity Fund Limited

October 11, 2010

Butterfield Systematic Equity Fund Limited

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, 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 Systematic Equity Fund Limited

DIRECTORS

Robert Lotmore
Curtis Dickinson
David Stewart (Appointed on December 10, 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

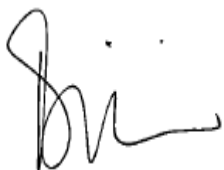
Deloitte & Touche Ltd.
P.O. Box HM 1556
Hamilton HM FX
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Butterfield Systematic Equity Fund Limited

STATEMENTS OF NET ASSETS As at June 30, 2010 and 2009 (Expressed in Canadian Dollars)

	2010	2009
ASSETS		
Investments, at current value (Cost 2010 - \$7,334,685 ; 2009 - \$7,667,592)	\$ 6,749,536	\$ 6,007,960
Cash and cash equivalents	383,739	1,256,537
Accrued dividends receivable	20,007	14,485
Prepaid expenses	3,914	1,079
	7,157,196	7,280,061
LIABILITIES		
Accrued expenses	53,218	70,575
FUND NET ASSETS	\$ 7,103,978	\$ 7,209,486
Number of common shares in issue	955,525	1,005,451
NET ASSET VALUE PER COMMON SHARE CLASS A	\$ 7.43	\$ 7.17

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, 2010 and 2009

(Expressed in Canadian Dollars)

Investment	2010			2009		
	Shares	Current Value	% of Portfolio	Shares	Current Value	% of Portfolio
Common Shares						
Aastra Technologies Limited	1,550	\$ 35,650	0.53%	-	\$ -	-
Addax Petroleum Corp.	-	-	-	2,300	113,459	1.89%
Agnico Eagle Mines Limited	-	-	-	340	20,832	0.35%
Agrium Inc.	-	-	-	1,930	89,649	1.49%
Atco Limited	-	-	-	855	33,644	0.56%
Bank of Montreal	3,410	196,893	2.92%	3,565	174,756	2.91%
Bank of Nova Scotia	6,750	331,087	4.88%	4,295	186,489	3.10%
BCE Inc.	7,680	238,541	3.53%	-	-	-
BMTC Group Inc. - Class A	500	9,620	0.14%	-	-	-
Brookfield Properties Corp.	3,660	54,717	0.81%	-	-	-
Barrick Gold Corp.	-	-	-	10	392	0.01%
Biovail Corp.	-	-	-	3,195	49,906	0.83%
Bombardier Inc.	-	-	-	495	1,708	0.03%
Canadian Imperial Bank of Commerce	2,570	169,980	2.52%	-	-	-
Canadian National Railway Company	-	-	-	270	13,492	0.22%
Canadian National Resources Limited	-	-	-	6,370	389,780	6.49%
Canadian Natural Resources Limited	1,400	49,462	0.73%	-	-	-
Canadian Pacific Railway Limited	-	-	-	220	10,204	0.17%
Canadian Utilities Limited	-	-	-	465	17,647	0.29%
Canadian Western Bank	-	-	-	785	13,298	0.22%
Cardiome Pharma Corp.	4,000	35,120	0.52%	-	-	-
Cascades Inc.	6,000	38,520	0.57%	-	-	-
Celestica Inc.	5,160	44,376	0.66%	-	-	-
Centerra Gold Inc.	-	-	-	10,425	55,253	0.92%
Cenovous Energy Inc.	2,100	57,540	0.85%	-	-	-
CGA Mining Limited	25,000	46,980	0.70%	-	-	-
Cogeco Inc.	3,400	102,000	1.51%	-	-	-
Corus Entertainment Inc. - Class B	5,770	108,361	1.61%	-	-	-
Domtar Corp.	3,500	182,210	2.70%	-	-	-
Denison Mines Corp.	-	-	-	32,430	62,590	1.04%
Eastern Platinum Limited	-	-	-	13,570	7,056	0.12%
Eldorado Gold Corp.	-	-	-	3,620	37,938	0.63%
Emera Inc.	-	-	-	1,125	24,446	0.41%
Enbridge Inc.	1,100	54,538	0.81%	2,780	112,201	1.87%
Encana Corp.	1,000	32,240	0.48%	5,130	295,847	4.92%
Ensign Energy Services Inc.	-	-	-	1,380	23,460	0.39%
Fairfax Financial Holdings Limited	-	-	-	265	77,380	1.29%
First Majestic Silver Corp.	15,000	64,200	0.95%	-	-	-
First Quantum Minerals Limited	700	37,485	0.56%	410	23,063	0.38%

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Butterfield Systematic Equity Fund Limited

STATEMENTS OF PORTFOLIO INVESTMENTS As at June 30, 2010 and 2009 (Expressed in Canadian Dollars)

Investment	2010			2009		
	Shares	Current Value	% of Portfolio	Shares	Current Value	% of Portfolio
Common Shares (cont'd)						
Flint Energy Services Limited	-	\$ -	-	500	\$ 5,775	0.10%
Gildan Activewear Inc.	1,700	51,986	0.77%	-	-	-
Goldcorp Inc.	-	-	-	4,870	196,894	3.28%
Goldenstar Resources Limited	8,500	39,950	0.59%	-	-	-
High River Gold Mines Limited	124,000	95,480	1.41%	-	-	-
Home Capital Group Inc.	-	-	-	345	10,422	0.17%
Husky Energy Inc.	-	-	-	1,900	61,807	1.03%
IAMGOLD Corp.	-	-	-	3,640	42,879	0.71%
IGM Financial Inc.	-	-	-	530	21,810	0.36%
Imperial Oil Limited	-	-	-	1,890	85,277	1.42%
Indigo Books & Music Inc.	11,750	168,025	2.49%	-	-	-
Industrial Alliance Insurance Financial Services	-	-	-	455	11,716	0.20%
Inmet Mining Group Corp.	-	-	-	620	26,455	0.44%
Ishares Canada S&P/TSA Gold Index	-	-	-	22,800	446,880	7.44%
Ishares Canada S&P/TSA 60 Index	-	-	-	9,040	142,920	2.38%
Kinross Gold Corp.	-	-	-	3,860	81,832	1.36%
Laurentian Bank of Canada	2,400	101,112	1.50%	-	-	-
Lundin Mining Corp.	-	-	-	7,200	24,120	0.40%
Magna International Inc. - Class A	500	35,065	0.52%	-	-	-
Major Drilling Group International Inc.	-	-	-	865	15,795	0.26%
Methanex Corp.	4,660	97,627	1.45%	1,995	28,149	0.47%
National Bank of Canada	-	-	-	925	49,719	0.83%
North American Energy Partners	11,830	111,320	1.65%	-	-	-
Northgate Mineral Corp.	-	-	-	11,910	29,418	0.49%
Oceanagold Corp.	49,380	152,090	2.25%	-	-	-
Opti Canada Inc.	-	-	-	2,970	5,792	0.10%
Paladin Energy Limited	-	-	-	38,140	173,537	2.89%
Pan American Silver Corp.	-	-	-	760	16,393	0.27%
Pason Systems Inc.	-	-	-	1,715	16,070	0.27%
Petro-Canada	-	-	-	3,520	158,118	2.63%
Petrobank Energy & Resources Limited	-	-	-	785	26,517	0.44%
Petrominerals Limited	6,300	156,555	2.32%	-	-	-
Pinetree Captial Limited	62,600	72,616	1.08%	-	-	-
Potash Corporation of Saskatchewan Inc.	-	-	-	2,610	283,159	4.71%
Power Corp.	-	-	-	2,335	62,671	1.04%
QLT Inc.	21,990	134,359	1.99%	-	-	-
Quebecor Inc. - Class B	6,070	197,457	2.93%	-	-	-
Red Back Mining Inc.	-	-	-	2,830	28,696	0.48%

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Butterfield Systematic Equity Fund Limited

STATEMENTS OF PORTFOLIO INVESTMENTS As at June 30, 2010 and 2009 (Expressed in Canadian Dollars)

Investment	2010			2009		
	Shares	Current Value	% of Portfolio	Shares	Current Value	% of Portfolio
Common Shares (cont'd)						
Reitmans (Canada) Limited - Class A	11,730	\$ 219,820	3.26%	-	\$ -	-
Research in Motion Limited	1,605	83,990	1.24%	1,605	132,701	2.21%
Rogers Communications - Class B	4,000	139,120	2.06%	-	-	-
Royal Bank of Canada	5,030	255,021	3.78%	3,450	164,116	2.73%
Savanna Energy Services Corp.	-	-	-	1,090	6,638	0.11%
Sherritt International Corp.	-	-	-	3,460	18,130	0.30%
Sears Canada Inc.	7,190	185,862	2.75%	-	-	-
Shaw Communications Inc. - Class B	10,440	200,135	2.97%	-	-	-
Shoppers Drug Mart Corp.	-	-	-	680	33,993	0.57%
Shore Gold Inc.	-	-	-	2,885	1,356	0.02%
Sierra Wireless Inc.	12,890	91,132	1.35%	-	-	-
Silver Standard Resources Inc.	-	-	-	830	18,401	0.31%
Silver Wheaton Corp.	-	-	-	2,140	20,672	0.34%
Silvercorp Metals Inc.	-	-	-	3,010	12,221	0.20%
Sino Forest Corp.	-	-	-	1,000	12,400	0.21%
Sprott Inc.	-	-	-	7,240	22,082	0.37%
Sprott Resource Corp.	-	-	-	35,700	109,956	1.83%
Sun Life Financial Inc.	3,200	89,472	1.33%	1,610	50,554	0.84%
Suncor Energy Inc.	-	-	-	7,950	281,192	4.68%
Superior Plus Corp.	4,000	51,200	0.76%	140	1,466	0.02%
Talisman Energy Inc.	-	-	-	9,020	150,724	2.51%
Teck Cominco Limited - Class B	1,400	44,072	0.65%	-	-	-
Telus Corp.	2,700	108,459	1.61%	-	-	-
Toronto-Dominion Bank	5,300	365,593	5.42%	2,750	165,248	2.75%
Transalta Corp.	-	-	-	1,735	38,708	0.64%
Transcanada Corp.	-	-	-	3,400	106,488	1.78%
Tristar Oil & Gas Limited	-	-	-	1,575	17,309	0.30%
Torstar Corp. – Class B	21,060	224,078	3.32%	-	-	-
Total Energy Services Inc.	6,820	56,197	0.83%	-	-	-
Uranium One Inc.	-	-	-	45,580	121,699	2.03%
Wesdome Gold Mines Limited	22,000	51,700	0.77%	-	-	-
Western Canadian Coal Corp.	-	-	-	10,000	18,500	0.31%
Western Uranium Corp.	73,500	58,800	0.87%	-	-	-
Winpak Limited	12,730	113,552	1.68%	-	-	-
Zarlink Semi Conductor Inc.	122,820	218,620	3.24%	-	-	-
		5,859,985	86.82%		5,391,865	89.76%

The accompanying notes are an integral part of these financial statements

Butterfield Systematic Equity Fund Limited

STATEMENTS OF PORTFOLIO INVESTMENTS As at June 30, 2010 and 2009 (Expressed in Canadian Dollars)

Investment	2010			2009		
	Shares	Current Value	% of Portfolio	Shares	Current Value	% of Portfolio
Unit Trusts						
Altagas Income Trust	-	\$ -	-	1,190	\$ 19,100	0.32%
Bonavista Energy Trust	-	-	-	200	3,608	0.06%
Canfor Pulp Income Fund Trust	9,350	134,547	1.99%	-	-	-
Canadian Oil Sands Trust	-	-	-	4,005	111,299	1.85%
Cineplex Galaxy Income Fund Trust	1,900	37,050	0.55%	-	-	-
Crescent Point Energy Trust	-	-	-	695	23,852	0.40%
Enerplus Resources Fund Trust	-	-	-	2,280	57,296	0.95%
First National Financial Income Fund Trust	2,700	45,873	0.68%	-	-	-
Labrador Iron Ore Royalty Trust	2,200	94,182	1.40%	750	23,813	0.40%
NAL Oil & Gas Trust	-	-	-	1,940	18,178	0.30%
Parkland Income Fund Trust	18,070	195,337	2.89%	-	-	-
Pembina Pipeline Income Fund Trust	-	-	-	3,335	49,558	0.82%
Pengrowth Energy Trust	-	-	-	4,010	36,812	0.61%
Penn West Energy Trust	2,660	53,998	0.80%	-	-	-
Peyto Energy Trust	5,500	80,135	1.19%	4,150	38,886	0.65%
Provident Energy Trust	6,000	43,740	0.65%	-	-	-
Precision Drilling Trust	-	-	-	3,250	18,168	0.30%
Rogers Sugar Income Fund Trust	23,240	112,249	1.66%	-	-	-
Wajax Income Fund Trust	4,000	92,440	1.37%	-	-	-
Westshore Terminals Income Fund Trust	-	-	-	935	10,790	0.18%
		889,551	13.18%		411,360	6.84%
Exchange Traded Funds						
Horizons BetaPro NYMEX Natural Gas Bull Plus ETF	-	-	-	9,000	50,580	0.84%
		-	-		50,580	0.84%
Partnerships						
Fort Chicago Energy Partners L.P.	-	-	-	10,420	89,091	1.48%
Interpipeline Fund Partners L.P.	-	-	-	7,470	65,064	1.08%
		-	-		154,155	2.56%
TOTAL INVESTMENTS AT CURRENT VALUE (Cost 2010 - \$7,334,685; 2009 - \$7,667,592)		\$ 6,749,536	100.00%		\$ 6,007,960	100.00%

The accompanying notes are an integral part of these financial statements

Butterfield Systematic Equity Fund Limited

STATEMENTS OF OPERATIONS For the years ended June 30, 2010 and 2009 (Expressed in Canadian Dollars)

	2010	2009
INVESTMENT INCOME		
Dividends (net of withholding taxes - 2010 - \$51,018; 2009 - \$47,564)	\$ 150,638	\$ 152,213
Deposit interest	17	6,865
	150,655	159,078
EXPENSES		
Accounting fee	72,745	63,266
Registrar & transfer agent fee	52,781	55,592
Management fee	39,665	35,522
Audit fee	11,491	14,772
Miscellaneous	6,969	13,308
Secretarial fee	6,313	9,250
Exchange fee	5,515	8,800
BSX fee	5,472	6,305
Custodian fee	5,214	6,021
Interest expense	330	-
	206,495	212,836
NET INVESTMENT LOSS	(55,840)	(53,758)
NET REALISED AND UNREALISED GAIN (LOSS) ON INVESTMENTS		
Net realised loss on investments	(673,477)	(946,525)
Net change in unrealised gain (loss) on investments	1,074,483	(2,348,253)
NET GAIN (LOSS) ON INVESTMENTS	401,006	(3,294,778)
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 345,166	\$ (3,348,536)

The accompanying notes are an integral part of these financial statements

Butterfield Systematic Equity Fund Limited

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

	2010	2009
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	\$ 345,166	\$ (3,348,536)
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CAPITAL STOCK TRANSACTIONS		
Issue of shares	1,011,864	1,022,569
Redemption of shares	(1,462,538)	(343,013)
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Net capital stock transactions	(450,674)	679,556
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NET DECREASE IN NET ASSETS FOR THE YEAR	(105,508)	(2,668,980)
NET ASSETS - BEGINNING OF YEAR	7,209,486	9,878,466
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NET ASSETS - END OF YEAR	\$ 7,103,978	\$ 7,209,486

The accompanying notes are an integral part of these financial statements

Butterfield Systematic Equity Fund Limited

NOTES TO THE FINANCIAL STATEMENTS For the years ended June 30, 2010 and 2009 (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.

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.

Butterfield Systematic Equity Fund Limited

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

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

a) Valuation of Investments (cont'd)

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. 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 \$30,705 (2009 - \$454,273) and the net asset value per common share would have decreased by \$0.03 (2009 - \$0.45).

b) Investment Transactions and Income Recognition

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

c) Cash and Cash Equivalents

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

d) Financial Assets and Liabilities

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

e) Adoption of New Accounting Standards

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 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 since the prior year.

Butterfield Systematic Equity Fund Limited

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

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

e) 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 unit 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.

Butterfield Systematic Equity Fund Limited

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

3. FINANCIAL RISK MANAGEMENT

The Funds' overall risk management approach includes formal guidelines to govern the extent of exposure to various types of risk. The Investment Advisor also has various internal controls to oversee the Fund's investment activities, including monitoring compliance with the investment objective and strategies, internal guidelines and securities regulations.

Credit Risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. Financial instruments that potentially expose the Fund to credit and counterparty risk consist primarily of investments and cash and cash equivalents.

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

As at June 30, 2010 and 2009, the Fund did not have significant exposure to foreign currencies.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Predominantly all of the Fund's investments are highly liquid securities which are actively traded on stock exchanges. As a result, the Fund is not subject to fair value interest rate risk due to possible fluctuations in the prevailing levels of market interest rates.

The Fund's exposure to cash flow interest rate risk is limited to its cash at bank which represents 0.14% (2009 - 0.07%) of the Fund's net assets. The Fund does not have any other significant interest-bearing assets or liabilities.

Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to liquidity risk by way of weekly cash redemptions of redeemable units. However, the Fund retains sufficient cash, cash equivalents and actively traded marketable securities to maintain adequate liquidity to address this risk.

Butterfield Systematic Equity Fund Limited

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

3. FINANCIAL RISK MANAGEMENT (CONT'D)

Other price/market risk

Other 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 other price/market risk. The Investment Advisor attempts to mitigate price/market risk by selecting appropriate portfolio investments based on the Fund's strategy. All of the Fund's investments at June 30, 2010 and 2009, are listed on stock exchanges.

As at June 30, 2010, all of the Fund's investments were exposed to changes in equity prices. As at June 30, 2010, if Canadian equity prices had been 5% higher or lower with all other variables held constant, the net assets of the Fund would have been \$303,758 (2009 - \$276,394) higher or lower. 5% is the sensitivity rate used when reporting other price/market risk internally to key management personnel and represents management's assessment of reasonably possible change in market prices.

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 current value:

Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common shares	\$ 5,859,985	\$ -	\$ -	\$ 5,859,985
Unit Trusts	889,551	-	-	889,551
Total Financial Assets	\$ 6,749,536	\$ -	\$ -	\$ 6,749,536

Transfers of assets between level 1 and level 2

Financial assets and liabilities transferred from level 1 to level 2 are the result of the securities no longer being traded in an active market. There were no transfers of financial assets and liabilities from level 1 to level 2 in the current period. Financial assets and liabilities transferred from level 2 to level 1 are the result of the securities now being traded in an active market. There were no transfers of financial assets and liabilities from level 2 to level 1 during the year ended June 30, 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.

Butterfield Systematic Equity Fund Limited

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

5. SHARES ISSUED AND OUTSTANDING

The authorised capital stock is as follows:

10,000,000,000 common shares of a par value of \$0.000001 each

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	2010	2009
Balance - beginning of year	1,005,451	927,673
Issue of common shares	133,284	127,696
Redemption of common shares	(183,210)	(49,918)
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Balance - end of the year	955,525	1,005,451

Common shares are allotted to subscribers at a value determined by reference to the weekly valuation of the net assets of the Fund. Common shares may be redeemed for an amount equal to the net asset value per share as at the close of business on the Valuation Day, following receipt of the properly completed request for redemption, subject to the power of the directors to deduct there from an amount sufficient in their opinion to meet sale and fiscal charges incurred in realising assets to provide funds to meet the request. The organisational shares are owned by the Investment Advisor.

6. NET REALISED LOSS ON INVESTMENTS

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

	2010	2009
Proceeds on sale of investments	\$ 8,567,011	\$ 2,418,148
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Less cost of investments sold:		
Investments owned at beginning of year	7,667,592	7,890,601
Investments purchased during year	8,907,586	3,141,664
Investments owned at end of year	(7,334,685)	(7,667,592)
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Investments sold during year	9,240,493	3,364,673
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Net realised loss on investments	\$ (673,482)	\$ (946,525)

Butterfield Systematic Equity Fund Limited

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

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 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, 2010, The Bank of N.T. Butterfield & Son Limited held 500,000 shares (2009 - 500,000) of the Fund having a fair value of \$3,715,000 (2009 - \$3,585,000). The Butterfield Select Fund Limited - Equity Class held NIL shares (2009 - 116,892) of the Fund having a fair value of \$NIL (2009 - \$838,117).

f) Credit Facility

On June 17, 2009, the Fund entered into a revolving standby credit facility with the Bank of \$1 million to a maximum of 10% of the Fund's net asset value which expired on March 31, 2010. The facility was intended to assist the Fund in meeting short term liquidity. No amounts were drawn on the facility at March 31, 2010 upon expiration and the facility has not been subsequently renewed.

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.

Butterfield Systematic Equity Fund Limited

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

9. FINANCIAL HIGHLIGHTS

Per Share Information		2010		2009
Net asset value - beginning of year	\$	7.17	\$	10.65
Income from investment operations				
Net investment loss		(0.04)		(0.05)
Net realised and unrealized gain (loss) on investments		0.30		(3.43)
Total from investment operations		0.26		(3.48)
Net asset value – end of year	\$	7.43	\$	7.17

Ratios / Supplemental Data

Total net assets - end of year	\$	7,103,978	\$	7,209,486
Weighted average net assets*	\$	7,867,820	\$	7,139,223
Ratio of expenses to weighted average net assets		2.62%		2.98%
Portfolio turnover rate**		124.53%		37.98%
Annual rate of return***		3.63%		(32.67%)

* 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.