Butterfield Bermuda Fund Limited

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2013

Ernst & Young Ltd.

ERNST & YOUNG

To the Shareholders:

During the fiscal year, the net asset value per share, exclusive of dividends, increased 15.5%. In addition, for the year ended June 30, 2013, the Fund paid total dividends of $0.44 per share giving a total return for the year of 18.16%. The Fund's blended benchmark returned 18.6% for the same period. The Fund's quarterly dividend rate was reduced from prior years in response to the lower dividend yield generated by the Fund's underlying investments. The fund paid $0.11 for each of the quarterly dividends through the year and based on June 30th, 2013 NAV, the dividend yield ended at 2.63%. The Fund continues to maintain a dividend policy whereby the dividend yield of the Fund is representative of the dividend yield for the Fund's constituent companies, net of fees and expenses.

Market Review

The domestic (Bermuda) market, as represented by the BSE Index, returned 10.3% for the year. After several years of decline, calendar 2013 appears to be characterised by slightly better sentiment in the local market, as the economy seems to have reached a plateau. While it is hard to back up this claim with actual economic data (due to the lack of timely Government statistics) it would appear that the exodus of foreign labour, and associated layoffs from companies serving the local economy, has slowed. Recent news from publicly traded local companies would seem to support this hypothesis. Specifically, the resumption of dividends and/or implementation of buyback programs by Argus, The Bank of NT Butterfield & Son and West Hamilton Holdings Limited, after a long period of suspended dividends, show that the Boards of local companies have made headway in the restructuring of their companies and are more confident in the local economy. While it is pleasing to be able to write about positive local news after several years of decline, it is important to note that there are still a number of headwinds that must be overcome before the Fund is willing to increase its exposure to local companies. The last 12 months have seen an increase in the official unemployment rate to 8.4%. Taken by itself this number is significant. However, once the number of persons leaving the island, and the drop in labour participation rate is taken into account, the reduction in contribution to GDP from consumption is likely far greater that that associated with the 4% increase in official unemployment since 2009. Also of concern is the continued weak position of the finances of the Bermuda Government. As the Government continues to run a sizable budget deficit and debt levels are increasing, it is to some extent prevented from providing the fiscal stimulus it might wish to inject into a shrinking economy. This is a fact not overlooked by the three main credit ratings agencies, who have all recently cut their rating of Bermuda's sovereign debt.

The reinsurance market, as represented by the BSE Insurance Index, returned 24.1% for the year. This year was relatively quiet in terms of insured losses when compared with recent years. Single loss events of note included Super Storm Sandy, which caused significant economic losses to the East Coast of the United States and the May 2013 category EF-5 tornado that touched down near Moore, Oklahoma. Whilst both events caused large economic losses, realised losses by the reinsurance companies in the Fund were muted and high levels of retained capital enabled reinsurance companies to comfortably absorb losses. Throughout the year, aggregated reinsurance capital grew by approximately 2%, adding pressure to the supply side of the supply/demand equation. Over the period, primary insurer capital rose by the same amount, allowing insurance companies to cede less risk up to the reinsurance companies, effectively reducing the demand side of the supply/demand equation as well. We continued to see the trend of reinsurance companies being more selective in the business they write, combined with a willingness to walk away from negotiations that do not result in pricing that provides a decent return on capital. These actions have the effect of artificially reducing capacity in the industry and allowing rates to remain flat, to slightly higher, over the year. As companies have been left with surplus capital from restrictive policy writing and strong earnings, due to low loss events, share holder friendly dividend policy and buybacks have continued through the year.

Outlook

Whilst it is encouraging to see the general acceptance that the poor performance of the economy in Bermuda is due partly to internal systematic issues, more action is needed before the Fund will be willing to take a more aggressive position in local shares. As interest rates rise in anticipation of the US Federal Reserve Bank's possible tapering of its quantitative easing program, the fixed income biased investment portfolios of reinsurance companies stand to gain. As the companies continue to trade at a discount to their historical average price to book ratios any pick up in investment return, historically an important component of net income, may act as the catalyst needed to prompt a degree of re-rating of the price to book ratios.

Michael Neff
President
Butterfield Bermuda Fund Limited

October 17, 2013

Ernst & Young

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INDEPENDENT AUDITOR'S REPORT

Shareholders and Directors of
Butterfield Bermuda Fund Limited

We have audited the accompanying statement of net assets and statement of portfolio investments of Butterfield Bermuda Fund Limited (the "Fund") as at June 30, 2013, and the related statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian and Bermudian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2013, and the results of its operations and the changes in its net assets for the year then ended in accordance with Canadian and Bermudian generally accepted accounting principles.

Ernst & Young Ltd.

October 17, 2013

DIRECTORS

Shane English
Michael Neff (President)
Michael Collins

INVESTMENT ADVISER

Butterfield Asset Management Limited
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Hamilton HM AX
Bermuda

CUSTODIAN

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

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby St
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AUDITORS

Ernst & Young Ltd.
P.O. Box HM 463
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STATEMENT OF NET ASSETS
As at June 30, 2013
(Expressed in Bermuda Dollars)

ASSETS	Notes		2013		2012
Investments, at fair value					
(Cost: 2013 - $10,617,563; 2012 - $15,542,290)	3, 4	$	**12,773,339**	$	14,825,662
Cash and cash equivalents	2		**737,097**		113,719
Due from broker			**160,475**		-
Dividends and interest receivable			**7,930**		9,850
Prepaid expenses			**4,582**		9,122
			13,683,423		14,958,353
LIABILITIES					
Dividends payable	6		**77,123**		114,866
Accrued expenses	8		**36,310**		42,391
			113,433		157,257
			13,569,990		14,801,096
Organisational shares	5		**12,000**		12,000
NET ASSETS		**$**	**13,557,990**	$	14,789,096
NET ASSETS AVAILABLE TO SHAREHOLDERS - CLASS A		**$**	**13,557,990**	$	14,789,096
Number of common shares in issue - Class A	5		**701,114**		883,582
NET ASSET VALUE PER COMMON SHARE - CLASS A		**$**	**19.34**	$	16.74

Signed on Behalf of the Board

DIRECTOR

DIRECTOR

The accompanying notes are an integral part of these financial statements

STATEMENT OF PORTFOLIO INVESTMENTS
As at June 30, 2013
(Expressed in Bermuda Dollars)

	2013 Number of Shares	2013 Fair Value	2013 % of Portfolio	2012 Number of Shares	2012 Fair Value	2012 % of Portfolio
INVESTMENTS						
Common Stock and Preferred Shares						
ACE Limited	**21,200**	**$ 1,896,976**	**14.85%**	21,200	$ 1,571,556	10.60%
Allied World Assurance Company Limited	**5,100**	**466,701**	**3.65%**	5,100	405,297	2.73%
Arch Capital Group Ltd.	**18,400**	**945,944**	**7.41%**	32,400	1,285,956	8.67%
Argus Group Holdings Limited	**79,193**	**330,234**	**2.59%**	156,593	622,457	4.20%
Ascendant Group Limited	**83,326**	**916,586**	**7.18%**	133,026	1,712,710	11.55%
Aspen Insurance Holdings Limited	**21,400**	**793,726**	**6.21%**	23,000	664,700	4.48%
Assured Guaranty Ltd.	**32,000**	**705,920**	**5.53%**	32,000	451,200	3.04%
Axis Capital Holdings Limited	**11,620**	**531,964**	**4.16%**	11,620	378,231	2.55%
Bank of N.T. Butterfield & Son Limited	**889,518**	**1,267,563**	**9.92%**	1,089,518	1,383,688	9.33%
Bank of N.T. Butterfield & Son Limited Contingent Value Preference Shares	**38,460**	**54,806**	**0.43%**	38,460	48,844	0.33%
Bermuda Aviation Services Ltd.	**110,556**	**505,241**	**3.96%**	223,056	724,932	4.89%
Bermuda Press (Holdings) Ltd.	**5,431**	**43,448**	**0.34%**	5,431	57,704	0.39%
BF&M Limited	**18,973**	**309,257**	**2.42%**	18,973	300,624	2.03%
Endurance Specialty Holdings Ltd.	**12,200**	**627,690**	**4.91%**	20,000	766,400	5.17%
Everest Re Group Ltd.	**6,860**	**879,864**	**6.89%**	14,060	1,455,069	9.82%
KeyTech Limited	**7,994**	**50,922**	**0.40%**	7,994	45,966	0.31%
Montpelier Re Holdings Ltd.	**16,800**	**420,168**	**3.29%**	16,800	357,672	2.41%
PartnerRe Ltd.	**6,140**	**556,038**	**4.35%**	6,140	464,614	3.13%
RenaissanceRe Holdings Ltd.	**7,642**	**663,249**	**5.19%**	10,242	778,494	5.25%
RenaissanceRe Holdings Ltd. Series C 6.08% Preferred Shares	**6,420**	**158,125**	**1.24%**	22,839	580,111	3.91%
Validus Holdings Limited	**17,579**	**634,953**	**4.97%**	23,579	755,235	5.10%
West Hamilton Holdings Limited	**1,900**	**13,964**	**0.11%**	1,900	14,202	0.10%
TOTAL INVESTMENTS, AT FAIR VALUE (Cost: 2013 - $10,617,563; 2012 - $15,542,290)		**$ 12,773,339**	**100.00%**		$ 14,825,662	100.00%

The accompanying notes are an integral part of these financial statements

STATEMENT OF OPERATIONS
For the year ended June 30, 2013
(Expressed in Bermuda Dollars)

	Notes		2013		2012
INVESTMENT INCOME					
Dividends		$	**409,292**	$	458,282
Deposit interest			**906**		507
			410,198		458,789
EXPENSES					
Management fee	8 a)		**97,917**		109,361
Administration fee	9		**28,980**		66,018
Audit fee			**14,062**		18,000
Custodian fee	8 b)		**12,837**		14,423
Miscellaneous			**20,731**		13,260
Corporate secretarial fee	8 c)		**-**		2,139
Government fee			**11,968**		9,518
			186,495		232,719
NET INVESTMENT INCOME			**223,703**		226,070
NET REALISED AND CHANGE IN UNREALISED GAIN/(LOSS) ON INVESTMENTS					
Net realised loss on investments		7	**(955,271)**		(90,401)
Net change in unrealised gain on investments			**2,872,397**		272,638
NET GAIN ON INVESTMENTS			**1,917,126**		182,237
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		$	**2,140,829**	$	408,307

The accompanying notes are an integral part of these financial statements

STATEMENT OF CHANGES IN NET ASSETS
For the year ended June 30, 2013
(Expressed in Bermuda Dollars)

	Note	2013	2012
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		**$ 2,140,829**	$ 408,307
DISTRIBUTIONS TO INVESTORS			
Dividends paid and payable	6	**(315,356)**	(465,696)
CAPITAL STOCK TRANSACTIONS			
Issue of shares		**779,184**	568,457
Redemption of shares		**(3,835,763)**	(1,138,802)
Net capital stock transactions		**(3,056,579)**	(570,345)
NET DECREASE IN NET ASSETS FOR THE YEAR		**(1,231,106)**	(627,734)
NET ASSETS - BEGINNING OF YEAR		**14,789,096**	15,416,830
NET ASSETS - END OF YEAR		**$ 13,557,990**	$ 14,789,096

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013
(Expressed in Bermuda Dollars)

1. ABOUT THE FUND

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and Bermuda ("GAAP"). The preparation of financial statements in accordance with GAAP 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 year. Actual results could differ from those estimates and the difference could be material. The following is a summary of significant accounting policies followed by the Fund:

a) Valuation of Investments

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

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

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.

c) Cash and Cash Equivalents

Cash equivalents are comprised of shares in Butterfield Money Market Fund Limited, an affiliated money market fund, denominated in US$ shares. Shares may be redeemed on 24 hours' notice. The fair value of the Fund's holding in the money market fund as of June 30, 2013 was $149,353 (2012 - $61,055).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013
(Expressed in Bermuda Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 values of the Fund's other financial instruments, including cash and cash equivalents, dividends and interest receivable, dividends payable and accrued expenses approximate their carrying values.

e) Translation of Foreign Currencies

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

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

f) Adoption of New Accounting Standards

Investment companies that are publicly accountable enterprises are required to adopt International Financial Reporting Standards ("IFRS") for the first time for interim and annual financial statements relating to annual periods beginning on or after January 1, 2014. As a result, the Fund will adopt IFRS beginning July 1, 2014 and publish its first financial statements, prepared in accordance with IFRS, for the annual period ending June 31, 2015. The 2015 annual financial statements will include 2014 comparative financial statements and an opening statement of net assets as of July 1, 2013, also prepared in accordance with IFRS.

The Investment Adviser has developed a transition plan to changeover to IFRS and meet the required timetable. As at June 30, 2013, the expected impact to the financial statements based on the Investment Adviser's assessment of the differences between GAAP and IFRS are as follows:

- IFRS 13 *Fair Value Measurement* permits the use of mid-market prices or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, net assets for financial reporting purposes (NAV) may be impacted and could align with the value used to price unitholder transactions (Transaction NAV), eliminating the need for a reconciliation.

- Shares of the Fund are puttable instruments and are required to be presented as equity or liability depending on certain criteria. As a result, shareholders' equity may be required to be presented as a liability in the statements of net assets with related distributions presented as an expense in the statements of operations. Alternatively, equity presentation would require additional disclosure of the components of equity.

- IFRS requires the presentation of a statement of cash flows, including comparatives. The Fund has not previously presented this statement as permitted by GAAP.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013
(Expressed in Bermuda Dollars)

3. FINANCIAL RISK MANAGEMENT

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

Credit Risk

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

The value of such balances on the statement of net assets includes consideration of the creditworthiness of the issuer, and, accordingly represents the maximum credit risk exposure of the Fund. The Fund monitors the credit rating of its broker to mitigate this risk.

Currency Risk

Currency risk is the risk that the value of an investment will fluctuate due to changes in foreign exchange rates. When the Fund enters into transactions which are denominated in currencies other than the Fund's reporting currency, the Investment Adviser attempts to mitigate the associated currency risk, which may include the use of forward currency contracts. As at June 30, 2013 and 2012, the Fund's exposure to currencies other than the Fund's reporting currency was limited to small balances of cash and cash equivalents denominated in foreign currencies which are not significant to the Fund as a whole.

Interest Rate Risk

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

The Fund's exposure to interest rate risk is limited to its cash and at the bank which represents 5.44% (2012 - 0.77%) 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. The Fund also has a credit facility in place to assist the Fund in meeting short term liquidity obligations.

Price/Market Risk

Price/market risk is the risk that the value of investments will fluctuate as a result of market conditions. All investments of the Fund are exposed to price/market risk. The Investment Adviser attempts to mitigate price/market risk by selecting appropriate portfolio investments based on the Fund's strategy. All of the Fund's investments at June 30, 2013 and 2012 were listed on stock exchanges.

All of the Fund's investments were exposed to changes in equity prices. As at June 30, 2013, if equity prices had been 5% higher or lower, adjusted for the correlation of the actual investment portfolio value held to equity price movements with all other variables held constant, the net assets of the Fund would have been $638,667 (2012 - $741,283) higher or lower. A sensitivity rate of 5% is used when reporting price/market risk internally to key management personnel and represents management's assessment of possible change in market prices.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013
(Expressed in Bermuda Dollars)

4. FAIR VALUE OF FINANCIAL ASSETS

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are market observable for the asset or liability, either directly or indirectly; and,
- Level 3 - inputs for the asset or liability that are not based on observable market data, including the Fund's own assumptions in determining the fair value of investments.

June 30, 2013 **Classification**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Assets				
Common stock	**12,560,408**	**-**	**-**	**12,560,408**
Preferred shares	**158,125**	**54,806**	**-**	**212,931**
Total Financial Assets	**$ 12,718,533**	**$ 54,806**	**$ -**	**$ 12,773,339**

June 30, 2012 Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common stock	14,196,707	-	-	14,196,707
Preferred shares	580,111	48,844	-	628,955
Total Financial Assets	$ 14,776,818	$ 48,844	$ -	$ 14,825,662

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 during the years ended June 30, 2013 and 2012. Financial assets and liabilities transferred from Level 2 to Level 1 are the result of the securities now being traded in an active market. There were no transfers of financial assets and liabilities from Level 2 to Level 1 during the years ended June 30, 2013 and 2012.

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 years ended June 30, 2013 and 2012.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013
(Expressed in Bermuda Dollars)

5. SHARES ISSUED AND OUTSTANDING

The authorised capital stock is as follows:
12,500,000 Class A participating, non-voting common shares of a par value of $1.00 each share
12,500,000 Class B participating, non-voting common shares of a par value of $1.00 each share
12,000 organisational non-participating, voting shares of a par value of $1.00 each share

Details of number of shares issued and outstanding as of June 30, 2013 and 2012 are as follows:

	2013		2012	
Common Shares	**Class A**	**Class B**	**Class A**	**Class B**
Balance - beginning of year	**883,582**	-	918,372	-
Issue of common shares	**42,606**	-	35,043	-
Redemption of common shares	**(225,074)**	-	(69,833)	-
Balance - end of year	**701,114**	-	883,582	-
Organisational Shares	**12,000**	-	12,000	-

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 weekly for an amount equal to the net asset value per share as at the close of business on the Valuation Day, following receipt of the properly completed request for redemption, subject to the power of the directors to deduct there from an amount sufficient in their opinion to meet sale and fiscal charges incurred in realising assets to provide funds to meet the request.

The organisational shares are owned by the Investment Adviser. Under the Bye-Laws, the organisational shares have only nominal rights if and so long as there are any other shares of the Fund in issue.

6. DIVIDENDS

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

	Payment Date	**2013**	**Payment Date**	**2012**
$0.11 per share (2012 - $0.13 per share)	Oct 9 ,2012	$ 85,370	Oct 16, 2011	$ 119,156
$0.11 per share (2012 - $0.13 per share)	Jan 8, 2013	77,078	Jan 6, 2012	115,852
$0.11 per share (2012 - $0.13 per share)	April 9, 2013	75,785	April 3, 2012	115,822
$0.11 per share (2012 - $0.13 per share)	July 9, 2013	77,123	July 9, 2012	114,866
		$ 315,356		$ 465,696

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013
(Expressed in Bermuda Dollars)

7. NET REALISED LOSS ON INVESTMENTS

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

		2013		2012
Proceeds from sale of investments	$	**3,969,456**	$	1,042,802
Less cost of investments sold:				
Investments owned - beginning of year		**15,542,290**		16,282,551
Investments purchased during year		**-**		392,942
Investments owned - end of year		**(10,617,563)**		(15,542,290)
Investments sold during the year		**4,924,727**		1,133,203
Net realised loss on investments	$	**(955,271)**	$	(90,401)

8. RELATED PARTY TRANSACTIONS

a) Management Fee

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

Under the terms of the management agreement, the Investment Adviser is entitled to receive a monthly fee calculated at the rate of no more than 1% per annum of the average valuation of the net assets of the Fund carried out on the Valuation Days during each month. Presently, the monthly fee is calculated at the rate of 0.75% per annum for the Class A shares and 0.45% per annum for the Class B shares. There are currently no outstanding shares for Class B. The fee of the Investment Adviser is reduced to take account of the management fee already levied on assets held in shares of other funds managed by the Investment Adviser. Management fee for the year was $97,917 (2012 - $109,361) with $10,725 (2012 - $9,322) being payable and included in accrued expenses at year end.

b) Custodian Fee

The Custodian is related to the Fund through common directorship.

In accordance with the custodian agreement, the Custodian receives a fee based upon the nature and extent of the services provided. Relevant out-of-pocket expenses may also be charged to the Fund by the Custodian. The custodian fee for the year was $12,837 (2012 - $14,423) with $2,130 (2012 - $6,341) being payable and included in accrued expenses at year end.

c) Corporate Secretarial Fee

Corporate secretarial fee is charged on a time spent basis at their normal rates. In accordance with the administration agreement, effective January 2012, corporate secretarial fee was discontinued. Corporate secretarial fee for the year ended June 30, 2013 was $Nil (2012 - $2,139), with $Nil (2012 - $Nil) being payable and included in accrued expenses at year end.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013
(Expressed in Bermuda Dollars)

8. RELATED PARTY TRANSACTIONS (CONTINUED)

d) Credit Facility

On October 7, 2010, the Fund entered into an unsecured credit facility with the Bank for $2 million, to a maximum of 10% of the Fund's net assets. The agreement bears an interest rate of 1% per annum above the higher of the LIBOR or the funding cost incurred by the Bank in making the revolving facility available on any date of drawdown with accrued interest payable monthly in arrears. The agreement expired on July 31, 2011 and was subsequently renewed until May 31, 2013. See Note 12.

9. ADMINISTRATION FEE

In accordance with the administration agreement, the Administrator receives a fee based upon the nature and extent of the services provided. Administration fee for the year was $28,980 (2012 - $66,018) with $5,496 (2012 - $5,874) being payable and included in accrued expenses at year end.

10. TAXATION

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

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

11. FINANCIAL HIGHLIGHTS

The financial highlights information for Class A shares is as follows:

		2013 CLASS A		2012 CLASS A
Per Share Information				
Net asset value - beginning of year	**$**	**16.74**	$	16.79
Income from investment operations				
Net investment income		**0.31**		0.25
Net realised and change in unrealised gain on investments		**2.73**		0.22
Total from investment operations		**3.04**		0.47
Distributions to investors		**(0.44)**		(0.52)
Net asset value - end of year	**$**	**19.34**	$	16.74

NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2013
(Expressed in Bermuda Dollars)

11. FINANCIAL HIGHLIGHTS (CONTINUED)

Ratios / Supplemental Data

Total net assets - end of year	**$**	**13,557,990**	$	14,789,096
Weighted average net assets*	**$**	**13,187,797**	$	14,695,303
Ratio of expenses to weighted average net assets annualised		**1.41%**		1.58%
Portfolio turnover rate**		**0.00%**		2.70%
Annual rate of return***		**18.16%**		2.80%

* Weighted average net assets are calculated using net assets on the last valuation date of each month.

** Portfolio turnover rate is calculated for the total of Class A shares 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. No portfolio turnover rate was presented for the year ended June 30, 2013 as there were no purchases during the year.

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

12. SUBSEQUENT EVENTS

On July 15, 2013, the unsecured credit facility agreement, which bears an interest rate of 1% per annum above the higher of the LIBOR or the funding cost incurred by the Bank in making the revolving facility available on any date of drawdown with accrued interest payable monthly in arrears, was renegotiated and a $1,300,000 credit facility which expires on June 30, 2014 was approved.

The Fund's Administrator was acquired by Mitsubishi UFJ Trust and Banking Corporation as at September 20, 2013. The Administrator is now named Mitsubishi UFG Fund Services.

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