

Butterfield US\$ Bond Fund Limited

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2020

Butterfield US\$ Bond Fund Limited

To the Shareholders:

We are pleased to present the Annual Report of the Fund for the twelve months ended June 30, 2020. The net asset value per share on the Class A shares, after dividend distributions and fees, increased from \$10.638 to \$11.007 over the past year. Dividends were paid at a rate of 12.69 cents per share. The Class B shares increased from \$10.855 to \$11.231, after fees and dividends of 15.72 cents per share. Class C shares increased from \$11.52 to \$12.105 over the financial year. Unlike Classes A and B, Class C is an accumulating share class and does not pay dividends.

On a total return basis after fees and including dividends, the Class A shares of the Fund delivered a return of 4.69% for the twelve months ended June 30, 2020. Owing to lower management fee structures, the Class B shares of the fund delivered a return of 4.95% over the same period, while Class C generated a return of 5.08%. All Classes underperformed the Fund's Benchmark Index, the BofA Merrill Lynch 1-5 Year AAA-A US Corporate and Government Index primarily due to the fund's exposure to credit risk and inflation protection which have yet to fully retrace back to levels seen before COVID-19.

The net asset value of the Fund ended the financial year at \$106.4 million, decreasing by -14% from the end of the previous financial year as a large investor liquidated and moved funds back onshore. The Fund continues to benefit from a large and diversified shareholder base.

The Fund's disciplined and conservative investment style ensured that its AA-f bond fund credit rating and S2 bond fund volatility rating were again assigned by the officially recognized rating agency, Standard and Poor's.

Fund Review

This fiscal year has been completely dominated by the effects of COVID-19 as global growth and inflation expectations have collapsed and this has been fully reflected in government bond yields with the 5 year US Treasury falling from 1.77% to 0.29% over the course of the past 12 months. Base rates around the world have been significantly lowered and the Federal Reserve, having learned lessons from 2008, moved swiftly lowering base rates to zero - three months later the Federal Reserve has also largely backstopped the entire US investment grade bond market and most of the US high yield market, provided USD swap lines to multiple foreign central banks, aided corporates with various loan programs (directly financing them in the primary bond markets if needed) and has monetized the entire US government's fiscal spending since the crisis - in total expanding their balance sheet by an additional 70% or US\$2.9 trillion. Whilst this has provided the stimulus needed to keep the economy from entering a depression as we look ahead investors are faced with fixed income markets which are now manipulated almost beyond recognition by central bank policy.

Prior to the COVID-19 driven market volatility we had been reducing credit risk in the fund as valuations were approaching levels where value was hard to find therefore the fund had ample dry powder to add risk when the opportunity presented itself at the end of March. Since this the unprecedented monetary stimulus has led to a flight from quality with central banks absorbing sales of US government debt keeping yields low and providing a tailwind to risk assets such as inflation protection and corporate credit with CDX IG spreads tightening significantly from the highs seen earlier in the year.

Portfolio positioning in risk assets reflects our continued cautious optimism and we remain fully invested in US investment grade credit with additional exposure to US inflation protection – which are all directly or indirectly beneficiaries of central bank support, we also have an allocation to US MBS for carry and US Treasuries for volatility suppression although with the current low level of yields outright cash does look like the better alternative. We expect US base rates to remain at the zero bound for an extended period with any rebound in yields due to improving economic data likely be reflected in higher inflation expectations, where our positioning provides protection, weakness in the US dollar of which we are diversifying into G7 currencies and higher long end yields which the Federal Reserve has less control over.

Butterfield US\$ Bond Fund Limited

Portfolio duration is now neutral vs the benchmark and as at the end of June 2020 was 2.6 years which is 99% of the benchmark index, the overall credit quality of the fund is stable with an S&P rating of AA- after we opportunistically added credit risk in March.

Dwayne Outerbridge CFA
President
Butterfield US\$ Bond Fund Limited
November 4, 2020



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Independent Auditor's Report

The Board of Directors
Butterfield US\$ Bond Fund Limited

Opinion

We have audited the financial statements of Butterfield US\$ Bond Fund Limited (the Fund), which comprise the statement of financial position as at June 30, 2020, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this auditor's report is Cordelia Davis.



November 9, 2020

Butterfield US\$ Bond Fund Limited

DIRECTORS

Dwayne Outerbridge
Nigel Garrard
Jeffrey Abbott (appointed July 3, 2019)

INVESTMENT ADVISER

Butterfield Asset Management Limited
65 Front Street
Hamilton HM 12
Bermuda

CUSTODIAN

The Bank of N.T. Butterfield & Son Limited
65 Front Street
Hamilton HM 12
Bermuda

REGISTRAR, TRANSFER AGENT AND ADMINISTRATOR

MUFG Fund Services (Bermuda) Limited
Cedar House, 4th Floor North
41 Cedar Avenue
Hamilton HM 12
Bermuda

AUDITORS

Ernst & Young Ltd.
3 Bermudiana Road
Hamilton HM 08
Bermuda

Butterfield US\$ Bond Fund Limited

STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

(Expressed in US Dollars)

	Notes	June 30, 2020 US\$	June 30, 2019 US\$
ASSETS			
Cash and cash equivalents	2 h)	4,649,149	3,530,412
Financial assets at fair value through profit or loss (Cost: 2020-\$98,762,178; 2019-\$118,586,183)	3, 4	101,639,188	118,854,279
Due from broker		-	2,994,442
Interest receivable		512,202	652,181
Prepaid expenses		12,187	11,974
Total assets		106,812,726	126,043,288
LIABILITIES			
Due to broker		-	997,831
Dividends payable	6	312,411	368,983
Accrued expenses	7, 8	131,924	96,608
Total liabilities		444,335	1,463,422
Organisational shares	5	12,000	12,000
Total liabilities and equity (including net assets attributable to holders of redeemable shares)		106,812,726	126,043,288
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		106,356,391	124,567,866
Net assets attributable to holders of redeemable shares-Class A			
Number of redeemable shares in issue-Class A	5	815,042	855,716
Net asset value per redeemable share-Class A		11.007	10.638
Net assets attributable to holders of redeemable shares-Class B			
Number of redeemable shares in issue-Class B	5	7,593,586	7,014,326
Net asset value per redeemable share-Class B		11.231	10.855
Net assets attributable to holders of redeemable shares-Class C			
Number of redeemable shares in issue-Class C	5	999,565	3,413,809
Net asset value per redeemable share-Class C		12.105	11.520

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

Butterfield US\$ Bond Fund Limited

SCHEDULE OF PORTFOLIO INVESTMENTS

As at June 30, 2020

(Expressed in US Dollars)

INVESTMENTS	Principal	2020	
		Fair Value	% of Portfolio
Corporate and Government Securities			
Abbvie Inc. 2.600% 11/21/24 SR:144A	2,000,000	\$ 2,123,223	2.09%
Alphabet Inc. 1.998% 08/15/26	500,000	535,684	0.53%
Amazon.com Inc. 2.800% 08/22/24	500,000	543,261	0.53%
American Airlines 16-2 AA PTT 3.200% 06/15/28 SR:AA	1,664,000	1,567,240	1.54%
Anglo American Capital 3.750% 04/10/22 SR:144A	1,483,000	1,525,419	1.50%
Anthem Inc. 3.650% 12/01/27	1,000,000	1,139,360	1.12%
Apple Inc. 1.125% 05/11/25	925,000	944,511	0.93%
Bank of America Corp. 3.248% 10/21/27 SR:MTN	700,000	772,012	0.76%
Bank of Montreal 3.300% 02/05/24 SR:E	500,000	543,058	0.53%
Barclays Place 3.650% 03/16/25	600,000	650,466	0.64%
BHP Billiton Financial USA Ltd. 3.250% 11/21/21	1,188,000	1,227,376	1.21%
BMW US Capital LLC 3.250% 08/14/20 SR:144A	3,500,000	3,511,654	3.46%
BNP Paribas 3.375% 01/09/25 SR:144A	2,500,000	2,702,098	2.66%
Canadian Government 1.250% 03/01/25	3,845,000	2,949,372	2.90%
Chevron Corp. 2.895% 03/03/24	500,000	537,200	0.53%
Citigroup Inc. 3.700% 01/12/26	500,000	558,407	0.55%
Conocophillips Company 6.950% 04/15/29	500,000	696,828	0.69%
Corp Andina De Fomento 4.375% 06/15/22	1,977,000	2,091,646	2.06%
Credit Suisse New York 3.625% 09/09/24 SR:MTN	500,000	552,292	0.54%
Equinor ASA 2.450% 01/17/23	500,000	522,970	0.51%
European Investment Bank FLT 10/08/21	2,500,000	2,500,650	2.46%
Goldman Sachs Group Inc. 3.500% 04/01/25	500,000	548,254	0.54%
Government of Bermuda 4.854% 02/06/24 SR:REGS	3,500,000	3,823,750	3.76%
Home Depot Inc. 2.500% 04/15/27	590,000	646,400	0.64%
ING Bank NV 2.700% 08/17/20 SR:144A	778,000	780,142	0.77%
Intel Corp. 2.450% 11/15/29	1,000,000	1,080,954	1.06%
Jackson Natl. Life Global 2.500% 06/27/22 SR:144A	3,440,000	3,548,777	3.49%
Japan Finance Organization for Municipalities 2.125% 04/13/21 SR:REGS	2,000,000	2,024,834	1.99%
Japan Finance Organization for Municipalities 2.625% 04/20/22 SR:REGS	1,020,000	1,057,224	1.04%
JPMorgan Chase & Co 3.300% 04/01/26	500,000	558,867	0.55%
L-Bank BW Foerderbank FLT 03/15/22 SR:EMTN	2,600,000	2,599,506	2.56%
Lloyds Banking Group Place 2.907% 11/07/23 SR	2,000,000	2,081,322	2.05%
Lloyds Banking Group Place 4.375% 03/22/28 SR	500,000	580,168	0.57%
MassMutual Global Funding 2.450% 11/23/20 SR:144A	732,000	738,266	0.73%
Mastercard Inc. 3.500% 02/26/28	1,000,000	1,148,621	1.13%
Protective Life Global 2.615% 08/22/22 SR:144A	3,000,000	3,117,045	3.07%
Renaissancere Finance 3.450% 07/01/27	745,000	786,269	0.77%
Rio Tinto Financial USA Ltd. 3.750% 06/15/25	1,000,000	1,131,001	1.11%
Royal Bank of Canada 2.250% 11/01/24 SR:GMTN	600,000	631,296	0.62%
Royal Bank Scotland Group Plc 3.875% 09/12/23	550,000	592,979	0.58%
Societe Generale 5.200% 04/15/21 SR:144A	2,500,000	2,593,250	2.55%
Sumitomo Mitsui Financial Group FLT 07/12/22	3,330,000	3,336,842	3.28%
Svenska Handelsbanken AB FLT 05/24/21 SR:BKNT	3,330,000	3,341,824	3.29%
SW Airlines 07-1 Trust 6.150% 08/01/22 SR:07-1	498,377	496,383	0.49%

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

Butterfield US\$ Bond Fund Limited

SCHEDULE OF PORTFOLIO INVESTMENTS (Continued)

As at June 30, 2020

(Expressed in US Dollars)

INVESTMENTS	Principal	2020	
		Fair Value	% of Portfolio
Corporate and Government Securities (continued)			
Target Corp. 3.375% 04/15/29	500,000	\$ 577,310	0.57%
TSY Influx IX N/B 0.125% 04/15/22	4,217,000	4,278,286	4.21%
TSY Influx IX N/B 0.500% 04/15/24	4,066,320	4,273,601	4.20%
TSY Influx IX N/B 0.625% 04/15/23	4,128,800	4,292,990	4.22%
Unitedhealth Group Inc. 3.850% 06/15/28	1,000,000	1,182,783	1.16%
US Bancorp 3.150% 04/27/27 SR:X	500,000	558,419	0.55%
US Treasury N/B 0.500% 04/30/27	3,000,000	3,004,452	2.96%
US Treasury N/B 0.500% 06/30/27	2,000,000	2,001,640	1.97%
US Treasury N/B 2.000% 11/30/22	3,000,000	3,132,069	3.08%
US Treasury N/B 2.375% 03/15/22	3,000,000	3,112,266	3.06%
Visa Inc. 3.150% 12/14/25	500,000	556,974	0.55%
Walmart Inc. 3.300% 04/22/24	500,000	549,509	0.55%
		\$ 92,959,000	91.46%
Mortgage Backed Securities			
Fannie Mae 2.500% 01/01/50 MA3902	712,891	\$ 743,622	0.73%
Fannie Mae 2.500% 10/01/34 MA3797	327,215	342,818	0.34%
Fannie Mae 2.500% 10/01/39 MA3810	337,129	349,732	0.34%
Fannie Mae 2.500% 10/01/49 BO3181	639,029	666,691	0.66%
Fannie Mae 2.500% 11/01/34 MA3827	339,531	355,721	0.35%
Fannie Mae 2.500% 11/01/39 MA3830	347,766	362,675	0.36%
Fannie Mae 2.500% 11/01/49 MA3830	641,108	668,332	0.66%
Fannie Mae 3.000% 02/01/50 MA3937	473,188	498,704	0.49%
Fannie Mae 3.000% 02/01/50 MA3960	461,658	486,552	0.48%
Fannie Mae 3.000% 05/01/45 AS4884	413,393	439,174	0.43%
Fannie Mae 3.000% 05/01/45 AY4200	404,862	430,439	0.42%
Fannie Mae 3.000% 10/01/46 BC4764	184,693	195,533	0.19%
Fannie Mae 3.000% 11/01/49 MA3871	635,486	669,754	0.66%
Fannie Mae 3.500% 02/01/50 MA3939	542,056	569,869	0.56%
Fannie Mae 3.500% 08/01/49 MA3745	332,074	349,057	0.34%
Fannie Mae 3.500% 09/01/25 AE3813	127,625	134,215	0.13%
Freddie Mac 2.500% 10/01/39 RB5021	336,326	350,849	0.35%
Freddie Mac 2.500% 11/01/34 SB8015	337,180	353,259	0.35%
Freddie Mac 2.500% 11/01/39 RB5026	348,593	363,539	0.36%
Ginnie Mae 4.000% 07/20/49 MA6040	329,945	349,653	0.34%
		\$ 8,680,188	8.54%
TOTAL INVESTMENTS (Cost: 2020 - \$98,762,178)		\$ 101,639,188	100.00%

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

Butterfield US\$ Bond Fund Limited

STATEMENT OF COMPREHENSIVE INCOME For the year ended June 30, 2020 (Expressed in US Dollars)

	Notes	2020 US\$	2019 US\$
INCOME			
Net realised gain on financial assets at fair value through profit or loss		1,114,825	77,793
Net change in unrealised gain on financial assets at fair value through profit or loss		2,608,914	2,535,707
Interest		2,327,643	3,377,417
Total income		6,051,382	5,990,917
EXPENSES			
Management fee	7 a)	282,757	292,109
Administration fee	8	159,118	159,392
Custodian fee	7 b)	58,475	60,384
Audit fee		33,906	22,035
Government fee		10,467	10,220
Miscellaneous		29,707	32,902
Total expenses		574,430	577,042
NET INCOME		5,476,952	5,413,875
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES			
		5,476,952	5,413,875

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

Butterfield US\$ Bond Fund Limited

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES For the year ended June 30, 2020 (Expressed in US Dollars)

	Notes	2020 US\$	2019 US\$
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		5,476,952	5,413,875
DISTRIBUTIONS TO INVESTORS			
Dividends paid and payable	6	(1,266,093)	(1,475,573)
CAPITAL STOCK TRANSACTIONS			
Issue of redeemable shares		26,982,935	77,283,960
Redemption of redeemable shares		(49,405,269)	(85,608,681)
Net capital stock transactions		(22,422,334)	(8,324,721)
NET DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES		(18,211,475)	(4,386,419)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES – BEGINNING OF THE YEAR		124,567,866	128,954,285
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES – END OF YEAR		106,356,391	124,567,866

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

Butterfield US\$ Bond Fund Limited

STATEMENT OF CASH FLOWS For the year ended June 30, 2020 (Expressed in US Dollars)

	2020 US\$	2019 US\$
Cash flows from operating activities		
Net increase in net assets resulting from operations attributable to holders of redeemable shares	5,476,952	5,413,875
<i>Adjustments for:</i>		
Purchase of financial assets	(65,132,098)	(60,482,400)
Net proceeds from sale of financial assets	86,070,928	70,230,302
Net realised gain on financial assets	(1,114,825)	(77,793)
Net change in unrealised gain on financial assets	(2,608,914)	(2,535,707)
Changes in:		
Interest receivable	139,979	68,172
Prepaid expenses	(213)	9,605
Due from broker	2,994,442	(2,994,442)
Accrued expenses	35,316	(1,921)
Due to broker	(997,831)	997,831
Net cash provided by operating activities	24,863,736	10,627,522
Cash flows from financing activities		
Proceeds from issuance of shares	26,451,624	76,489,872
Payments from redemption of shares	(49,405,269)	(85,608,681)
Dividends paid	(791,354)	(850,826)
Net cash used in financing activities	(23,744,999)	(9,969,635)
Net increase in cash and cash equivalents	1,118,737	657,887
Cash and cash equivalents – beginning of year	3,530,412	2,872,525
Cash and cash equivalents – end of year	4,649,149	3,530,412
Supplemental cash flow information:		
Interest received	2,467,622	3,440,613
Supplemental non-cash information:		
Redeemable shares – Class A issued through dividend reinvestment	73,292	106,700
Redeemable shares – Class B issued through dividend reinvestment	458,019	497,387

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

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2020

(Expressed in US Dollars)

1. CORPORATE INFORMATION

Butterfield US\$ Bond Fund Limited (the "Fund") is an open-ended investment company which was incorporated under the laws of Bermuda on May 26, 1992.

The Fund commenced operations on July 1, 1992. The Bank of N. T. Butterfield & Son Limited acts as custodian (the "Custodian") to the Fund. Butterfield Asset Management Limited acts as investment adviser (the "Investment Adviser"). MUFG Fund Services (Bermuda) Limited acts as registrar and transfer agent and as accountants/administrator (the "Registrar and Transfer Agent" or "Administrator") for the Fund. The Custodian and Investment Adviser are wholly owned subsidiaries of The Bank of N.T. Butterfield & Son Limited (the "Bank").

The registered address of the Fund is c/o MUFG Fund Services (Bermuda) Limited, Cedar House, 4th Floor North, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

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

The investment objective of the Fund is to maximise total returns whether through income or capital gains by investing in investment grade US Dollar denominated debt securities and other investments which may include US Dollar money market instruments and funds and bank time deposits. The Fund may also lend securities and write covered options on its portfolio in order to enhance its total return.

2. BASIS OF PREPARATION

Accounting convention

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

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

Summary of significant accounting policies

a) Significant accounting judgements, estimates and assumptions

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

b) Financial instruments

i. Classification

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking or

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2020 (Expressed in US Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

i. Classification (continued)

(c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts, accrued income and other receivables.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category:

Debt instruments: These include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

Instruments held for trading: This category includes equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2020 (Expressed in US Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

i. Classification (continued)

Financial liabilities

Financial liabilities measured at fair value through profit or loss (FVPL)

A financial liability is measured at FVPL if it meets the definition of held for trading.

The Fund includes in this category, derivative contracts in a liability position and equity and debt instruments sold short since they are classified as held for trading.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category convertible bonds, debentures, and other short-term payables.

Receivables and Loans

Receivables and Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category collateral on derivatives, securities borrowed and other short-term receivables.

Other financial liabilities

This category includes all financial liabilities, other than those classified at FVPL. The Fund includes in this category debentures, collateral on derivatives, securities lent and other short-term payables.

ii. Recognition

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

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

iii. Initial measurement

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

Financial assets and liabilities (other than those classified at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

iv. Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified at FVPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVPL in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the statement of comprehensive income.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2020

(Expressed in US Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

iv. Subsequent measurement (continued)

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

The effective interest method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

v. Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

(a) Transferred substantially all of the risks and rewards of the asset, or

(b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

c) Fair value measurement

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

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2020

(Expressed in US Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

c) Fair value measurement (continued)

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

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

d) Impairment of financial assets

The Fund holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. As at June 30, 2020, the Fund had no ECLs and had, therefore, not recognised a loss allowance.

The Fund uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

e) Functional and presentation currency

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

f) Offsetting and financial instruments

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

Management has determined that, as at June 30, 2020 and 2019, there were no assets and liabilities offset in the statement of financial position, nor were there any assets or liabilities available for offset. The Fund does not have a legally enforceable right to offset, nor does it have master netting agreements or similar arrangements that would allow for related amounts to be set off.

g) Foreign currency translations

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

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

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2020

(Expressed in US Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

h) Cash and cash equivalents

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

i) Due from and due to broker

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

j) Interest income and expense

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

k) Realised and change in unrealised gains and losses

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

l) Expenses

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

m) Going concern

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

n) Share capital

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

o) Redeemable participating shares

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

p) Investment entity

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

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2020

(Expressed in US Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

p) Investment entity (continued)

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

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

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

q) Impact of new accounting pronouncements

IFRIC 23 - Uncertainty over income tax treatments

On June 7, 2017, the IFRS Interpretations Committee (IFRS IC) issued IFRIC 23 'Uncertainty over income tax treatments' ("IFRIC 23"). IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. It is effective for annual periods beginning on or after January 1, 2019.

IFRIC 23 addresses:

- (i) whether an entity considers uncertain tax treatments separately;
- (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- (iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- (iv) how an entity considers changes in fact and circumstances.

The Fund has analyzed its tax positions and has concluded that no asset/liability for unrecognized tax benefits/obligations should be recorded relating to uncertain tax positions for the year ended June 30, 2020. Currently, the only taxes recorded by the Fund are withholding taxes applicable to certain income. For the year ended June 30, 2020, no other income tax liability or expense has been recorded in the accompanying financial statements.

The general tax position of the Fund is disclosed in note 9 to the 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 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. 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.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2020 (Expressed in US Dollars)

3. FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk (continued)

Credit ratings below represent ratings of debt securities provided by Standard & Poor's and are subject to change, which could be material.

Debt Securities by Credit Rating	% of Portfolio	
	2020	2019
AAA	5.46	6.83
AA+	1.46	5.53
AA-	5.51	18.97
AA	1.07	-
A+	15.20	14.45
A-	4.59	6.47
A /*-	-	2.10
A	5.56	2.20
BBB	1.22	-
BBB+	5.80	7.20
AA+u	32.25	36.25
Not Rated by S&P	21.88	-
	100.00	100.00

Credit ratings below represent ratings of debt securities provided by Moody's for the debt securities not rated by Standard & Poor's and are subject to change, which could be material.

Debt Securities by Credit Rating	% of Portfolio	
	2020	2019
A1	3.07	-
A1 *-	3.49	-
A2	6.26	-
A3	0.77	-
Aa3	2.78	-
Aaa	2.46	-
Baa1	1.54	-
Baa2	1.51	-
	21.88	-

Substantially all of the assets of the Fund are held by the Fund's Custodian and the Bank. The Fund monitors its risk by monitoring the credit quality of the Custodian and the Bank. As at June 30, 2020, the credit ratings of the Custodian and the Bank, as provided by Standard and Poor's, were both BBB+ (2019 - BBB+).

Currency Risk

Currency risk is the risk that the value of an investment will fluctuate due to changes in foreign exchange rates. When the Fund enters into transactions which are denominated in currencies other than the Fund's reporting currency the Investment Adviser attempts to mitigate the associated currency risk which may include the use of forward currency contracts. As at June 30, 2020 and 2019, the Fund's exposure to currencies other than the Fund's reporting currency was not significant; thus, any risks associated are likewise not significant to the Fund as a whole.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2020

(Expressed in US Dollars)

3. FINANCIAL RISK MANAGEMENT (Continued)

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. The Fund is exposed to these fluctuations through their holdings of fixed income securities. As at June 30, 2020, had the interest rates increased or decreased by 25 basis points and assuming a direct impact to the net assets by 25 basis points, net assets would have decreased or increased by approximately \$265,891 (2019 - \$311,420). This change is estimated using the weighted average duration of the fixed income portfolio. This analysis assumes that all other variables remained unchanged. In practice, actual results may differ from this analysis and the difference could be material.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to liquidity risk by way of weekly cash redemptions of redeemable shares. However, the Fund retains sufficient cash, cash equivalents and 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 requirements.

The table below indicates the Fund's holdings in fixed income securities by remaining term to maturity:

Debt Securities by Maturity	Fair Value	
	2020	2019
Less than 1 year	\$ 12,989,970	\$ 19,344,837
1 - 3 years	36,839,449	54,780,955
3 - 5 years	25,177,193	27,552,003
Greater than 5 years	26,632,576	17,176,484
	\$ 101,639,188	\$ 118,854,279

Price/Market Risk

Price/market risk is the risk that the value of investments will fluctuate as a result of market conditions. The Fund is exposed to price/market risk on its holdings of fixed income securities as discussed in the Interest Rate Risk section above. The Investment Adviser attempts to mitigate price/market risk by selecting appropriate portfolio investments based on the Fund's strategy.

4. FAIR VALUE OF FINANCIAL ASSETS

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

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

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2020

(Expressed in US Dollars)

4. FAIR VALUE OF FINANCIAL ASSETS (Continued)

All of the Fund's investments are classified as follows for the years ended June 30, 2020 and 2019.

June 30, 2020

Classification	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets				
Corporate and government debt securities	-	92,959,000	-	92,959,000
Mortgage-backed securities	-	8,680,188	-	8,680,188
Total financial assets	-	101,639,188	-	101,639,188

June 30, 2019

Classification	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
Financial assets				
Corporate and government debt securities	-	115,279,019	-	115,279,019
Mortgage-backed securities	-	3,575,260	-	3,575,260
Total financial assets	-	118,854,279	-	118,854,279

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, 2020 and 2019. 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, 2020 and 2019. The Fund did not hold any Level 3 investments at the beginning, during, or at the end of the years ended June 30, 2020 and 2019.

5. SHARES ISSUED AND OUTSTANDING

As at June 30, 2020 and June 30, 2019, the authorised share capital of the Fund is \$2,512,000 divided into:

8,300,000 Class A participating, non-voting redeemable shares of a par value of \$0.10 each share,
 8,300,000 Class B participating, non-voting redeemable shares of a par value of \$0.10 each share,
 8,400,000 Class C participating, non-voting redeemable shares of a par value of \$0.10 each share,
 and 120,000 (2019 - 120,000) organisational non-participating, voting shares of a par value of \$0.10 each share.

Details of number of shares issued and outstanding as of June 30, 2020 and 2019 are as follows:

Redeemable Shares	2020			2019		
	Class A	Class B	Class C	Class A	Class B	Class C
Balance - beginning of year	855,716	7,014,326	3,413,809	1,118,512	6,430,680	4,474,701
Issue of redeemable shares	88,097	887,748	1,409,518	45,635	1,331,438	5,540,833
Redemption of redeemable shares	(128,771)	(308,488)	(3,823,762)	(308,431)	(747,792)	(6,601,725)
Balance - end of year	815,042	7,593,586	999,565	855,716	7,014,326	3,413,809
Organisational Shares	120,000	-	-	120,000	-	-

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

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2020

(Expressed in US Dollars)

5. SHARES ISSUED AND OUTSTANDING (Continued)

The Class A, Class B and Class C shares have different minimums set for investors to subscribe to them, and there are differences in the management fees payable to the Investment Adviser in respect of such shares (see Note 7a).

The organisational shares are allocated to the Investment Adviser and its nominees. Under the By-Laws the organisational shares have only nominal rights if and so long as there are any other shares of the Fund in issue.

Capital Management

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

6. DIVIDENDS

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

		2020				2019	
Class A	Class B	Declaration date	Amount	Class A	Class B	Declaration date	Amount
0.0345	0.0421	Sep 30, 2019	\$331,947	0.0416	0.0490	Sep 28, 2018	\$372,355
0.0311	0.0386	Dec 31, 2019	305,044	0.0421	0.0496	Dec 31, 2018	377,877
0.0311	0.0386	Mar 31, 2020	316,691	0.0402	0.0477	Mar 31, 2019	356,358
0.0302	0.0379	Jun 30, 2020	312,411	0.0402	0.0477	Jun 30, 2019	368,983
			\$1,266,093				\$1,475,573

7. RELATED PARTY TRANSACTIONS

a) Management Fee

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

Under the terms of the investment advisory 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 0.5% (2019 - 0.5%) per annum for the Class A shares and 0.25% (2019 - 0.25%) per annum for the Class B shares, and 0.25% (2019 - 0.25%) maximum per annum for the Class C shares. 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. The fee of the Investment Adviser is also reduced for Class C shares, in order to meet an expense cap of 0.35% related to Class C Shares. Management fee for the year was \$282,757 (2019 - \$292,109) with \$26,376 (2019 - \$25,260) being payable and included in accrued expenses at year end.

b) Custodian Fee

In accordance with the custodian agreement, the Custodian receives a fee based upon the nature and extent of the services provided. Relevant out-of-pocket expenses may also be charged to the Fund by the Custodian. The Custodian fee for the year was \$58,475 (2019 - \$60,384) with \$37,023 (2019 - \$24,066) being payable and included in accrued expenses at year end.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2020

(Expressed in US Dollars)

7. RELATED PARTY TRANSACTIONS (Continued)

c) Credit Facility

On August 9, 2019 (2019 - September 6, 2018), the Fund renewed the unsecured credit facility agreement with the Bank in the amount of \$12,000,000 (2019 - \$12,000,000). The agreement bears an interest rate of 1% per annum above the higher of the LIBOR or the funding costs incurred by the Bank in making the revolving credit facility available on any date of drawdown. The full amount of any amount advanced under the revolving facility, together with the accrued interest and other amounts payable by the Fund to the Bank, is payable on the earlier of seven days following the utilization date or the expiry date, unless extended at the Bank's sole discretion and the advances will be limited to 10% of the Fund's net asset value. If any payment falls due and payable on a day which is not a business day the payment shall be made on the next following business day. The renewed unsecured facility expired on June 30, 2020 (2019 - June 30, 2019).

On August 7, 2020, the Fund renewed the unsecured credit facility agreement with the Bank. The terms remain unchanged from the previous agreement. The renewed unsecured facility expires on June 30, 2021.

8. ADMINISTRATION FEE

In accordance with the administration agreement, the Administrator receives a fee based upon the nature and extent of the services provided. Administration fee for the year was \$159,118 (2019 - \$159,392) with \$37,333 (2019 - \$28,438) being payable and included in accrued expenses at the year end.

9. 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. On January 29, 2015 the Minister of Finance granted assurance to the Fund up to that date.

10. COMMITMENTS AND CONTINGENCIES

Management has determined that the Fund had no commitments or contingencies as at June 30, 2020 (2019 - none).

11. SUBSEQUENT EVENTS

The Fund has evaluated all the events or transactions that occurred after June 30, 2020 through November 9, 2020, the date the financial statements were available to be issued.

The Investment Adviser acknowledges the current outbreak of COVID-19 which is causing economic disruption in most countries and is actively monitoring developments closely. Given the nature of the outbreak and the ongoing developments, there is a high degree of uncertainty and it is not possible at this time to predict the extent and nature of the overall future impact on the Fund.

Butterfield US\$ Bond Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2020

(Expressed in US Dollars)

12. FINANCIAL HIGHLIGHTS

Per Share Information	2020			2019		
	Class A	Class B	Class C	Class A	Class B	Class C
Net asset value - beginning of year	10.638	10.855	11.520	10.371	10.583	11.018
Income from investment operations						
Net investment income****	0.139	0.167	0.191	0.208	0.239	0.264
Net realised & change in unrealised gain/(loss) on investments	0.357	0.366	0.394	0.223	0.227	0.238
Total income from investment operations	0.496	0.533	0.585	0.431	0.466	0.502
Distributions to investors	(0.127)	(0.157)	-	(0.164)	(0.194)	-
Net asset value - end of year	11.007	11.231	12.105	10.638	10.855	11.520
Ratios / Supplemental Data						
Total net assets - end of year (in thousands)	\$8,971	\$85,285	\$12,100	\$9,103	\$76,139	\$39,326
Weighted average net assets (in thousands)*	\$8,976	\$80,766	\$25,500	\$10,314	\$71,841	\$41,682
Ratio of expenses to average net assets	0.77%	0.52%	0.35%	0.75%	0.49%	0.35%
Portfolio turnover rate**	58.24%	58.24%	58.24%	50.22%	50.22%	50.22%
Annual rate of return***	4.66%	4.91%	5.08%	4.16%	4.40%	4.56%

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

** Portfolio turnover rate is calculated using the lesser of purchases or sales of investments for the year divided by the weighted average value of investments, calculated using the last valuation date of each month.

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

****Net investment income represents interest income net of expenses.

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on November 4, 2020.