

# Butterfield US\$ Bond Fund Limited

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2024

# Butterfield US\$ Bond Fund Limited

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## To the Shareholders:

We are pleased to present the Annual Report for the Fund for the twelve months ended June 30, 2024. The net asset value (NAV) per share for Class A shares, after dividend distributions and fees, increased from \$10.1512 to \$10.2744, with dividends paid at 28.42 cents per share. Class B shares rose from \$10.3581 to \$10.4841, with dividends of 31.94 cents per share. Class C shares increased from \$11.6842 to \$12.2070 over the same period, as this accumulating share class does not pay dividends.

On a total return basis, after fees and including dividends, Class A shares of the Fund delivered a +4.01% return for the twelve months ended June 30, 2024. Due to a lower fee structure, Class B shares delivered a +4.30% return, while Class C shares returned +4.47%. While Classes A and B slightly underperformed the Fund's benchmark, the BofA Merrill Lynch 1-5 Year AAA-A US Corporate and Government Index, Class C was in line with the benchmark.

The Fund's NAV ended the financial year at \$124.1 million, reflecting a 4.05% decrease from the previous year despite positive returns. The Fund continues to maintain a large and diversified shareholder base.

Our disciplined and conservative investment approach allowed the Fund to retain its AA-f credit rating and S2 volatility rating, as assigned by Standard & Poor's, reaffirming its high credit quality and stable performance.

## Market Review

The past year was marked by significant volatility in U.S. fixed income markets, driven by persistent inflation, varied central bank policies, and economic uncertainty. Inflation remained elevated, prompting the U.S. Federal Reserve System ("Fed") to maintain a hawkish stance, while the U.S. economy showed resilience. By mid-2024, financial markets had adjusted to new interest rate expectations, with the Fed signalling a potential pivot, but the outlook remained cautious as inflation pressures lingered.

## Central Bank Policies and Interest Rate Movements

In the U.S., the Fed raised interest rates in 2023 to combat stubborn inflation. However, by the end of the year, the Fed signalled a possible end to the tightening cycle, easing financial conditions. This led to a shift in market sentiment, but inflation's persistence tempered expectations for significant rate cuts in 2024.

Other central banks, such as the Bank of Canada, also adjusted their policies, moving toward easing to support slowing economies. However, U.S. markets remained largely focused on domestic inflation trends and the Fed's cautious stance, which shaped interest rate expectations for the coming year.

## U.S. Government Bond Markets

U.S. Treasuries experienced considerable volatility throughout the year, with long-term yields reaching multi-year highs due to rising inflation, increased debt issuance, and stronger-than-expected economic data. However, as financial conditions eased in late 2023, yields began to stabilize as markets adjusted to expectations of future rate cuts. Short-duration bonds benefitted from the Fed's hawkish stance in Q3, offering attractive yields with less interest rate risk compared to longer-duration assets.

## U.S. Corporate Bonds and Credit Markets

Corporate bond markets in the U.S. saw a moderate widening of credit spreads, as interest rate volatility and macroeconomic uncertainty weighed on investor sentiment. However, corporate balance sheets remain strong, and spreads did not widen to levels suggesting severe market stress. Investment-grade corporate bonds faced challenges due to rising rates but continued to offer attractive opportunities, particularly in sectors with more defensive characteristics.

U.S. mortgage-backed securities (MBS) remained a key area of value, as elevated mortgage rates created distressed pricing opportunities in agency mortgage pools. Reduced demand from banks and the Federal Reserve added pressure, making this a compelling landscape for yield-seeking investors, especially with expectations of inflation moderation into 2024.

# Butterfield US\$ Bond Fund Limited

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## Currency Markets

The U.S. dollar fluctuated over the year, weakening toward the end of 2023 as the Fed's pivot and easing financial conditions led to expectations of rate cuts in 2024. However, as inflationary pressures persisted and many of these cuts were priced out, the dollar regained strength by mid-2024, reflecting the ongoing uncertainty surrounding U.S. monetary policy.

## Inflation and Commodity Markets

Inflation was a central issue throughout the year, particularly in the U.S., where core inflation remained above the Federal Reserve's target. While energy prices eased toward the end of 2023, helping to relieve some inflationary pressures, costs in other sectors remained high. The broader inflationary environment contributed to significant volatility in commodity markets, though U.S. supply chains began to stabilize as financial conditions improved.

Commodity markets provided mixed signals regarding U.S. economic health, with industrial metals showing some strength, while lumber prices reflected continued weakness in the housing market.

## Geopolitical and Risk Factors

While geopolitical tensions, such as conflicts in Europe and the Middle East, influenced market sentiment, their impact on U.S. fixed income markets and energy prices was limited due to stable production levels domestically. Despite global risks, financial conditions in the U.S. eased significantly toward the end of 2023, driven by the Fed's policy adjustments and changes in U.S. Treasury issuance.

## Outlook for 2024

Looking ahead, U.S. fixed income markets are likely to stabilize as the Federal Reserve nears the end of its tightening cycle. Inflation is expected to moderate, though risks remain if inflation does not fall as anticipated. Modest rate cuts are expected from the Fed in 2024, with bond markets likely seeing reduced volatility. Opportunities may emerge in U.S. government bonds, mortgage-backed securities, and selective corporate credit markets.

However, caution remains necessary, as unexpected changes in inflation or growth could lead to further market turbulence, particularly in the short-duration space which is sensitive to base rate expectations.

The Fund is positioned underweight duration at 2.2 years, representing 86% of the benchmark. When adjusting for TIPS duration and MBS convexity, the duration rises to 2.45 years, or 95% of the benchmark. The Fund is structured to capture high yield with low volatility at the shorter end of the yield curve, while maintaining an overweight in bonds with durations of 5+ years to potentially benefit from capital gains in the event of a recession. This approach allows us to generate strong carry with minimal volatility.

The Fund continues to maintain a defensive allocation to spread product, with 20% in corporates and 53% in risk-free U.S. Treasuries. Credit risk remains low, with an S&P credit score of 46—half the maximum permitted—providing ample risk budget to deploy capital opportunistically in the months ahead.

**Jeffrey Abbott, CFA**  
**Director/Chairman**  
**Butterfield US\$ Bond Fund Limited**  
**October 25, 2024**

## 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, 2024, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable shares and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2024, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### 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 Included in the Fund's 2024 Annual Report

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 Those Charged With Governance for the Financial Statements

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### **Auditor's 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.

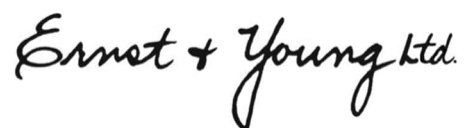
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 auditor's 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 auditor's 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 those charged with governance 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 independent auditor's report is Silverious Bakurumpagi.



October 25, 2024

# Butterfield US\$ Bond Fund Limited

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## **DIRECTORS**

Dwayne Outerbridge (resigned on October 12, 2023)

Andrew Rossiter (appointed on October 23, 2023)

Nigel Garrard

Jeffrey Abbott (alternative: Jody Feldman)

## **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, 2024

(Expressed in US Dollars)

	Notes	June 30, 2024 US\$	June 30, 2023 US\$
<b>ASSETS</b>			
Cash and cash equivalents	2 h)	3,248,095	319,900
Financial assets at fair value through profit or loss (Cost: 2024-\$126,577,144; 2023-\$136,729,302)	3, 4	121,084,708	129,310,647
Interest receivable		773,231	643,806
Prepaid expenses		13,621	13,114
<b>Total assets</b>		<b>125,119,655</b>	<b>130,287,467</b>
<b>LIABILITIES</b>			
Dividends payable	6	849,658	766,997
Subscriptions received in advance		30,000	-
Accrued expenses	7, 8	98,765	135,020
<b>Total liabilities (excluding net assets attributable to holders of redeemable shares)</b>		<b>978,423</b>	<b>902,017</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>		<b>124,129,232</b>	<b>129,373,450</b>
Organisational shares	5	12,000	12,000
<b>Total liabilities and equity (including net assets attributable to holders of redeemable shares)</b>		<b>125,119,655</b>	<b>130,287,467</b>
<b>Net assets attributable to holders of redeemable shares-Class A</b>			
Number of redeemable shares in issue-Class A	5	1,093,801	1,825,935
<b>Net asset value per redeemable share-Class A</b>		<b>10.2744</b>	<b>10.1512</b>
<b>Net assets attributable to holders of redeemable shares-Class B</b>			
Number of redeemable shares in issue-Class B	5	9,138,827	9,122,348
<b>Net asset value per redeemable share-Class B</b>		<b>10.4841</b>	<b>10.3581</b>
<b>Net assets attributable to holders of redeemable shares-Class C</b>			
Number of redeemable shares in issue-Class C	5	1,399,093	1,399,093
<b>Net asset value per redeemable share-Class C</b>		<b>12.2070</b>	<b>11.6842</b>

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

# Butterfield US\$ Bond Fund Limited

## SCHEDULE OF PORTFOLIO INVESTMENTS As at June 30, 2024 (Expressed in US Dollars)

INVESTMENTS	Principal	2024 Fair Value	% of Portfolio
<b>Corporate and Government Securities</b>			
AbbVie Inc. 2.600% 11/21/24	2,000,000	\$ 1,977,296	1.63%
American Airlines 16-2 AA PTT 3.200% 12/15/29 SR:AA	1,304,000	1,208,230	1.00%
Bank of America Corp. 3.248% 10/21/27 SR:MTN	700,000	662,359	0.55%
Bank of America Corp. FLT 02/05/26	2,500,000	2,507,243	2.07%
Bank of Montreal 4.689% 06/28/28 SR:144A	1,750,000	1,743,108	1.44%
Barclays plc. 3.650% 03/16/25	600,000	590,851	0.49%
BNP Paribas SA 3.375% 01/09/25 SR:144A	2,500,000	2,467,383	2.04%
Dollar General Corp 5.200% 07/05/28	2,000,000	1,996,229	1.65%
Elevance Health Inc. 3.650% 12/01/27	1,000,000	955,975	0.79%
European Bank For Reconstruction & Development FLT 02/16/29	1,900,000	1,890,685	1.56%
Goldman Sachs Group Inc. 3.500% 04/01/25	1,500,000	1,477,089	1.22%
Government of Bermuda 2.375% 08/20/30 SR:144A	500,000	419,850	0.35%
Intel Corp. 2.450% 11/15/29	1,000,000	879,770	0.73%
International Bank for Reconstruction & Development FLT 02/11/31 SR:GDIF	2,500,000	2,489,125	2.06%
JPMorgan Chase & Co 3.300% 04/01/26	500,000	484,000	0.40%
Lloyds Banking Group Plc. 4.375% 03/22/28 SR	1,500,000	1,453,508	1.20%
Metropolitan Life Global Funding I 3.450% 12/18/26	50,000	48,059	0.04%
New York Life Global Funding FLT 06/09/26	2,500,000	2,500,120	2.06%
Renaissancere Finance Inc. 3.450% 07/01/27	745,000	706,226	0.58%
Royal Bank of Canada 2.250% 11/01/24 SR:GMTN	600,000	593,229	0.49%
Royal Bank of Canada FLT 01/20/26	2,500,000	2,502,370	2.07%
Toronto-Dominion Bank 4.701% 06/05/26 SR:REGS	3,250,000	3,225,112	2.66%
United States Treasury Inflation Indexed Bonds 1.125% 01/15/33	3,473,613	3,219,017	2.66%
United States Treasury Inflation Indexed Bonds 2.375% 10/15/28	3,071,040	3,111,994	2.57%
US Treasury N/B 0.375% 08/15/24	2,000,000	1,987,598	1.64%
US Treasury N/B 0.500% 02/28/26	4,000,000	3,724,844	3.08%
US Treasury N/B 0.500% 04/30/27	3,000,000	2,681,367	2.21%
US Treasury N/B 0.500% 06/30/27	3,000,000	2,666,133	2.20%
US Treasury N/B 0.500% 10/31/27	4,000,000	3,512,188	2.90%
US Treasury N/B 0.750% 01/31/28	2,500,000	2,195,898	1.81%
US Treasury N/B 1.500% 10/31/24	4,000,000	3,948,594	3.26%
US Treasury N/B 2.125% 07/31/24	3,000,000	2,992,002	2.47%
US Treasury N/B 2.250% 12/31/24	4,000,000	3,939,922	3.25%
US Treasury N/B 3.250% 08/31/24	4,000,000	3,984,766	3.29%
US Treasury N/B 4.000% 01/31/31	1,000,000	980,742	0.81%
US Treasury N/B 4.250% 03/15/27	3,500,000	3,472,520	2.87%
US Treasury N/B 4.500% 03/31/26	2,500,000	2,487,012	2.05%
US Treasury N/B 4.500% 05/31/29	1,200,000	1,208,906	1.00%
US Treasury N/B 4.625% 02/28/26	3,200,000	3,188,625	2.63%
US Treasury N/B 4.875% 04/30/26	3,000,000	3,004,453	2.48%
US Treasury N/B FRN FLT 01/31/25	6,000,000	6,005,530	4.96%
US Treasury N/B FRN FLT 04/30/25	6,000,000	6,003,431	4.96%
Westpac Banking Corp. FLT 06/03/26	2,500,000	2,501,002	2.07%
<b>Total Corporate and Government Securities (Cost: \$102,368,070)</b>		<b>99,594,361</b>	<b>82.25%</b>

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



# Butterfield US\$ Bond Fund Limited

## SCHEDULE OF PORTFOLIO INVESTMENTS (CONTINUED)

As at June 30, 2024

(Expressed in US Dollars)

	Nominal	2024 Fair Value	% of Portfolio
<b>Mortgage-Backed Securities</b>			
Fannie Mae 1.500% 11/01/51 MA4464	742,883	\$ 556,692	0.46%
Fannie Mae 2.000% 01/01/52 MA4511	732,209	575,619	0.48%
Fannie Mae 2.000% 02/01/52 MA4547	742,743	583,652	0.48%
Fannie Mae 2.000% 11/01/51 MA4489	754,633	579,249	0.48%
Fannie Mae 2.000% 11/01/51 MA4465	720,533	567,136	0.47%
Fannie Mae 2.500% 01/01/50 MA3902	219,437	181,703	0.15%
Fannie Mae 2.500% 01/01/52 FS0176	708,026	581,976	0.48%
Fannie Mae 2.500% 10/01/34 MA3797	74,289	67,893	0.06%
Fannie Mae 2.500% 10/01/39 MA3810	76,699	66,921	0.06%
Fannie Mae 2.500% 10/01/49 BO3181	214,651	177,874	0.15%
Fannie Mae 2.500% 11/01/34 MA3827	82,194	75,116	0.06%
Fannie Mae 2.500% 11/01/39 MA3830	78,430	68,449	0.06%
Fannie Mae 2.500% 11/01/49 MA3833	181,277	150,218	0.12%
Fannie Mae 2.500% 12/01/51 FM9841	724,752	596,064	0.49%
Fannie Mae 3.000% 02/01/50 MA3937	107,084	92,641	0.08%
Fannie Mae 3.000% 03/01/50 MA3960	108,101	93,359	0.08%
Fannie Mae 3.000% 05/01/45 AS4884	119,450	105,074	0.09%
Fannie Mae 3.000% 05/01/45 AY4200	127,271	112,003	0.09%
Fannie Mae 3.000% 10/01/46 BC4764	65,577	57,341	0.05%
Fannie Mae 3.000% 12/01/49 MA3871	145,990	126,299	0.10%
Fannie Mae 3.500% 02/01/50 MA3939	96,832	86,967	0.07%
Fannie Mae 3.500% 05/01/52 MA4600	734,930	652,200	0.54%
Fannie Mae 3.500% 08/01/49 MA3745	58,788	52,800	0.04%
Fannie Mae 3.500% 09/01/25 AE3813	13,487	13,193	0.01%
Fannie Mae 4.000% 05/01/52 MA4644	719,517	660,677	0.55%
Fannie Mae 4.000% 06/01/52 MA4626	737,422	676,460	0.56%
Freddie Mac 1.500% 10/01/51 SD8171	729,850	548,819	0.45%
Freddie Mac 2.000% 01/01/52 SD8188	731,888	575,314	0.48%
Freddie Mac 2.000% 02/01/52 SD8193	739,804	580,814	0.48%
Freddie Mac 2.000% 10/01/51 SD8172	713,115	560,885	0.46%
Freddie Mac 2.000% 11/01/51 SD7546	674,667	539,936	0.45%
Freddie Mac 2.500% 10/01/39 RB5021	74,524	65,043	0.05%
Freddie Mac 2.500% 11/01/34 SB8015	86,390	78,950	0.07%
Freddie Mac 2.500% 11/01/39 RB5026	81,747	71,355	0.06%
Freddie Mac 3.500% 05/01/52 SD8214	738,707	655,501	0.54%
Freddie Mac 3.500% 06/01/52 SD8221	748,615	664,175	0.55%
Freddie Mac 4.000% 05/01/52 SD8215	730,301	670,551	0.55%
Freddie Mac 4.000% 06/01/52 SD8222	740,049	678,840	0.56%
Freddie Mac 4.000% 07/01/52 SD8227	752,662	690,408	0.57%
Freddie Mac 4.500% 08/01/52 SD8238	744,444	703,090	0.58%
Ginnie Mae 2.500% 02/20/51 MA7193	498,871	421,394	0.35%
Ginnie Mae 2.500% 04/20/51 MA7312	560,889	472,738	0.39%
Ginnie Mae 2.500% 12/20/50 MA7052	457,302	386,389	0.32%
Ginnie Mae 3.000% 02/20/52 MA7882	698,311	609,607	0.50%
Ginnie Mae 3.000% 10/20/51 MA7650	633,560	553,534	0.46%
Ginnie Mae 4.000% 07/20/49 MA6040	56,052	52,457	0.04%
Ginnie Mae 4.500% 04/20/53 MA8799	796,621	759,250	0.63%
Ginnie Mae 5.000% 02/20/53 MA8647	774,222	755,500	0.62%
Ginnie Mae 5.000% 03/20/53 MA8725	783,779	764,624	0.63%
Ginnie Mae 5.000% 04/20/53 MA8800	789,896	770,490	0.64%
Ginnie Mae 6.500% 01/20/53 MA8572	270,806	275,150	0.23%
Ginnie Mae 6.500% 04/20/53 MA8803	367,229	372,855	0.31%
Ginnie Mae 6.500% 05/20/53 MA8881	379,463	385,276	0.30%
Ginnie Mae 6.500% 12/20/52 MA8493	265,673	269,826	0.22%
<b>Total Mortgage-Backed Securities (Cost: \$24,209,074)</b>		<b>21,490,347</b>	<b>17.75%</b>
<b>TOTAL INVESTMENTS (Cost: \$126,577,144)</b>		<b>121,084,708</b>	<b>100.00%</b>

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

# Butterfield US\$ Bond Fund Limited

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2024

(Expressed in US Dollars)

	Notes	2024 US\$	2023 US\$
<b>INCOME</b>			
Net realised loss on financial assets at fair value through profit or loss		(606,646)	(1,263,186)
Net change in unrealised gain/(loss) on financial assets at fair value through profit or loss		1,926,218	(1,062,260)
Interest		4,433,927	3,853,510
<b>Total income</b>		<b>5,753,499</b>	<b>1,528,064</b>
<b>EXPENSES</b>			
Management fee	7 a)	322,978	346,562
Administration fee	8	166,667	173,474
Custodian fee	7 b)	61,228	61,932
Audit fee		39,566	26,542
Government fee		9,877	10,432
Other expenses		41,595	41,134
<b>Total expenses</b>		<b>641,911</b>	<b>660,076</b>
<b>NET INCOME</b>		<b>5,111,588</b>	<b>867,988</b>
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>			
		<b>5,111,588</b>	<b>867,988</b>

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, 2024 (Expressed in US Dollars)

	Notes	2024 US\$	2023 US\$
<b>NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>		<b>5,111,588</b>	867,988
<b>DISTRIBUTIONS TO INVESTORS</b>			
Dividends paid and payable	6	<b>(3,213,422)</b>	(2,382,641)
<b>CAPITAL STOCK TRANSACTIONS</b>			
Issue of redeemable shares		<b>11,767,762</b>	21,818,765
Redemption of redeemable shares		<b>(18,910,146)</b>	(15,085,164)
Net capital stock transactions		<b>(7,142,384)</b>	6,733,601
<b>NET (DECREASE)/INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>		<b>(5,244,218)</b>	5,218,948
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES – BEGINNING OF THE YEAR</b>		<b>129,373,450</b>	124,154,502
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES – END OF YEAR</b>		<b>124,129,232</b>	129,373,450

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, 2024 (Expressed in US Dollars)

	2024 US\$	2023 US\$
<b>Cash flows from operating activities</b>		
Net increase in net assets resulting from operations attributable to holders of redeemable shares	5,111,588	867,988
<i>Adjustments for:</i>		
Purchase of financial assets at fair value through profit or loss	(28,633,732)	(92,165,126)
Net proceeds from sale of financial assets at fair value through profit or loss	38,179,243	77,441,743
Net realised loss on financial assets at fair value through profit or loss	606,646	1,263,186
Net change in unrealised (gain)/loss on financial assets at fair value through profit or loss	(1,926,218)	1,062,260
Changes in:		
Interest receivable	(129,425)	(110,807)
Prepaid expenses	(507)	14,081
Accrued expenses	(36,255)	43,121
<b>Net cash provided by/(used in) operating activities</b>	<b>13,171,340</b>	<b>(11,583,554)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of shares	11,168,851	20,924,599
Payments for redemption of shares	(18,910,146)	(15,085,164)
Dividends paid	(2,501,850)	(1,479,654)
<b>Net cash (used in)/provided by financing activities</b>	<b>(10,243,145)</b>	<b>4,359,781</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>2,928,195</b>	<b>(7,223,773)</b>
<b>Cash and cash equivalents – beginning of year</b>	<b>319,900</b>	<b>7,543,673</b>
<b>Cash and cash equivalents – end of year</b>	<b>3,248,095</b>	<b>319,900</b>
<b>Supplemental cash flow information:</b>		
Interest received	4,304,502	3,742,703
<b>Supplemental non-cash information:</b>		
Redeemable shares – Class A issued through dividend reinvestment	297,814	219,395
Redeemable shares – Class B issued through dividend reinvestment	331,097	256,771

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

# Butterfield US\$ Bond Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2024

(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" or the "Bank") 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 Investment Adviser is a wholly owned subsidiary of 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 and the Custodian maintain 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 material accounting policies

##### a) Material 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 materially 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

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2024

(Expressed in US Dollars)

### 2. BASIS OF PREPARATION (CONTINUED)

#### Summary of material 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 financial asset 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

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2024

(Expressed in US Dollars)

### 2. BASIS OF PREPARATION (CONTINUED)

#### Summary of material 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. There are no financial liabilities held at fair value through profit or loss as at June 30, 2024 and 2023.

##### ***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 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 collateral on derivatives, securities lent and other short-term payables.

##### ii. Initial 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 recognised 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 as FVPL, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net change in unrealised loss on financial assets at fair value through profit or loss 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

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2024

(Expressed in US Dollars)

### 2. BASIS OF PREPARATION (CONTINUED)

#### Summary of material 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 ("EIR"). Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, as well as through the amortisation process.

The 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

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2024

(Expressed in US Dollars)

### 2. BASIS OF PREPARATION (CONTINUED)

#### Summary of material 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, 2024 and 2023 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 recognised in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Management has determined that, as at June 30, 2024 and 2023, 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 realised and change in unrealised gain/(loss) on investments in the statement of comprehensive income.

# Butterfield US\$ Bond Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2024

(Expressed in US Dollars)

### 2. BASIS OF PREPARATION (CONTINUED)

#### Summary of material accounting policies (continued)

##### h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, money market funds with daily liquidity 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. The money market fund comprises investments in Butterfield Money Market Fund Limited of \$801,095 (2023: \$126,699). As at June 30, 2024 and 2023, there was no restricted cash held.

##### 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 recognised at fair value.

##### j) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing financial instruments using the EIR.

##### 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 recognised 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

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2024

(Expressed in US Dollars)

### 2. BASIS OF PREPARATION (CONTINUED)

#### Summary of material 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 recognises all investments at fair value through profit and loss.

##### q) Impact of new accounting pronouncements

For the year ended June 30, 2024, there are no new accounting pronouncements that are expected to have a material impact on the financial statements. The Fund has adopted the following revised accounting standards:

- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting policies
- Amendments to IAS 8 - Disclosure of Accounting Estimates

Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide nonmandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates.

None of these would have a significant effect on the financial statements of the Fund.

##### r) Standards issued but not yet effective

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of comprehensive income, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of comprehensive income into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

# Butterfield US\$ Bond Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2024

(Expressed in US Dollars)

### 2. BASIS OF PREPARATION (CONTINUED)

#### Summary of material accounting policies (continued)

##### r) Standards issued but not yet effective (continued)

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Fund is currently working to identify all impacts the amendments will have on the primary financial statements and notes to the financial statements.

##### s) Comparative information

Where necessary, comparative figures are adjusted to comply with changes in presentation in the current year.

### 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 schedule of portfolio investments includes consideration of the creditworthiness of the issuer, and accordingly represents the maximum credit risk exposure of the Fund.

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	
	2024	2023
AAA	3.62	5.31
AA+	72.93	67.07
AA-	5.66	1.96
A+	2.38	6.79
A-	5.96	6.55
A	0.79	3.75
BBB	1.65	1.52
BBB+	2.91	4.56
Not rated by Standard & Poor's	4.10	2.49
	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.

# Butterfield US\$ Bond Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2024

(Expressed in US Dollars)

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Credit Risk (continued)

Debt Securities by Credit Rating	% of Portfolio	
	2024	2023
Aaa	4.10	2.49
	<b>4.10</b>	<b>2.49</b>

Substantially all of the assets of the Fund are held by the Fund's Custodian. The Fund monitors its risk by monitoring the credit quality of the Custodian. As at June 30, 2024, the credit rating of the Custodian, as provided by Standard and Poor's, was BBB+ (2023 - 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, 2024 and 2023, 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.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or 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, 2024, had the interest rates increased or decreased by 25 basis points and assuming a direct impact to the fixed income securities by 25 basis points, net assets would have decreased or increased by approximately \$302,712 (2023 - \$323,277). 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	
	2024	2023
Less than 1 year	\$ 35,967,690	\$ 13,746,735
1 - 3 years	35,006,053	58,049,218
3 - 5 years	19,437,076	23,258,645
Greater than 5 years	30,673,889	34,256,049
	<b>\$ 121,084,708</b>	<b>\$ 129,310,647</b>

#### 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.

# Butterfield US\$ Bond Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2024

(Expressed in US Dollars)

### 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.

All of the Fund's investments are classified as follows for the years ended June 30, 2024 and 2023.

#### June 30, 2024

Classification	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets</b>				
Corporate and government securities	-	99,594,361	-	99,594,361
Mortgage-backed securities	-	21,490,347	-	21,490,347
Total financial assets	-	121,084,708	-	121,084,708

#### June 30, 2023

Classification	Level 1 US\$	Level 2 US\$	Level 3 US\$	Total US\$
<b>Financial assets</b>				
Corporate and government securities	-	107,118,984	-	107,118,984
Mortgage-backed securities	-	22,191,663	-	22,191,663
Total financial assets	-	129,310,647	-	129,310,647

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, 2024 and 2023. 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, 2024 and 2023. The Fund did not hold any Level 3 investments at the beginning, during, or at the end of the years ended June 30, 2024 and 2023.

### 5. SHARES ISSUED AND OUTSTANDING

As at June 30, 2024 and June 30, 2023, 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 (2023 - 120,000) organisational non-participating, voting shares of a par value of \$0.10 each share.

# Butterfield US\$ Bond Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2024

(Expressed in US Dollars)

### 5. SHARES ISSUED AND OUTSTANDING (CONTINUED)

Details of number of shares issued and outstanding as of June 30, 2024 and 2023 are as follows:

Redeemable Shares	2024			2023		
	Class A	Class B	Class C	Class A	Class B	Class C
Balance - beginning of year	1,825,935	9,122,348	1,399,093	1,541,445	8,759,871	1,399,093
Issue of redeemable shares	46,916	1,081,575	-	559,466	1,541,359	-
Redemption of redeemable shares	(779,050)	(1,065,096)	-	(274,976)	(1,178,882)	-
Balance - end of year	1,093,801	9,138,827	1,399,093	1,825,935	9,122,348	1,399,093
<b>Organisational Shares</b>	<b>120,000</b>			<b>120,000</b>	<b>-</b>	<b>-</b>

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.

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:

2024				2023			
Class A	Class B	Declaration date	Amount	Class A	Class B	Declaration date	Amount
0.0677	0.0756	September 30, 2023	\$ 787,201	0.0346	0.0419	September 30, 2022	\$ 441,740
0.0714	0.0793	December 31, 2023	773,930	0.0430	0.0504	December 31, 2022	532,684
0.0726	0.0806	March 31, 2024	802,633	0.0523	0.0599	March 31, 2023	642,941
0.0758	0.0839	June 30, 2024	849,658	0.0634	0.0712	June 30, 2023	765,276
<b>\$ 3,213,422</b>				<b>\$2,382,641</b>			

Dividends declared in the amount of \$849,658 (2023 - \$766,997) remained payable at year end.

### 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.

# Butterfield US\$ Bond Fund Limited

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2024

(Expressed in US Dollars)

### 7. RELATED PARTY TRANSACTIONS (CONTINUED)

#### a) Management Fee (continued)

Presently, the monthly fee is calculated at the rate of 0.5% (2023 - 0.5%) per annum for the Class A shares and 0.25% (2023 - 0.25%) per annum for the Class B shares, and 0.25% (2023 - 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 \$322,978 (2023 - \$346,562) with \$27,980 (2023 - \$29,026) 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 \$61,228 (2023 - \$61,932) with \$5,389 (2023 - \$5,298) being payable and included in accrued expenses at year end.

#### c) Credit Facility

On July 31, 2023 (2023 - July 22, 2022), the Fund renewed the unsecured credit facility agreement with the Bank in the amount of \$12,000,000 (2023 - \$12,000,000). The agreement bears an interest rate of 1% per annum above term Secured Overnight Financing Rate ("SOFR") on any drawdown date. 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, 2024 (2023 - June 30, 2023).

As at June 30, 2024 and 2023 no drawings were made on the credit facility.

### 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 \$166,667 (2023 - \$173,474) with \$14,682 (2023 - \$62,066) 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.

In accordance with IFRIC 23 'Uncertainty over income tax treatments' ("IFRIC 23"), the Fund has analysed its tax positions and has concluded that no asset/liability for unrecognised tax benefits/obligations should be recorded relating to uncertain tax positions for the year ended June 30, 2024. Currently, the only taxes recorded by the Fund are withholding taxes applicable to certain income. For the year ended June 30, 2024 and 2023 no other income tax liability or expense has been recorded in the accompanying financial statements.



# Butterfield US\$ Bond Fund Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2024

(Expressed in US Dollars)

### 10. COMMITMENTS AND CONTINGENCIES

Management has determined that the Fund had no commitments or contingencies as at June 30, 2024 (2023 - none).

### 11. SUBSEQUENT EVENTS

On October 1, 2024, the Fund renewed the unsecured credit facility agreement with the Bank. The interest period changed to 30, 60, 90 or 180 days at the Fund's option. The Fund shall pay to the Bank a commitment fee equal to 0.25% per annum, payable monthly in arrears on the average daily unused portion of the credit facility (as determined by the Bank). The other terms remain unchanged from the previous agreement. The renewed unsecured facility expires on June 30, 2025.

The Fund has evaluated all the events or transactions that occurred after June 30, 2024 through October 25, 2024, the date the financial statements were available to be issued, and concluded that there are no other subsequent events requiring disclosure in the financial statements.

### 12. FINANCIAL HIGHLIGHTS

Per Share Information	2024			2023		
	Class A	Class B	Class C	Class A	Class B	Class C
<b>Net asset value - beginning of year</b>	<b>\$10.1512</b>	<b>\$10.3581</b>	<b>\$11.6842</b>	\$10.2995	\$10.5096	\$11.5903
<b>Income from investment operations</b>						
Net investment income****	0.2865	0.3199	0.3812	0.2279	0.2587	0.3001
Net realised & change in unrealised gain/(loss) on investments	0.1209	0.1255	0.1416	(0.1840)	(0.1868)	(0.2062)
<b>Total income from investment operations</b>	<b>0.4074</b>	<b>0.4454</b>	<b>0.5228</b>	0.0439	0.0719	0.0939
Distributions to investors	(0.2842)	(0.3194)	-	(0.1922)	(0.2234)	-
<b>Net asset value - end of year</b>	<b>\$10.2744</b>	<b>\$10.4841</b>	<b>\$12.2070</b>	\$10.1512	\$10.3581	\$11.6842
<b>Ratios / Supplemental Data</b>						
Total net assets - end of year (in thousands)	\$11,238	\$95,812	\$17,079	\$18,535	\$94,491	\$16,347
Weighted average net assets (in thousands) *	\$13,347	\$93,510	\$16,683	\$17,204	\$94,936	\$16,208
Ratio of expenses to average net assets	0.79%	0.52%	0.29%	0.79%	0.54%	0.10%
Portfolio turnover rate**	23.52%	23.52%	23.52%	62.37%	62.37%	62.37%
Annual rate of return***	4.01%	4.30%	4.47%	0.43%	0.68%	0.81%

\* 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 October 25, 2024.