BUTTERFIELD

Fund Review

Butterfield Asset Management Limited

Select Invest Fund: Conservative Class

Quarter 3 2024

Objective

To offer a convenient vehicle for investing in an international portfolio of mutual funds or exchange traded funds, which are anticipated to provide the best opportunities for long-term capital growth and accumulated income across a range of risk tolerance classes.

Investment policy

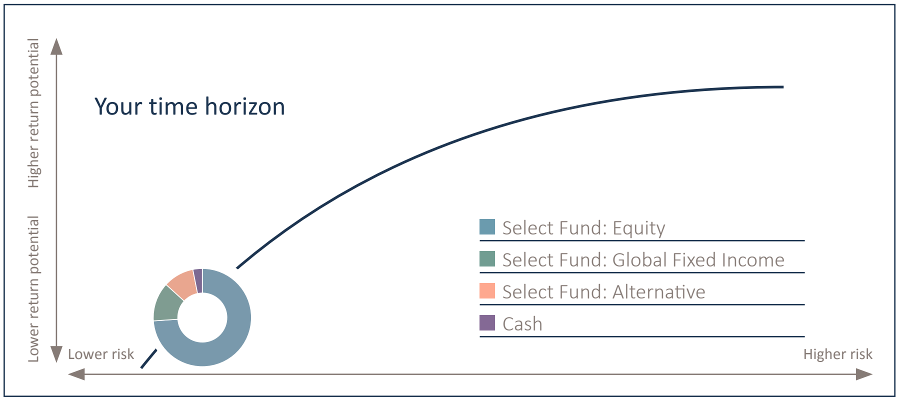
The Fund seeks to invest in various weightings of three broad asset classes; Equities, Fixed Income and Alternatives. The Fund achieves this by allocating its assets to either the Butterfield Select Fund's Share Classes or mutual funds and ETF's that invest in Equities, Fixed Income and Alternatives. Investments will be made on long-term strategic basis and allow for a short to medium term tactical shifts in keeping with the overall objective of each class.

Key facts as at 30 September 2024

Currency	USD
Valuation	Weekly
Dealings	Friday
Front end fee	None
Units available	Accumulation
Identifier	BSIFICO BH
Fiscal year end	30 June
Minimum investment	USD 1,000
Total expense ratio	0.57%
Size of fund (millions)	USD 1.347
NAV per share	USD 13.60

**Does not include underlying fund fees*

Risk profile



Positioning

	Underweight	Neutral	Overweight
Equity	■		
Bonds		■	
Alternative		■	
Cash			■

Average annual compound returns

	Quarter	Year to date	1 year	3 years	5 years
Total returns	3.66%	5.34%	11.29%	-0.80%	#N/A
Index returns	5.27%	7.00%	14.10%	0.39%	2.55%

Fund review

Select Fund: Equity

The Select Equity Fund returned 4.76% in the third quarter, lagging the MSCI World index, which returned 6.36%. For the first nine months of 2024, the Fund returned 18.19%, largely in line with the MSCI World, which returned 18.86%. Market breadth improved in the third quarter, which was a notable contrast to the second quarter when markets were driven by a narrow range of large-cap technology-oriented stocks.

The quarter saw a number of rotations between sectors and themes. Artificial Intelligence has been a strong driver of market returns over the past 18 months, but as second-quarter earnings came in, the market worried that expectations had risen too far too fast. The summer also saw a rise in worries surrounding the health of the US economy, and more specifically the labour market. A lower-than-expected Consumer Price Index (CPI) print in July further increased confidence that the Federal Reserve would start cutting interest rates in September. This combination of lower bond yields and heightened economic concerns led to a rally in defensive sectors, such as utilities and real estate. The fund's underweight position in utilities was a drag on relative performance, but stock selection in real estate was positive as Welltower benefited from lower rates and increased occupancy in its senior housing facilities.

The consumer staples sector also benefited from the shift toward defensive sectors. Walmart performed particularly well as it attracted cost-conscious consumers, which helped to drive sales growth. The valuation multiple has expanded as the market has been willing to pay a premium for attractive defensive growth characteristics. In contrast, our exposure to the energy sector was a drag on relative returns. Oil prices fell, even as the situation in the Middle East deteriorated. This was driven by both supply and demand factors, as production remained strong and worries around global growth meant demand forecasts were revised lower.

During the quarter, we trimmed our exposure to a number of stocks after a strong run of performance. Electrification continues to be a favourable theme in markets, driven by infrastructure spending, the energy transition, and data centres. Our holdings in Trane Technologies and ABB have benefited from the electrification theme. We took profit on the back of good performance and added Quanta Services, which is benefiting from similar trends, as well as outsourcing.

Select Fund: Global Fixed Income

The Global Fixed Income Class produced a return of 4.27%, net of fees in Q3 which was below the 5.48% return for the fund's benchmark. The fund's underperformance was due to an overweight in U.S. inflation-linked assets, as inflation expectations dropped significantly throughout the quarter, alongside a tactical decision to remain underweight in duration as U.S. government bond yields fell more sharply than expected based on inflation and macroeconomic conditions. Also, to mitigate convexity risk, we maintained a shorter duration relative to the benchmark. The fund's corporate credit holdings saw no losses, and we continue to adopt a defensive stance, taking advantage of favorable carry opportunities.

The third quarter of 2024 brought significant volatility to fixed income markets, driven by global shifts in central bank policies and economic conditions. In the U.S., the 2-year/10-year yield curve returned to positive territory for the first time in two years, a significant signal of changing market dynamics. The Federal Reserve took a bold step by delivering a pre-emptive 50 basis point (bps) rate cut despite strong economic growth, surprising markets that had expected a more gradual easing. This "insurance" cut was intended to stabilize the economy amid mounting uncertainties. Even with solid Q3 growth, reflected in the Atlanta Fed's GDPNow forecast of +3.08%, the market is pricing in an additional 100bps of rate cuts by year-end as inflation continues to ease.

In addition, labor market conditions in the U.S. softened, with the unemployment rate rising to 4.3%. While temporary factors such as weather-related disruptions and immigration influenced the numbers, the broader trend indicates weakening employment. This has raised concerns over consumer spending, which could weigh on the economic outlook in the coming months. U.S. bond markets reacted strongly to these developments, with the 2-Year Treasury yield dropping by 120bps and the 10-Year Treasury yield declining to 3.75%. Inflation-protected securities (TIPS) underperformed nominal Treasuries as inflation fears receded and attention shifted toward broader economic risks.

Globally, central banks adopted more accommodative policies to address slowing growth. The European Central Bank, Bank of England, and Bank of Canada all reduced rates as economic conditions deteriorated, particularly in Europe where German Bund yields fell sharply, reflecting concerns over the health of Germany's economy. In Asia, the People's Bank of China introduced its largest stimulus package since the pandemic, including key rate cuts and reductions in reserve requirements for banks. However, doubts remain about whether these measures will be enough to spur growth, given persistent weak credit demand and subdued global trade.

Looking ahead, the final quarter of 2024 will likely see heightened volatility driven by the U.S. election and continued global uncertainty. We remain cautious on U.S. interest rate duration risk, as the market has already priced in significant rate cuts, and further gains in short-dated U.S. Treasuries may be limited unless a recession materializes. While U.S. macroeconomic data remains relatively strong, we are positioning for potential risks, maintaining a selective overweight on inflation protection and a tactical approach to credit risk as global liquidity rises.

Select Fund: Alternative

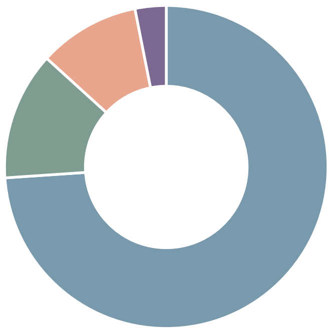
The Alternative Class returned +0.97% in Q3 of 2024 which modestly underperformed the HFRX Global Hedge Fund Index return of +2.12%. Global equity market indices generated positive performance in the third quarter of 2024, remaining resilient and recording double digit returns for the year through September amidst market volatility and conflict in the Middle East. This was bolstered by strong corporate earnings and the Fed's larger-than-anticipated interest rate cut in September, which eased concerns about market weakness throughout the quarter.

Within the fund, quantitative and relative value strategies were positive for the quarter. Gains in quantitative strategies were driven by long industrials and short information technology positioning. Within relative value, gains were driven by successful commodity trading in U.S. natural gas and power and the U.S. cash vs. future basis trading strategy. Equity performance was positive for the quarter with gains driven by long positions in healthcare, industrial and financial companies, while long positions in technology detracted from performance.

Benchmark composition

75% B of A Merrill Lynch 5-10 Yr US Gov/Corp AAA-A Rated, 15% MSCI World (Free), 10% HFRX Global Hedge Fund.

Asset allocation



Select Fund: Global Fixed Income	73.9%
Select Fund: Equity	12.8%
Select: Alternative	10.1%
Cash	3.1%

Top 10 holdings

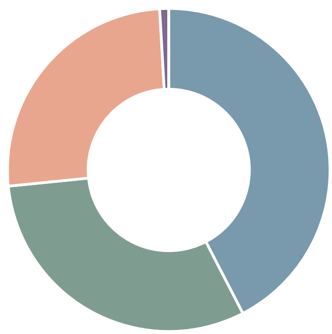
1	US TREASURY N/B 1.5 15/02/2030	3.87%
2	US TREASURY N/B 1.25 30/04/2028	3.10%
3	US TREASURY N/B .875 15/11/2030	3.06%
4	US TREASURY N/B 4.5 15/11/2033	3.03%
5	US TREASURY N/B 4.25 15/03/2027	3.00%
6	ANGLO AMERICAN CAPITAL 4.875 14/05/2025	2.98%
7	BANK OF AMERICA CORP 3.95 21/04/2025	2.96%
8	RENAISSANCERE FINANCE 3.45 01/07/2027	2.88%
9	US TREASURY N/B 1.125 15/05/2040	2.46%
10	US TREASURY N/B 0.625 15/05/2030	2.42%

Contact us

Butterfield
Asset Management
Limited

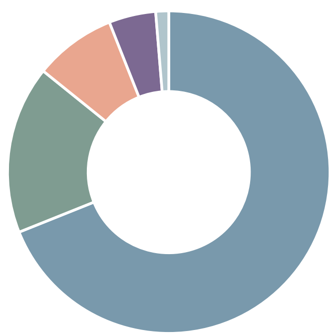
Tel: (441) 299 3817

Fixed income allocation



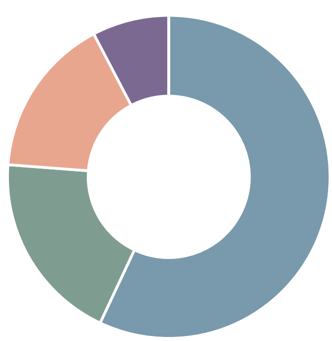
Government	42.4%
Corporate	31.0%
Securitised/Collateralised	25.7%
Cash	0.9%

Equity sector allocation



North America	68.9%
Europe developed	16.9%
Asia/Pacific	8.2%
UK	4.7%
Emerging markets	1.3%

Alternative strategy allocation



Long/Short Equity	57.0%
Relative Value	19.2%
Cash	16.1%
Quantitative	7.7%

www.butterfieldgroup.com