Fund Review

Butterfield Asset Management Limited

Select Fund: Global Fixed Income Class

Quarter 4 2025

Objective

To maximise total return through income and capital gains by investing in medium to high-grade US dollar-denominated debt securities with a medium/long-term maturity profile and some top performing mutual funds to provide attractive opportunities for capital growth.

Investment policy

The Fund will target a weighted average duration of six years and enhance returns through sector and credit diversification of securities and funds. Fund investments will include a range of top-performing offshore fixed income mutual funds in targeted areas.

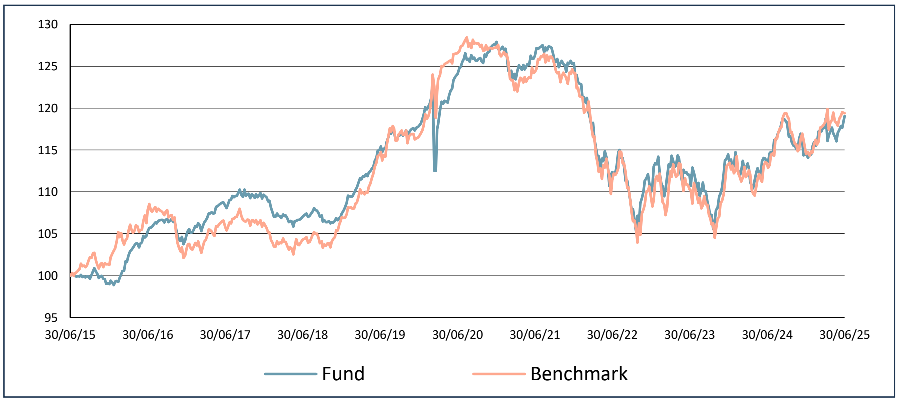
Investment process

Important considerations for our fixed income investment choices are liquidity and safety of principal. Our philosophy is to focus on all elements of total return to incrementally outperform the benchmark (which excludes fees) on a consistent basis.

Key facts as at 31 December 2025

Currency	USD
Valuation	Weekly
Dealings	Friday
Front end fee	None
Units available	Accumulation
Identifier	BUTSLFX BH
Fiscal year end	30 June
Minimum investment	USD 10,000
Total expense ratio	1.33%
Size of fund (millions)	USD 36.4
NAV per share	USD 22.779
Risk rating	Moderate risk/ Moderate return

Performance chart



Average annual compound returns

	QTD	YTD	1 year	3 years	5 years	10 years
Fund	0.95%	6.94%	6.94%	3.65%	-0.86%	2.16%
Benchmark	1.05%	8.40%	8.40%	4.74%	-0.48%	2.10%

Fund review

The Global Fixed Income Class produced a return of 0.95%, net of fees, in Q4, slightly underperforming the 1.05% return of the fund's benchmark. The fund remained neutral interest rate duration over the quarter and did not take any large position on the yield curve. Where the fund was active was within credit markets as an increased allocation to spread product offset some of the performance drag from higher long dated bond yields. US mortgage backed securities performed very well in 2025 and the fund maintained a significant allocation given attractive risk adjusted benefits. Finally, inflation protection was a small detractor over the quarter as energy prices continued to decline.

The last quarter of 2025 saw mixed market behaviour with several pressure points. The US government shutdown earlier in the quarter left a hole in key data releases, driving policy uncertainty and raising the odds of an unpredictable end to the year from a US growth perspective. The macro data that we do have indicates that the global economy improved in the fourth quarter, led by the US, Europe, and Japan. Europe's data surprised to the upside, Japan's improved even more, and China's picture stayed mixed, with better surprises at the margin but weaker underlying momentum. The US remained the standout, as the economy grew by 4.3% on an annualised basis. Nominal growth (real growth plus inflation) ran close to 8%, which is a reminder that financial conditions remain supportive. Overall headline volatility in fixed income markets fell, and this capped a solid year for bond market returns.

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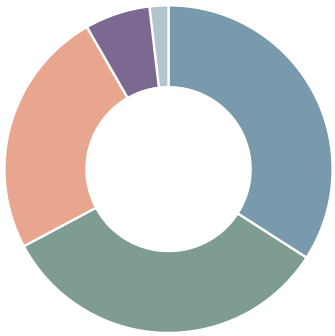
The Federal Reserve, Bank of England, and Reserve Bank of New Zealand each delivered 25bp cuts to their base rates in the fourth quarter, while Japan moved the other way with a 25bp hike. This was another step in Japan's long exit from very low interest rates. However, outside the UK and US, the global easing impulse now looks increasingly close to an end. New Zealand has explicitly signalled it is likely at, or close to, the end of its cutting phase, and sentiment in Europe has shifted too. Japan remains the outlier and is still the most hawkish developed market central bank. Corporate credit stayed resilient, with investment-grade and high yield spreads (premium that companies pay to borrow) essentially unchanged.

Geopolitics mattered more through confidence channels than through direct price shocks. The situation in Ukraine remains uncertain, while pressure around Venezuela built as the US increased focus on the region. This is relevant mainly via energy risk premia and the market's broader sensitivity to oil supply. The more immediate issue for markets was the US shutdown and its aftermath. Lost or delayed data releases clouded the outlook and pushed investors back toward narratives and positioning, rather than clean macro signals. One upside in the US inflation story is what didn't happen. Tariffs have only partially translated into consumer price inflation, with companies generally sounding cautious on aggressive price increases.

Looking ahead to 2026, the set-up for growth still looks good. Higher government spending is expected across the US, China, and Europe, while the mix of low interest rates and a more deregulatory US stance is supportive of risk assets, even if valuations remain rich. Despite tight credit spreads, we remain invested for now, with a neutral interest rate duration stance. Although short-dated US yields already fully price several more US interest rate cuts, the bar to not deliver those cuts looks high given a cooling labour market and the political incentive to keep the economy going into the mid-term elections.

Asset allocation



Corporate	34.09%
Government	33.11%
Securitised/Collateralised	24.52%
High yield	6.43%
Cash	1.85%

Top 10 holdings

1	PIMCO US SHORT-TERM HIGH YIELD CORP BOND FUND	5.1%
2	US TREASURY N/B .875 15/11/2030	4.6%
3	US TREASURY N/B 0.625 15/05/2030	3.6%
4	US TREASURY N/B 1.125 15/05/2040	3.5%
5	US TREASURY STRIPS 0 15/11/2034	3.3%
6	US TREASURY N/B .625 15/08/2030	3.0%
7	TSY INFL IX N/B 1.875 15/07/2034	2.9%
8	US TREASURY N/B 4.5 15/11/2033	2.8%
9	US TREASURY N/B 1.75 15/08/2041	2.8%
10	BARCLAYS PLC 4.337 10/01/2028	2.8%

Benchmark composition

Merrill Lynch US Corp and Government 5-10 year A rated and above.