Fund Review

Butterfield Asset Management Limited

US Dollar Bond Fund: Class C

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 short to medium-term maturity profile.

Investment policy

The Fund will target a weighted average duration of 2.5 years and will enhance returns through sector and credit diversification.

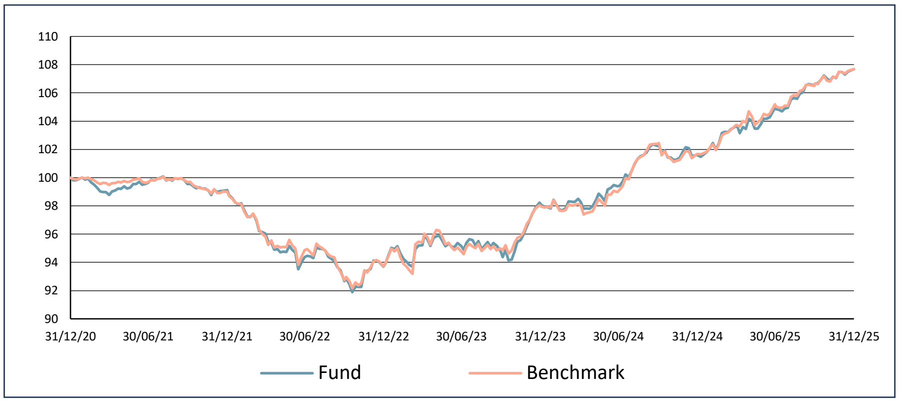
Investment process

The primary considerations for our fixed income investment choices are liquidity and safety of principal. Our philosophy is to focus on all elements of yield enhancement in order to incrementally outperform the benchmark on a consistent basis.

Key facts as at 31 December 2025

Currency	USD
Valuation	Weekly
Dealings	Wednesday
Front end fee	None
Units available	Accumulating
Identifier	BUTUSBC BH
Fiscal year end	30 June
Min. investment	USD 5 million
Total expense ratio	0.35%
NAV per share	USD 13.225
Size of fund (millions)	USD 157.2
Risk rating	Low risk/Low return

Performance chart



Average annual return and risk statistics

	QTD	YTD	1 year	2 years	3 years	5 years
Class C Return	1.08%	5.98%	5.98%	4.71%	4.74%	1.49%
Benchmark Return	1.13%	5.92%	5.92%	4.78%	4.71%	1.49%
Class C Standard Deviation	0.56%	1.48%	1.48%	2.02%	2.68%	2.80%
Benchmark Standard Deviation	0.60%	1.45%	1.45%	2.15%	2.58%	2.77%
Class C Sharpe Ratio	0.19	1.21	1.21	0.00	-0.03	-0.60
Benchmark Sharpe Ratio	0.26	1.20	1.20	0.03	-0.04	-0.61
Alpha	-0.05%	0.06%	0.06%	-0.07%	0.03%	0.00%
Tracking Error	0.38%	0.70%	0.70%	0.77%	1.10%	1.09%
Information Ratio	-0.13	0.09	0.09	-0.10	0.03	0.00
R-Squared	0.61	0.79	0.79	0.87	0.83	0.85

Fund review

The Class C shares of the Fund returned 1.08%, net of fees, during Q4, slightly underperforming the 1.13% return of the fund's benchmark. The fund remained slightly underweight interest rate duration over the quarter which added alpha however, this was offset by a steepening yield curve as longer dated government bond yields rose. The fund also continued to hold an allocation to corporate credit and US mortgage backed securities which performed very well in 2025. Finally, inflation protection was a small detractor over the quarter as energy prices continued to decline.

Standard & Poor's combined Credit and Volatility rating

AA-f/S2

MORNINGSTAR® ★★★

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.

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.

Average duration and volatility

Duration	2.35 yrs
Volatility (10 yrs)	2.23%

Contact us

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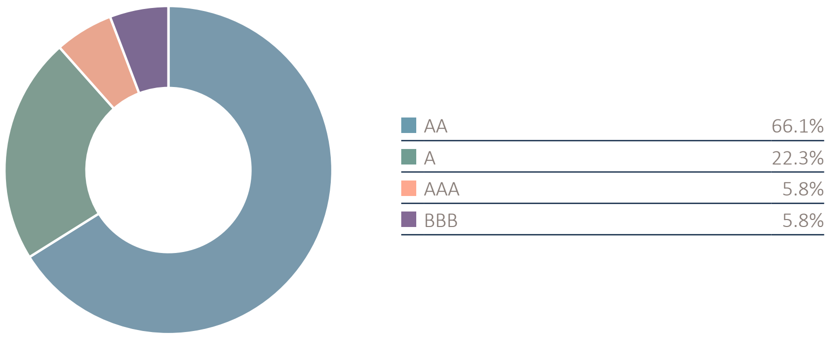
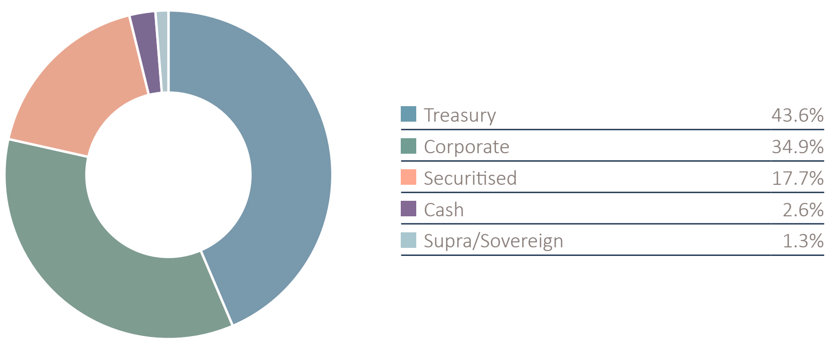
Credit ratings



Sector breakdown



Benchmark composition

100% of B of A Merrill Lynch 1-5 Yr US Gov/Corp AAA-A Rated.