

**Butterfield Bermuda Fund
Limited**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2019

Butterfield Bermuda Fund Limited

To the Shareholders:

For the year ended June 30, 2019, the Fund's total return for the year was 13.44%. The performance for the year can be attributed to the strong performance of US equity markets for the international sector and locally based Ascendant Group's rise as it accepted an offer for sale of the firm. The fund paid out \$0.60 in dividends throughout the year giving a dividend yield of 1.76% (based on June 30th, 2019 NAV). The Fund continues to maintain a dividend policy whereby the dividend yield of the Fund is representative of the dividend yield for the Fund's constituent companies.

Market Review

The domestic market continued to undergo significant change throughout the past year. Ascendant Group finally reached an agreement to sell its company to Canadian firm Algonquin Power & Utilities. The deal is valued at \$365 million with investors receiving \$36.00 per share. BF&M Group continued to hold steady as the firm is undergoing business rationalization with potential amendments to healthcare laws in Bermuda. One Communications also has maintained their share-repurchase program, leading to a 21% appreciation of their shares over the financial year. Increased technology upgrades and service offerings have so far proved to be positive. Butterfield Bank shares came under a bit of pressure as the US Federal Reserve has cut rates recently. The Bank has continued to make acquisitions in the offshore space, purchasing ABN AMRO for \$208 Million in an effort to diversify geographically.

The Bermuda Government, lead currently by the Progressive Labour Party, has just completed its second year in power. The government's new budget was implemented with changes to Land Tax and Foreign Currency Purchase Tax, in an effort to increase government revenues. Provisions for new business formations through BEDC loans and support were also implemented. As expected, the government faces the difficult task of a fiscal balancing act.

The foreign reinsurance market continued its strong performance in line with the US equity markets. Mergers & Acquisitions (M&A) activity was strong which showed numerous moving pieces in the market and continuing interest in firms looking to add value. XL Catlin, Validus and Aspen were all acquired, showing that diversification into the reinsurance is still attractive.

Catastrophe losses were back down to normal historical levels at around \$80 billion vs the spike to \$130 billion in the previous year. ILS market continues to seek capital, adding an interesting insurance proposition for market participants. The Fund is positioned to be neutral P&C, based on the outperformance of the US equity stocks, and in anticipation of continued uncertainty in the future of the global economy as we face rate cuts and slowing economic growth.

Outlook

With the recent consolidation of both the domestic and international reinsurance markets through significant M&A, the Fund continues to explore prudent ways to maintain exposure to Bermuda-based companies. Bermuda's largest publicly traded companies have undergone significant M&A with Ascendant Group the latest firm to pen a deal. The Bermuda Government continues to explore ways to stimulate the economy through tourism investment, digital currency legislation and a robust regulatory and compliance regime. The fund will continue with its measured approach to providing value and unlocking opportunities within the Bermuda-based landscape.

Dwayne Outerbridge, CFA
President
Butterfield Bermuda Fund Limited
October 18, 2019



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Independent Auditor's Report

The Board of Directors
Butterfield Bermuda Fund Limited

Opinion

We have audited the financial statements of Butterfield Bermuda Fund Limited (the Fund), which comprise the statement of financial position as at June 30, 2019, and the statements of comprehensive income, changes in net assets attributable to holders of common shares and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Ernst & Young Ltd.

October 18, 2019

Butterfield Bermuda Fund Limited

DIRECTORS

Jeffrey Abbott
Sean Lee
Dwayne Outerbridge (alternative: Michael Neff)

INVESTMENT ADVISER

Butterfield Asset Management Limited
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Bermuda

CUSTODIAN

The Bank of N.T. Butterfield & Son Limited
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REGISTRAR, TRANSFER AGENT AND ADMINISTRATOR

MUFG Fund Services (Bermuda) Limited
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AUDITORS

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

Butterfield Bermuda Fund Limited

STATEMENT OF FINANCIAL POSITION

As at June 30, 2019

(Expressed in Bermuda Dollars)

	Notes	June 30, 2019 \$	June 30, 2018 \$
ASSETS			
Cash and cash equivalents	2 h)	-	110,329
Financial assets at fair value through profit or loss	3, 4	13,933,382	13,998,920
Dividends receivable		25,636	26,121
Prepaid expenses		10,578	8,978
Total assets		13,969,596	14,144,348
LIABILITIES			
Bank overdraft	2 h)	33,286	-
Dividends payable	6	60,897	68,819
Accrued expenses	7, 8	26,462	35,410
Subscriptions received in advance		600	1,789
Withholding tax payable		2,557	-
Total liabilities		123,802	106,018
Organisational shares	5	12,000	12,000
Total liabilities and equity (including net assets attributable to holders of common shares)		13,969,596	14,144,348
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		13,833,794	14,026,330
Number of shares in issue - Class A	5	405,980	458,833
NET ASSET VALUE PER SHARE - CLASS A		34.08	30.57

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

Butterfield Bermuda Fund Limited

SCHEDULE OF PORTFOLIO INVESTMENTS

As at June 30, 2019

(Expressed in Bermuda Dollars)

	Number of Shares	2019 Fair Value	% of Portfolio
INVESTMENTS			
Common Stock			
Aon Plc	1,850	\$ 357,012	2.57%
Arch Capital Group Ltd.	20,000	741,600	5.32%
Argo Group International	5,820	430,971	3.09%
Argus Group Holdings Ltd.	315,493	943,324	6.77%
Ascendant Group Ltd	84,124	2,473,666	17.75%
Assured Guaranty Ltd.	12,000	504,960	3.62%
Axis Capital Holdings Ltd.	10,000	596,500	4.28%
Bank of N.T. Butterfield & Son	61,443	2,086,171	14.97%
Bermuda Aviation Services	110,556	138,748	1.00%
Bermuda Press (Holdings) Ltd.	5,431	40,298	0.29%
BF&M Limited	56,150	954,550	6.85%
Chubb Ltd.	8,900	1,310,881	9.41%
Everest Re Group Ltd.	2,000	494,360	3.55%
Markel Corp.	535	582,936	4.18%
One Communications Ltd.	269,166	960,923	6.90%
RenaissanceRe Holdings Ltd.	5,500	979,055	7.03%
West Hamilton Holdings Ltd.	1,900	11,809	0.08%
Willis Towers Watson Plc	1,700	325,618	2.34%
TOTAL INVESTMENTS, AT FAIR VALUE		\$ 13,933,382	100.00%

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

Butterfield Bermuda Fund Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2019

(Expressed in Bermuda Dollars)

	Notes	2019 \$	2018 \$
INCOME			
Net realised and change in unrealised gain on financial assets at fair value through profit or loss		1,538,384	1,170,996
Dividends and interest		372,393	410,264
Total income		1,910,777	1,581,260
EXPENSES			
Management fee	7 a)	103,211	110,531
Administration fee	8	19,274	25,706
Audit fee		467	19,045
Custodian fee	7 b)	6,764	12,460
Government fee		6,572	6,491
Miscellaneous		18,620	27,406
Foreign withholding tax expense		5,042	-
Investment service fee	7 d)	-	3,083
Total expenses		159,950	204,722
NET INCOME		1,750,827	1,376,538
Less: Withholding tax on dividend income		3,390	-
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		1,747,437	1,376,538

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

Butterfield Bermuda Fund Limited

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES For the year ended June 30, 2019 (Expressed in Bermuda Dollars)

	Note	2019 \$	2018 \$
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		1,747,437	1,376,538
DISTRIBUTIONS TO INVESTORS			
Dividends paid and payable	6	(259,447)	(307,168)
CAPITAL STOCK TRANSACTIONS			
Issue of redeemable shares		723,341	1,079,932
Redemption of redeemable shares		(2,403,867)	(4,765,783)
Net capital stock transactions		(1,680,526)	(3,685,851)
NET DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		(192,536)	(2,616,481)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES - BEGINNING OF THE YEAR		14,026,330	16,642,811
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES - END OF THE YEAR		13,833,794	14,026,330

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

Butterfield Bermuda Fund Limited

STATEMENT OF CASH FLOWS For the year ended June 30, 2019 (Expressed in Bermuda Dollars)

	2019 \$	2018 \$
Cash flows from operating activities		
Net increase in net assets resulting from operations attributable to holders of common shares	1,747,437	1,376,538
<i>Adjustments for:</i>		
Purchase of financial assets	(414,212)	(5,624,755)
Net proceeds from sale of financial assets	2,018,134	9,513,685
Net realised and change in unrealised gain on financial assets	(1,538,384)	(1,170,996)
Changes in:		
Dividends receivable	485	11,256
Prepaid expenses	(1,600)	(7,326)
Accrued expenses	(8,948)	(15,654)
Withholding tax payable	2,557	-
Net cash provided by operating activities	1,805,469	4,082,748
Cash flows from financing activities		
Subscriptions received in advance	(1,189)	289
Proceeds from issuance of shares	515,635	853,401
Payments from redemption of shares	(2,403,867)	(4,765,783)
Dividends paid	(59,663)	(100,197)
Net cash used in financing activities	(1,949,084)	(4,012,290)
Net (decrease)/increase in cash and cash equivalents	(143,615)	70,458
Cash and cash equivalents – beginning of year	110,329	39,871
Cash and cash equivalents – end of year	(33,286)	110,329
Supplemental cash flow information:		
Interest received	5	9
Dividends received, net of withholding taxes	369,483	421,511
Supplemental non-cash information:		
Shares – Class A issued through dividend reinvestment	207,706	226,531

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

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2019

(Expressed in Bermuda Dollars)

1. CORPORATE INFORMATION

Butterfield Bermuda Fund Limited (the "Fund") is an open-ended investment company which was incorporated under the laws of Bermuda on February 22, 1994.

The Fund commenced operations on March 31, 1994. The Bank of N. T. Butterfield & Son Limited acts as custodian (the "Custodian"). Butterfield Asset Management Limited acts as investment adviser (the "Investment Adviser"). MUFG Fund Services (Bermuda) Limited acts as registrar and transfer agent and as accountants/administrator (the "Registrar and Transfer Agent" or "Administrator") for the Fund. The Custodian and Investment Adviser are wholly owned subsidiaries of The Bank of N.T. Butterfield & Son Limited (the "Bank").

The registered address of the Fund is c/o MUFG Fund Services (Bermuda) Limited, The Belvedere Building 69 Pitts Bay Road, Pembroke HM 08, Bermuda.

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

The investment objective of the Fund is to provide long term capital growth and current income by investing in a diversified portfolio of Bermuda assets.

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 Bermuda dollars, which is the functional currency of the Fund, and all values are rounded to the nearest dollar, except when otherwise stated.

Summary of significant accounting policies

a) Significant accounting judgements, estimates and assumptions

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

b) Financial instruments

i. Classification

In the current period the Fund has adopted IFRS 9 Financial Instruments. See Note 2 r) for an explanation of the impact. Comparative figures for the year ended June 30, 2018 have not been restated. Therefore, financial instruments in the comparative period are still accounted for in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2019 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

i. Classification (continued)

Policy effective from July 1, 2018 (IFRS 9)

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

Financial assets

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

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

Financial assets measured at amortised cost

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

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

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

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

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2019 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

i. Classification (continued)

Policy effective from July 1, 2018 (IFRS 9) (continued)

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

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.

Financial liabilities

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

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

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

Financial liabilities measured at amortised cost

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

Classification - Policy effective before July 1, 2018 (IAS 39)

The Fund classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.

Financial assets and liabilities at fair value through profit or loss

The category of financial assets and liabilities at fair value through profit or loss is subdivided into:

Financial assets and liabilities held for trading: financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category includes investment funds, exchange traded funds, equities and other interest bearing investments. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price. All derivatives and liabilities from short sales of financial instruments are classified as held for trading. The Fund's policy is not to apply hedge accounting.

Financial instruments designated at fair value through profit or loss upon initial recognition: these include investment funds, exchange traded funds, equities and other interest bearing investments and derivatives not held for trading. The Fund did not hold any financial instruments designated at fair value through profit or loss upon initial recognition as at June 30, 2018.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2019 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

i. Classification (continued)

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Other financial liabilities

This category includes all financial liabilities, other than those classified as held for trading. The Fund includes in this category amounts for other short-term payables.

ii. Recognition

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

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are 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 fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Receivables and other financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the statement of comprehensive income, unless specified otherwise.

iv. Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified at fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net change in unrealised gain/(loss) on financial assets at fair value through profit or loss in the statement of comprehensive income. Interest and dividend earned or paid on these instruments are recorded separately in interest income or expense and dividend income or expense in the statement of comprehensive income.

Receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2019 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

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 either: the Fund has transferred substantially all the risks and rewards of the asset, or the Fund has 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.

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

Policy effective from July 1, 2018 (IFRS 9)

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.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2019 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

d) Impairment of financial assets (continued)

Policy effective from July 1, 2018 (IFRS 9) (continued)

The Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. 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.

Policy effective before July 1, 2018 (IAS 39)

The Fund assesses at each reporting date whether a financial asset or group of financial assets is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtor/counterparty or a group of debtors/counterparties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate.

e) Functional and presentation currency

The Fund's functional currency is the Bermuda Dollar, 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 Bermuda Dollars. Therefore, the Bermuda Dollar 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 Bermuda Dollar.

f) Offsetting and financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the 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, 2019 and 2018, 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.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2019 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

g) Foreign currency translations

Assets and liabilities that are denominated in foreign currencies are translated into Bermuda 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.

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.

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 yet 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 effective interest method.

k) Dividend income and expense

Dividend income is recognised on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

l) 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.

m) Expenses

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

n) 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.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2019

(Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

o) Share capital

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

p) Redeemable participating shares

Redeemable participating shares (i.e., Class A 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 common shares with the total number of outstanding common shares.

q) 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.

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

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

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

r) Impact of new accounting pronouncements

IFRS 9 – Financial Instruments

IFRS 9 'Financial Instruments' became effective for annual periods beginning on or after January 1, 2018. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The classification and measurement requirements of IFRS 9 may be adopted retrospectively as of the date of initial application on July 1, 2018, however, the Fund has chosen to take advantage of the option not to restate comparatives. Therefore, the 2018 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Fund's financial assets and financial liabilities as at July 1, 2018.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2019 (Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (Continued)

Summary of significant accounting policies (continued)

r) Impact of new accounting pronouncements (continued)

IFRS 9 – Financial Instruments (continued)

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 BMD	New carrying amount under IFRS 9 BMD
Financial assets				
Equity instruments	Held for trading at FVPL	FVPL	13,998,920	13,998,920
Cash and cash equivalents	Loans and receivables	Amortised cost	110,329	110,329
Dividends receivable	Loans and receivables	Amortised cost	26,121	26,121
Prepaid expenses	Loans and receivables	Amortised cost	8,978	8,978
Total financial assets			14,144,348	14,144,348

Under IAS 39, these securities were designated as held for trading at FVPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as FVPL under IFRS 9.

IFRS 15 Revenue from contracts with customers

The Fund adopted IFRS 15 Revenue from contracts with customers on its effective date of July 1, 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five-step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income have been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Fund.

s) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Fair value

For fair value of financial instruments please refer to Note 4.

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.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2019 (Expressed in Bermuda Dollars)

3. FINANCIAL RISK MANAGEMENT (Continued)

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. Financial instruments that potentially expose the Fund to credit risk consist primarily of cash and cash equivalents and balances held at brokers. The value of such balances on the statement of financial position includes consideration of the creditworthiness of the issuer, and, accordingly represents the maximum credit risk exposure of the Fund.

Substantially all of the assets of the Fund are held by the Fund's Custodian and the Bank. The Fund monitors its risk by monitoring the credit quality of the Custodian and the Bank. As at June 30, 2019, the credit rating of the Custodian and the Bank, as provided by Standard and Poor's, were both BBB+ (2018 – 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, 2019 and 2018, the Fund's exposure to currencies other than the Fund's reporting currency was limited to small balances of cash and cash equivalents denominated in foreign currencies which are not significant to the Fund as a whole.

The Bermuda Dollar is pegged to the US dollar. The Fund invests in both US Dollar and Bermuda Dollar instruments. There is no guarantee that the Bermuda Dollar will always be pegged to the US dollar or that the ratio will remain at 1:1.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Predominantly all of the Fund's investments are liquid securities which are actively traded on stock exchanges. As a result, the Fund is not subject to fair value interest rate risk due to possible fluctuations in the prevailing levels of market interest rates.

The Fund's exposure to interest rate risk is limited to its cash at the bank which represents (0.24)% (2018 – 0.79%) of the Fund's net assets. The Fund also holds an interest bearing unsecured credit facility agreement with the Bank (as disclosed in Note 7 c)). As at June 30, 2019 and 2018, the credit facility remained unused.

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 actively traded 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 obligations.

As at June 30, 2019 and June 30, 2018, the Fund did not hold preferred stocks.

Price/Market Risk

Price/market risk is the risk that the value of investments will fluctuate as a result of market conditions. All investments of the Fund are exposed to price/market risk. The Investment Adviser attempts to mitigate price/market risk by selecting appropriate portfolio investments based on the Fund's strategy. All of the Fund's investments at June 30, 2019 and 2018 were listed on stock exchanges.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2019 (Expressed in Bermuda Dollars)

3. FINANCIAL RISK MANAGEMENT (Continued)

Price/Market Risk (continued)

All of the Fund's investments were exposed to changes in equity prices. As at June 30, 2019, if equity prices had been 5% higher or lower with all other variables held constant, the net assets of the Fund would have been \$696,669 (2018 - \$699,946) higher or lower. A sensitivity rate of 5% is used when reporting price/market risk internally to key management personnel and represents management's assessment of possible change in market prices.

4. FAIR VALUE OF FINANCIAL ASSETS

The following table 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.

June 30, 2019

Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common Stock	\$ 11,459,716	\$ 2,473,666	\$ -	\$ 13,933,382
Total Financial Assets	\$ 11,459,716	\$ 2,473,666	\$ -	\$ 13,933,382

June 30, 2018

Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common Stock	\$ 13,998,920	\$ -	\$ -	\$ 13,998,920
Total Financial Assets	\$ 13,998,920	\$ -	\$ -	\$ 13,998,920

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 was a transfer of financial assets from Level 1 to Level 2 of \$2,473,666 during the year ended June 30, 2019. There were no transfers of financial assets and liabilities from Level 1 to Level 2 during the year ended June 30, 2018. 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, 2019 and 2018. The Fund did not hold any Level 3 investments at the beginning, during, or at the end of the years ended June 30, 2019 and 2018.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2019

(Expressed in Bermuda Dollars)

5. SHARES ISSUED AND OUTSTANDING

The authorised capital stock of the Fund is \$25,012,000 (2018: \$25,012,000) divided into:

25,000,000 (2018: 25,000,000) Class A participating, non-voting common shares of a par value of \$1.00 each share, and

12,000 (2018: 12,000) organisational non-participating, voting shares of a par value of \$1.00 each share.

Details of number of shares issued and outstanding as of June 30, 2019 and 2018 are as follows:

Participating Shares	2019 Class A	2018 Class A
Balance - beginning of year	458,833	589,192
Issue of common shares	23,025	37,787
Redemption of common shares	(75,878)	(168,146)
Balance - end of year	405,980	458,833
Organisational Shares	12,000	12,000

Class A shares are allotted to subscribers at a value determined by reference to the weekly valuation of the net assets of the Fund. Class A 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 initial minimum subscription is \$1,000.00 for Class A Shares. Additional subscriptions will be accepted in any amount. The management fees payable to the Investment Adviser in respect of Class A shares are described in Note 7 a.

The organisational shares are owned by the Investment Adviser and its nominees. Under the Bye-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.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2019

(Expressed in Bermuda Dollars)

6. DIVIDENDS

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

	Declaration Date	2019	Declaration Date	2018
\$0.15 per share (2018 - \$0.15 per share)	Sept 28, 2018	\$ 68,017	Sept 29, 2017	\$ 82,822
\$0.15 per share (2018 - \$0.15 per share)	Dec 31, 2018	66,246	Dec 29, 2017	80,464
\$0.15 per share (2018 - \$0.15 per share)	March 31, 2019	64,287	March 29, 2018	75,057
\$0.15 per share (2018 - \$0.15 per share)	June 30, 2019	60,897	June 29, 2018	68,825
		\$ 259,447		\$ 307,168

7. RELATED PARTY TRANSACTIONS

a) Management Fee

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

Under the terms of the management agreement, the Investment Adviser is entitled to receive a monthly fee calculated at the rate of no more than 1% per annum of the average valuation of the net assets of the Fund carried out on the Valuation Days during each month. Presently, the monthly fee is calculated at the rate of 0.75% per annum. 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. Management fee for the year was \$103,211 (2018 - \$110,531) with \$9,129 (2018 - \$9,014) 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 \$6,764 (2018 - \$12,460) with \$2,820 (2018 - \$1,303) being payable and included in accrued expenses at year end.

c) Credit Facility

On September 6, 2018, the Fund renewed the unsecured credit facility agreement with the Bank in the amount of \$1,400,000. The agreement bears an interest rate of 1% per annum above the higher of the LIBOR or the funding costs incurred by the Bank in making the revolving credit facility available on any date of drawdown. The full amount of any amount advanced under the revolving facility, together with the accrued interest and other amounts payable by the Fund to the Bank, is payable on the earlier of seven days following the utilization date or the expiry date, unless extended at the Bank's sole discretion and the advances will be limited to 10% of the Fund's net asset value. If any payment falls due and payable on a day which is not a business day the payment shall be made on the next following business day. The renewed unsecured facility expired on June 30, 2019.

On August 9, 2019, the Fund renewed the unsecured credit facility agreement with the Bank. The terms remain unchanged from the previous agreement, as outlined above. The renewed unsecured facility expires on June 30, 2020.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended June 30, 2019

(Expressed in Bermuda Dollars)

7. RELATED PARTY TRANSACTIONS

d) Investment Service Fee

The investment services fee was paid to the Bank for additional registrar and transfer agent services provided to the Fund which had been previously provided by the administrator. The investment services fee is a set fee for the Butterfield group of funds, allocated to the individual funds based on their proportion of net asset value. Effective March 1, 2018, the investment services fee paid to the Bank was discontinued hence no fees were paid for 2019 (2018 - \$3,083), with none being payable at year end 2018 and 2019.

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 \$19,274 (2018 - \$25,706) with \$3,496 (2018 - \$4,871) being payable and included in accrued expenses at year end.

9. TAXATION

The Fund is a local Bermuda Company and under current Bermuda law, the Fund is not obligated to pay taxes in Bermuda on either income or capital gains.

10. COMMITMENTS AND CONTINGENCIES

Management has determined that the Fund had no commitments or contingencies as at June 30, 2019 (2018: none).

11. SUBSEQUENT EVENTS

The Fund has evaluated all the events or transactions that occurred after June 30, 2019 through October 18, 2019, the date the financial statements were available to be issued. The Fund did not have any other material subsequent events.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (Continued) For the year ended June 30, 2019 (Expressed in Bermuda Dollars)

12. FINANCIAL HIGHLIGHTS

	2019		2018
	CLASS A		CLASS A
Per Share Information			
Net asset value - beginning of year	\$ 30.57	\$	28.25
Income from investment operations			
Net investment income****	0.48		0.40
Net realised and change in unrealised gain on investments	3.63		2.52
Total from investment operations	4.11		2.92
Distributions to investors	(0.60)		(0.60)
Net asset value – end of year	\$ 34.08	\$	30.57

	2019		2018
	CLASS A		CLASS A
Ratios / Supplemental data			
Total net assets - end of year	\$ 13,833,794	\$	14,026,330
Weighted average net assets*	13,804,577		14,671,787
Ratio of expenses to weighted average net assets annualised	1.16%		1.40%
Portfolio turnover rate**	3.01%		38.34%
Annual rate of return***	13.44%		10.34%

* 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 dividends, deposit interest and other income net of expenses.

13. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on October 18, 2019.