BUTTERFIELD

Fund Review

Butterfield Asset Management Limited

Money Market Fund: USD Class

Quarter 1 2022

Objective

To seek as high an overall rate of return as is consistent with maintaining liquidity and security of principal.

Investment policy

To invest in a range of US dollar-denominated money market instruments, the issuers of which will have first-class credit ratings. Instruments will consist of cash equivalents and a range of debt securities.

Investment process

Seek out short-term, high quality money market instruments that offer attractive spreads on a LIBOR basis.

Key facts as at 31 March 2022

Currency	USD
Valuation	Daily
Dealings	Daily
Front end fee	None
Units available	Accumulation
Identifier	BUTMMKI BH
Fiscal year end	30 June
Minimum investment	Class A - USD 10,000 Class B - USD 5,000,000
Total expense ratio	Class A - 0.18% Class B - 0.18%
Size of fund (millions)	USD 1,193
NAV per share - Class A	USD 25.6815
NAV per share - Class B	USD 26.1811

Average annual compound returns (Class A & B)

	1 year	3 years	5 years	7 years	10 years
Class A	0.03%	0.59%	0.89%	0.70%	0.49%
Class B	0.03%	0.64%	0.95%	0.75%	0.54%

7-day yield (31 March 2022)

Class A	0.18%
Class B	0.18%

Fund review

Last quarter, central banks largely dismissed rising inflation as transitory. This implied an acceptance of elevated inflation on the basis that it was temporary. However by 2022, central banks changed their minds about the passing nature of inflation. March's headline inflation came in at 8.5%, substantially above target! Inflation is being driven by the surge in gas prices as oil and energy prices soar. Rising food prices contribute too but to a lesser extent. Both can be attributed to the Russia-Ukraine war that began in February. The US imposed sanctions on Russia to deter them from continuing the war, but that doesn't diminish the impact on the US of this development. The war is a new element of uncertainty on the global front. It became clear that some mitigating measures were necessary to curb the swift escalation of prices, while also treading carefully that the ongoing war could create unforeseen challenges.

Regardless, the domestic front is still faring well. The unemployment rate is low at 3.6% with businesses highlighting labor as a constraint going forward. Therefore, employers are paying higher wages to attract new employees which is feeding into higher input costs and thereby contributing to inflationary pressures. GDP in February of only 0.1% reflects the decline in activity for testing, vaccinations, etc. This weakness was offset by the acceleration in the services sector especially in tourism-related industries.

Fortunately, the FOMC did not make us wait until later in 2022 and lifted the Fed Funds Rate rate by 25 basis points at the March meeting. The official rate is presently 0.50%. Furthermore, several additional rate hikes are priced in over the course of this year. The surge in short term rates provided a boost to the Class yield from 0.03% at the end of December to 0.194% at the end of March. Duration remains elevated at over 40 days as we lock in higher yields by extending based on rate expectations. This strategy enables the Class to benefit even if the central bank isn't as aggressive in its tightening policy as currently forecasted. Credit quality was respectable throughout the quarter with more than 60% of securities rated A-1+ by S&P. Furthermore, the Fund has no direct exposure to Russia or Ukraine through holdings within the porfolio.

Standard & Poor's
Principal Stability rating

AAAm

BUTTERFIELD

Contact us

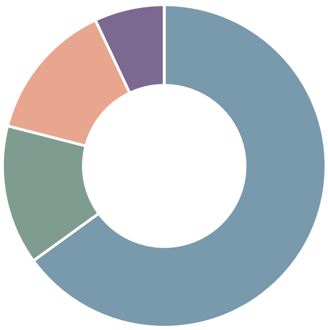
Butterfield
Asset Management
Limited

Tel: (441) 299 3817

Average duration and credit rating

Duration	44 days
Credit rating	S&P AAAm

Fund allocation



Commercial paper	65%
U.S. Treasury Bill	14%
CD	14%
Euro-commercial paper	7%

www.butterfieldgroup.com