BUTTERFIELD

Fund Review

Butterfield Asset Management Limited

Select Fund: Global Fixed Income Class

Quarter 1 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 March 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	1.39%
Size of fund (millions)	USD 36.01
NAV per share	USD 21.87

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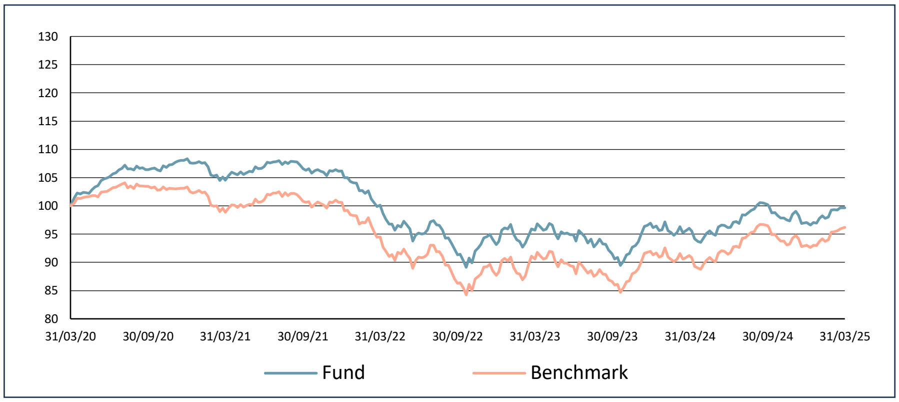
Performance chart



Average annual compound returns

	QTD	YTD	1 year	3 years	5 years	10 years
Fund	2.68%	2.68%	3.75%	-0.17%	-0.07%	1.52%
Benchmark	3.40%	3.40%	5.42%	0.59%	-0.78%	1.56%

Fund review

The Global Fixed Income Class produced a return of 2.68%, net of fees, in Q1, underperforming the 3.40% return of the fund's benchmark. The first quarter of 2025 unfolded against a backdrop of shifting inflation dynamics, divergent monetary policy paths, liquidity injections, and a growing sense of trade, geopolitical, and fiscal uncertainty. Markets entered the year cautiously optimistic about disinflation and easing financial conditions, but by the end of the quarter, it was clear that the road ahead would be more uneven.

In the US, while longer-term inflation measures remained broadly stable, short-term indicators told a different story. Headline and core (excluding food and energy) inflation numbers showed renewed upward momentum, reflecting resilience in the labour market and ongoing services inflation. This reacceleration complicates the policy outlook and challenges the prevailing narrative that rate cuts were imminent. While the Federal Reserve held rates steady, it announced a meaningful slowdown in its balance sheet runoff starting in April, effectively ending quantitative tightening in US Treasuries, signalling a more cautious stance in light of growing macro and financial uncertainty.

Globally, central banks charted different courses. Policymakers in Europe, Canada, Australia, Switzerland, and the UK moved to ease, citing weak domestic activity. Japan, in contrast, raised rates again, reflecting persistent inflation momentum and improving consumption dynamics. US Treasury yields declined across the curve, supported by rising economic uncertainty, volatility in risk assets, and efforts by DOGE to reduce the 7% fiscal deficit—with savings of US$140bn now realised. European and Japanese yields moved higher, responding to firmer inflation trends and, in Europe's case, significant fiscal expansion.

Contact us

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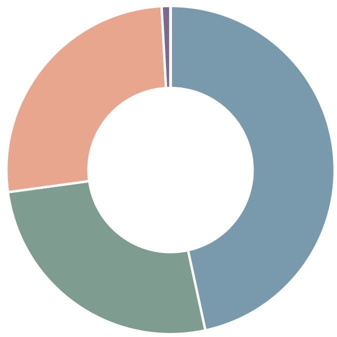
Credit markets remained resilient overall, with modest spread widening offset by strong demand and supportive liquidity conditions. While inflation volatility and global policy uncertainty created pockets of concern, corporate fundamentals and cash flow profiles remained robust, particularly in high-quality names. We continue to favour credit where spreads offer adequate compensation for risk and where liquidity conditions remain constructive.

Heading into the second quarter, markets are facing a renewed layer of complexity. Tariff-related uncertainty is intensifying, and recent moves have reignited global trade tensions at a delicate moment for the economic cycle. The implications are material—potential disruptions to supply chains, further volatility in commodity markets, and a possible delay in disinflation progress. Meanwhile, the Federal Reserve's latest projections suggest only a gradual easing path, with interest rates expected to remain above neutral for an extended period. Growth is projected to slow modestly, and unemployment to rise only slightly, reinforcing the narrative of a soft landing—but one that still leaves little room for policy missteps.

In this context, the fund remains nimble and able to capitalise from volatility in global bond markets, preferring to remain neutral duration for now until growth, inflation, and policy dynamics are clearer. Corporate credit exposure continues to be defensive, but the fund has the ability to increase risk opportunistically. In addition, inflation protection has been reduced, but we retain a small hedge against tariff and geopolitical risks.

Asset allocation



Government	46.6%
Securitised/Collateralised	26.3%
Corporate	26.3%
Cash	0.9%

Top 10 holdings

1	US TREASURY N/B 1.5 15/02/2030	5.5%
2	US TREASURY N/B 1.25 30/04/2028	4.5%
3	US TREASURY N/B .875 15/11/2030	4.4%
4	RENAISSANCERE FINANCE 3.45 01/07/2027	4.1%
5	US TREASURY STRIPS 0 15/11/2034	3.6%
6	US TREASURY N/B 0.625 15/05/2030	3.5%
7	US TREASURY N/B 1.125 15/05/2040	3.5%
8	US TREASURY STRIPS 0 15/11/2031	3.1%
9	US TSY INFL IX N/B 2.125 15/042029	2.9%
10	US TREASURY N/B .625 15/08/2030	2.9%

Benchmark composition

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