



## Select Fund: Global Fixed Income Class

Quarter 2 2019

### 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.

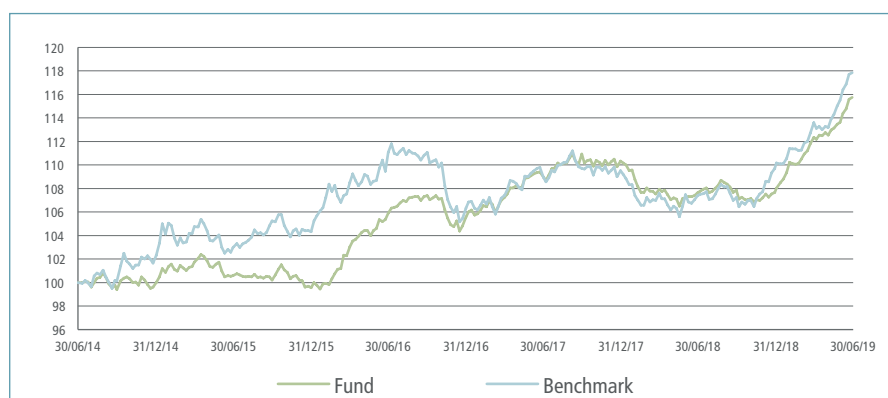
### Investment process

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 30 June 2019

Currency	USD
Valuation	Weekly
Dealings	Thursday
Front end fee	None
Units available	Accumulation
Identifier	BUTSLFX BH
Fiscal year end	30 June
Minimum investment	USD 10,000
Total expense ratio	1.25%
Size of fund (millions)	USD 56.2
NAV per share	USD 21.38

### Performance chart



### Average annual compound returns

	Quarter 2 2019	1 year	3 years	5 years
Fund	3.03%	7.54%	3.01%	2.97%
Benchmark	3.72%	9.76%	2.00%	3.34%

### Fund review

The Global Fixed Income Class produced a return of 3.03%, net of fees in Q2 which was below the 3.72% return for the fund's benchmark. The fund maintained its underweight interest rate risk positioning, which subtracted from alpha in Q2, as bond yields fell sharply despite signs of stabilising global growth, a pick up in U.S. inflation and solid consumer spending. Adding to alpha was the allocation to Corporate bonds - which we have been reducing to lower risk - as spreads continued to tighten leading to excellent risk adjusted total returns year-to-date.

Global growth had been showing some encouraging signs of rebounding in the second half of 2019 however, leading economic indicators have recently stalled. Renewed trade tensions between China and U.S. look like the prime culprit although, Brexit limbo and geo-political noise have added some additional pressure to confidence and future outlook's.

With global activity clearly entering an uncertain phase the Federal Reserve appears to have finally headed what the bond market, via lower market yields, has been forcing upon them for months and looks set to pull the trigger on an 'insurance' cut in an attempt to get ahead of the curve at the coming July meeting. Fixed Income markets are certainly priced for this outcome with ten-year U.S. Treasury yields falling to 2.01% from 2.41% at the start of the quarter and with 90bps of rate cuts fully priced into the curve over the next 12 months.





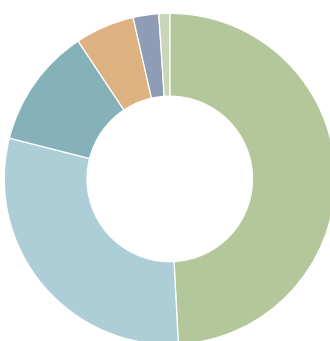
## Contact us

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This renewed monetary stimulus has led risk assets higher in the belief that the 'Fed Put' is firm however, with rates about to be cut with U.S. growth decent and financial conditions loose bond yields are likely to receive pressure from firmer inflation and a pick up in activity during the second half of 2019 hence why the fund is maintaining its underweight duration position whilst also remaining pro-risk via an overweight to corporate bonds, agency MBS and inflation protection.

## Asset allocation



Corporate	49%
US Government	30%
Securitized/Collateralised	12%
SAS	6%
Emerging Markets	2%
Cash	1%

## Top 10 holdings

1	MONTPELIER RE HLDGS LTD 4.7 15/10/22	4.1%
2	US TREASURY N/B 2.25 15/11/2027	3.6%
3	RENAISSANCERE FINANCE 3.45 01/07/2027	3.5%
4	US TREASURY N/B 2.25 15/08/2027	3.4%
5	US TSY INFL IX N/B 0.375 15/01/2027	3.3%
6	US TSY INFL IX N/B 0.125 15/07/2026	3.3%
7	US TSY INFL IX N/B 0.375 15/07/2027	3.3%
8	METROPOLITAN LIFE GLB FD 3.875 11/04/22	3.3%
9	ING BANK NV 5.8 25/09/23	3.0%
10	BERMUDA (GOVT OF) 4.854 06/02/2024	2.9%

## Benchmark composition

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