

Select Fund: Global Fixed Income Class

Quarter 1 2024

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.

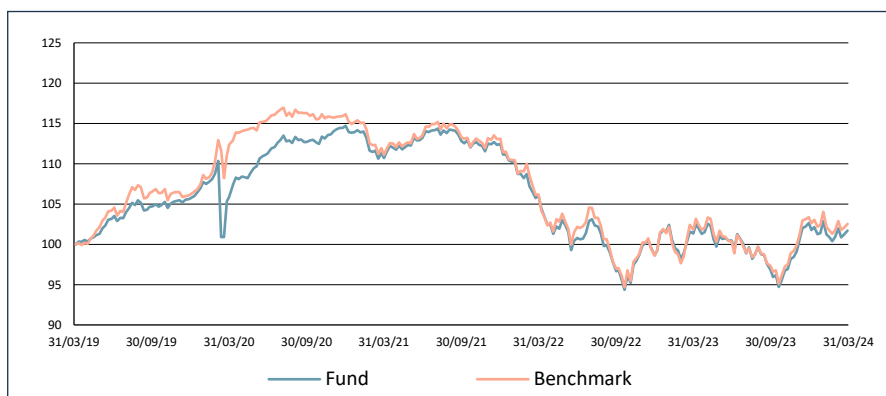
Investment process

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 2024

| | |
|-------------------------|--------------|
| 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 | 1.24% |
| Size of fund (millions) | USD 36.9 |
| NAV per share | USD 21.08 |

Performance chart



Average annual compound returns

| | QTD | YTD | 1 year | 3 years | 5 years | 10 years |
|-----------|--------|--------|--------|---------|---------|----------|
| Fund | -0.94% | -0.94% | 0.33% | -2.79% | 0.31% | 1.57% |
| Benchmark | -0.80% | -0.80% | 0.73% | -2.63% | 0.41% | 1.71% |

Fund review

The Global Fixed Income Class produced a return of -0.94%, net of fees in Q1 which was slightly below the -0.80% return for the fund's benchmark. The fund's overweight to inflation protection and underweight to duration helped navigate the majority of the broad rise in government bond yields during the quarter although, the fund's ultra long duration holdings underperformed as their risk off properties faded towards the end of the quarter.

During Q1 global fixed income markets grappled with a cocktail of rapidly improving economic growth, rising oil prices and sticky inflation readings whilst at the same time starting the year with multiple base rate cuts fully priced in - a far too easy monetary policy mix for the US economy at this juncture. Global yields in aggregate rose over the quarter driven for the most part by rising inflation expectations as 2-year inflation breakevens, the compensation for inflation risk, reaching 2.72% implying core US PCE of around 2.5%. With inflation expectations at the longer part of the yield curve relatively well contained.

As mentioned above we are seeing a broad recovery in economic growth globally with China, Europe and the US (the major engines of growth) all rebounding, European trends in particular look very strong and the region is unlikely to remain in recession for much longer. If we combine these trends with dynamics in other economies the inflation and macro impulse is rising almost everywhere – a direct challenge to the broad easing narrative which has built in markets this year. Accelerating global activity and tight supply helped to push WTI and gas prices up which will compound sticky inflation further over coming months and potentially impact consumer confidence leading up to the US election.

Expectations of tighter US monetary policy drove a broad appreciation of the US dollar. In Japan despite



Contact us

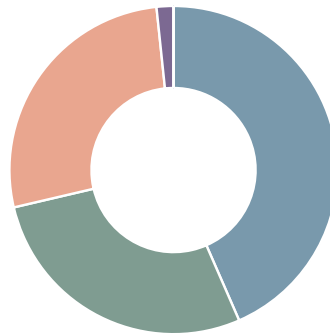
Butterfield
Asset Management
Limited

Tel: (441) 299 3817

ending negative interest rates and raising base rates for the first time since 2007 policy makers disappointed markets with the prospect of a slower pace of normalization. The sharp rise in inflation expectations led to a decline in short dated US real yields boosting risk appetite although, longer dated nominal yields rose by 30-40bps across most regions leading to small mark to market losses with coupon income cushioning this somewhat. Bucking this trend was Australia, China and Switzerland where the outlook for inflation and growth remains weaker than their developed market counterparts.

Portfolio positioning ended February very defensive ahead of what is historically the worst month for risk assets on a seasonality basis. As we closed out the quarter a correction in risk assets remains elusive and we are opportunistically adding to investment grade credit where we are rewarded for the risk however, global liquidity is tightening at a rapid pace and the odds of the Federal Reserve remaining on hold for the whole of 2024 continues to be underpriced hence we are tactically ready to de-risk at the first sign of market stress. Duration has been increased since January as most of the expected base rate cuts in the US have now been priced out of short term government bond yields although, we remain very cautious as we extend out on the yield curve due to negative term premiums, massive US fiscal issuance, sticky inflation and recovering global economic activity.

Asset allocation



| | |
|----------------------------|-------|
| Government | 43.5% |
| Securitized/Collateralised | 27.9% |
| Corporate | 27.0% |
| Cash | 1.7% |

Top 10 holdings

| | | |
|----|---|------|
| 1 | US TSY INFL IX N/B 1.375 15/07/2033 | 5.3% |
| 2 | US TREASURY N/B 1.5 15/02/2030 | 5.2% |
| 3 | US TREASURY N/B 1.25 30/04/2028 | 4.2% |
| 4 | US TREASURY N/B 4.5 15/11/2033 | 4.2% |
| 5 | US TREASURY N/B .875 15/11/2030 | 4.2% |
| 6 | ANGLO AMERICAN CAPITAL 4.875 14/05/2025 | 4.1% |
| 7 | BANK OF AMERICA CORP 3.95 21/04/2025 | 4.1% |
| 8 | US TREASURY N/B 4.25 15/03/2027 | 4.0% |
| 9 | RENAISSANCERE FINANCE 3.45 01/07/2027 | 3.9% |
| 10 | US TREASURY N/B 1.125 15/05/2040 | 3.4% |

Benchmark composition

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