



FP S290 Butterfield Sterling Balanced Fund

End of June 2010

Bid Price **£1.072**

Butterfield Friends Provident S290 Butterfield Sterling Balanced fund is a mirror fund of the CF Butterfield Sterling Balanced Fund and is 100% invested therein.

Key Facts

(of the CF Butterfield GBP Balanced Fund)

Fund Size £100.4 million

IMA Sector Balanced Managed

Launch Date 4th January 2005

Bloomberg CFBSTBA LN

ISIN number GB00B046K924

Prices Published www.uk.butterfieldgroup.com

Benchmark Composite

The fund is managed with reference to a composite benchmark of 10% sterling deposits, 25% sterling bonds, 48.75% UK equities and 16.25% international equities (full details available on request)

With the exception of "Comparative Performance Data," all other data included in this factsheet relates to the CF Butterfield Sterling Balanced Fund.

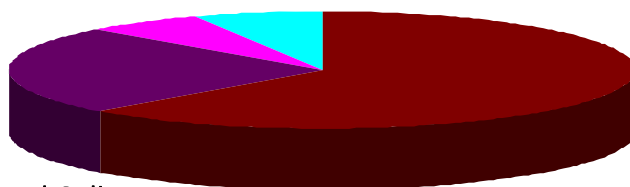
Fund Objective

The aim of this fund is to achieve long term growth from a balanced portfolio of global assets. Though the fund favours equity investment, the manager has the latitude to actively allocate between different asset classes to protect values and reduce volatility. The fund aims to maximise returns in GBP terms.

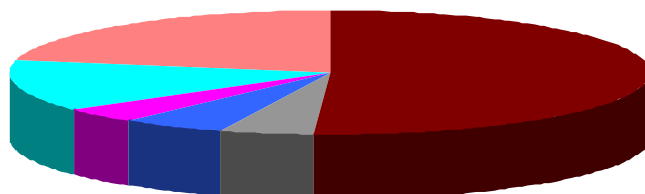
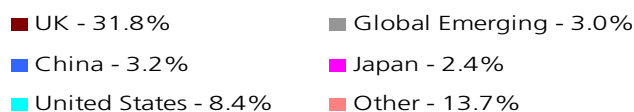
Holdings

CASH	6.7%	<i>Japan</i>	
		JO Hambro Japan	0.8%
		Morant Wright Japan	0.5%
		Polar Japan £ Hedged	1.1%
		<i>United States</i>	
		Spiders Tracker	4.0%
		Findlay Park US Smaller Cos	4.4%
		<i>Global Emerging Markets</i>	
		Ignis Hexam GEM	3.0%
		<i>Other</i>	
		Axa Framlington Health	3.2%
		Investec Energy	3.0%
		Jupiter Financial Opps	2.6%
		M&G Global Dividend	2.5%
		Schroder Global Equity Inc	2.4%
		ALTERNATIVES	6.1%
		J-RIC	1.0%
		Schroder Absolute EM Debt	5.1%
BONDS	24.7%		
EIB 4.375% 2015	4.9%		
EIB 4.875% 2016	3.2%		
KFW 5.5% 2015	3.2%		
M&G Corporate Bond Fund	4.8%		
Network Rail 4.875% 2015	5.0%		
UK Treasury 7.75% 2012/15	3.6%		
EQUITIES	62.5%		
<i>UK</i>			
Axa Framlington UK Select	3.7%		
Ignis Cartesian UK	2.9%		
Invesco Perpetual Income	5.8%		
JO Hambro UK Growth	3.1%		
Marlborough Special Sits	4.3%		
Neptune UK Income	5.7%		
Saracen Growth	2.0%		
Schroder UK Alpha	4.3%		
<i>China</i>			
Schroder Greater China	3.2%		

Asset Allocation



Equity Regional Split

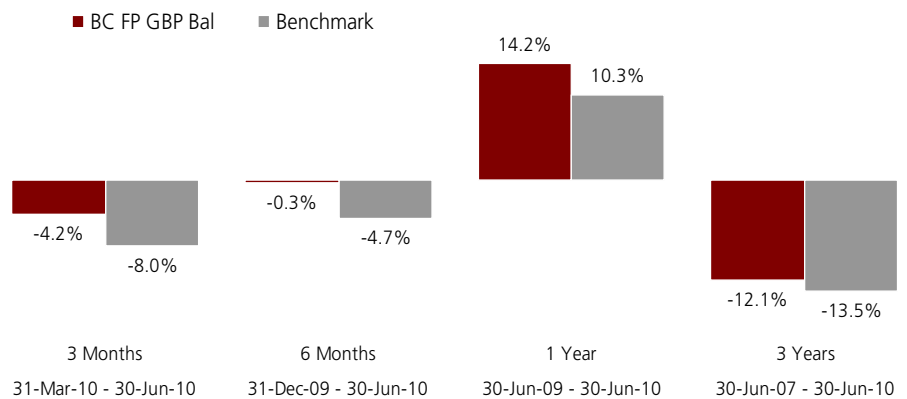


Dealing Details

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Comparative Performance (Net of Fees)



Fund Report

Signs that the global economic recovery may be cooling and heightened concerns over the creditworthiness of peripheral Eurozone governments caused equity markets to sell-off sharply during the second quarter. In doing so, they more than offset the progress made in the first three months of the year. Both developed and emerging market headline indices are now in negative territory for the year-to-date. The FTSE 100 index declined by 13% over the quarter, meaning its return since the start of the year is -7%. The fund's price fell by 5% during a difficult quarter, but outperformed the return of its benchmark by 2.5%.

We have made a number of changes to the fund's asset allocation during the past three months, having entered the quarter running a mildly overweight exposure to equities (70%). In late April and early May we became increasingly concerned that stock markets were due a correction. Accordingly, we decided to make a material reduction in equities exposure, taking the allocation to a shade under 60%. This was achieved by redeeming three holdings. After a good run, we eliminated our exposure to the Blackrock Gold & General fund, because whilst the gold price should be well supported going forward, we were concerned that the related equities also tend to sell-off when the broader market weakens. Given the sovereign debt woes of certain Eurozone members we also decided to sell the fund's only dedicated European equities position (Cazenove Europe), principally to reduce the adverse impact of an exposure to the weakening Euro. Finally, we sold the Cazenove UK Dynamic holding on news of the manager's unexpected departure. These transactions meant the fund headed into the correction with almost 15% held in cash.

The pullback has presented entry points in two opportunities that we have been monitoring for some time. In late May we initiated a 5% position in the Schroders Emerging Market Debt fund, which seeks to generate an average annual return of 10% by investing in emerging market debt and actively managing the currency risk. The team has a 10-year track record of doing so and whilst this is a step out of 'risk-free' cash, the volatility of the position should not be as high as an equities investment. As a result, this will be held in the 'alternatives' section of the portfolio. We also invested in the Schroders Greater China fund. The Chinese market has lagged significantly in the year-to-date, primarily as a result of a tighter monetary policy, but with a very supportive fundamental backdrop we feel now is the time to initiate a dedicated China equity position. The portfolio finished the quarter mildly underweight the benchmark equities allocation of 65%.

Despite lingering concerns over the state of the UK public finances, gilts have recently been viewed as a 'safe-haven'. We have not yet reduced the fund's neutral (25%) allocation to fixed income because the exposure continues to offer diversification at times of equity market weakness. We continue to run a very short average duration of approximately 4 years, reflecting our concerns of inflation further down the line. 5% of the fund's NAV remains invested in the M&G Corporate Bond fund, which again generated a positive return (of 1.8%) over the period. This is particularly pleasing as investment grade credit spreads have widened a little in recent weeks in line with the downturn in sentiment.

We believe the global economy will witness a period of expansion over the next few years with relatively healthy rates of growth in the emerging nations (and possibly even the United States) being partially offset by anaemic activity in Europe. We expect such an environment to present plenty of investment opportunities, though volatility is likely to remain elevated.

REGULATORY INFORMATION: FP S290 Butterfield Sterling Balanced Fund is a feeder fund of a sub fund of CF Butterfield Investment Funds, an ICVC registered in the UK and authorised by the FSA. Butterfield Capital (HK) Ltd. (regulated by the SFC in Hong Kong) acts as investment advisor to the funds and in turn receives investment advice and management services from Butterfield Bank (UK) Ltd. This document is for information only and does not constitute an offer to purchase, sell or subscribe to financial instruments or an offer of financial services and should not be relied upon as the basis of any investment decision. We recommend that you seek independent advice as to the suitability of the fund for your needs. The data source for this document is Butterfield Bank (UK) Ltd unless otherwise stated. This document is issued and approved by Butterfield Bank (UK) Ltd, 99 Gresham Street, London EC2V 7NG. Fund performance is shown net of fees. Past performance is not necessarily a guide to the future. The value of investments may fall as well as rise and fluctuations in currency exchange rates may affect their value and you may not get back the amount originally invested.

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