



Butterfield Royal Skandia Euro Balanced Fund

End of June 2010

Key Facts

Bid Price	€0.835
Fund Size	€1.9 million
Launch Date	January 2001
Launch Bid Price	€0.950
Prices Published	www.uk.butterfieldgroup.com
Benchmark	Composite

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

Fund Objective

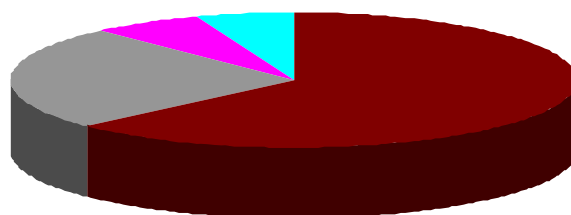
The aim of this fund is to achieve long term growth from a balanced portfolio of global assets. Though the fund favours equity investment, the manager has the latitude to actively allocate between different asset classes to protect values and reduce volatility. The fund aims to maximise returns in EUR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

Holdings

CASH	5.6%	<i>Japan</i>	
		JO Hambro Japan	2.4%
BONDS	25.2%	<i>United States</i>	
CADES 3.625% 2015	3.3%	Findlay Park US Smaller Cos	5.0%
CADES 5.25% 2012	8.3%	Spiders Tracker	4.9%
EIB 3.125% 2015	5.1%	<i>Global Emerging Markets</i>	
KFW 4.125% 2017	3.3%	Ignis Hexam GEM	3.3%
M&G Corporate Bond Fund	5.2%	Schroder Greater China	3.0%
EQUITIES	63.0%	<i>Other</i>	
<i>Europe</i>		Investec Energy	4.3%
Cazenove Europe	5.1%	Jupiter Financial Opps	3.0%
Ignis Argonaut Europe	4.4%	Axa Fram Health	3.5%
Invesco Perp European Inc	5.8%	M&G Global Dividend	2.5%
JOHCM Continental Europe	4.8%	Schroder Global Eq Inc	2.5%
Jupiter Europe	4.7%	ALTERNATIVES	6.3%
Neptune European Opps	3.8%	Thames River Warrior	1.1%
		Schroder Absolute EM Debt	5.2%

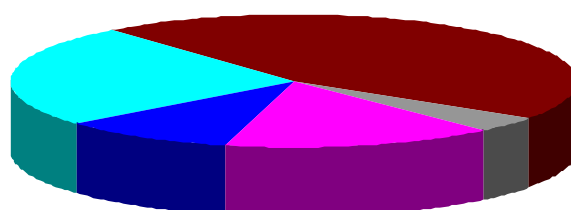
Asset Allocation

■ Equities - 63.0%	■ Bonds - 25.2%
■ Alternatives - 6.3%	■ Cash - 5.6%



Equity Regional Split

■ Europe - 28.7%	■ Japan - 2.4%
■ United States - 9.9%	■ Global Emerging - 6.3%
■ Other - 15.7%	

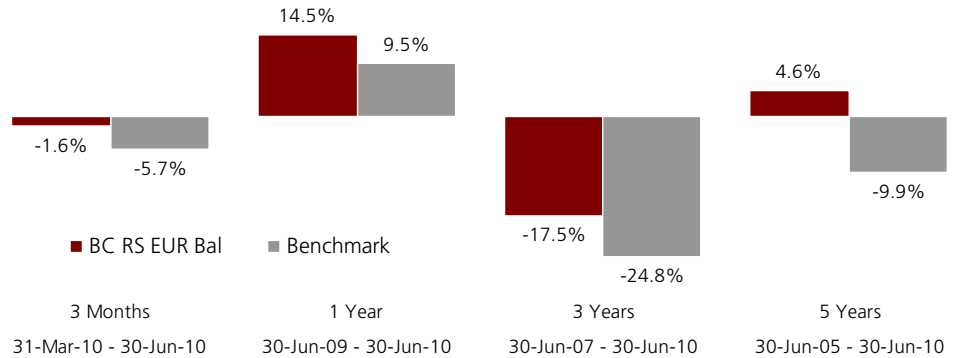


Dealing Details

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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 FT E100 index declined by 11% over the quarter. The fund's price fell by 1.6% during a difficult quarter, outperforming the return of its benchmark by over 4%.

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 position 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, bringing the allocation to a shade under 60%. This was achieved by redeeming two 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 pullback when the broader market weakens. Given the sovereign debt woes of certain Eurozone members we also decided to reduce the European equities position. These transactions meant the fund headed into the correction with almost 15% 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%.

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.

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REGULATORY INFORMATION: Royal Skandia Butterfield Funds are segregated funds that form part of the Life Fund of the insurance companies concerned. Butterfield Capital (HK) Ltd. (regulated by the SFC in Hong Kong) acts as investment adviser 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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