



# Butterfield Royal Skandia Dollar Growth Fund

End of June 2010

## Key Facts

<b>Bid Price</b>	<b>\$0.856</b>
<b>Fund Size</b>	\$1.7 million
<b>Launch Date</b>	March 1999
<b>Launch Bid Price</b>	\$0.950
<b>Prices Published</b>	<a href="http://www.uk.butterfieldgroup.com">www.uk.butterfieldgroup.com</a>
<b>Benchmark</b>	MSCI World (in USD)

## Fund Objective

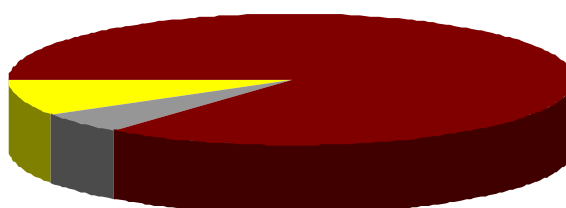
The fund aims to achieve long term capital growth from a portfolio of global equity investments. Though fund performance is benchmarked against the MSCI World Equity index, there are no restrictions on currency, geographic or sector exposure.

## Holdings

<b>CASH</b>	<b>9.0%</b>	Findlay Park US Small Cos	5.4%
		Gartmore US Opportunities	4.9%
<b>BONDS</b>	<b>0.0%</b>	Investec American	4.5%
		Legg Mason US Small Cos	3.1%
<b>EQUITIES</b>	<b>85.8%</b>	Martin Currie North America	4.1%
<i>Asia</i>		M&G American Value	5.5%
First State Asia Growth	5.7%	<i>Other</i>	
<i>Global Developing</i>		Axa Framlington Health	5.3%
Findlay Park Latin America	5.3%	CF Eclectica Agriculture	1.8%
Ignis Hexam GEM	4.9%	Investec Energy	4.5%
Schroder Greater China	5.2%	Jupiter Financial Opps	4.8%
<i>Japan</i>		M&G Global Dividend	2.4%
Atlantis Japan Opps	3.0%	Schroder Global Equity Inc	2.3%
Polar Japan \$ Hedged	4.5%		
<i>United States</i>		<b>ALTERNATIVES</b>	<b>5.2%</b>
Axa American Growth	2.8%	Schroder Absolute EM Debt	5.2%
Axa Framlington American	5.8%		

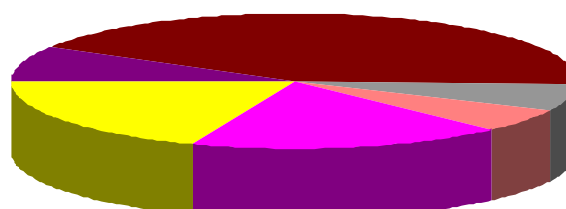
## Asset Allocation

■ Equities - 85.8%	■ Bonds - 0.0%
■ Alternatives - 5.2%	■ Cash - 9.0%



## Equity Regional Split

■ Europe - 0.0%	■ Japan - 7.5%
■ United States - 36.0%	■ Asia - 5.7%
■ Global Equity - 4.7%	■ Global Emerging - 15.4%
■ Sector Funds - 16.5%	

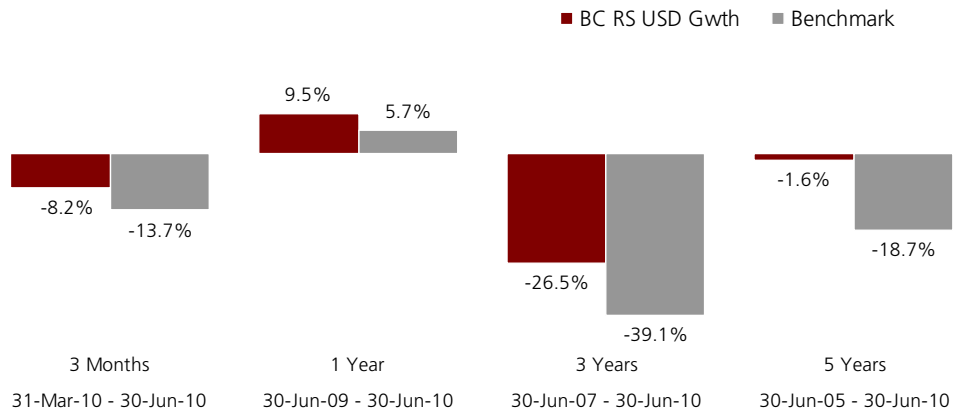


## Dealing Details

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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, though in most regions the losses are negligible. The MSCI World Equity index declined by almost 14% in US dollar terms over the quarter. The fund's price fell by 8.2% during a difficult quarter, but outperformed the return of its benchmark by a comfortable margin. Over the past year the fund has generated a return of 9.5%.

We have made a number of changes to the fund's asset allocation during the past three months. In the early stages of the quarter we sold the position in the Schroders Agriculture fund. We still believe that soft commodity prices are in a secular bull market, but we no longer feel a 'basket approach,' whereby one invests in a number of individual commodities whose prices often move in opposite directions, is the best way to gain exposure. Having entered the quarter almost fully invested in equities, 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 above 80%. 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 sell the fund's dedicated European equities positions, principally to reduce the adverse impact of an exposure to the weakening Euro. These transactions meant the fund headed into the correction (global indices fell from peak to trough by at least 15%) with almost 20% in home currency 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 fund finished the quarter with 86% invested in equities; 5% in alternatives and the residual in cash.

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: 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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