

**Butterfield Bermuda Fund
Limited**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023

Butterfield Bermuda Fund Limited

For the year ended June 30, 2023, the Fund's total return was 5.51%. The volatile performance of the fund is a result of a weakness in regional banks that hurt the largest constituents and global equity markets difficult period to date. The fund paid out \$0.60 in dividends throughout the year giving a dividend yield of 1.49% (based on June 30th, 2023 NAV). The Fund continues to maintain a dividend policy whereby the dividend yield of the Fund is representative of the dividend yield for the Fund's constituent companies.

Market Review

The domestic market constituents struggled to find their footing in a year of significant disruption and change. BF&M Group publicly declared they were exploring a sale of the company as the year turned into a proxy battle with their largest competitor. Argus through their subsidiary entered a deal to acquire a controlling stake of the insurer in a shock move that would change the local landscape significantly. BF&M responded with a shareholder rights plan, or 'poison pill' that could make the deal out of reach for Argus. Butterfield Group came under pressure as the collapse of US regional and a European Bank hurt the share price. West Hamilton Holdings made a strategic move in selling a stake of their sprawling real estate company in a move that shows how valuable investors view the upper and commercial real estate section on Pitts Bay Road.

The Bermuda Government released their economic development strategy that included a 5-point plan to grow the economy. This is welcome news that included local and international business retention and expansion as key drivers. Additionally, there has been movement on the implementation of a mortgage guarantee program that included payroll tax rebates and duty relief. GDP figures and retail sales numbers were mixed, but the trend is moving in the right direction. In tandem with the rest of the globe, Bermuda is set to implement a global minimum tax as recommended by the OECD. The global minimum tax rate would apply to overseas profits of multinational firms with €750m (\$870m) or more in sales globally whenever the effective tax rate determined on a jurisdictional basis is below the 15% minimum rate. Initial estimates show that these taxes could bring in \$150bn in global tax revenue, with the domestic numbers still yet to be determined. With Bermuda's compliant reputation and the upstanding companies that are domiciled, the implementation of this program will be a top priority, with the potential tax revenues to help the Government debt numbers move in the positive direction.

The foreign reinsurance sector performance for the fiscal year was also mixed as global equity markets struggled in the face of rising inflation. The US Fed continued on its aggressive tightening path as the terminal interest rate increased 300bps in the last fiscal year. The industry's competitive pricing landscape for US property and catastrophe markets grew to higher levels and investor sentiment is improving after a period of caution and market contraction. Global loss events were again above average this year after the disasters in the Middle East. However, the number of insured losses were much less, again proving that the protection gap remains a significant market opportunity for industry players. The creating of new and diverse companies in the Life and Annuity space continue to dominate the calls for capital. Company formations in the reinsurance space continue to grow, with Bermuda marketplace at the forefront. The opportunity to diversify into further coverage areas is a key component of growth as firms look for scale.

The fund continues to be positioned with reinsurance as bit overweight and underweight in income bearing securities given the interest rate landscape. The fund continues to find a measured approach to managing growth in the midst market challenges in the search for outsized returns. There is still much room for well-managed companies to take intelligent risks which is crucial to creating long-term shareholder value.

Butterfield Bermuda Fund Limited

Outlook

We remain steadfast in our approach to invest in companies that show long-term value creation as core principle of doing business. As the protection gap in global insurance demand continues to remain wide, we see the opportunity for risk managers to grow portfolios with well-managed underwriting returns. As the Bermuda government continues to direct efforts into making it easier to do business coupled with the potential onset of regulated tax revenues, we see fund constituents being able to grow further with opportunities in the marketplace. The fund remains steadfast with our disciplined approach to earning positive shareholder value.

Jeffrey Abbott, CFA
President
Butterfield Bermuda Fund Limited
November 10, 2023

Independent Auditor's Report

The Board of Directors
Butterfield Bermuda Fund Limited

Opinion

We have audited the financial statements of Butterfield Bermuda Fund Limited (the Fund), which comprise the statement of financial position as at June 30, 2023, and the statement of comprehensive income, statement of changes in net assets attributable to holders of common shares and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information Included in the Fund's 2023 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Annual Report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the annual report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

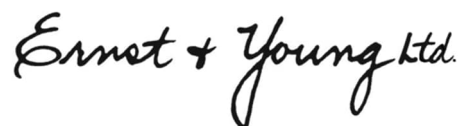
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Silverious Bakurumpagi.



November 10, 2023

Butterfield Bermuda Fund Limited

DIRECTORS

Jeffrey Abbott
Shawnette Griffin
Dwayne Outerbridge (resigned on October 12, 2023)
Andrew Rossiter (appointed on October 23, 2023)

INVESTMENT ADVISER

Butterfield Asset Management Limited
65 Front Street
Hamilton HM 12
Bermuda

CUSTODIAN

The Bank of N.T. Butterfield & Son Limited
65 Front Street
Hamilton HM 12
Bermuda

REGISTRAR, TRANSFER AGENT AND ADMINISTRATOR

MUFG Fund Services (Bermuda) Limited
Cedar House, 4th Floor North
41 Cedar Avenue
Hamilton HM 12
Bermuda

AUDITORS

Ernst & Young Ltd.
3 Bermudiana Road
Hamilton HM 08
Bermuda

Butterfield Bermuda Fund Limited

STATEMENT OF FINANCIAL POSITION

As at June 30, 2023

(Expressed in Bermuda Dollars)

	Notes	June 30, 2023 \$	June 30, 2022 \$
ASSETS			
Cash and cash equivalents	2 h)	464,521	400,157
Financial assets at fair value through profit or loss (Cost: 2023-\$17,298,300; 2022-\$16,236,650)	3, 4	20,782,397	19,035,171
Dividends and interest receivable		84,168	72,016
Prepaid expenses		7,526	6,171
Total assets		21,338,612	19,513,515
LIABILITIES			
Dividends payable	6	78,763	74,897
Accrued expenses	7, 8, 9	46,688	35,432
Subscriptions received in advance		13,721	13,045
Withholding tax payable		3,042	3,151
Total liabilities		142,214	126,525
Organisational shares	5	12,000	12,000
Total liabilities and equity (including net assets attributable to holders of common shares)		21,338,612	19,513,515
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES			
		21,184,398	19,374,990
Number of shares in issue - Class A	5	525,089	499,314
NET ASSET VALUE PER SHARE - CLASS A		40.3444	38.8032

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

SCHEDULE OF PORTFOLIO INVESTMENTS

As at June 30, 2023

(Expressed in Bermuda Dollars)

	Number of Shares	2023 Fair Value	% of Portfolio
INVESTMENTS			
Common Stock			
Algonquin Power & Utilities Corp	12,500	\$ 103,251	0.49%
American International Group Inc	3,500	201,390	0.97%
Aon Plc	2,050	707,660	3.41%
Arch Capital Group Ltd.	19,700	1,474,545	7.10%
Argo Group International Holdings Ltd.	6,020	178,252	0.86%
Argus Group Holdings Ltd.	374,092	2,244,552	10.80%
Assured Guaranty Ltd.	12,000	669,600	3.22%
ATN International Inc	2,750	100,650	0.48%
Axa SA	8,500	251,600	1.21%
Axis Capital Holdings Ltd.	10,500	565,215	2.72%
Bank of N.T. Butterfield & Son Ltd.	77,943	2,129,712	10.25%
Bermuda Aviation Services Ltd.	119,972	298,730	1.44%
Bermuda Press (Holdings) Ltd.	5,511	49,599	0.24%
BF&M Limited	84,158	1,931,426	9.29%
Chubb Ltd.	7,150	1,376,804	6.62%
Everest Re Group Ltd.	2,100	717,906	3.45%
Hannover Rueck Se	1,500	159,660	0.77%
Markel Corp	520	719,254	3.46%
Marsh & McLellan Companies Inc	1,700	319,736	1.54%
RenaissanceRe Holdings Ltd.	4,100	764,732	3.68%
Swiss Re AG	8,000	201,816	0.97%
Watlington Waterworks Ltd.	8,300	232,400	1.12%
West Hamilton Holdings Ltd.	10,240	76,800	0.37%
Willis Towers Watson Plc	1,800	423,900	2.04%
Total Common Stock (Cost: \$11,405,233)		15,899,190	76.50%
Preferred Stock			
Argo Group International Holdings Ltd. FLT perp	17,200	361,716	1.74%
Aspen Insurance Holdings Ltd. 5.625% perp SR:*	17,000	322,320	1.55%
Athene Holding Ltd	5,500	128,535	0.62%
Athene Holding Ltd FLT perp SR: A	10,500	220,500	1.06%
PartnerRe Ltd 4.875% perp SR:J	11,200	213,024	1.03%
Total Preferred Stock (Cost: \$1,654,122)		1,246,095	6.00%
Corporate and Government Bonds			
Aon Corp 2.800% 05/15/30	400,000	346,081	1.67%
Bermuda Government International Bond 2.375% 08/20/30	1,000,000	833,720	4.01%
Bermuda Government International Bond 3.717% 01/25/27	300,000	285,000	1.37%
Bermuda Government International Bond 4.750% 02/15/29	500,000	488,500	2.35%
Chubb Ina Holdings Inc 3.350% 05/03/26	400,000	384,186	1.85%
Marsh & McLellan Companies Inc 2.250% 11/15/30	400,000	332,302	1.60%
Renaissance Finance Inc 3.450% 07/01/27	400,000	374,271	1.80%
Sirius International Group Ltd. 4.600% 11/01/26	300,000	249,210	1.20%
Willis North America Inc 2.950% 09/15/29	400,000	343,842	1.65%
Total Corporate and Government Bonds (Cost: \$4,238,945)		3,637,112	17.50%
TOTAL INVESTMENTS (Cost: \$17,298,300)		\$ 20,782,397	100.00%

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

	Notes	2023 \$	2022 \$
INCOME			
Net realised and change in unrealised gain/(loss) on financial assets at fair value through profit or loss		690,385	(170,247)
Dividends and interest		648,126	560,946
Total income		1,338,511	390,699
EXPENSES			
Management fee	7 a)	151,051	144,729
Administration fee	8	28,406	27,228
Audit fee		9,600	10,722
Custodian fee	7 b)	10,153	9,728
Government fee		2,241	1,330
Other expenses		16,400	16,911
Foreign withholding tax expense		11,295	9,476
Total expenses		229,146	220,124
NET INCOME		1,109,365	170,575
Less: Withholding tax on dividend income		17,507	15,468
NET INCREASE ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		1,091,858	155,107

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES For the year ended June 30, 2023 (Expressed in Bermuda Dollars)

	Note	2023 \$	2022 \$
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		1,091,858	155,107
DISTRIBUTIONS TO INVESTORS			
Dividends paid and payable	6	(308,007)	(291,742)
CAPITAL STOCK TRANSACTIONS			
Issue of redeemable shares		1,740,875	2,113,830
Redemption of redeemable shares		(715,318)	(643,886)
Net capital stock transactions		1,025,557	1,469,944
NET INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES		1,809,408	1,333,309
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES - BEGINNING OF THE YEAR		19,374,990	18,041,681
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON SHARES - END OF THE YEAR		21,184,398	19,374,990

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

STATEMENT OF CASH FLOWS For the year ended June 30, 2023 (Expressed in Bermuda Dollars)

	2023 \$	2022 \$
Cash flows from operating activities		
Net increase in net assets resulting from operations attributable to holders of common shares	1,091,858	155,107
<i>Adjustments for:</i>		
Purchase of financial assets	(1,089,565)	(1,833,120)
Net proceeds from sale of financial assets	32,724	465,403
Net realised and change in unrealised (gain)/loss on financial assets	(690,385)	170,247
Changes in:		
Dividends and interest receivable	(12,152)	(6,798)
Prepaid expenses	(1,355)	41
Accrued expenses	11,256	4,031
Withholding tax payable	(109)	652
Net cash used in operating activities	(657,728)	(1,044,437)
Cash flows from financing activities		
Proceeds from issuance of shares	1,500,791	1,889,644
Payments from redemption of shares	(715,318)	(643,887)
Dividends paid	(63,381)	(57,972)
Net cash provided by financing activities	722,092	1,187,785
Net increase in cash and cash equivalents	64,364	143,348
Cash and cash equivalents – beginning of year	400,157	256,809
Cash and cash equivalents – end of year	464,521	400,157
Supplemental cash flow information:		
Interest received	114,105	104,793
Dividends received, net of withholding taxes	542,435	469,494
Supplemental non-cash information:		
Shares – Class A issued through dividend reinvestment	240,760	228,342

The accompanying notes form an integral part of these financial statements.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

1. CORPORATE INFORMATION

Butterfield Bermuda Fund Limited (the “Fund”) is an open-ended investment company which was incorporated under the laws of Bermuda on February 22, 1994.

The Fund commenced operations on March 31, 1994. The Bank of N. T. Butterfield & Son Limited acts as custodian (the “Custodian” or the “Bank”) to the Fund. Butterfield Asset Management Limited acts as investment adviser (the “Investment Adviser”). MUFG Fund Services (Bermuda) Limited acts as registrar and transfer agent and as accountants/administrator (the “Registrar and Transfer Agent” or “Administrator”) for the Fund. The Investment Adviser is wholly owned subsidiary of the Bank.

The registered address of the Fund is c/o MUFG Fund Services (Bermuda) Limited, Cedar House, 4th Floor North, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

The Investment Adviser, Custodian and the Bank maintain separate business units, roles and responsibilities to ensure segregation between different functions.

The investment objective of the Fund is to provide long term capital growth and current income by investing in a diversified portfolio of Bermuda assets.

2. BASIS OF PREPARATION

Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Statements Board (“IASB”). The financial statements have been prepared on a historical-cost basis, except for financial assets held at fair value through profit or loss.

The financial statements are presented in Bermuda dollars, which is the functional currency of the Fund, and all values are rounded to the nearest dollar, except when otherwise stated.

Summary of significant accounting policies

a) Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the Fund’s management to make judgements, estimates and assumptions that affect the amounts reported and disclosures made in the financial statements, and accompanying notes. Management believes that the estimates and judgements utilised in preparing the Fund’s financial statements are reasonable and prudent. Actual results could materially differ from these estimates.

b) Financial instruments

i. Classification

In accordance with IFRS 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

i. Classification (continued)

- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables including cash collateral posted on derivative contracts, accrued income and other receivables.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund includes in this category:

Debt instruments: These include investments that are held under a business model to manage them on a fair value basis for investment income and fair value gains.

Instruments held for trading: This category includes equity instruments and debt instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

i. Classification (continued)

Financial liabilities

Financial liabilities measured at fair value through profit or loss (FVPL)

A financial liability is measured at FVPL if it meets the definition of held for trading.

The Fund includes in this category, derivative contracts in a liability position and equity and debt instruments sold short since they are classified as held for trading.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category other short-term payables.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Other financial liabilities

This category includes all financial liabilities, other than those classified as held for trading. The Fund includes in this category amounts for other short-term payables.

ii. Initial recognition

The Fund recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

iii. Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Receivables and other financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Fund recognises the difference in the statement of comprehensive income, unless specified otherwise.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

b) Financial instruments (continued)

iv. Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net change in unrealised gain/(loss) on financial assets at fair value through profit or loss in the statement of comprehensive income. Interest and dividend earned or paid on these instruments are recorded separately in interest income or expense and dividend income or expense in the statement of comprehensive income.

Receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised, as well as through the amortisation process.

v. Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired or the Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either: the Fund has transferred substantially all the risks and rewards of the asset, or the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

c) Fair value measurement

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or dealer price quotations, without any deduction for transaction costs.

It is the policy of the Fund to value any asset quoted, listed, traded or dealt with on an exchange or market by reference to the last traded price on or prior to the relevant Valuation Day on the major exchange or market in which the assets are dealt, to the extent that such valuation is based on a price within the bid-ask spread that is most representative of fair value on valuation date. In circumstances where the last traded price is not within the bid-ask spread, the Directors will determine the point within the bid-ask spread that is most representative of fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

c) Fair value measurement (continued)

The Directors at their absolute discretion may permit some other method of valuation to that described above if they consider such valuation better reflects the fair value of any investment.

d) Impairment of financial assets

The Fund holds only trade receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under IFRS 9 to all its trade receivables. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. As at June 30, 2023 and 2022, the Fund had no ECLs and had, therefore, not recognised a loss allowance.

The Fund's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The Fund uses the provision matrix as a practical expedient to measuring ECLs on trade receivables, based on days past due for groupings of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward-looking estimates.

e) Functional and presentation currency

The Fund's functional currency is the Bermuda Dollar, which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in Bermuda Dollars. Therefore, the Bermuda Dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the Bermuda Dollar.

f) Offsetting and financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Management has determined that, as at June 30, 2023 and 2022, there were no assets and liabilities offset in the statement of financial position, nor were there any assets or liabilities available for offset. The Fund does not have a legally enforceable right to offset, nor does it have master netting agreements or similar arrangements that would allow for related amounts to be set off.

g) Foreign currency translations

Assets and liabilities that are denominated in foreign currencies are translated into Bermuda dollars at rates of exchange on the period end date. Transactions during the period are translated at the rate in effect at the date of the transaction. Foreign currency translation gains and losses are included in the statement of comprehensive income.

The Fund does not isolate that portion of gains and losses on investments which is due to changes in foreign exchange rates from that which is due to changes in market prices of the investments. Such fluctuations are included in the net realised and change in unrealised gain/(loss) on investments in the statement of comprehensive income.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand, money market funds with daily liquidity and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less. The value of money market funds held by the Fund is comprised of investments in Butterfield Money Market Fund Limited of \$96,571 (2022: \$189,859). As at June 30, 2023 and 2022, there was no restricted cash held.

i) Due from and due to broker

Amounts due from and to brokers represents cash held with brokers and receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date, respectively. These amounts are recognised at fair value.

j) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method (the "EIR").

k) Dividend income and expense

Dividend income is recognised on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

l) Realised and change in unrealised gains and losses

Realised and change in unrealised gains/(losses) on financial assets at fair value through profit or loss are recognised in the statement of comprehensive income. The cost of investments sold is accounted for using the average cost basis.

m) Expenses

All expenses (including management fees) are recognised in the statement of comprehensive income on an accrual basis.

n) Going concern

The Fund's management has assessed the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

o) Share capital

The Fund's Organisational Shares are classified as equity in accordance with IFRS and the Fund's articles of association. These shares do not participate in the profits of the Fund.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

2. BASIS OF PREPARATION (CONTINUED)

Summary of significant accounting policies (continued)

p) Redeemable participating shares

Redeemable participating shares (i.e., Class A shares) are redeemable at the shareholder's option and are classified as financial liabilities. The redeemable participating shares can be put back to the Fund on any dealing day (normally the next business day following the Valuation Day, which is on Wednesday in each week) at a value equal to a proportionate share of the Fund's net asset value ("NAV"). The Fund's net asset value per share is calculated by dividing the net assets attributable to holders of common shares with the total number of outstanding common shares.

q) Investment entity

IFRS 10 defines an investment entity and requires a reporting entity that meets the definition of an investment entity not to consolidate but instead to measure its investments at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Management has determined that the Fund meets the definition of an investment entity and recognizes all investments at fair value through profit and loss.

r) Impact of new accounting pronouncements

For the year ended June 30, 2023, there are no new accounting pronouncements that are expected to have a material impact on the financial statements.

s) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Fair value

For fair value of financial instruments please refer to Note 4.

t) Comparative information

Where necessary, comparative figures are adjusted to comply with changes in presentation in the current year.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

3. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management approach includes formal guidelines to govern the extent of exposure to various types of risk. The Investment Adviser also has various internal controls to oversee the Fund's investment activities, including monitoring compliance with the investment objective and strategies, internal guidelines and securities regulations.

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. Financial instruments that potentially expose the Fund to credit risk consist primarily of debt securities, cash and cash equivalents and balances held at brokers. The value of cash and cash equivalents and balances held at brokers on the statement of financial position as well as the value of debt securities on the statement of portfolio investments includes consideration of the creditworthiness of the issuer, and accordingly represents the maximum credit risk exposure of the Fund.

Credit ratings below represent ratings of debt securities provided by Standard & Poor's and are subject to change, which could be material.

	% of Portfolio	
	2023	2022
Debt Securities by Credit Rating		
A+	7.73	8.52
A-	5.07	3.62
A	1.85	-
BBB	1.20	3.27
BBB+	1.65	-
	17.50	15.41

For the debt securities not rated by Standard & Poor's, the credit ratings provided by Moody's would be presented instead. As at June 30, 2023 and June 30, 2022, the Fund held no debt securities not rated by Standard & Poor.

Substantially all of the assets of the Fund are held by the Fund's Custodian and the Bank. The Fund monitors its risk by monitoring the credit quality of the Custodian and the Bank. As at June 30, 2023, the credit rating of the Custodian and the Bank, as provided by Standard and Poor's, were BBB+ (2022 – BBB+).

Currency Risk

Currency risk is the risk that the value of an investment will fluctuate due to changes in foreign exchange rates. When the Fund enters into transactions which are denominated in currencies other than the Fund's reporting currency, the Investment Adviser attempts to mitigate the associated currency risk, which may include the use of forward currency contracts. As at June 30, 2023 and 2022, the Fund's exposure to currencies other than the Fund's reporting currency was limited to small balances of cash and cash equivalents denominated in foreign currencies which are not significant to the Fund as a whole.

The Bermuda Dollar is pegged to the US dollar. The Fund invests in both US Dollar and Bermuda Dollar instruments. There is no guarantee that the Bermuda Dollar will always be pegged to the US dollar or that the ratio will remain at 1:1.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Prices of fixed income securities generally increase when interest rates decline and decrease when interest rates rise. The Fund is exposed to these fluctuations through their holdings of fixed income securities. As at June 30, 2023, had the interest rates increased or decreased by 25 basis points and assuming a direct impact to the fixed income securities by 25 basis points, net assets would have decreased or increased by approximately \$9,093 (2022 - \$7,335). This analysis assumes that all other variables remained unchanged. In practice, actual results may differ from this analysis and the difference could be material.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to liquidity risk by way of weekly cash redemptions of redeemable shares. However, the Fund retains sufficient cash, cash equivalents, marketable securities and credit facilities to maintain adequate liquidity to address this risk. The Fund has a credit facility in place to assist the Fund in meeting short term liquidity obligations.

As at June 30, 2023, the Fund holds \$1,246,095 (2022 – \$1,400,882) in preferred stocks with a maturity of greater than five years from year-end.

The table below indicates the Fund's holdings in debt securities by remaining term to maturity:

Debt Securities by Maturity	Fair Value	
	2023	2022
1 - 3 years	\$ 384,186	\$ -
3 - 5 years	908,481	567,887
Greater than 5 years	2,344,445	2,366,138
	\$ 3,637,112	\$ 2,934,025

Price/Market Risk

Price/market risk is the risk that the value of investments will fluctuate as a result of market conditions. All investments of the Fund are exposed to price/market risk. The Investment Adviser attempts to mitigate price/market risk by selecting appropriate portfolio investments based on the Fund's strategy. All of the Fund's investments at June 30, 2023 and 2022 were listed on stock exchanges.

The majority of the Fund's investments were exposed to changes in equity and bond prices. As at June 30, 2023, if equity and bond prices had been 5% higher or lower with all other variables held constant, the net assets of the Fund would have been \$1,039,120 (2022 - \$951,759) higher or lower. A sensitivity rate of 5% is used when reporting price/market risk internally to key management personnel and represents management's assessment of possible change in market prices.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

4. FAIR VALUE OF FINANCIAL ASSETS

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are market observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data, including the Fund's own assumptions in determining the fair value of investments.

June 30, 2023				
Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common Stock	\$ 10,855,083	5,044,107	-	15,899,190
Preferred Stock	-	1,246,095	-	1,246,095
Corporate and Government Bonds	-	3,637,112	-	3,637,112
Total Financial Assets	\$ 10,855,083	9,927,314	-	20,782,397

June 30, 2022				
Classification	Level 1	Level 2	Level 3	Total
Financial Assets				
Common Stock	\$ 9,671,640	\$ 5,028,624	\$ -	\$ 14,700,264
Preferred Stock	-	1,400,882	-	1,400,882
Corporate and Government Bonds	-	2,934,025	-	2,934,025
Total Financial Assets	\$ 9,671,640	\$ 9,363,531	\$ -	\$ 19,035,171

Financial assets and liabilities transferred from Level 1 to Level 2 are the result of the securities no longer being traded in an active market. There were no transfers of financial assets and liabilities from Level 1 to Level 2 during the years ended June 30, 2023 and 2022. Financial assets and liabilities transferred from Level 2 to Level 1 are the result of the securities now being traded in an active market. There were no transfers of financial assets and liabilities from Level 2 to Level 1 during the years ended June 30, 2023 and 2022. The Fund did not hold any Level 3 investments at the beginning, during, or at the end of the years ended June 30, 2023 and 2022.

5. SHARES ISSUED AND OUTSTANDING

The authorised capital stock of the Fund is \$25,012,000 (2022: \$25,012,000) divided into:

25,000,000 (2022: 25,000,000) Class A participating, non-voting common shares of a par value of \$1.00 each share, and

12,000 (2022: 12,000) organisational non-participating, voting shares of a par value of \$1.00 each share.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

5. SHARES ISSUED AND OUTSTANDING (CONTINUED)

Details of number of shares issued and outstanding as of June 30, 2023 and 2022 are as follows:

Participating Shares	2023 Class A	2022 Class A
Balance - beginning of year	499,314	463,124
Issue of common shares	43,724	52,218
Redemption of common shares	(17,949)	(16,028)
Balance - end of year	525,089	499,314
Organisational Shares	12,000	12,000

Class A shares are allotted to subscribers at a value determined by reference to the weekly valuation of the net assets of the Fund. Class A shares may be redeemed weekly for an amount equal to the net asset value per share as at the close of business on the Valuation Day, following receipt of the properly completed request for redemption, subject to the power of the directors to deduct there from an amount sufficient in their opinion to meet sale and fiscal charges incurred in realising assets to provide funds to meet the request.

The initial minimum subscription is \$1,000.00 for Class A Shares. Additional subscriptions will be accepted in any amount. The management fees payable to the Investment Adviser in respect of Class A shares are described in Note 7 a.

The organisational shares are owned by the Investment Adviser and its nominees. Under the Bye-Laws, the organisational shares have only nominal rights if and so long as there are any other shares of the Fund in issue.

Capital Management

As a result of the ability to issue, repurchase and resell shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable shares beyond those included in the Fund's Prospectus.

6. DIVIDENDS

Dividends declared by the Fund on Class A shares were as follows:

	Declaration Date	2023	Declaration Date	2022
\$0.15 per share (2022 - \$0.15 per share)	Sep 30, 2022	\$ 75,460	Sep 30, 2021	\$ 70,933
\$0.15 per share (2022 - \$0.15 per share)	Dec 31, 2022	76,558	Dec 31, 2021	72,649
\$0.15 per share (2022 - \$0.15 per share)	Mar 31, 2023	77,226	Mar 31, 2022	73,263
\$0.15 per share (2022 - \$0.15 per share)	Jun 30, 2023	78,763	Jun 30, 2022	74,897
		\$ 308,007		\$ 291,742

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

7. RELATED PARTY TRANSACTIONS

a) Management Fee

The Investment Adviser is related to the Fund through common directorship.

Under the terms of the management agreement, the Investment Adviser is entitled to receive a monthly fee calculated at the rate of no more than 1% per annum of the average valuation of the net assets of the Fund carried out on the Valuation Days during each month. Presently, the monthly fee is calculated at the rate of 0.75% per annum. The fee of the Investment Adviser is reduced to take account of the management fee already levied on assets held in shares of other funds managed by the Investment Adviser. Management fee for the year was \$151,051 (2022 - \$144,729) with \$12,937 (2022 - \$13,981) being payable and included in accrued expenses at year end.

b) Custodian Fee

In accordance with the custodian agreement, the Custodian receives a fee based upon the nature and extent of the services provided. Relevant out-of-pocket expenses may also be charged to the Fund by the Custodian. The custodian fee for the year was \$10,153 (2022 - \$9,728) with \$866 (2022 - \$940) being payable and included in accrued expenses at year end.

c) Credit Facility

On July 22, 2022 (2022: September 30, 2021), the Fund renewed the unsecured credit facility agreement with the Bank in the amount of \$2,000,000. The agreement bears an interest rate of 1% per annum above the funding cost incurred by the Bank in making the revolving facility available on drawdown date. The full amount of any amount advanced under the revolving facility, together with the accrued interest and other amounts payable by the Fund to the Bank, is payable on the earlier of seven days following the utilization date or the expiry date, unless extended at the Bank's sole discretion and the advances will be limited to 10% of the Fund's net asset value. If any payment falls due and payable on a day which is not a business day the payment shall be made on the next following business day. The renewed unsecured facility expired on June 30, 2023 (2022: June 30, 2022).

On July 31, 2023, the Fund renewed the unsecured credit facility agreement with the Bank. The interest rate changed to 1% per annum above term Secured Overnight Financing Rate ("SOFR") on any drawdown date. The other terms remain unchanged from the previous agreement. The renewed unsecured facility expires on June 30, 2024. As at June 30, 2023 and 2022 no drawings were made on the credit facility.

8. ADMINISTRATION FEE

In accordance with the administration agreement, the Administrator receives a fee based upon the nature and extent of the services provided. Administration fee for the year was \$28,406 (2022 - \$27,228) with \$10,173 (2022 - \$2,629) being payable and included in accrued expenses at year end.

9. OTHER PAYABLES

Other payables to various third parties as of June 30, 2023 is \$22,711 (2022 - \$17,882).

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

10. TAXATION

The Fund is a local Bermuda Company and under current Bermuda law, the Fund is not obligated to pay taxes in Bermuda on either income or capital gains.

In accordance with IFRIC 23 'Uncertainty over income tax treatments' ("IFRIC 23"), the Fund has analysed its tax positions and has concluded that no asset/liability for unrecognised tax benefits/obligations should be recorded relating to uncertain tax positions for the year ended June 30, 2023. Currently, the only taxes recorded by the Fund are withholding taxes applicable to certain income. For the year ended June 30, 2023 and 2022, no other income tax liability or expense has been recorded in the accompanying financial statements.

11. COMMITMENTS AND CONTINGENCIES

Management has determined that the Fund had no commitments or contingencies as at June 30, 2023 (2022: none).

12. SUBSEQUENT EVENTS

The Fund has evaluated all the events or transactions that occurred after June 30, 2023 through November 10, 2023, the date the financial statements were available to be issued, and concluded that there are no subsequent events requiring disclosure in the financial statements.

13. FINANCIAL HIGHLIGHTS

		2023 CLASS A		2022 CLASS A
Per Share Information				
Net asset value - beginning of year	\$	38.8032	\$	38.9551
Net income from investment operations				
Net investment income****		0.7871		0.7349
Net realised and change in unrealised (loss)/ gain on investments		1.3541		(0.2868)
Total from investment operations		2.1412		0.4481
Distributions to investors		(0.6000)		(0.6000)
Net asset value – end of year	\$	40.3444	\$	38.8032
		2023 CLASS A		2022 CLASS A
Ratios / Supplemental data				
Total net assets - end of year	\$	21,184,398	\$	19,374,990
Weighted average net assets*		20,301,844		19,533,402
Ratio of expenses to weighted average net assets annualised		1.13%		1.13%
Portfolio turnover rate**		0.00%		2.42%
Annual rate of return***		5.51%		1.13%

* Average net assets are calculated using net assets on the last valuation date of each month.

Butterfield Bermuda Fund Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended June 30, 2023

(Expressed in Bermuda Dollars)

13. FINANCIAL HIGHLIGHTS (CONTINUED)

** Portfolio turnover rate is calculated using the lesser of purchases or sales of investments for the year divided by the weighted average value of investments, calculated using the last valuation date of each month.

*** Annual rate of return for shareholders who reinvested dividends is calculated by comparing the end of year net asset value per share plus any dividend per share amounts to the beginning of year net asset value per share.

**** Net investment income represents dividends, deposit interest and other income net of expenses.

14. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Directors on November 10, 2023.