

Butterfield Bank (Guernsey) Limited Fourth Quarter 2011 Investment Review

SUMMARY OF MARKETS AND OUTLOOK	1
<i>Global Strategy</i>	1
<i>Global Equities</i>	1
<i>Global Fixed Interest</i>	2
<i>Currency</i>	3
SECTOR REVIEW	4
<i>Consumer Discretionary</i>	4
<i>Consumer Staples</i>	4
<i>Energy</i>	5
<i>Financials</i>	5
<i>Healthcare</i>	6
<i>Industrials</i>	6
<i>Information Technology</i>	7
<i>Materials</i>	7
<i>Telecommunication Services</i>	8
<i>Utilities</i>	8
GOLD	9
QUARTERLY STATISTICS	10
DISCLAIMER	12

SUMMARY OF MARKETS AND OUTLOOK

strive to rebuild their finances. An extended period of relatively low growth is not necessarily the end of the world, but it does mean that any near-term news-flow has a much greater impact upon equity markets than might otherwise be the case. Add to this historically low interest rates across much of the developed world, which have removed the traditional monetary reaction to negative growth events, and it is not surprising that equity volatility remains elevated.

However, companies generally remain in relatively good shape, enjoying historically high levels of profitability and producing record levels of surplus cashflow. On the face of it, equity valuations also generally look compelling, both in relative and absolute terms. Here there are caveats. Our outlook for fixed interest yields clearly indicates that we are very sceptical of the extent of the relative valuation argument. However, many individual companies offer sustainable dividend yields that are clearly attractive in comparison to cash rates. In absolute terms, questions have rightly been raised over the sustainability of earnings momentum in a world where profitability is historically high and global growth is likely to remain subdued. We fully endorse this view, which has been evidenced by general multiple contraction throughout the last year. Nevertheless, this is phenomenon which is very apparent to investors and, as such, we feel that there are areas of the market where valuation levels are indeed relatively supportive.

As already outlined, the Eurozone, which represents roughly a quarter of global GDP, has been the key influence upon markets over recent months, and it will remain central to both growth and sentiment outcomes in the year ahead. Whilst it currently looks unrealistic to expect significant progress, any headway in terms of bringing stability back to European debt markets could lessen fiscal tension, and thus result in a less dramatic downturn in Eurozone growth during the year ahead. Combined with reasonable valuation levels, this could provide a much more supportive environment for risk assets.

On the other hand, if Europe continues to bumble along its current path then volatility will be an ongoing burden for equity investors, and will support our current strategy of focusing upon large cap multinational companies with high quality balance sheets. No progress will also all but guarantee a long period of negligible interest rates for the US, UK and Europe, which will keep investors focused upon the search for equity yield, again offering ongoing support to a key leg of our investment strategy.

In short, we believe that the turn of the year changes very little for our strategy. Our focus will remain relatively defensive, and we will continue to position portfolios to take advantage of the relative attractiveness of; quality, value and yield.

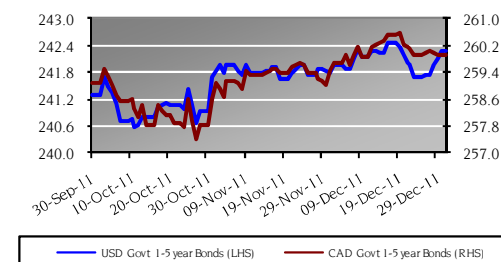
GLOBAL FIXED INTEREST

The final quarter of 2011 has seen a continuation of the trend towards lower yields in key Government Bond Markets. As at year end, the benchmark 10-year Government Bond in the US, UK and Germany all traded with a yield level of approximately 2%, indicating the continued 'safe haven' status of these markets in what can be described as an exceptionally challenging economic environment. Such is concern at present, all three markets now offer negative real returns over the foreseeable future, based upon current and expected levels of inflation.

As we have discussed previously, the combination of a weakening outlook for economic growth, high levels of unemployment and excessive debt levels suggest that Central Banks will continue to operate official interest rate policy at close to zero for an extended period of time - short dated Bills in the US and Germany are already at zero percent. Furthermore, increased Central Bank involvement further along the yield curve (such as the additional quantitative easing administered by the Bank of England) should serve to keep bond yields low in the near-term, from a monetarist perspective.

At the start of 2011 we suggested that fiscal matters will move to the fore. A cursory look at the Eurozone, and the difficulties all but the core bond markets have experienced during 2011 should be a warning for all that fiscal imprudence can lead to loss of monetary control. While the rising re-financing costs (bond yields) for Greece, Italy and Spain have made headlines, the most recent concern has been the rise in French yields relative to Germany, suggesting that debt issues are moving from the periphery to the core.

The US and UK benefit from not being constrained by currency union and each have Central Banks that are prepared to act as lenders of last resort and operate quantitative easing. To date, such freedom to adjust policy in this way has seen their bond markets remain well supported despite similar fiscal profiles to much of Europe. However, with such untested and non-conventional monetary policy in use, we question how far these policies can be pushed before currency and/or inflation concerns push yields higher.



SUMMARY OF MARKETS AND OUTLOOK

Looking back on the year, the rapid downgrade in economic growth expectations and the continued contraction of yields in the 'safe haven' markets, led to some underperformance in our bond holdings. 2012 will offer increased challenges as the economic slowdown in Europe is felt across the globe and the ability of Governments to close their deficits and contain their debt will take centre stage. With a heavy schedule of bond re-financing due during 2012, bond yields are more likely to rise than fall as investors seek higher returns for the risk of investing in the face of excessive debt loads and exuberant quantitative easing programs. To this extent, we shall continue our policy to hold a relatively short-duration to mitigate against rising yields.

CURRENCY

As we look forward into 2012, it remains extremely difficult to forecast how currency markets will react to the many global economic challenges facing the World's economy. For much of 2011 the focus has been the Eurozone debt crisis and with the most recent EU Summit again falling short of presenting a definitive credible solution, ongoing volatility appears certain to continue as we move through the year. Europe will likely remain the dominant issue for currency markets and as uncertainty intensified, the US Dollar gained traction, appreciating by over 7.07% versus the Euro since the end of October 2011. While the US Dollar is not without its own problems, the currency's global reserve status has triggered strong capital flows towards the Dollar which is perceived as a comparative "safe-haven" versus the Euro.

Looking back over 2011, we have witnessed two very prominent issues that dominated currency market sentiment and direction. During the spring and early summer, currency markets were focused upon the political impasse over agreeing the US debt ceiling and a slowdown in US GDP growth. Both factors did little by way of instilling confidence and the Dollar remained under pressure, hitting a low of just under 1.49 versus the Euro at the beginning of May. Having remained within a 1.40 to 1.45 range for much of the summer, autumn saw the market refocus upon events in Europe and other than a brief respite in October, the Dollar has been in ascendancy. Recent interest rate cuts by the ECB have eroded much of Euro's yield premium and we expect the continued political/economic uncertainty within Europe to keep the Euro under pressure going forward.

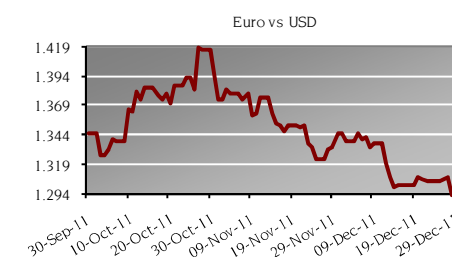
As touched upon earlier, the US economy is not without its own challenges and there has again been further speculation of additional QE programs in 2012, which may temper the Dollar's ability to make significant gains. That being said, until there is much greater clarity in respect of Europe's debt, and its ability to refinance, sentiment will remain with the Dollar.

In the United Kingdom, Sterling's fortunes remain closely correlated to overall risk appetite and expectations for interest rates. The Government's commitment to their deficit reduction program has also helped credibility. As expected, disappointing economic data prompted the Bank of England (BoE) to announce in October that it was embarking upon an additional GBP75bn Quantitative Easing (QE) program. The BoE have made it clear that they will instigate further QE programs should they deem them necessary, which will likely dampen sentiment in the medium term.

When assessed over the course of 2011, Sterling ended the year virtually unchanged versus the Dollar, having traded as high as 1.67 during early May. The UK's close trading ties with Europe has limited Sterling's ability to make any meaningful gains against the Euro. With interest rates likely to remain on hold into 2013, combined with the potential for additional QE, Sterling's ability to strengthen materially against either the Euro or the US Dollar appears limited.

The Japanese Yen continues to benefit from the Market's view that it represents an alternative safe-haven sanctuary, however when viewed on a fundamental basis the Yen appears overvalued due to Japan's high debt levels and ageing demographic profile. The Yen's appreciation has remained an ongoing challenge for Japan's important export dependant Industrials sector and over the last twelve months, the Yen has strengthened by 5.17% versus the Dollar and by 8.05% against the Euro.

During the latter part of October and again in early November, the Bank of Japan resumed its policy of intervention, focused toward stemming the Yen's appreciation. Japan's Economy Minister recently stated that Japan "will take appropriate steps if needed because excessive market moves are bad for economies and financial markets." These comments suggest that the authorities appear determined to intervene again should the Yen continue to appreciate, which should limit upside from current levels.



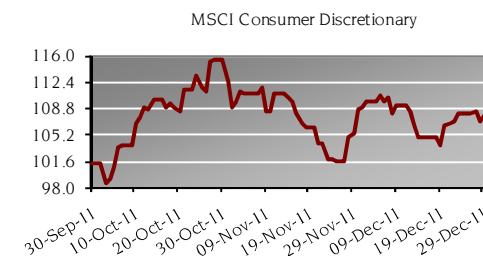
SECTOR REVIEW

CONSUMER DISCRETIONARY

During the final quarter of 2011, the Consumer Discretionary sector gained 6.7%, placing it fifth in the table of ten MSCI sectors. This closely mirrored the performance of the overall market, which gained 7.11%. For 2011 as a whole the story is similar, with the sector falling by 6.27% against a market decline of 7.62%.

As we have said previously, the discretionary group is extremely diverse in nature and the more economically sensitive sub groups within the sector did perform poorly in both the quarter and full year. For example, automobiles fell by approximately 25% during 2011, whilst Household Durables fell by more than 28%. In contrast, the quarter saw continued outperformance from the sub-groups most aligned to smaller ticket consumer purchases, as well as Media and Hotels and Restaurants, where spending has remained surprisingly robust.

Our outlook for 2012 leads us to maintain the view that more economically sensitive areas within the sector will be vulnerable to an environment where consumer spending is broadly under downward pressure. However, with inflationary pressures likely to reduce in the months ahead, margin pressure should become somewhat less of a drag. Within the more defensive areas of the sector, we continue to feel that a relative lack of value exists, with better opportunities being evident elsewhere in the market. Overall, this leads us to maintain our underweight stance towards the sector. Exposure is provided through companies that have the ability to maintain margins in their developed world operations, whilst also having products that will continue to appeal to emerging consumers.

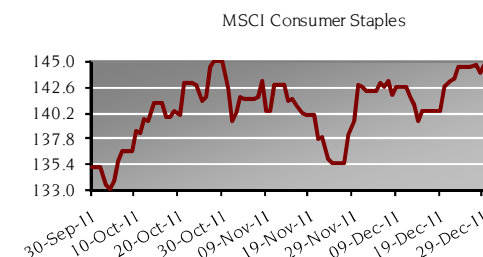


CONSUMER STAPLES

During the final quarter of 2011, the Consumer Staples sector gained 7.3%, taking performance for the year to 5.98%. This 2011 performance was significantly in excess of the overall market's decline of 7.62%, and placed the sector second in the MSCI league table, only behind Healthcare.

With high volatility persisting throughout 2011, and Europe continuing to create investor nervousness, it is not surprising that the consumer staples sector has benefited from its classically "defensive" makeup. In addition, investor focus upon yield has provided a significant level of support to a sector which is rich with companies that have a strong track record of consistently delivering dividend returns to shareholders, even during periods of economic stress.

Tobacco stocks continued to significantly outperform throughout the fourth quarter, gaining 14.69%. This is a sub-group which has historically fitted extremely well into any strategy focused upon yield, but is also clearly not without risk. U.S. cigarette sales have fallen by a third over the last ten years, the proportion of young people taking up the habit has fallen sharply, and public smoking bans have become commonplace. This leaves the industry increasingly focussed upon selling to those who can least afford the habit, and raises questions over the long term ability to continue offsetting slowing volumes with increased prices. None of this is to say that there are not opportunities within the Tobacco industry, it simply reflects the fact that, wherever investors seek yield, there is always a need to keep an eye upon the sustainability of valuations.



Our investment process is based upon the key criteria of "value" and "quality". In relation to quality, we continue to favour many positions within this sector, and an overweight position is also supported by our top down thematic views. However, "value" looks generally less compelling than in other classically "defensive" areas of the market, resulting in us adopting an overweight stance which is slightly less significant than in areas such as Healthcare and Energy.

SECTOR REVIEW

ENERGY

Having endured a sharp correction during the summer, the final quarter of 2011 witnessed a strong rebound within the Energy sector, ending the period up 15.86%, versus a 7.11% rise in the broader market. While the sector enjoyed a very positive fourth quarter, when viewed over the course of 2011, Energy stocks ended the period in negative territory, posting a 1.88% decline against a 7.62% fall in the overall market.

When viewed over the course of 2011, World crude oil prices have proved to be much less susceptible to concerns of slowing economic growth than other major commodities. In the second and third quarters of 2011, stocks within the Energy sector weakened steadily, anticipating sustained weakness within international oil markets. While oil prices did initially weaken, they have recovered significant ground during the final quarter, driven by a combination of factors. One of the fundamental pillars of support remains the tight supply/demand dynamics. Thus far there has not been any indication that a global economic slowdown has had a meaningfully negative impact upon demand. Additionally, a step up in the technological challenges associated with the operation of deepwater offshore wells and ongoing geo-political risks in the Middle East and North Africa increase the marginal cost of developing new fields and therefore provide a positive backdrop for prices.

Earlier in the year a combination of the Arab Spring and specific events in Libya added a risk premium to prices which moderated as the news flow improved. More recently instability has resurfaced in some countries and rhetoric between Iran and the West has again intensified. Iran is reported to have suggested that it could disrupt tanker traffic through the vital 4 mile wide Strait of Hormuz shipping lane if additional sanctions follow as a result of their ongoing nuclear program.

Stocks that comprise the Energy sector suffered significant reversals during the middle part of 2011 and although they have recently recovered quite strongly, they are still reflecting oil prices well below current levels. We continue to focus upon the Major Integrated companies whose broader based activities mean they are less sensitised to short term price trends. Solid balance sheets and strong free cash flows enable these companies to continue to offer attractive dividend yields, which in the current environment provide a solid underpinning.

FINANCIALS

The Financials Sector has increased in value by 3.52% during the fourth quarter, but remains 20.71% below the starting point for the year, making it one of the poorest performing sectors, both for the quarter and year as a whole. Losses have been broad based across, insurance and real estate, although it is banking, financial services and capital markets businesses that have been the poorest performers.

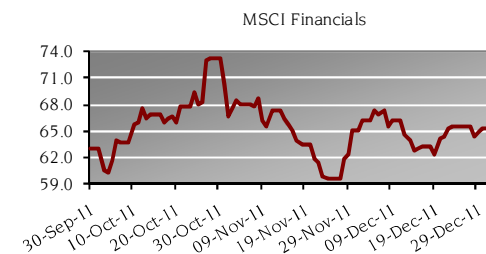
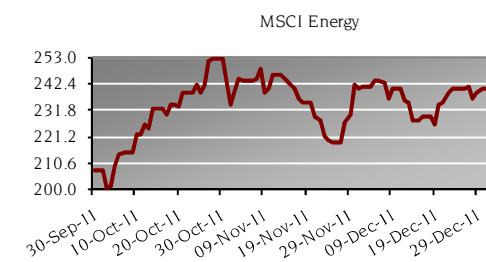
The failure of the Eurozone Governments to deal with the escalating European Sovereign debt crisis remains at the heart of the malaise seen within the financial sector at present. Concerns as to the quantity and value of debt held - primarily on European financial balance sheets - is weighing on confidence within the inter-bank system, such that liquidity is drying up as Money Market Funds are reducing exposure to European Financial Institutions. This in turn has required co-ordination between Central Banks, primarily to enable the ECB to borrow US Dollars from the Federal Reserve in order to lend on to European Banks.

Markets have taken some comfort, both with the co-ordinated action from Central Banks and the recent announcement of 3-year liquidity lines from the ECB. However, officials appear to be content with just delaying the inevitable, rather than facing the issue. Until a credible plan can be put in place to deal with Europe's sovereign debt problem and provide additional capital to Banks, the market will continue to trade on fear, with little hope of a sustainable improvement in valuations.

While the US appears to be less directly exposed to European sovereign debt concerns, their banks continue to face headwinds. Firstly, there is the question of where all the European credit default exposure is. In addition, a return to recession in Europe will weigh on the prospects for economic growth in the US, potentially stamping out what are tentative signs of a housing recovery – a key determinant of US Bank balance sheet strength.

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SECTOR REVIEW

Furthermore, the current variables that are weighing heavily on the ability to value Bank balance sheets, the upcoming liquidity and capital adequacy regulations, as well as new accounting standards which will affect future profitability. Given the lack of transparency, we prefer to remain broadly diversified and heavily underweight to the sector, as we have through recent years.

HEALTHCARE

During 2011, investors have sought to gain exposure to the relative stability of earnings that are exhibited by many of the larger capitalised companies within the MSCI World Healthcare Index. This has led the sector to post a very strong out performance of the broader index, with a gain of 7.17% for the year, versus a decline of 7.62% for the MSCI World Index.

Earnings for healthcare companies could face some pressure in the coming year, as Government austerity packages are likely to lead to reduced spending in areas such as healthcare. A reduction in spending will be a short term negative factor for the revenue of pure play pharmaceutical companies, particularly those that have significant exposure to Europe, however, generic companies should benefit as they offer very similar products for lower cost. During 2012, Pharmaceutical companies will have to face the expiry of patent protection on as many as 37 drugs that have combined sales in excess of US\$21 billion per annum. The expiry of patents has been well flagged for a number of years, so it is likely that new drugs coming to market will go some way to replace the lost revenue. Some companies within the sector are better positioned than others in terms of new discoveries, therefore stock selection remains crucial.

Given the scale of patent expiries and the likelihood of cuts in Government spending, it is important to focus on the industries within the sector that are less exposed to these trends. Orthopaedics is one such area, and should also remain well supported by the aging populations in developed economies.

We remain overweight the sector on the basis that the increasingly wealthy emerging market consumer will be able to afford modern medical treatments, whilst the aging populations in developed economies will require greater levels of healthcare. As noted above, our focus is on companies that are well diversified from a product perspective, and have exposure to both developed and emerging markets.

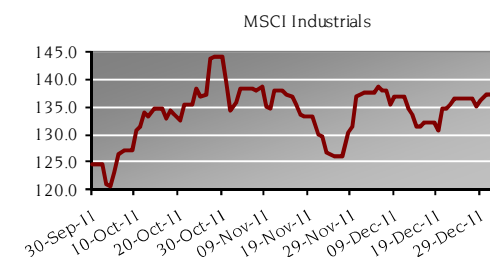
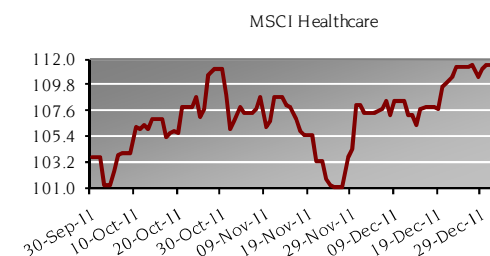
INDUSTRIALS

The Industrials sector has increased in value by 10.08% during the final quarter of 2011 versus the market aggregate that increased by 7.11%. However, over the full year the sector remains one of the poorer performers, posting a loss of 10.03%, versus the market reversal of 7.62%. Recent, positive returns have been driven by aerospace and defence, machinery, air freight and the large industrial conglomerates.

As with the recent trend, the economically sensitive Industrial sector has rebounded from the poor performance during the third quarter, as valuations moved higher from an oversold position. However, as questions are now starting to be asked as to the prospects for emerging market growth, it should be noted that the stocks most geared into the emerging markets infrastructure story have failed to recover to the same extent. In particular, building products and construction and engineering companies have made little recovery from the September lows.

Looking forwards, the weak economic environment appears to be fairly priced in to current valuations and as such, only a further deterioration in the economic outlook should be seen as a negative. Furthermore, deterioration in headline economic growth levels may moderate in China to some extent, but regional urbanization and development will continue, generating substantial demand for products and services for many parts of the Industrial sector.

Recent quarters have seen portfolios maintain a broadly neutral allocation to this sector. Given the lack of transparency at present with regard to the economy, we stand by our current allocation, but would look to adjust exposure should the outlook should become less clouded.



SECTOR REVIEW

INFORMATION TECHNOLOGY

Over the course of the fourth quarter, the MSCI World Information Technology Index posted a gain of 6.61%, recovering some of the ground lost in the third quarter. This was largely in line with the broader market performance over the period. For the year as a whole, the Information Technology sector has declined by 3.43%, outperforming the MSCI World Index, which fell by 7.62% during 2011.

As we look ahead to 2012, it is likely that the uncertainty surrounding the outcome of the Eurozone debt crisis will have a short term impact on corporate IT spending. According to a recent survey, the continued malaise in Europe is likely to cause a delay in planned IT spending, rather than an outright cut. Companies that operate exclusively in Europe are likely to be hardest hit by this change in spending plans, whilst earnings for companies operating in emerging markets should remain well supported due to the faster pace of economic growth, and an increase in demand for the latest technology that will continue to drive expansion.

A number of interesting sub sector trends are also likely to dictate returns for technology companies in 2012. Continued growth in the smart phone and tablet markets are likely to be key drivers for companies whose products and services facilitate the secure delivery of data via mobile and fixed line networks. In addition, increasing demand for media to be delivered via, and stored on the internet, should continue to support data storage companies. As the corporate sector continues to run in cost cutting mode, demand for outsourcing and IT services is also likely to remain robust.

In terms of positioning, we remain overweight the sector with a focus on companies that are exposed to the positive trends mentioned above, which also maintain market leading positions that support attractive cash flow generation and strong balance sheets.

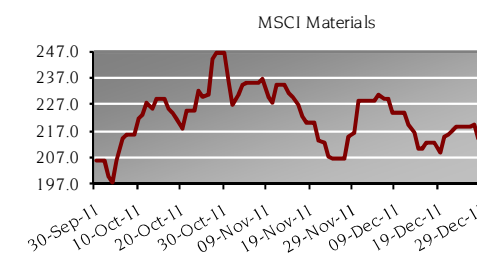
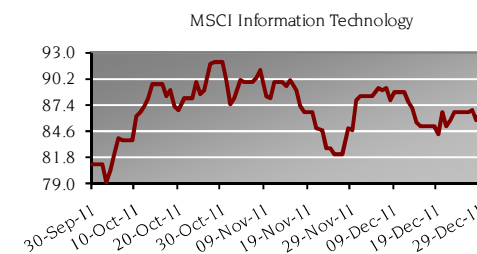
MATERIALS

An easing of concerns regarding the slowing of China's economic growth has led to an increase in demand for most base metals in the final quarter of the year. As such, we have seen the MSCI Materials index recover 5.69% compared to an increase in value of 7.11% in the headline index. However, on a year-to-date basis, the ripple of the Eurozone debt crisis and the slowdown in China has weighed upon sentiment, resulting in the Materials sector being the weakest performer in the broader market.

China's official inflation figures showing that growth in consumer prices slowed from 6.1% in September to 4.2% in November has led to easing inflationary pressures. This suggests that the Peoples Bank of China is likely to refrain from further monetary-policy tightening measures, having hiked interest rates on three occasions this year, as well as increasing reserve requirements for banks. Against this backdrop, the demand for base metals increased as China's vast manufacturing sector picked up moderately in October, which has halted a three-month contraction and underscored the resilience of the world's second-largest economy.

With macro headlines from the evolving Euro crisis likely to drive near-term volatility in base metals, positive catalysts may be limited to slightly more encouraging data from the US. Nonetheless, the outlook for the materials' market will ultimately hinge upon China, which ever since the 2008/09 credit crisis, has represented the vast majority of demand growth for industrial commodities.

We believe that a reduction in demand for raw materials and base metals from China has been largely discounted in the share prices of the major miners. The authorities in China remain committed to maintaining their policy of allocating spending towards infrastructure projects, therefore when assessed over the long run, demand dynamics will likely remain supportive. Within the Materials sector we have continued to maintain a broadly diversified approach, balancing the cyclically sensitive mining positions with more defensive sub groups, such as chemicals and gases for use in industry and the healthcare sector.



SECTOR REVIEW

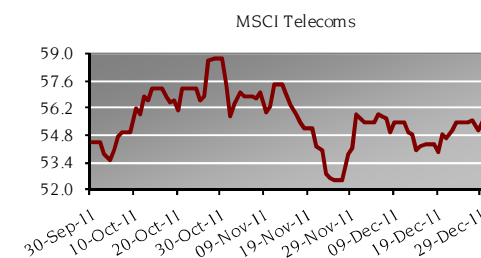
TELECOMMUNICATION SERVICES

Although the modest 2.76% recovery in the MSCI World Telecommunication Services Index during the fourth quarter was well below the 7.11% rise in the MSCI World Index, the sector's decline of 4.1% during the whole of 2011 represented an out performance of the 7.62% fall in the broader index.

The dominant trend within the Telecommunication industry remains the rapid growth in smartphone use, as these devices give users the ability to access a vast amount of content via the internet. This represents both a challenge and opportunity for wireless telecom companies. The challenge that carriers face is that they must ensure that their networks have sufficient capacity to provide competitive levels of access speed and stability. The reason capacity is an issue is that downloading one minute of high definition video over a mobile network uses as much data as approximately 1.75 million text messages. The opportunity to generate attractive profits is great however, as the charging structure for data is significantly higher margin than for voice and text packages. The continued development of mobile technology should also allow faster connections via mobile, this could mean that in the next 5 years, mobile broadband speeds will be comparable to current fixed line broadband.

Whilst the opportunity set for mobile telecoms looks appealing, the outlook for fixed line operators looks less attractive. Increasingly burdensome levels of regulation, strong competition and high penetration rates in developed markets means that margins are likely to remain under pressure.

Given the top down headwinds for the sector, we remain underweight with a focus on companies that are set to benefit from the increase in demand for mobile data. Whilst geographic diversity is important, a focus on developed markets remains key to our strategy, as margins in the emerging markets are significantly lower.

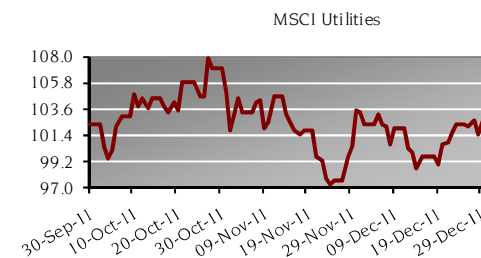


UTILITIES

The Utilities sector was little changed during the final quarter of 2011, making it the poorest performing sector of the ten sectors that comprise the MSCI World Index. Over the full year, the sector lost 6.82% which was marginally better than the broad index loss of 7.62%, but still only ranked the sector as seventh of the ten.

The Utilities sector faces a number of headwinds which have been weighing on stock performance, particularly within the dominant European market. In the first instance, funding costs have started to increase as credit spreads have widened in response to the deepening Eurozone sovereign credit crisis. This will weigh both on current margins and will also have an impact on the decision for utilities to increase the capital expenditure required to maintain and enhance current utility networks.

While credit costs are a factor of market sentiment, politics is starting to play an increasing role within the sector. We have referred to the sector as a 'political football' in the past and believe that these comments remain valid today. Market concerns focus on upcoming regulatory reviews, with the expectation that future allowed returns will be limited. Furthermore, in an environment where many Governments are suffering the burden or large deficits, the industry is considered a relatively easy target for so called 'Robin Hood' taxes.



Over the long term, we maintain that the political and regulatory environment needs to remain conducive to investment, given the large levels of capital expenditure that are required over the coming decade. However, the near-term economic environment is suitably difficult that the long-term investment requirements of the industry will place second to the short-term need for political gain. We therefore remain underweight to this sector at present, a view that is compounded by the expectation of falling utility sales to industry, should the Eurozone fall back towards recession.

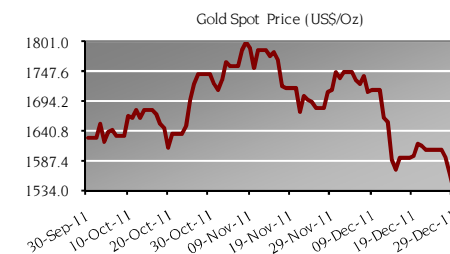
GOLD

The price of gold closed 2011 at US\$1,576.38, whilst this represents a decline of 3.21% for the fourth quarter, over the year as a whole the price has risen by 11.11%. This is the eleventh consecutive year that the price of gold has posted a gain. Although the macro environment remains uncertain, which has historically been positive for gold, the recent strength in the US Dollar has been the main factor behind the recent decline. As the US Dollar strengthens, it increases the cost of gold in other currencies. This has a negative impact on demand, particularly in the important Indian jewellery market.

The fall in price has seen investor demand remain robust in the fourth quarter, with gold ETF's increasing holdings by over 250 tonnes in the period. This went some way to offset the decline in speculative long interest in the derivative market. Central Bank buying remains a key supporting factor for gold, as they have transitioned from net suppliers to the market into net buyers. This trend is likely to remain in the coming years, as the large amount of quantitative easing by Western Governments make it more attractive for Sovereign entities to hold gold as part of their foreign currency reserves.

As long as the debt crisis in Europe is ongoing, investors are likely to seek exposure to assets that are perceived to have some level of safety, this trend should provide support to investment demand for gold in 2012. Whilst some level of demand growth is likely if the economic environment remains uncertain, should credit conditions deteriorate massively, it is possible that investors might seek to sell holdings in gold to raise liquidity. This occurred in 2008, when the price of gold declined by almost 30% between March and December.

In terms of supply, there has been an incremental increase in mine supply in the last quarter, however, relatively high prices and better pricing for consumers has led to an increase in recycling. As increases in supply remain modest, the amount of gold being refined and held in inventory remains below historic averages, and is likely to mean that supply and demand fundamentals will remain supportive going forward.



QUARTERLY STATISTICS

EQUITY INDICES

	30 September 2011	31 December 2011	Percentage Change
Global			
MSCI World Index	1,104.06	1,182.59	+7.11
MSCI World Index (Sterling)	705.56	762.52	+8.07
MSCI World Index (Euro)	820.92	912.49	+11.15
United States			
Dow Jones Industrial Average	10,913.38	12,217.56	+11.95
S & P 500 Index	1,131.42	1,257.60	+11.15
NASDAQ Composite Index	2,415.40	2,605.15	+7.86
Europe			
DAX Index	5,502.02	5,898.35	+7.20
FTSE 100 Index	5,128.48	5,572.28	+8.65
Dow Jones Euro Stoxx 50	2,179.66	2,316.55	+6.28
Far East			
Nikkei 225 Index	8,700.29	8,455.35	-2.82
TOPIX Index	761.17	728.61	-4.28
FT World Actuaries Pacific Rim X Japan (US Dollars)	378.17	396.36	+4.81
FT World Actuaries Pacific Rim X Japan (Sterling)	359.91	378.12	+5.06
Hang Seng Index	17,592.41	18,434.39	+4.79

MSCI WORLD SECTORS

Consumer Discretionary	101.45	108.25	+6.70
Consumer Staples	135.11	144.97	+7.30
Energy	207.34	240.22	+15.86
Financials	63.01	65.23	+3.52
Healthcare	103.68	111.55	+7.59
Industrials	124.64	137.20	+10.08
Information Technology	81.12	86.48	+6.61
Materials	205.96	217.67	+5.69
Telecommunications Services	54.42	55.92	+2.76
Utilities	102.25	102.88	+0.62

QUARTERLY STATISTICS

BOND INDICES

	30 September 2011	31 December 2011	Percentage Change
Bloomberg Bond Indices - Global Bond Index (US Dollars)	281.40	280.52	-0.31
Bloomberg Bond Indices - Global Bond Index (Sterling)	300.70	302.34	+0.54
Bloomberg Bond Indices - Global Bond Index (Euro)	266.51	275.71	+3.45
Bloomberg Bond Indices - US Govt 1-5 Year	241.31	242.30	+0.41
Bloomberg Bond Indices - UK Govt 1-5 Year	280.76	284.98	+1.50
Bloomberg Bond Indices - Canada Govt 1-5 Year	259.05	259.95	+0.34
Bloomberg Bond Indices - Euro Govt 1-5 Year	160.81	160.46	-0.21

FOREIGN EXCHANGE RATES

Sterling versus US Dollar	1.5648	1.5509	-0.89
Sterling versus Euro	1.1634	1.1967	+2.86
Sterling versus Swiss Franc	1.4147	1.4561	+2.93
Sterling versus Canadian Dollar	1.6271	1.5768	-3.09
Sterling versus Japanese Yen	120.7000	119.3990	-1.08
US Dollar versus Euro	1.3449	1.2960	+3.64
US Dollar versus Swiss Franc	0.9042	0.9387	+3.82
US Dollar versus Canadian Dollar	1.0399	1.0166	-2.24
US Dollar versus Japanese Yen	77.1400	76.9900	-0.19

LIBOR 3 MONTH RATE

Sterling	0.9525	1.0801	+13.39
US Dollar	0.3743	0.5810	+55.21
Canadian Dollar	1.1967	1.3520	+12.98
Euro	1.4950	1.2921	-13.57
Swiss Franc	0.0233	0.0517	+121.47

COMMODITIES

Reuters/Jefferies CRB Commodity Price Index	298.15	305.30	+2.40
Gold Spot \$/Oz	1,628.68	1,576.38	-3.21
Brent Crude Index (London)	104.82	107.62	+2.67
Crude Oil Futures (New York)	79.20	98.83	+24.79

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