

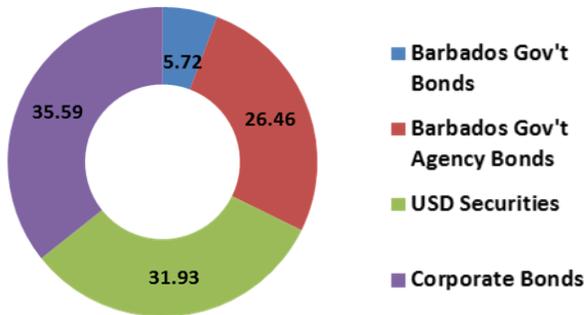
|                       |          |
|-----------------------|----------|
| Sept Net Asset Value: | \$1.5327 |
| Assets:               | \$23.64M |
| Inception:            | Dec-08   |

**Performance:**

|         | Fund   | Benchmark* |
|---------|--------|------------|
| 1 Month | 0.21%  | 0.375%     |
| 3 Month | -5.44% | 1.13%      |
| 1 Yr    | -5.37% | 4.5%       |
| 5 Yr    | 14.01% | 24.62%     |

\*4.5% flat rate

**Allocation:**



**Top Holdings:**

|  |
|--|
| RF BAHAMAS USD TARGETED INCOME FUND    |
| NEEDHAM'S POINT HOLDINGS 6.75% 2021    |
| N.S.R. LIMITED 5% 2029 BOND            |
| WILLIAMS INDUSTRY 5.25% 2023 BOND      |
| B'DOS AGRICULTURAL MGMT 6.5% 2019 BOND |

*The Premium Income Fund is a sub fund of the Royal Fidelity Investment Fund the umbrella company. The asset allocation shown is subject to change without notice and at the discretion of the investment manager, subject to the restrictions outlined in the fund's offering documents. Past performance doesn't guarantee future success.*

**Gov't Debt Exchange announced**

The government offered bond holders an exchange of existing debt for new instruments of equal face value but with lower rates and varying tenors depending on the category of investor. This means to the extent that a portfolio was made up of Government securities the income would be drastically reduced.

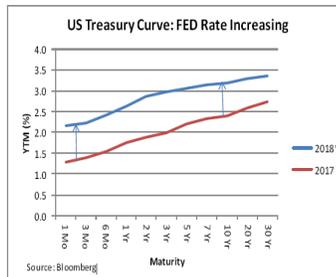


At the end of August our fund had a 6% direct exposure to GOB that is definitely part of the restructuring and another 26% exposure to State Owned Enterprises, some of which restructuring terms are still to be negotiated.

Based on information available our fund recognized an impairment of securities issued by government and certain SOE's. The impact of this was seen in our August valuation and resulted in month on month loss of just under 6%. and a 5.37% loss YTD.

Though it is not an easy pill to swallow we see this debt restructuring exercise as necessary. Once completed we will be able to move forward without this threat of a default hanging over our heads and in a sense the worst would be behind us. The government has sent a clear message recognizing our issue and has taken decisive measures to fix it.

Outside of Barbados USD-denominated fixed income securities will continue to be impacted by an increase in USD interest rates, and have already been dented by the Fed's actions thus far. The market expects one more rate increase in December followed by two or three rate increases in 2019. □



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