

**ROYAL  FIDELITY**

Money at Work



**Royal Fidelity (Barbados)  
Investment Fund Limited**

PREMIUM INCOME FUND

**Supplemental  
Offering Memorandum**

# **ROYAL FIDELITY PREMIUM INCOME FUND**

A sub fund comprised in Royal Fidelity (Barbados) Investment Fund Limited, a company incorporated under the Companies Act, Cap. 308 of the laws of Barbados and licensed as a mutual fund under the Mutual Funds Act, Cap. 320B of the laws of Barbados.

## **SUPPLEMENTAL OFFERING MEMORANDUM** Continuous Offering

### **SPONSOR**

Royal Fidelity Merchant Bank & Trust (Barbados) Limited

Publication Date: January 31, 2014

# ROYAL FIDELITY PREMIUM INCOME FUND (Class B Fund Shares)

---

*This Sub Fund Supplement sets out the details of the Royal Fidelity Premium Income Fund, which is a separate class of Shares constituting a Sub Fund of Royal Fidelity (Barbados) Investment Fund Limited (the “Fund”). This Sub Fund Supplement is supplemental to the Offering Memorandum dated November, 2008 for the Fund (the “Offering Memorandum”) which contains important information for investors and must be read in conjunction with the Offering Memorandum. All capitalized terms used but not defined herein have the same meanings that are assigned to such terms in the Offering Memorandum.*

## SUMMARY

<b>Base Currency:</b>	The base currency of the Royal Fidelity Premium Income Fund is the Barbados Dollar. The Net Asset Value of the Royal Fidelity Premium Income Fund shall be determined in its base currency.
<b>BDS\$ and \$:</b>	Barbados Dollar.
<b>Benchmark:</b>	Target return set by the Directors from time to time. It is currently set at the Central Bank of Barbados Minimum Savings Deposit Rate plus 2%.
<b>Class B Fund Shares:</b>	Non voting, participating redeemable, shares without nominal or par value comprised in the capital of the Fund entitling the holder thereof to benefit in the capital and assets attributable to the Class B Fund Shares.
<b>Series B1 Shares</b>	Shares for retail distribution
<b>Series B2 Shares</b>	Shares for institutional distribution
<b>Series B3 Shares</b>	Shares for pension distribution
<b>Fees and Expenses:</b>	The Royal Fidelity Premium Income Fund will pay a proportionate share of the Fund’s management, legal, audit and all other expenses. The Royal Fidelity Premium Income Fund will pay its direct management and associated fees.
<b>Incentive Fee:</b>	<p>The Investment Manager is also entitled to receive an Incentive Fee up to a maximum of 20% of the rate of return earned by the Royal Fidelity Premium Income Fund, after deduction of Management Fees, over and above the Benchmark for the period in question. The Incentive Fee will be calculated and paid monthly in arrears.</p> <p>The fee will be based on the increase in the Net Asset Value per Share (“NAVPS”) at the Valuation Date over the NAVPS on the previous valuation date PLUS the Benchmark’s percentage increase/(decrease). For the purpose of this calculation the NAVPS is the amount before incentive fees and after management fees.</p>

## SUMMARY (cont'd)

---

In calculating the increase in NAVPS, the NAVPS in months prior to a distribution will be adjusted to reflect the distribution per Share.

In calculating the increase in NAVPS, the NAVPS in the month prior to the dividend will be adjusted to reflect the dividend per Share.

As market values fluctuate over time, the NAVPS will fluctuate from month to month. If the NAVPS declines or remains the same from one Valuation Day to another, the Investment Manager will not receive an Incentive Fee. The next time the Investment Manager is entitled to an Incentive Fee is when the NAVPS on the date in question exceeds the highest NAVPS in the last twelve (12) months PLUS the Benchmark's percentage increase/(decrease) since that point in time, as adjusted for distributions.

**Investment Objective:**

The investment objective of the Royal Fidelity Premium Income Fund is to seek a high and stable rate of income, together with long-term preservation of capital, primarily through investment in fixed income and other securities as determined by the Investment Manager. Please see "Investment Objectives and Policies".

**Investment Restrictions:**

The Royal Fidelity Premium Income Fund has broad powers as to the type of investments it may make and the investments methods it may adopt, however it may not:

- a) invest more than 20% of the Royal Fidelity Premium Income Fund's net assets in the securities of any one issuer;
- b) invest in more than 20% of the outstanding voting securities of any issuer;
- c) make investments for the purpose of exercising control or management; or
- d) borrow an amount greater than 20% of the Royal Fidelity Premium Income Fund's total assets.

In addition to the foregoing, the Directors may from time to time impose such further investment restrictions as shall be compatible with or in the interest of the Shareholders, in order to comply with the laws and regulations of the relevant jurisdictions.

**Management Fee:**

The Investment Manager is entitled to receive monthly in arrears an amount equal to 0.75% per annum of the Net Asset Value of the Royal Fidelity Premium Income

# SUMMARY (cont'd)

---

Fund calculated on each Valuation Day.

From this fee, the Investment Manager will pay registrar services, the Administrator and the Custodian.

**Minimum Additional Investment:** \$250.00.

**Minimum Initial Investment:** \$1,000.00.

**Royal Fidelity Premium Income Fund:** Class B Fund Shares.

**Sales Commission:** The Investment Manager may be entitled to receive a Sales Commission of up to 1% on subscriptions to the Shares. The Sales Commission may be changed by agreement between the Manager and the relevant Sales Agent(s).

**Shares:** Class B Fund Shares.

**Series B1 Shares** Shares for retail distribution  
**Series B2 Shares** Shares for institutional distribution  
**Series B3 Shares** Shares for pension distribution

**Subscriptions:** Shares in the Royal Fidelity Premium Income Fund will be offered at an amount equal to the Net Asset Value per Share calculated on each Valuation Day.

**Redemption Fees:** Redemptions will incur a Declining Surrender Charge, subject to a minimum of \$50. The Surrender Charge constitutes a percentage of the investment value at the next Redemption Day, according to the following schedule:

<b>Redemption within</b>	<b>Class A1 &amp; A2</b>	<b>Class A3</b>
<b>0-24 months</b>	<b>2.0%</b>	<b>n/a</b>
<b>25-36 months</b>	<b>1.5%</b>	<b>n/a</b>
<b>37-48 months</b>	<b>1.0%</b>	<b>n/a</b>
<b>49-60 months</b>	<b>0.5%</b>	<b>n/a</b>

# INVESTMENT OBJECTIVES AND POLICIES

---

The Royal Fidelity Premium Income Fund seeks a high and stable rate of income, together with long-term preservation of capital. The Royal Fidelity Premium Income Fund aims to achieve a minimum annual return in excess of the Benchmark.

The Investment Manager may use various investment techniques to hedge a portion of the Royal Fidelity Premium Income Fund's risks, but there is no guarantee that these strategies will work as the Investment Manager intends. Also, as an investment fund, the Royal Fidelity Premium Income Fund seeks to spread investment risk by diversifying its holdings among a number of companies and industries.

The Investment Manager intends to invest the Royal Fidelity Premium Income Fund's capital in a diversified portfolio in a risk-controlled manner consistent with the Royal Fidelity Premium Income Fund's objectives and within limitations of securities available. The Investment Manager uses a multi-faceted approach and relies on fundamental valuations and analysis to make investment decisions. The Investment Manager seeks to identify and avoid securities that appear overvalued. The Royal Fidelity Premium Income Fund will implement its Investment Objective by investing in short-term, medium-term and long-term fixed income securities, including but not limited to, Barbados Government Registered Stock, government agency bonds, corporate bonds, preference shares, commercial paper, fixed deposits, mortgage backed bonds and collateralised receivables.

## **DEBT SECURITIES**

Issuers, in order to borrow money from investors, use bonds and other debt instruments. The issuer generally pays the investor a fixed or floating rate of interest, and must repay the amount borrowed at maturity. Debt securities have varying levels of sensitivity to changes in interest rates and degrees of credit quality. In general, prices of these securities rise when market interest rates fall and fall when market interest rates rise.

## **ASSET-BACKED SECURITIES**

Asset-backed securities include interests in pools of debt securities, commercial or consumer loans and mortgages, or other receivables. The value of these securities depends on many factors, including changes in interest rates, the availability of information concerning the pool and its structure, the credit quality of the underlying assets, the market's perception of the securities of the pool, and any credit enhancement provided.

## **ILLIQUID SECURITIES**

Some investments may be determined by the Investment Manager to be illiquid, which means that they may be difficult to sell promptly at an acceptable price. The sale of other securities may be subject to legal or other restrictions thereby rendering them illiquid. Difficulty in selling securities may result in a loss or may be costly to the Royal Fidelity Premium Income Fund.

# INVESTMENT OBJECTIVES AND POLICIES (cont'd)

---

## OTHER INSTRUMENTS

Other instruments may include securities of closed-end investment companies and real estate related instruments.

## CASH MANAGEMENT

The Royal Fidelity Premium Income Fund may invest in money market securities, in repurchase agreements, and in money market funds available only to funds and accounts managed by the Investment Manager or affiliates, whose goal is to seek a high level of current income while maintaining a stable share price. A major change in interest rates or a default on the money market fund's investments could cause its share price to change.

## DIVERSIFICATION

Diversifying a mutual fund's investment portfolio may reduce the risks of investing. This may include limiting the amount of money invested in any single issuer or, on a broader scale, in any single industry.

## BORROWING

The Royal Fidelity Premium Income Fund may borrow from banks or from other entities advised by the Investment Manager, or through reverse repurchase agreements. If the Royal Fidelity Premium Income Fund borrows money, its Share price may be subject to greater fluctuation until the borrowing is paid off. If the Royal Fidelity Premium Income Fund makes additional investments while borrowings are outstanding, this may be considered a form of leverage. The Directors may, from time to time, set borrowing limits.

## RISK FACTORS

Potential investors in the Royal Fidelity Premium Income Fund should carefully read the provisions of the Offering Memorandum entitled "Risk Factors" which detail the Risk Factors associated with investing in the Fund generally as well as the following risks particular to the Royal Fidelity Premium Income Fund:

- a) The Royal Fidelity Premium Income Fund will be substantially invested in debt and other fixed income securities of Barbados entities. Since there is a limited range of such securities available, the Royal Fidelity Premium Income Fund's investments may be highly concentrated and therefore risky.
- b) The Royal Fidelity Premium Income Fund's Net Asset Value will be subject to market fluctuations attributable to the values of the securities it holds, as

# INVESTMENT OBJECTIVES AND POLICIES (cont'd)

---

well as fluctuations in the markets affecting the services provided by the entities whose securities are purchased by the Royal Fidelity Premium Income Fund. Consequently, the value of a Shareholder's investment in the Royal Fidelity Premium Income Fund may decrease as well as increase. Barbados is an emerging market and many of the public and non-public entities in which the Royal Fidelity Premium Income Fund may invest are relatively small.

- c) While the Royal Fidelity Premium Income Fund and the Investment Manager shall seek to attain the Royal Fidelity Premium Income Fund's Investment Objective neither the Investment Manager nor the Royal Fidelity Premium Income Fund, or any other party, can guarantee the extent to which the Investment Objective can be achieved.
- d) When Shareholders elect to redeem their Shares, their decision may be based on the price of the Royal Fidelity Premium Income Fund on the most recent Valuation Day. There can be no assurance that adverse market conditions or other factors arising during the period between the Valuation Day and the Redemption Day will not result in material changes in the Net Asset Value of the Royal Fidelity Premium Income Fund.
- e) The Shares have no voting rights and hence Shareholders cannot elect Directors of the Royal Fidelity Premium Income Fund or take other corporate action to further their interests.

## **Interest Rate Sensitivity**

Fixed income securities have varying levels of sensitivity to changes in interest rates. In general, the price of a fixed income security will fall when interest rates rise and will rise when interest rates fall. Securities with longer maturities may be more sensitive to interest rate changes. Short-term securities tend to react less to changes in short-term interest rates.

## **Lack of Operating History**

The Royal Fidelity Premium Income Fund is a recently formed entity and has no operating history upon which prospective investors can evaluate its likely performance.

## **Illiquid Investments**

The Royal Fidelity Premium Income Fund may hold investments, which due to their particular characteristics are substantially less liquid and more difficult to value than other investments. As a consequence, the Royal Fidelity Premium Income Fund may encounter significant delays when attempting to realise such assets during which the price of such assets may move materially.



# INVESTMENT OBJECTIVES AND POLICIES (cont'd)

---

## **International Investments**

The Royal Fidelity Premium Income Fund may invest in international securities. Investment on an international basis involves fluctuations in the price of assets, taxes, exchange controls and other economic and political developments. Availability of information, standards of accounting, auditing and financial reporting and the size, expense and liquidity of markets may vary widely from country to country and may limit the diversification of the Royal Fidelity Premium Income Fund.

## **OTC Derivatives Instrument Transactions**

The Royal Fidelity Premium Income Fund may hold a portion of its assets in investments which are not traded on organised exchanges and as such are not standardised. Such transactions are known as over-the-counter (OTC) transactions and may include forward contracts or options. Transactions in OTC derivatives may involve greater risk than investing in exchange traded derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction, or to assess the exposure to risk. In respect of such investments, the Royal Fidelity Premium Income Fund is subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respects to such contracts. Market illiquidity or disruption could result in major losses to the Royal Fidelity Premium Income Fund. OTC transactions also involve counterparty solvency risk.

## **Suspensions of Trading**

Securities exchanges typically have the right to suspend or limit trading in any security traded on the exchange. A suspension would render it impossible to liquidate positions and could thereby expose the Royal Fidelity Premium Income Fund to losses.

**THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN AN INVESTMENT IN THE ROYAL FIDELITY PREMIUM INCOME FUND. PROSPECTIVE INVESTORS SHOULD READ THE MEMORANDUM AND THIS SUPPLEMENTAL MEMORANDUM AND CONSULT WITH THEIR OWN FINANCIAL ADVISORS OR ATTORNEY-AT-LAW BEFORE DECIDING TO INVEST.**

# **Royal Fidelity Merchant Bank & Trust Limited**

---

## **BAHAMAS**

---

Royal Fidelity Merchant Bank & Trust Limited

Fidelity House

51 Frederick Street • P.O. Box N 4853

Nassau, The Bahamas

T 242.356.9801 F 242.326.3000

Royal Fidelity Merchant Bank & Trust Limited

Fidelity Financial Centre

Poinciana Drive • P.O. Box F 43922

Freeport, The Bahamas

T 242.351.3010 F 242.351.7977

---

## **BARBADOS**

---

Royal Fidelity Merchant Bank & Trust

(Barbados) Limited

Royal Fidelity House

27 Pine Road • P.O. Box 1338

St. Michael, Barbados 11113

T 246.435.1955 F 246.435.1964

**[www.royalfidelity.com](http://www.royalfidelity.com)**