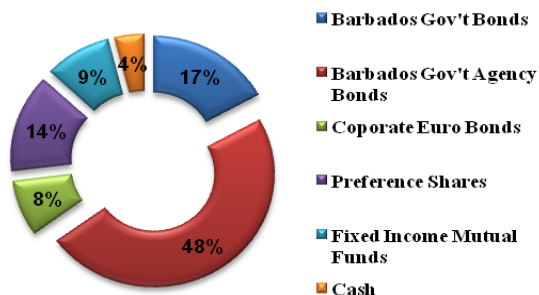


June Net Asset Value:	\$1.5312
Assets:	\$3.30M

Performance:

	Fund Returns
Inception	5.85%
1 Month	0.51%
3 Month	0.74%
1 Yr	4.25%
3 Yr	15.21%
5 Yr	29.61%

Allocation:



Top Holdings:

NEEDHAM'S POINT HOLDINGS	6.75%
B'DOS AGRICULTURAL	6.5% 2019
SAGICOR	6.5% PREFERENCE
RF BAHAMAS TARGETED INCOME FUND	
PETROLEUM CO OF T&T	9.75% 2019

The Premium Income Fund - Series 3 is a pension-only pool of assets that invests in the pension-specific shares of other income funds. Performance may differ from other shares offered in the fund as a result of different fee structures. The asset allocation shown is subject to change without notice and at the discretion of the investment manager, subject to any restrictions outlined in the fund's offering documents. Past performance doesn't guarantee future success.

Moody's feels moody: drops rating, improves outlook

Moody's downgraded Barbados to Caa1 from B3, but changed the outlook to "stable" from "negative." This could be the reason there was little impact on the yield curve over the quarter.

Changes in expected rates for tenors less than 8 years were negative, resulting in higher bond values (as rates decline, bond values rise), while rates between 9

-15 years saw increases between 0.1% and 0.15%. Since the present average duration of fund holdings is 3.7 years, the fund continued to enjoy increases over the quarter. The fund ended Q2 with a positive return of 0.74% and a one-year return of 4.25%, lagging slightly behind its benchmark.

According to the Central Bank, the Barbados economy grew by 1.3% during the first six months of 2016, which is



an improvement over the prior year. And, while the IMF expects 2.1% growth in 2016, the Central Bank has warned that the fiscal adjustment is incomplete and "government's borrowing requirement still exceeds the surplus funds banks and insurance companies have available to lend."

Toward the end of Q2 we were able to participate in a local 7-year corporate issue with a yield of 5.25%. We believe that rates both locally and globally will continue to trend lower and used the opportunity to further diversify the portfolio while attaining an attractive yield. ◆

Royal Fidelity Merchant Bank & Trust

27 Pine Road
St. Michael
Barbados
(246) 435-1955

www.royalfidelity.com
info@royalfidelity.bb