

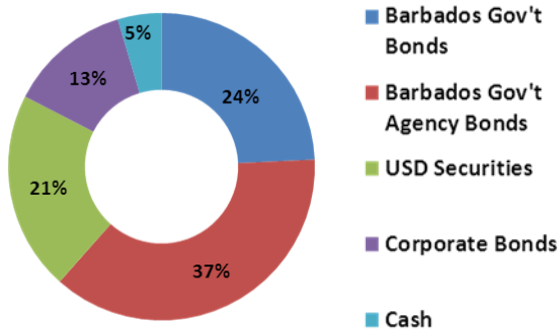
Sept Net Asset Value:	\$1.5581
Assets:	\$23.3M
Inception:	Dec-08

Performance:

	Fund	Benchmark*
1 Month	0.56%	0.375%
3 Month	1.80%	1.13%
1 Yr	4.81%	4.5%
5 Yr	29.95%	24.62%

* Annual rate of return, 4.5%

Allocation:



Top Holdings:

NEEDHAM'S POINT HOLDINGS 6.75% 2021
B'DOS AGRICULTURAL MANAGEMENT 6.5% 2019 BOND
WILLIAMS INDUSTRY 5.25% 2023 BOND
ROYAL FIDELITY BAHAMAS US DOLLAR TARGETED IN-COME FUND
GOB 6.75% 2016 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.

High liquidity, teetering Gov ratings characterize Q3

The Income Fund produced a 2015 return of 5.36%, and is on track to end 2016 with similar results. Through September, the fund has posted a return of 4.12%, despite a mountain of local challenges the fund continues to perform and a very difficult economic environment.

Barbados' Government debt rating continues to deteriorate and now stands precariously at a Caa1 rating (Moody's). As we have pointed out in past reports, there remains an urgent need to align revenues and expenditures, and to reduce debt (interest expense alone accounts for 26% of revenues!) We remain very cautious of government debt and—with the exception of short term T-bills (91 days and 182 days in tenor)—we are not active buyers.

High levels of liquidity characterize this market, and investors continue to search for suitable options for their savings. The all-time-low bank savings rate has prompted a steady stream of investors into this fund, which remains a challenge due to a limited number of new corporate issues.

In the short term this can result in a higher concentration of cash or securities, both of which have their own risk consequences.

In June, however, the fund was able to participate in a private placement bond issue with an attractive yield of 5.25%. This enabled the fund to further diversify away from local government debt. We continue to look out for opportunities like these as we aim to diversify the fund whenever possible through the inclusion of corporate and overseas issues.

Going forward, we intend to maintain a fixed income duration profile that provides protection to the portfolio should there be an upward shift in interest rates. This strategy has served us well to date and has helped us provide positive returns to our investors with as minimal risk as possible. ♦



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