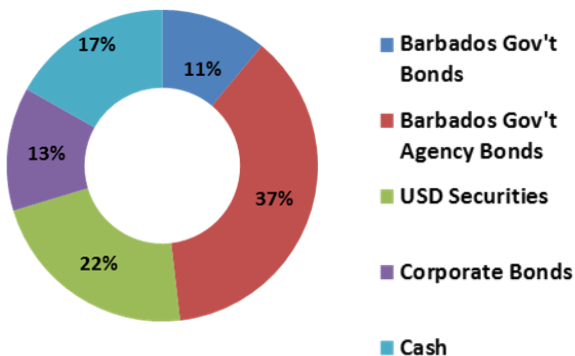


Dec Net Asset Value:	\$1.571
Assets:	\$23.83M
Inception:	Dec-08

Performance:

	Fund	Benchmark*
1 Month	0.35%	0.375%
3 Month	0.83%	1.13%
1 Yr	4.99%	4.5%
5 Yr	28.95%	24.62%

Allocation:



Top Holdings:

NEEDHAM'S POINT HOLDINGS 6.75% 2021
B'DOS AGRICULTURAL MANAGEMENT 6.5% 2019 BOND
CASH
ROYAL FIDELITY BAHAMAS US DOLLAR TARGETED INCOME FUND
WILLIAMS INDUSTRY 5.25% 2023 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.

Reserves sink to new low, but fund performance solid

The Fund returned 0.83% during the fourth quarter of 2016 and is up 4.99% over the past year. Deposit rates at the local banks continue to slide to zero, as the average savings rate for 2016 was 0.3% providing little in the way of savings incentive for anyone.

Another year may have come and gone, but not much seems to have changed in terms of the government's approach to handling the surmounting debt it has amassed. According to the IMF, total public sector debt (including holdings by NIS), had reached 156.6% of GDP in FY2015/16. The IMF further estimated arrears amounting to approximately 11.4% of GDP – bringing total obligations to 168% of GDP.

The pressure in the cooker is increasing, as our reserves have fallen to a 14-year low of 10.3 weeks of import cover. The Governor of the Central Bank had reported expected inflows of more than \$250 million: \$68 million from the Sam Lord's project, \$100 million from the sale of BNTCL, \$40 million from the sale of Government's interest in the Four Seasons property, and inflows from other projects. However, it seems that we've been anticipating these inflows

for some of these projects for quite some time now, and it's probably best not to count our chickens before they hatch.



But all isn't doom and gloom. We experienced a healthy tourism season, and the economy is said to have expanded by 1.6 percent in 2016, with an associated decline in unemployment to 10 percent for the four quarters ending in September last year.

As the year closed out, our portfolio saw a significant maturity that we chose not to reinvest in government of Barbados debt, thereby increasing our cash holdings. We anticipate further corporate issues coming to market during Q1 2017, and will be in a position to participate in these opportunities. We believe they will be attractive investments to further diversify the portfolio. ♦

Royal Fidelity Merchant Bank & Trust

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

www.royalfidelity.com
info@royalfidelity.bb