

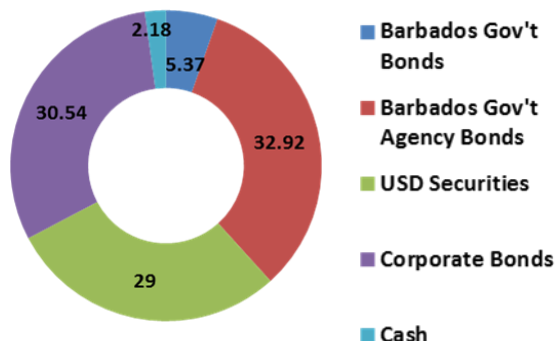
Dec Net Asset Value:	\$1.6209
Assets:	\$26.03M
Inception:	Dec-08

Performance:

	Fund	Benchmark*
1 Month	0.21%	0.375%
3 Month	0.07%	1.13%
1 Yr	3.18%	4.5%
5 Yr	25.53%	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
B'DOS AGRICULTURAL MGMT 6.5% 2019 BOND
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.

Central Bank ratchets up bank holding requirements

Three times a charm?

Throughout 2017 the Central Bank of Barbados continued to tighten its monetary policy, and, by the end of December, commercial banks were required to



increase their holdings in government securities for a second time to 18% of their domestic deposits.

Then, as one year ended, the next began, when the requirement increased to 20%. The requirement literally doubled from 10-20%, certainly an indication that there are few lenders in the market.

According to the latest Central Bank report, the debt outstanding at the end of December—including borrowings from the Central Bank and the NIS—stood at approximately 145.9% of GDP.

Through all of this, the fund was able to add a small allocation to our USD and Corporate holdings. The allocation brings Corporate Bond exposure to just north of 30%, which balances nicely with an overall USD exposure of 29%.



The fund ended the year with a modest gain of 3.18%, our lowest since inception. The majority of the muted return, however, was due to a mismatch in timing on inflows from matured Government of Barbados securities

and the outflows on new and investment able corporate issues of acceptable risk. The fund had to carry larger than normal cash balances, which caused a drag on returns.

We are optimistic that 2018 will bring new and attractive securities to the market to assist in the further diversification of our portfolio! □

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