

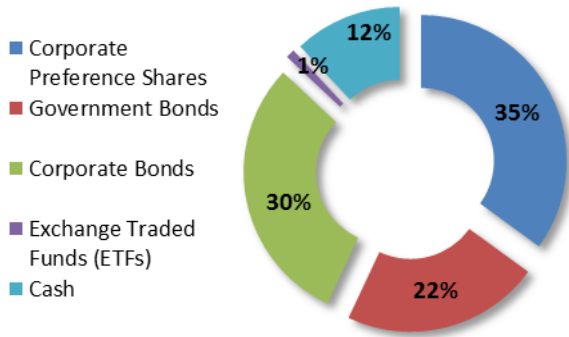
Mar Net Asset Value:	\$11.6677
Assets:	\$11.21M
Inception:	Nov-13

Performance:

	Fund	Benchmark*
1 Month	0.11%	0.36%
3 Month	0.39%	-1.83%
1 Yr	2.78%	3.43%
3 Yr	10.72%	16.55%

* Bloomberg Barclays Emerging Market USD Sovereign Bond Index

Allocation:



Top Holdings:

FIDELITY BANK (CAYMAN) 7.25% PREFS	17%
CABLE BAHAMAS SERIES 8 6.25% PREFS	12%
SAGICOR FINANCE 8.875% BONDS, 11/8/22	8%
CABLE BAHAMAS SERIES 10 6.75% PREFS	7%
BAHAMAS REGISTERED STOCK 5.75% 1/16/24	5%

The High Yield Income Fund is a sub fund of the Royal Fidelity (Bahamas) International umbrella investment fund and invests substantially all of its assets into the USD Targeted Income Fund. The allocation shown is subject to change without notice and at the discretion of the investment manager. The Bloomberg Barclays Emerging Markets USD Sovereign Bond Index tracks fixed and floating-rate US dollar-denominated debt issued by EM governments.

Quarter ends with Fed and inflation locked in stare down

There is no such uncertainty as a sure thing!

Scotland's Robert Burns must have been thinking of the US Federal Reserve, inflation, and interest rates when he penned those lines.

Despite all its efforts to ease out of Quantitative Easing (QE) and establish a semi-normal schedule of rate reviews and moderate hikes, the Fed began the new year in a staring contest with inflation. And when investors start to place bets on who will blink first, volatility can't be far behind.

The fund's benchmark Bloomberg Barclays Emerging Market USD Sovereign Bond Index got knocked around in January and February, thanks largely to interest rate uncertainty (helped along by a few geopolitical dramas as well). The Index dropped -0.23% in January and -1.95% in February to end the quarter down -1.83%. The only positive month of the quarter for the index—interestingly enough—is March (+0.36%), the same month the Fed jacked up rates again by .25% to a range of 1.5-1.75%.

With inflation on the rise in the US, the Fed will likely be faced with more calls to reconsider the frequency of its increases, projected to be three in 2018.

While certainly not immune from the effects of wider interest rate changes or inflation, the fund's portfolio remains regionally top heavy, which has helped it sidestep some of the more volatile swings in the fixed income market. The fund posted modest, but positive performance for Q1, which we expect will continue through 2018.

We just hope the Fed doesn't get distracted and blink in the meantime! □



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