

ROYAL FIDELITY  
HIGH YIELD INCOME FUND  
(CLASS C SHARES)

*A Sub Fund of the Royal Fidelity Bahamas International Investment Fund Limited, a Bahamas Limited Liability Company governed by The Investment Funds Act, 2003 and the Companies Act of The Bahamas 1992*

A Supplement to the  
OFFERING MEMORANDUM  
Continuous Offering

SPONSOR

ROYAL FIDELITY MERCHANT BANK & TRUST LIMITED

Initial Publication: September, 2012  
Revised: September, 2016

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(CLASS C SHARES)

*This Supplemental Offering Memorandum sets out the details of the Royal Fidelity High Yield Income Fund (the “Fund”), which is a separate class of Shares constituting a Sub Fund of Royal Fidelity Bahamas International Investment Fund Limited. This document is supplemental to the Offering Memorandum dated September, 2007, as amended, for the Royal Fidelity Bahamas International Investment Fund Limited (the “Offering Memorandum”), which contains important information for investors and should be read in conjunction with this Supplemental Offering Memorandum. All capitalized terms used but not defined herein have the same meanings assigned to such terms in the Offering Memorandum.*

SUMMARY

Base Currency:	The base currency for the Fund is BSD.
BISX:	Bahamas International Securities Exchange. Fund shares are listed on this exchange.
Benchmark:	As set by the Directors from time to time. It is currently set at the Bahamian Dollar Prime Rate.
Class C Shares:	Non-voting, redeemable, participating shares representing rights to benefit in the capital and assets attributable to Class C Shares of the Royal Fidelity (Bahamas) International Investment Fund Limited.
Distributions:	The fund does not intend to allow distributions of income generated by the underlying investments, but the Directors reserve the right to amend this in the future.
Fees and Expenses:	The Fund will pay a proportionate share of the Royal Fidelity (Bahamas) International Investment Fund Limited’s management, legal, audit and other expenses. These expenses are not expected to exceed \$20,000 per annum.
Investment Objective:	The investment objective of the Fund is to seek a rate of return in excess of the Benchmark by investing in a portfolio of global and regional fixed income securities. See “Investment Objectives and Policies”.
Investment and Borrowing Restrictions:	<p>The Fund has broad powers as to the type of investments it may make and the investment methods it may adopt to achieve its investment objectives.</p> <p>However, the Fund may not:</p> <ul style="list-style-type: none"><li>a) invest more than 25% of the Fund’s net assets in the securities of any one issuer although it may exceed this limit by no more than 10% on a temporary basis to take into account timing of offerings and liquidity limitations of the Bahamian securities market</li></ul>

- b) invest in more than 20% of the outstanding voting securities of any issuer;
- c) make investments for the purpose of exercising control or management; or
- d) borrow an amount greater than 20% of the Fund's total net asset value.

The Directors reserve the right to impose additional investment and/or borrowing restrictions in the future in order to be compatible with or in the interest of the Shareholders, or to comply with the laws and regulations of the relevant jurisdictions.

Investment Manager: Royal Fidelity Merchant Bank & Trust Limited ("Royal Fidelity") has been appointed as Investment Manager for the Fund, and is responsible for the overall management of the Fund's assets. Based in Nassau, Bahamas, Royal Fidelity is a joint venture between Royal Bank of Canada and Fidelity Bank & Trust International Limited.

Royal Fidelity holds a Class 1 Broker-Dealer license and is regulated by the Securities Commission and the Central Bank of The Bahamas.

Royal Fidelity has been involved in Bahamian capital markets transactions, IPOs and other market-making activities since 1996, and in 2011 acted as advisor and lead placement agent for one of the largest Bahamian public share offerings to date.

Management Fee: The Investment Manager is entitled to receive monthly in arrears an amount equal to 0.50% per annum of the Net Asset Value of the Fund calculated on each Valuation Date. From this fee, the Investment Manager will pay the Administrator.

Administrator: Royal Fidelity has been appointed as Administrator for the Fund and is responsible for the calculation of the Net Asset Value.

Administration Fee: The Administrator will be paid a fee as consideration for administrating the Fund and expenses incurred in maintaining the Fund's office. This fee will be paid by the Investment Manager out of the Management Fee.

The Registrar and Transfer costs are charged separately.

Custodian: The Fund has appointed Fidelity Bank (Bahamas) Limited as custodian for Fund assets. The Custodian will hold the investments of the Fund in safe custody.

Custody Fee: The Custodian will receive quarterly in advance an amount equal to 0.10% per annum of the Net Asset Value of the Fund calculated on the last Valuation Day of the relevant month and subject to a minimum of \$5,000.00 per annum and a maximum amount of \$15,000.00 per annum.

Minimum Initial Investment: BSD\$2,000

Additional Investment Minimum: BSD\$500

Redemption Day: The last Business Day of each month.

Redemption Fees: Redemptions that occur within a five-year period from the initial subscription date will incur a redemption charge, which constitutes a percentage of the redeemed amount, according to the following schedule:

Redemption within	Class C
0-12 months	2.0%
13-24 months	2.0%
25-36 months	1.5%
37-48 months	1.0%
49-60 months	0.5%

Sales Commission: The Fund may apply an initial Sales Commission of up to 1% on subscriptions to pay agents who sell the fund shares. The Sales Commission may be changed by agreement between the Manager and the relevant Sales Agent(s).

Share(s): Class C Shares of the Fund.

Sub Fund: A sub fund that is managed separately and distinguished mainly by its specific asset classes or specific investment objectives and policies, which may differ from other sub funds within the overall umbrella fund.

Valuation Day: The last Business Day of each month.

## INVESTMENT OBJECTIVES AND POLICIES

The Fund invests substantially all of its assets into the Royal Fidelity Targeted Income Fund, a USD-denominated fund that maintains a portfolio of USD-denominated global fixed income securities, including Exchange Traded Funds (ETFs) and both corporate and government individual bonds, as well as preference shares. The fund seeks a rate of return in excess of the Benchmark, together with long-term preservation of capital. The Investment Manager will be responsible for managing the assets of the portfolio on a daily basis.

The Investment Manager may use various investment techniques to hedge a portion of the Fund's risks, but there is no guarantee that these strategies will work as the Investment Manager intends. Although the fund attempts to spread investment risk by diversifying its holdings among a number of companies and industries, the portfolio may from time to time be concentrated in a relatively small number of higher-yielding securities, especially until the Fund's assets have grown to a sufficient level to allow for broader diversification.

The Investment Manager can use short-term, medium-term and long-term fixed income securities, including but not limited to, government issued bonds, government agency bonds, corporate bonds, preference shares, commercial paper, fixed deposits, mortgage-backed bonds and collateralised receivables. At any given time, the portfolio may be concentrated in a few issues, and may not be broadly diversified across industries or sectors.

## INVESTMENT MANAGER

Under an investment management agreement, dated September 8, 2015, the Fund has appointed Royal Fidelity Merchant Bank & Trust Limited to serve as the Fund's Investment Manager.

The Investment Manager currently provides investment advice to a range of pension funds, institutional and high net worth clients in identifying and analysing investment opportunities. It is experienced in developing investment strategies and optimal investment allocations that are consistent with the client's risk profile.

The Investment Manager will perform the following functions, subject to overall supervision of the Directors, for the Fund:

- implement the investment objectives and policies to be employed for the Fund's portfolio in adherence to stated risk parameters;
- provide investment analysis and recommendations with respect to the Fund's portfolio;
- identify and analyse potential investments on a continuing basis with respect to the portfolio;
- review regularly the performance and movements within the Fund's portfolio;
- maintain appropriate records and sell investments held by the Fund when deemed appropriate;
- Report regularly to the Directors on the performance of the portfolio and any other issue relevant to the Fund's investments

## SUBSCRIPTIONS AND REDEMPTIONS

The subscription and redemption price per share is the official Net Asset Value on the relevant Valuation Date. Shares will be issued and redeemed in accordance with the terms and conditions set out in the Fund's Memorandum.

For redemptions of \$1 million or more, the Fund reserves the right to honour redemption requests in such a manner as to minimize the negative effect of large redemptions on existing shareholders, including establishing a time-table for their execution.

In such cases, redemption requests will be accepted on a first-come, first-served basis. In addition, in times of extreme market volatility, the Directors may, at their discretion and upon advice received from the Investment Manager, suspend redemptions of Shares for such periods of time as it deems appropriate.

## RISK FACTORS

Potential investors in the Fund should carefully read the provisions of the Offering Memorandum entitled "Risk Factors" which detail the Risk Factors associated with investing in the Fund generally as well as the following risks particular to the Fund:

**Portfolio Concentration:** In pursuit of a rate of return in excess of the Bahamian Prime Interest rate, the fund may concentrate investments within the portfolio and limit the overall number of underlying securities. This would limit the portfolio's diversification, a common method of lowering the overall investment risk. As a result, a negative event affecting one of these securities—such as default or delayed payment—would have a substantially detrimental effect on the performance of the portfolio.

**Debt securities:** Issuers, in order to borrow money from investors, use bonds and other debt instruments. The issuer generally pays the investor a fixed or floating rate of interest, and must repay the amount borrowed at maturity. Debt securities have varying levels of sensitivity to changes in interest rates and degrees of credit quality. In general, prices of these securities rise when market interest rates fall and fall when market interest rates rise.

**Asset-backed securities:** Asset-backed securities include interests in pools of debt securities, commercial or consumer loans and mortgages, or other receivables. The value of these securities depends on many factors, including changes in interest rates, the availability of information concerning the pool and its structure, the credit quality of the underlying assets, the market's perception of the securities of the pool, and any credit enhancement provided.

**Other instruments:** Other instruments may include securities of closed-end investment companies and real estate related instruments, which could be subject to varying levels of illiquidity depending on market circumstances.

**Cash management:** The Fund may invest in money market securities, in repurchase agreements, and in money market funds available only to funds and accounts managed by the Investment Manager or affiliates, whose goal is to seek a high level of current income while maintaining a stable share price. A major change in interest rates or a default on the money market fund's investments could cause its share price to change.

**Diversification:** Diversifying a mutual fund's investment portfolio may reduce the risks of investing. This may include limiting the amount of money invested in any single issuer or, on a broader scale, in any single industry.

**Borrowing:** The Fund may borrow from banks or from other entities advised by the Investment Manager, or through reverse repurchase agreements. If the Fund borrows money, its Share price may be subject to greater fluctuation until the borrowing is paid off. If the Fund makes additional investments while borrowings are outstanding, this may be considered a form of leverage.

**Interest Rate Sensitivity:** Fixed income securities have varying levels of sensitivity to changes in interest rates. In general, the price of a fixed income security will fall when interest rates rise and will rise when interest rates fall. Securities with longer maturities may be more sensitive to interest rate changes. Short-term securities tend to react less to changes in short-term interest rates.

**Illiquid investments:** The Fund may hold investments, which, due to their particular characteristics, are substantially less liquid and more difficult to value than other investments. As a consequence, the Fund may encounter significant delays when attempting to realise such assets during which the price of such assets may move materially.

**International Investments:** The Fund will invest in international securities. Investment on an international basis involves fluctuations in the price of assets, taxes, exchange controls and other economic and political developments. Availability of information, standards of accounting, auditing and financial reporting and the size, expense and liquidity of markets may vary widely from country to country and may limit the diversification of the Fund.

**OTC Derivatives Instrument Transactions:** The Fund may hold a portion of its assets in investments which are not traded on organised exchanges and as such are not standardised. Such transactions are known as OTC transactions and may include forward contracts or options. Transactions in OTC derivatives may involve greater risk than investing in exchange traded derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction, or to assess the exposure to risk. In respect of such investments, the Fund is subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respects to such contracts. Market illiquidity or disruption could result in major losses to the Fund. OTC transactions also involve counterparty solvency risk.

**Suspensions of Trading:** Securities exchanges typically have the right to suspend or limit trading in any security traded on the exchange. A suspension would render it impossible to liquidate positions and could thereby expose the Fund to losses.

**Conflicts of Interest.** There may be a potential conflict of interest between the interests of the shareholders and the business interests and activities of Royal Fidelity. Among other reasons, these potential conflicts may result from Royal Fidelity's investment activities on behalf of its other clients. Additionally, securities syndicated by Royal Fidelity's corporate finance team, and securities of affiliates, may be purchased for mutual fund portfolios.

Notwithstanding the foregoing, the Investment Manager shall not enter into any such transaction on behalf of the Fund that is not at least as favorable to the Fund as could have been obtained in a transaction between the Fund and an unrelated third party freely negotiating a purchase or sale.

The Fund and Royal Fidelity have common officers and directors.

Prospective investors should assume that Royal Fidelity may have a conflict of interest, and upon submission of a duly completed subscription form, such investors agree not to assert any claim against Royal Fidelity nor the Fund arising in connection with any conflict of interest experienced by Royal Fidelity, whether or not specifically set forth above.

**THE FOREGOING LIST OF RISK FACTORS DOES NOT PURPORT TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN AN INVESTMENT IN THE FUND. PROSPECTIVE INVESTORS SHOULD READ THE OFFERING MEMORANDUM AND THIS SUPPLEMENTAL OFFERING MEMORANDUM AND CONSULT WITH THEIR OWN ADVISORS BEFORE DECIDING TO INVEST.**