ROYAL FIDELITY
Money at Work

High Yield Income Fund

Q1 2019
Issue 26

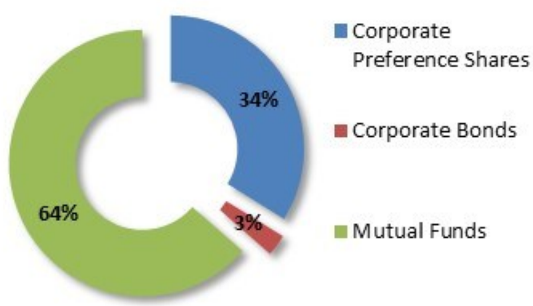
Mar Net Asset Value:	$11.9097
Assets:	$13.0M
Inception:	Nov-13

Performance:

	Fund	Benchmark*
1 Month	1.03%	1.07%
3 Month	1.90%	6.06%
1 Yr	2.07%	3.49%
3 Yr Ann Ave	2.88%	4.98%

** Bloomberg Barclays Emerging Market USD Sovereign Bond Index*

Allocation:



Top Holdings:

FIDELITY BANK (CAYMAN) 7.75% PREFS	14%
CABLE BAHAMAS SERIES 8 6.25% PREFS	10%
CABLE BAHAMAS SERIES 10 6.75% PREFS	6%
NCB FINANCIAL GROUP 7.00% BONDS	3%
FRESH BLENDS LTD. SERIES A 8.00%	2%

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.

When Powell Speaks Markets Listen

On October 3rd, Fed Chairman Powell stated that "the central bank has a way to go yet before it gets interest rates to where they are neither restrictive nor accommodative. We may go past neutral, but we're a long way from neutral at this point, probably." Almost immediately financial markets made a rush to quality as the ten-year Treasury yield fell 86 basis points from 3.23% to and ultimately bottomed out in March. Corporate credit spreads soared with investment grade widening 47 basis points and high yield spreads shooting up 200 basis points. Simultaneously the stock market fell nearly 20%. When Powell speaks, markets listen.

Following this turmoil, Chairman Powell apologetically reversed his stance stating that "further gradual increases in the level of short-term interest rates are no longer necessary to prevent the economy from overheating". As expected, equity markets reversed and stocks had their best month in three years and their best January in thirty years.

The first quarter also saw a reversal in fixed income markets as investment grade corporate spreads narrowed 34 basis points and high yield spreads narrowed by 132 basis points. The lower the credit quality the better the returns.

In December 2018 and the first quarter of 2019 both the equity and fixed income markets reacted aggressively to Chairman Powell's pronouncements, but going forward we expect both markets to refocus on fundamental factors like GDP growth, corporate earnings, employment levels, inflationary expectations, geopolitical tensions, and trade wars. That said, everyone will still be listening to what chairman Powell has to say.

Royal Fidelity Merchant Bank & Trust
51 Frederick Street
PO Box N 4853
Nassau, Bahamas
(242) 356-9801

www.royalfidelity.com
info@royalfidelity.com