Targeted Income Fund

Quarterly Report, Q1 2022
Issue 37

March Net Asset Value:	$12.641
Assets:	$32.726M
Inception:	Nov-13

PEFORMANCE

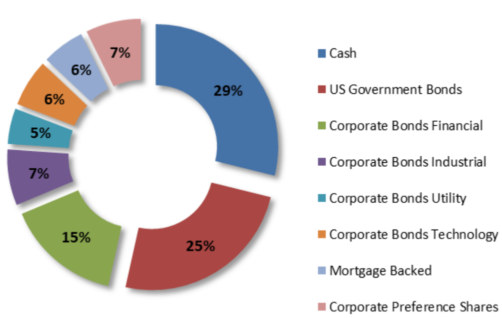
	Fund	**Benchmark***
1 Month	-1.04%	-2.46%
3 Month	-2.44%	-4.33%
1Yr	-2.65%	-4.22%
3Yr	1.35%	1.39%
5Yr	1.92%	1.65%

** Bloomberg Barclays Intermediate A+ U.S. Government/Credit Total Return*

TOP FIVE HOLDINGS

U.S. CORPORATE BONDS	33.57%
CASH	28.86%
US GOVERNMENT BONDS	24.61%
CORPORATE PREFERENCE SHARES	7.31%
MORTGAGE BACKED SECURITIES	5.64%

ALLOCATION



The High Yield Income Fund is a sub fund of the RF (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.

Looking for Elusive Yield

Yields fluctuated throughout Q1 and bond prices followed accordingly. The Fund returned –1.04% in March and –2.44% in Q1, outperforming the index.

Over the quarter we saw elevated inflation, hawkish central bank policy shifts and the emergence of the Omicron Covid-19 variant. There was a short-lived rotation toward safe haven assets as the war began, but investors appeared to focus overall on inflationary pressure that is high and still rising.

Government bond yields rose sharply (bond prices and yields move in opposite directions). Central banks were surprisingly hawkish and markets priced in a faster pace of monetary normalisation. The extent of yield moves differed across markets. The US Treasury market is in the midst of one of its worst sell-offs on record, but moves were less pronounced in core Europe and the UK.

The Fed's rhetoric turned more hawkish and "lift-off" came as expected in March, with the Fed implementing a 25 basis point rate hike. Investors expect several more, at a swift pace, in 2022. The US 10-year Treasury yield increased from 1.51% to 2.35%, with the 2-year yield rising from 0.73% to 2.33%.

Corporate bonds saw significantly negative returns and wider spreads, underperforming government bonds. High yield spreads widened more than investment grade, although they saw less negative total returns due to income. Investment grade bonds are the highest quality bonds as determined by a credit rating agency; high yield bonds are more speculative, with a credit rating below investment grade.

The Fed is expected to move slowly, which would consequently cause higher bond volatility, and expect higher rates in the second half of 2022 as part of policy normalization.

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