

# Prime Income Fund

Quarterly Report, Q1 2023  
Issue 38



|                        |          |
|------------------------|----------|
| March Net Asset Value: | \$7.7962 |
| Assets:                | \$421.8M |
| Inception:             | Nov-12   |

## PERFORMANCE (Net)

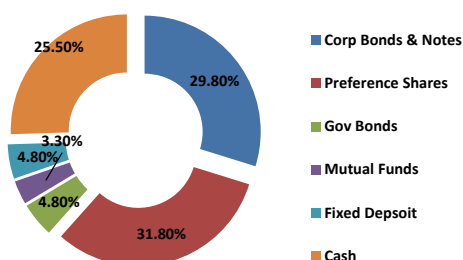
|         | Fund  | Benchmark* |
|---------|-------|------------|
| 1 Month | 0.43% | 0.35%      |
| 3 Month | 0.80% | 1.06%      |
| 1Yr     | 3.02% | 4.25%      |
| 3Yr     | 3.54% | 4.25%      |
| 5Yr     | 4.08% | 4.25%      |

\*Bahamas Prime Rate

## TOP FIVE HOLDINGS

|                                   |        |
|-----------------------------------|--------|
| CABLE BAHAMAS PREF SHARES 6.00%   | 11.42% |
| NAD LIMITED NOTE 7.50%            | 8.79%  |
| CABLE BAHAMAS PREF SHARES 5.50%   | 8.30%  |
| BE ALIV FIXED RATE NOTES 8.5%     | 3.64%  |
| BE ALIV SERIES 1 PREF SHARES 8.0% | 3.61%  |

## ALLOCATION



*The Prime Income Fund is a sub fund of the Bahamas Opportunities umbrella investment fund, which began in November 2012. Performance shown is for Series 1, or retail, shares, which may differ from other Series offered in the fund. 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.*

## The Fund Adds USD Exposure

At the end of 2022 the Prime Income Fund invested approximately \$12 million U.S. T-bonds, \$12 million in investment grade USD corporate, and \$6 million in investment grade EURO corporates. These investments reduced the fund's excess cash position, added diversification, and enhanced the Fund's liquidity. The prices of these securities are subject to interest rate risk, but we feel the Fed is near the peak of rate increases and are expected to lower rates in early 2024. We expect bond markets reacting prior to actual rate cuts, which we feel will generate capital gains for investors.

These new investments will increase volatility in the Fund's NAV as reflected in the returns for January, February, and March of 0.40%, -0.03%, and 0.43%, respectively. As noted above we expect this investment and additional investments made in 2023 will improve the Fund's performance over the course of the year.

One important source for new investment opportunities will be public-private partnerships (PPPs), where the private sector provides the financial capital and the government usually provides the land and guarantees the future cash flows needed to repay private sector investors. This means the government doesn't need to borrow the full project costs upfront and can push repayment into the future. This is about cash flow management. Examples of current PPPs include the bridges to Paradise Island, The Nassau Airport Development Company, and the Arawak Port Development Company. There are a number of PPPs currently in the discussion phase.

Another source of potential investments is private sector financing. Currently approximately 5% of the fund's portfolio is invested in private sector fixed income securities. These investments offer higher returns given the higher credit risk and higher liquidity risk. It is for this reason that we will limit the Fund's investment in such securities to under 10% of the total portfolio.

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