Targeted Income Fund

Quarterly Report, Q1 2023

Issue 39

March Net Asset Value:	$12.56
Assets:	$40.8M
Inception:	Nov-13

PEFORMANCE

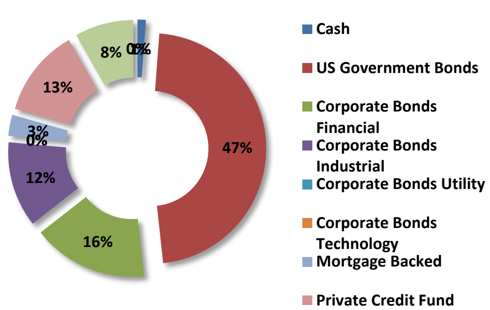
	Fund	Benchmark*
1 Month	0.83%	3.08%
3 Month	0.94%	2.95%
1Yr	-0.61%	-3.08%
3Yr	-0.71%	-2.78%
5Yr	1.20%	1.55%

** Bank of America/Merrill Lynch B310 U.S. Corp. & Govt. 5-7 year AAA-A*

TOP FIVE HOLDINGS

U.S. GOVERNMENT BONDS	47.10%
U.S. CORPORATE BONDS	28.16%
PRIVATE CREDIT FUND	12.37%
CORPORATE PREFERENCE SHARES	8.24%
MORTGAGE BACKED OBLIGATIONS	2.95%

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.

Mild Recession or Soft Landing?

The Fund returned 0.83%, 0.94%, and –0.61% in March, Q1, and over the last 12 months, respectively. The Fund underperformed in Q1 2023, but significantly outperformed the benchmark over the last year and over the last three years.

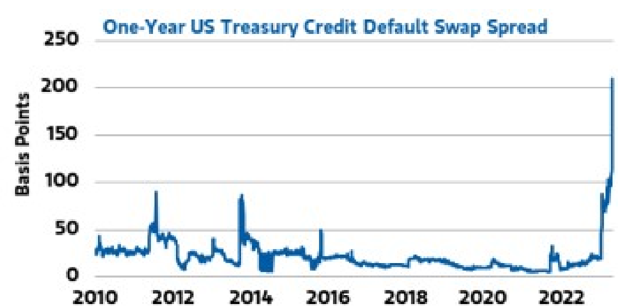
The allocation chart at bottom left shows that the Fund is 47% allocated to US Government Bonds and primarily in short-term paper. The second largest exposure is investment grade financial sector corporate paper, with investment grade industrial corporate paper being the third largest exposure. Together these three allocations account for 75% of the total portfolio.

Regarding U.S. interest rates, we expect the Fed will raise the Fed Funds Rate 0.25% in May and then hold the Fed Funds Rate steady until early 2024. We see the deceleration in the rate of inflation being slower than expected.

Currently economists are debating whether the U.S. economy will have a mild recession are a soft landing. In either case, the U.S. economy is expected to slow significantly, but not sufficiently to reduce inflation to a level that would trigger a rate reduction in 2023 by the Fed.

YTD excess cash has been invested in primarily in U.S. T-bills which have been yielding between 4%-5% over the last six months. Over the balance of 2023 we anticipate rolling maturing T-Bills into new short-term T-Bills until spreads on medium-term investment grade corporates widen.

Markets are getting more nervous about the ongoing U.S. debt ceiling debate and the polarization in Washington. The chart below tracks the price of the one-year US Treasury credit default swap spread and at the current level, the spread suggests the risk of default being a t least twice the levels during the 2011 and 2013 fights over the debt ceiling. We reduced exposure to T-bills that mature in the months around the debt ceiling deadline and extended maturities beyond the perceived risk window.



Source: Bloomberg as of April 27, 2023

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