

High Yield Income Fund

Quarterly Report, Q1 2025
Issue 39



Inflation, Tariffs, and Opportunity

Net Asset Value:	\$13.03
Assets:	\$40.65M
Inception:	Nov-13

PERFORMANCE

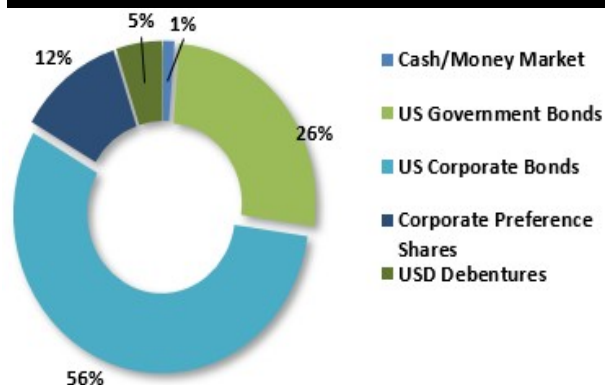
	Fund	Benchmark*
1 Month	0.07%	0.53%
3 Month	0.62%	3.28%
1Yr	4.43%	5.60%
3Yr	2.34%	1.25%
5Yr	0.93%	-0.30%

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

TOP FIVE HOLDINGS

U.S. CORPORATE BONDS	56.07%
U.S. GOVERNMENT BONDS	26.11%
CORPORATE PREFERENCE SHARES	11.59%
USD DEBENTURES	5.04%
CASH/MONEY MARKET	1.19%

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.

The Fund returned 0.07%, 0.62%, and 4.43% in March, Q1 and over the last 12 months, respectively. The Fund outperformed the benchmark in each period.

The allocation chart at the bottom left indicates that the Fund is 52% allocated to USD corporate bonds. The second-largest exposure is US government bonds, primarily in short- to medium-duration securities. The third-largest holding consists of corporate preference shares. Together, these three allocations account for over 93% of the total portfolio.

President Trump's renewed tariffs, particularly on Chinese goods, are contributing to inflationary pressures by raising the cost of imports. This complicates the Federal Reserve's path toward rate cuts. Chair Jerome Powell has reiterated the need for sustained progress toward the 2% inflation target before easing policy, and these tariffs act as a supply-side shock that keeps inflation elevated even as broader economic activity slows.

For the fund, this "higher-for-longer" rate environment presents both challenges and opportunities. Elevated rates continue to pressure longer-duration bond prices, potentially leading to mark-to-market losses. However, the fund benefits from higher reinvestment yields and attractive income opportunities across shorter-duration and higher-quality securities. As rate volatility persists, the fund is strategically positioned to manage duration risk while capturing enhanced yield in the front end of the curve.

The tariffs reinforce a more complex investment landscape, where active management and nimble allocation are essential. The fund will continue to focus on balancing income generation with capital preservation amid uncertain monetary policy and persistent inflation risks.