

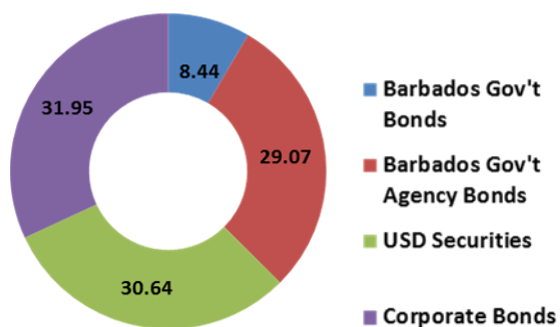
June Net Asset Value:	\$1.621
Assets:	\$25.06M
Inception:	Dec-08

Performance:

	Fund	Benchmark*
1 Month	-1.58%	0.375%
3 Month	-0.98%	1.13%
1 Yr	1.36%	4.5%
5 Yr	21.95%	24.62%

*4.5% flat rate

Allocation:



Top Holdings:

RF BAHAMAS USD TARGETED INCOME FUND
NEEDHAM'S POINT HOLDINGS 6.75% 2021
N.S.R. LIMITED 5% 2029 BOND
B'DOS AGRICULTURAL MGMT 6.5% 2019 BOND
WILLIAMS INDUSTRY 5.25% 2023 BOND

The Premium Income Fund is a sub fund of the Royal Fidelity Investment Fund the umbrella company. 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.

**A Gallus by any other name!
Credit reality finally hits home**

The chickens have finally come home to roost, as the anticipated credit event took place early June. The Government suspended all payments on foreign debt while continuing to pay only local interest payments until a restructuring exercise is completed. IMF support is being negotiated alongside the restructuring program.



Since this announcement USD Government Bonds have been trading around 55 cents on the dollar.

But Barbados is not alone in dealing with the long-term effects of debt bailouts. In describing the dismantling of the decade-long, low-interest rate-producing Quantitative Easing (QE) program, Michael Bell of JP Morgan uses an interesting collection of colourful phrases like "fiscal sugar rush" and "nursing a hangover." He even likens recent Fed action to "gradually removing the punch bowl from the party," and recommends that investors "dance a little closer to the cloakroom." Eagle-eyed readers may get the impression that Bell



thinks the party's over for USD-denominated fixed income, but that would be a mistake. He doesn't think it's over . . . yet.

This sentiment regarding global fixed income mirrors a general sense of unease with the current state of the global markets, as investors and advisors alike try to assess how the daily parade of geopolitical unrest they see on the news will affect their portfolios. Bell thinks we still have some life left in the party (at least until late next year.)

USD-denominated fixed income securities will continue to be impacted by an increase in USD interest rates, and have already been dented by the Fed's actions thus far. The fund's returns for the year have been relatively flat with a small loss of 0.98% for the quarter and a 12-month return of 1.36%. □

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