

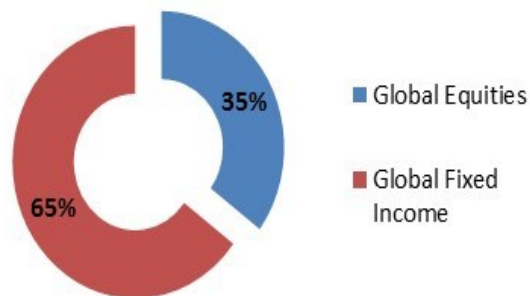
<b>June Net Asset Value:</b>	\$11.314
<b>Assets:</b>	\$623K
<b>Inception:</b>	Aug-14

## Performance:

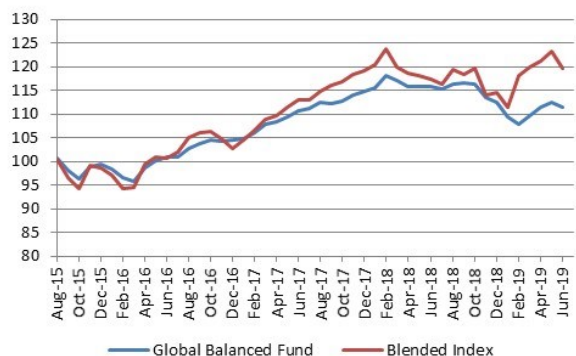
	Fund	Benchmark*
<b>1 Month</b>	1.49%	5.13%
<b>3 Month</b>	1.62%	3.90%
<b>1 Yr</b>	-1.82%	7.47%
<b>3 Yr Ave Ann</b>	3.99%	7.25%

\* Blended Index: 50% MSCI All-Country World Index (MXWD) and 50% Bloomberg Barclays Emerging Markets USD Sovereign Bond Index (BSSUTRUU)

## Allocation:



## Performance:



The Global Balanced Fund is a sub fund of the Royal Fidelity International Investment Fund. The fund is new and has limited performance history. 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.

# Fixed Income and Equities Telling a Cautionary Tale

In its latest report, the Global Investment Committee of Morgan Stanley stated that "the risk of a mild economic recession in the US has greatly increased during the past six months." They also note that the "good news is that the markets already know this, which is why long-term US Treasury Yields are so low and defensive equity sectors like utilities, consumer staples and real estate investment trusts have performed so well in the past year."

In May the Global PMI fell below 50 to 49.8 and in June it fell further to 49.4, which was the lowest level in six-and-a-half years. The July number decreased further to 49.3. A number of 50 or higher signals expansion, while a figure below 50 signals contraction. This is an important leading economic indicator which supports Morgan Stanley's concern about the U.S. economy.

The Federal Reserve's recent rate cut pushed total debt with sub-zero yields over the \$14 trillion mark. Globally, nearly 26% of all investment grade debt issues have negative yields. Is the market pricing bonds for slow growth and deflation?

Gold has rallied roughly 10% in the last month and the price of gold is usually inversely related to real interest rates. The increase in the demand for gold and securities linked to gold may indicate that investors are beginning to shift their investment objective to capital preservation until we have greater visibility of future economic activity.

The economic, equity market and fixed income market developments highlighted above support the position that investors proceed with caution over the short to medium term. Warren Buffet's Berkshire Hathaway is now sitting on \$122 billion in cash. They appear to be sitting on the sidelines for now.

Currently the fund is 65% allocated to fixed income, which we feel is prudent given the above. A reallocation to global equities may occur once we have greater clarity on the outlook for the equity markets.

## Royal Fidelity Merchant Bank & Trust

East Hill Street

PO Box N 4853

Nassau, Bahamas

(242) 603-6000

[www.royalfidelity.com](http://www.royalfidelity.com)

[info@royalfidelity.com](mailto:info@royalfidelity.com)