



## Select Balanced Fund

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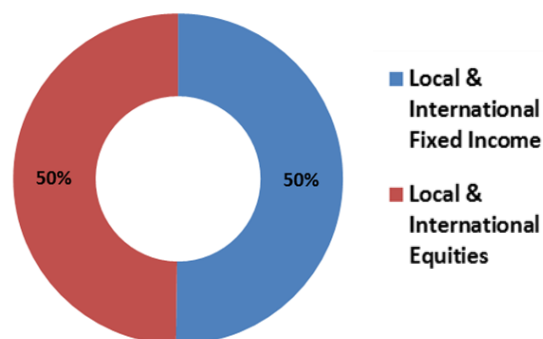
Jun Net Asset Value:	\$5.2259
Assets:	\$28.34M
Inception:	Aug-86

### Performance:

	Fund	Benchmark*
1 Month	1.43%	0.458%
3 Month	1.98%	1.374%
1 Yr	0.61%	5.5%
5 Yr	15.96%	30.69%

\* Annual rate of return, 5.5%

### Allocation:



### Top Holdings:

RF BAHAMAS INT'L OPPS USD EQUITY FUND
RF BAHAMAS USD TARGETED INCOME FUND
NEEDHAM'S POINT HOLDINGS 6.75% 2021
N.S.R. LIMITED 5% 2029 BOND
GODDARD'S ENTERPRISES LIMITED

*The Select Balanced 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.*

## Fixed Income and Equities Tell 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 in-vestment 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 Berk-shire Hathaway is now sitting on \$122 billion in cash. They appear to be sitting on the sidelines for now.

Currently the fund is has an almost equal 50/50 equity and fixed income allocation.

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