

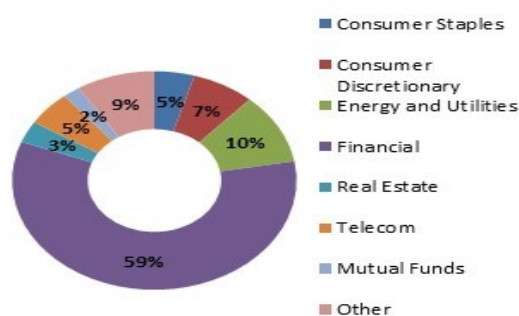
Jun Net Asset Value:	\$8.9742
Assets:	\$21.40M
Inception:	Nov-12

Performance:

	Fund	Benchmark*
1 Month	1.00%	-0.44%
3 Month	0.18%	1.94%
1 Yr	8.36%	9.40%
5 Yr Ave Ann	8.06%	6.94%

* BISX All Share Index

Allocation:



Top Holdings:

FIDELITY BANK (BAHAMAS)	26%
FINCO	10%
COMMONWEALTH BANK	8%
COLINA	7%
FOCOL	7%

The Targeted Equity Fund is a sub fund of the Bahamas Opportunities umbrella investment fund, which began in November 2012. 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.

Commercial Banking Sector

Interest rates have been decreasing for years in The Bahamas. The weighted average deposit rate decreased 1.49% to 0.64% between 2014 and 1Q2019. Over this same period, the weighted average loan rate decreased from 12.11% to 10.00% and the residential mortgage rate decreased from 6.94% to 5.11%. Lower interest rates benefit the borrower, but can prove a challenge for lenders.

Normally when borrowing rates decrease, borrowing increases, but the opposite has been the case in The Bahamas. Since 2014, total private sector credit has decreased by \$410 million to \$5.6 billion and banks pulled back on lending and wrote off bad loans.

Over the last 5 years banking sector interest income decreased by 1.54% per annum. Despite this decrease, net income increased by an average of 2.7% per annum. This was achieved by growing commission and forex income by 6.98% per annum, reducing operating costs by 6.34% per annum and reducing provisions for bad debt by 22.40% per annum.

The domestic banking sector's loan book quality appears to have stabilized and a hopefully a period of moderate loan growth will commence.

Bank	Price 2018 Y/E	Price 2Q2019	Change
BOB	\$1.46	\$2.51	71.92%
CBL	\$4.50	\$4.49	-0.22%
CIB	\$10.20	\$11.05	8.33%
FBB	\$12.85	\$14.45	12.45%
FIN	\$6.98	\$7.98	14.33%

Royal Fidelity Merchant Bank & Trust

East Hill Street
PO Box N 4853
Nassau, Bahamas
(242) 603-6000

www.royalfidelity.com
info@royalfidelity.com