Premium Income

Q2 2020
Issue 31

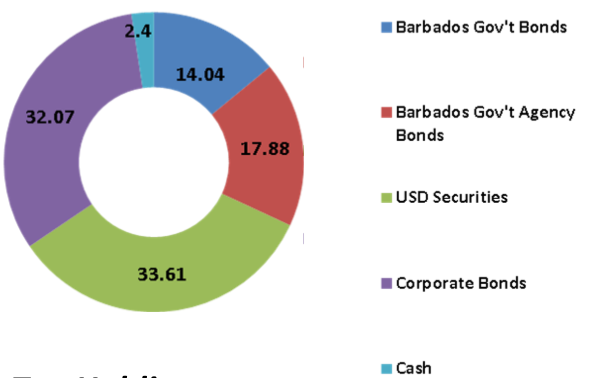
June Net Asset Value:	$1.6683
Assets:	$24.61M
Inception:	Dec–08

Performance:

	Fund	Benchmark*
1 Month	0.23%	0.375%
3 Month	2.36%	1.13%
1 Yr	7.2%	4.5%
5 Yr	13.62%	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
WILLIAMS INDUSTRIES 5.25% 2023 BOND
GOV'T OF BARBADOS SERIES D 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.

Reflation vs. Inflation

Central banks for decades have considered inflation the top villain against stable economic growth. If central banks are setting monetary policy with the primary objective of controlling inflation, then it is rational for economic agents to consider inflationary risk under control.

The exogenous shock to the global economy cased by the Covid-19 pandemic initially resulted in the prices of global stocks, credit, commodities and currencies dropping sharply. Deflationary risk was now the pressing concern for central banks.

Since the collapse of stock and bond prices in March, and oil prices in May, the "Shock-and-Awe" global fiscal and monetary response have global stocks, credit, commodities and currencies signalling reflation. US Treasuries are the exception.

US Treasury real yields are at all-time lows, which implies economic weakness ahead and inflation is not expected. The global economic data however, suggests a v-shaped recovery is underway, supported by manufacturing, US housing and consumer durables data. We support the view that reinflation will result in increasing Treasury yields.

Locally the government launched its BOSS program whereby bonds are to be issued to public servants as a portion of their net salary , this will allow Government the fiscal space to invest in its capital program to generate jobs. Boss bonds will be a 4-year bond with a 5% interest per annum. As interest rates currently remain quite low these securities offering a 5% return on investment with a shorty maturity of 4 years are indeed attractive. For Q2 2020 the fund was able to record a positive return of 2.36%.

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