

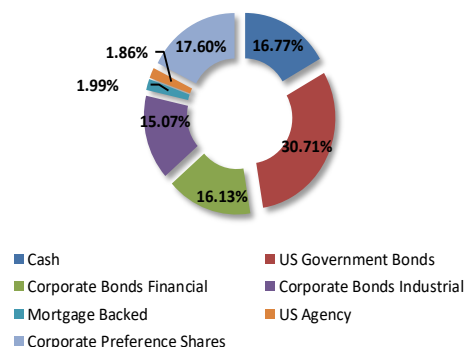
June Net Asset Value:	\$13.0870
Assets:	\$10.84M
Inception:	Nov-11

Performance:

	Fund	Benchmark*
1 Month	0.47%	1.23%
3 Month	1.92%	2.51%
1 Yr	5.49%	8.19%
5 Yr Ann Ave	4.04%	3.50%

* Bloomberg Barclays Intermediate A+ U.S. Government/Credit Total Return Bond Index

Allocation:



Top Holdings:

U.S. CORPORATE BONDS	31.2%
U.S. TREASURIES	30.7%
CORPORATE PREFERENCE SHARES	17.6%
CASH	16.8%
MORTGAGE BACKED SECURITIES	2.0%

The High Yield Income Fund is a sub fund of the Royal Fidelity (Bahamas) International umbrella investment fund and invests substantially all of its assets into the USD Targeted Income Fund. The allocation shown is subject to change without notice and at the discretion of the investment manager. The Bloomberg Barclays Emerging Markets USD Sovereign Bond Index tracks fixed and floating-rate US dollar-denominated debt issued by EM governments.

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 caused 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 signaling 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. In a recent report from the Morgan Stanley Global Investment Committee, they acknowledge near-term risks in public health and politics, but they don’t think the Treasury market is sending valid signals about the US economy.

The global economic data suggests a v-shaped recovery is underway, supported by manufacturing, US housing and consumer durables data. We support the view that reflation will result in increasing Treasury yields and the Fund will focus short to intermediate duration non Treasury credit.

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