

# Premium Income Fund

Quarterly Report, Q2 2022



Mar Net Asset Value:	\$1.707
Assets:	\$24.07M
Inception:	Dec-08

## PERFORMANCE

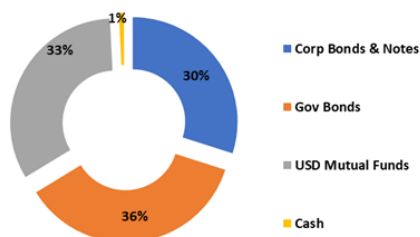
	Fund	Benchmark*
1 Month	-0.05%	0.33%
3 Month	0.09%	1.01%
1Yr	1.37%	4.05%
3Yr	3.19%	4.05%
5Yr	1.39%	4.05%

\* Barbados Discount Rate

## TOP FIVE HOLDINGS

RF BAHAMAS USD TARGETED INCOME	32.79%
GOVERNMENT OF BARBADOS SERIES B	16.57%
N.S.R. LIIMITED 5% 2029 BOND	13.20%
WILLIAM INDUSTRIES TRANCE 4 5.25%	10.82%
GOVERNMENT OF BARBADOS SERIES D	9.74%

## ALLOCATION



The Premium Income Fund is a sub fund of the RF 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.

## Cost of Fighting Inflation

Yields fluctuated throughout Q2 and bond prices followed accordingly. The Fund returned -0.05% in June and 0.09% in Q2, under-performing the index slightly.

Throughout Q2 2022, we saw inflation continue to rise, large hikes in interest rates, and the Russia/Ukrainian war intensify. In bond markets, yields continued to rise from Q1, with the 10-year treasury yields rising to 3.0129% from 2.338% in Q1 2022.

Policy interest rates also increased dramatically with two large hikes by the Feds, rising to 1.75% from 0.5% in Q1 2022. These hikes came as the US Federal Reserve began their fight against inflation, despite admitting that it will be difficult to slow inflation without causing a recession.

The US 10-year Treasury yield increased significantly in Q2, from 2.338% to 3.0129%. It peaked at 3.4980% in June amid the Fed's announcement of a 75bps hike in interest rates. Since then yields pulled back to close the quarter at 3.013% as investor's begin to fear the possibility of a recession more than inflation, thus viewing treasury bonds as a safer investment than US equities. The US 2-year yield increased from 2.286% to 3.248% resulting in an inverted yield curve, which supports the recession narrative. Corporate bonds lagged government bonds for the quarter. High yield bonds experienced the largest losses amidst growing concerns of inflation and a recession.

It is expected that the Fed will continue their fight against inflation by issuing a few more hikes in interest rates throughout the end of the year. There are growing concerns of the Fed's ability to create 'soft landing' from inflation without triggering a recession. The latest Bloomberg survey of leading economists suggests that they feel there is a 47.5% chance of a US recession in the next 12 months.

RF Merchant Bank & Trust (Barbados) Limited  
435-1955 info@rfgroup.com

Phone: