

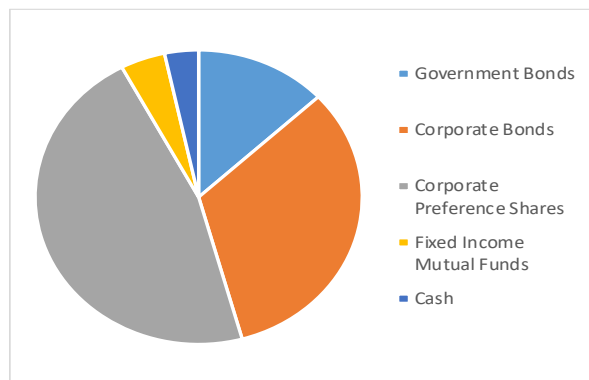
|                              |          |
|------------------------------|----------|
| <b>Sept Net Asset Value:</b> | \$6.8526 |
| <b>Assets:</b>               | \$82.3M  |
| <b>Inception:</b>            | Nov-12   |

## Performance:

|                     | Fund  | Benchmark* |
|---------------------|-------|------------|
| <b>1 Month</b>      | 0.39% | 0.35%      |
| <b>3 Month</b>      | 1.28% | 1.06%      |
| <b>1 Yr</b>         | 5.01% | 4.25%      |
| <b>5 Yr Ave Ann</b> | 5.16% | 4.48%      |

\* Bahamas Prime Rate

## Allocation:



## Top Holdings:

|                                   |       |
|-----------------------------------|-------|
| CABLE BAHAMAS PREF SHARES 6.25%   | 13.8% |
| NAD PARTICIPATING DEBT NOTES 7.5% | 13.0% |
| BE ALIV FIXED RATE NOTES 8.5%     | 6.5%  |
| BE ALIV SERIES 1 PREF SHARES 8.0% | 6.5%  |
| CABLE BAHAMAS PREF SHARES 5.75%   | 5.0%  |

*The Prime Income 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.*

## Re-Investment Risk

Investors in debt are looking for the highest possible interest rate given a certain level of risk. The issuers of debt on the other hand are trying to minimize their cost of debt. This balancing act is a function of the issuer's management of risk and the overall interest rate environment. A firm that is well managed and generating strong free cashflows can consider redeeming outstanding debt. This is great for the equity investors but increases the re-investment risk of debt holders. Also, assuming the issuer's risk remains steady, re-investment risk increases as interest rates decrease. Lower interest rates increase the likelihood of debt re-financing.

Subsequent to the end of the 3Q2019, Fidelity Bank Limited (FBB) announced that they are redeeming in full one of their bond issues. FBB recently realized a significant profit on the sale of an investment and management decided to use some of this cash to redeem this bond. The holders of this bond now have cash instead of a bond paying them 6% and in the current low interest rate environment it will be difficult if not impossible to find a similar investment. This is re-investment risk! The equity investors of FBB see this development differently. The redemption of this bond will save FBB around \$600k in interest expense annually.

Over the next few months we will learn how Cable Bahamas intends to use the \$100 million plus earned from the sale of their U.S. subsidiary. There is no doubt that some of this windfall will be used to redeem existing debt.

The challenge for investors and investment managers will be to find appropriate investments for excess cash holdings.

### Royal Fidelity Merchant Bank & Trust

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

[www.royalfidelity.com](http://www.royalfidelity.com)  
[info@royalfidelity.com](mailto:info@royalfidelity.com)