High Yield Income Fund

Quarterly Report, Q3 2022
Issue 37

MUTUAL FUNDS

Sept Net Asset Value:	$12.0319
Assets:	$20.58M
Inception:	Nov-13

PEFORMANCE

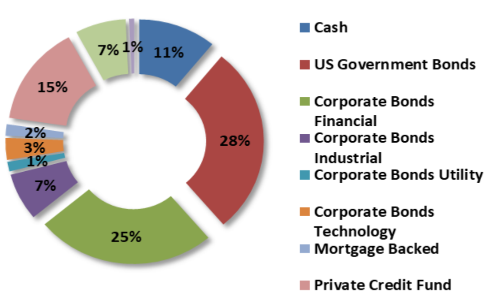
	Fund	Benchmark*
1 Month	-0.60%	-0.90%
3 Month	-0.79%	-1.95%
1Yr	-5.17%	-6.74%
3Yr	0.40%	-0.05%

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

TOP FIVE HOLDINGS

U.S. CORPORATE BONDS	36.88%
US GOVERNMENT BONDS	27.83%
PRIVATE CREDIT FUND	14.83%
CASH	10.92%
CORPORATE PREFERENCE SHARES	7.10%

ALLOCATION



The High Yield Income Fund is a sub fund of the RF (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.

The Return of Yield

Yields rose and remained volatile throughout Q3 and bond prices fell accordingly. The Fund returned -0.60% in September and -0.79% in Q3, but outperformed the benchmark over both periods..

In July, the market had started to focus on the possibility of interest rate cuts from the US Federal Reserve (Fed) in 2023, given concerns about slowing growth. However, The Fed raised the federal funds rate by 75 basis points (bps) to 3.25% in September and a further 75 basis point hike is expected in November.

As the Fed raised rates, yields on U.S. Treasuries climbed rapidly. The yield on the 10-year U.S. Treasury rose to 3.97% on Sept. 27, its highest level since 2010, and ended the quarter at 3.83%. That's up from 2.88% on July 1. The two-year Treasury yield ended the quarter even higher at 4.22%, up from 2.84% at the start of the quarter—a very large move for a short-term government bond.

On the inflation front, consumer prices were flat in July and rose just 0.1% in August, with the year over-year inflation rate falling to 8.2%. Markets nevertheless reacted badly to August's consumer price index (CPI) print, as the modest 0.1% increase for the month was almost entirely explained by a 10.5% decline in gasoline prices, while there were plenty of hotspots elsewhere, such as shelter costs, which rose by 0.7%. Overall, inflation is still expected to moderate in the coming months, but core inflation is expected to remain above the Fed's target.

From here, the outlook will hinge almost entirely on the pace at which inflation begins to abate, market strategists and fund managers say. Unless inflation begins to soften quickly, it's not likely the pressure on stock and bond markets will ease anytime soon.

For now, more signs are pointing to a slowdown in economic growth and the Fed is gearing up for two more interest-rate hikes before the end of 2022. Against that backdrop, investors need to keep their seat belts buckled and brace for even more volatility and difficult market performance in the coming months.

In the short-term the excess cash and new money will be allocated to short-term US T-bills yielding around 4%. The rate at which inflation abates and the determination of the Fed to tap-down to the stated 2% target, will dictate how quickly the Fund shifts from short-term treasuries to longer duration paper.

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