

Premium Income Fund

Quarterly Report, Q3 2023
Issue 39



Is The Bond Bear Market Over?

Net Asset Value:	\$1.7415
Assets:	\$23.8M
Inception:	Dec-08

PERFORMANCE

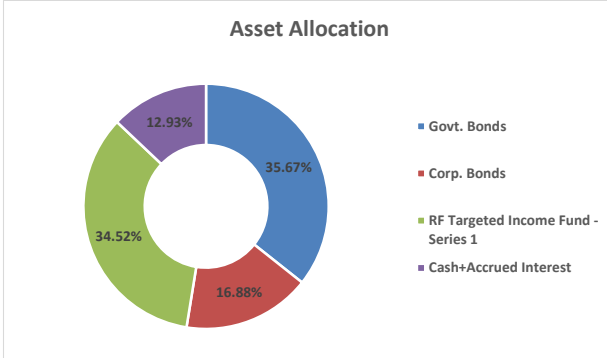
	Fund	Benchmark*
1 Month	-0.62%	0.17%
3 Month	-0.19%	0.50%
1Yr	2.43%	2.00%
3Yr	2.49%	2.00%
5Yr	2.59%	2.00%

*Barbados Discount Rate

TOP FIVE HOLDINGS

RF BAHAMAS USD TARGETED INCOME	34.61%
GOVERNMENT OF BARBADOS SERIES B	15.94%
CASH	12.69%
GOVERNMENT OF BARBADOS SERIES D	11.43%
WILLIAM INDUSTRIES TRANCE 4 5.25%	11.34%

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.

The Fund returned -0.62%, -0.19%, and 2.43% in September, Q3, and over the last 12 months, respectively. The Fund outperformed the benchmark in the last year but underperformed in the last quarter. The Fund's portfolio has USD investments that are subject to interest rate risk, while the benchmark is not. Over the next two years we expect materially higher returns as the US Fed Funds Rate peaks in 2023 and gradually declines in 2024 boosting bond prices.

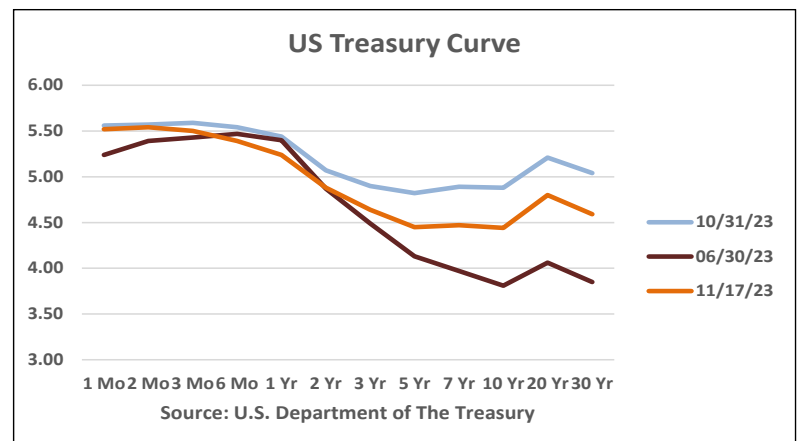
The allocation chart at bottom left shows that the Fund is 34.6% allocated to RF Bahamas USD Targeted Income Fund which has a 47.1% exposure to U.S. Treasuries and 28.1% exposure to investment grade corporates. The weighted average maturity is under 3 years and the weighted average credit rating is AA.

YTD excess cash has been invested primarily in U.S. T-bills which have been yielding between 4%-5% over the last six months. Over the balance of 2023 we anticipate rolling maturing T-Bills into new short-term T-Bills and medium-term treasuries and investment grade corporates where we feel the potential for capital gains in 2024 is highest.

Regarding U.S. interest rates, at the November meeting the FED held the fed funds rate at 5.25%-5.5%. This decision in addition to economic indicators implying that U.S. economic growth is slowing triggered a reduction in yields on the market's expectation the FED rate rising cycle is over and that it will lower rates in 2024.

The chart below details the changes in the U.S. treasury yield curves as at June 30th, October 31st, and November 17th. The yield-to-maturity (YTM) for the 10-yr treasury increased by 107 basis points (1.07%) between June 30th and October 31st, but pulled back 44 basis points during the first 17 days of November. This bodes well for the Fund's performance so far in November.

We anticipate 2024 being a strong year for fixed income and therefore the Targeted Income Fund.



RF Merchant Bank & Trust (Barbados) Limited