

Premium Income Fund

Quarterly Report, Q4 2021
Issue 37



Looking for Elusive Yield

Dec Net Asset Value:	\$1.6994
Assets:	\$23.65M
Inception:	Dec-08

PERFORMANCE

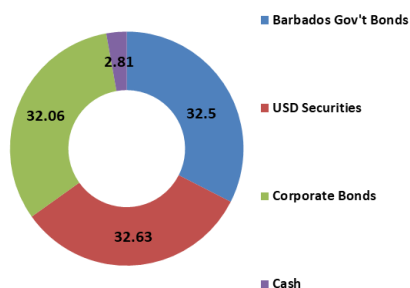
	Fund	Benchmark*
1 Month	0.39%	0.375%
3 Month	1.00%	1.13%
1Yr	3.40%	4.5%
3Yr	4.19%	4.5%
5Yr	1.63%	4.5%

*Annual rate of return 4.5%

TOP FIVE HOLDINGS

RF BAHAMAS USD TARGETED INCOME	33.54%
GOVERNMENT OF BARBADOS SERIES B	17.71%
N.S.R. LIIMITED 5% 2029 BOND	12.83%
WILLIAM INDUSTRIES TRANCE 4 5.25%	11.20%
GOVERNMENT OF BARBADOS SERIES D	9.32%

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.

Over the quarter we saw elevated inflation, hawkish central bank policy shifts and the emergence of the Omicron Covid-19 variant. In US bond markets, 10-year government yields were largely unchanged. Yields followed a downward trajectory for most of the quarter before reversing in the final weeks of the year as sentiment improved.

Most notably, US Federal Reserve rhetoric turned increasingly hawkish in November. Chairman Powell and other members of the policy committee suggested tapering could be accelerated, which it was in December, and that they may stop referring to inflation as "transitory".

The US 10-year Treasury yield was little changed for the quarter, from 1.49% to 1.51%. It reached 1.7% in October amid elevated inflation and expectations of policy tightening, then a low of 1.36% in early December amid fears over the Omicron Covid-19 variant. The US 2-year yield increased from 0.28% to 0.73%. Corporate bonds lagged government bonds for the quarter. In investment-grade, the US market saw modestly positive total returns

It is expected that the Fed will use a disciplined approach regarding the reduction of quantitative easing, the steadying of asset purchases and indicating what they'll do in terms of rate hikes. There are shifting expectations over the pace of rate hikes in coming years. The Fed is expected to move slowly, which would consequently cause higher bond volatility, and expect higher rates in the second half of 2022 as part of policy normalization.

The Central Bank of Barbados meanwhile reported at year-end a public debt ratio equivalent to 136.3 percent. New domestic financing for 2021 remained limited to funds raised from the special securities (BOSS Bonds) targeted to public servants. Towards the end of the year-end, the government came to the market with a new domestic debt issuance however the response "was modest, reflecting on-going concerns of investors." In the end the Fund returned 0.39% for December and 1% in Q4 and a calendar return of 3.4%.

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