

Fixed Income Pension - PRA

Quarterly Report, Q2 2023
Issue 40



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|-----------------------|---------|
| June Net Asset Value: | \$1.19 |
| Assets: | \$8.75M |
| Inception: | Nov-12 |

PERFORMANCE (Net)

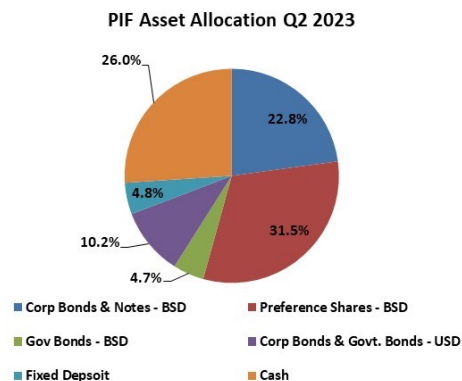
| | Fund | Benchmark* |
|---------|-------|------------|
| 1 Month | 0.25% | 0.35% |
| 3 Month | 0.57% | 1.06% |
| 1Yr | 1.73% | 4.25% |
| 3Yr | 2.66% | 4.25% |
| 5Yr | 3.55% | 4.25% |

*Bahamas Prime Rate

TOP FIVE HOLDINGS

| | |
|----------------------------------|--------|
| CABLE BAHAMAS PREF SHARES 6.00% | 11.31% |
| NAD LIMITED NOTE 7.50% | 8.71% |
| CABLE BAHAMAS PREF SHARES 5.50% | 8.34% |
| RF BANK 1MTH FIXED DEPOSIT 1.00% | 4.80% |
| BE ALIV FIXED RATE NOTES 8.5% | 3.61% |

ALLOCATION



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.

Looking for Yield!

The Fund generated a return of 0.57% in Q2. The Fund has provided a 1.73% return over the last 12 months, but averaged 3.55% over the last five years.

At the end of 2022 the Prime Income Fund invested approximately \$12 million U.S. T-bonds, \$12 million in investment grade USD corporate, and \$6 million in investment grade EURO corporates. These investments reduced the fund's excess cash position, added diversification, and enhanced the Fund's liquidity. The prices of these securities are subject to interest rate risk. Previously we noted that we expected the Fed to start lowering rates in early 2024. The US economy is performing better than expected, so the Fed Funds Rate may remain higher for longer.

Investing a significant portion of the excess cash is essential for improving the Fund's performance. In the short-term local investment opportunities remain limited, but there are several potential issues that the Fund will consider in the second half of 2023. Even if these investment come to market, the Fund will still have in excess of \$50 million in cash for investing.

The Fund is currently reviewing several USD investment opportunities in which we plan to invest \$40-\$50 million of the fund's excess cash. The table below details how US yields continue to edge upward making investing in USD fixed income increasing more attractive. In fact, USD treasury yields are higher than Bahamian government yields out to 2028.

| U.S. Treasury Yields | | | | | |
|----------------------|-------|-------|-------|-------|-------|
| Date | 1Mth | 3Mth | 1Yr | 5yr | 10yr |
| Dec. 31, 2022 | 4.12% | 4.42% | 4.73% | 3.96% | 4.14% |
| Mar. 31, 2023 | 4.74% | 4.85% | 4.64% | 3.60% | 3.81% |
| June 30, 2023 | 5.24% | 5.43% | 5.40% | 3.97% | 4.06% |
| July 31, 2023 | 5.48% | 5.55% | 5.37% | 4.08% | 4.22% |
| Aug. 28, 2023 | 5.55% | 5.57% | 5.37% | 4.42% | 4.64% |

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