

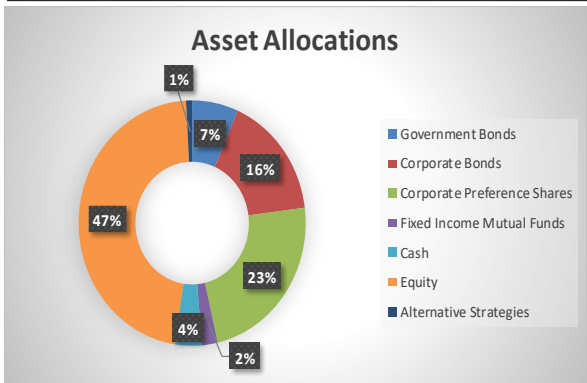
<b>Dec Net Asset Value:</b>	\$2.2820
<b>Assets:</b>	\$17.55M
<b>Inception:</b>	Jul-98

**Performance:**

	Fund	Benchmark*
<b>1 Month</b>	3.01%	0.72%
<b>3 Month</b>	7.12%	0.84%
<b>1 Yr</b>	12.67%	6.79%
<b>3 Yr Ave Ann</b>	6.44%	5.70%

\* Blended Index: 60% current Bahamas Prime Rate and 40% BISX All Share Index

**Allocation:**



**Top Holdings:**

CABLE BAHAMAS PREF SHARES	6.25%
BE ALIV FIXED RATE NOTES	8.5%
BE ALIV PREF SHARES	8.0%
FIDELITY BANK (BAHAMAS)	
COMMONWEALTH BANK	
FINCO	

*The Balanced Fund is a pension-only pool of assets that invests in the pension-specific shares of other equity and fixed income funds. Performance shown does not include any fees associated with the administration of a pension plan and may differ from other shares offered in the fund as a result of different fee structures. The asset allocation shown is subject to change without notice and at the discretion of the investment manager, subject to any restrictions outlined in the fund's offering documents. Past performance doesn't guarantee future success.*

## The Best of Both Worlds

The Secure Balanced Fund (The "Fund") is evenly split between fixed income and equity exposure. On the fixed income side, the Fund's exposure to corporate preference shares, corporate bonds and government bonds is 23%, 16% and 7% respectively. Regarding equity exposure, 47% of the Fund is invested in equities and the top five exposures are Fidelity Bank, Cable Bahamas, FINCO, Doctors Hospital and Commonwealth Bank. The Fund has a small 1% exposure to Alternative Strategies and at the end of the 3Q had 3.8% in cash. This balanced exposure to fixed income and equities resulted in a net return of 11.81% over the last year.

The Bahamas is in a low interest rate environment and when interest rates are low firms with debt exposure will often look to either re-finance or payoff more "expensive" debt. Subsequent to the end of the 3Q, Fidelity Bank redeemed in full one of their bond issues. 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. We view this as a net positive for the Fund, which has a material exposure to FBB common shares.

Many investors looking for income will consider common stocks that pay attractive and stable dividends. As interest rates on fixed income investments decrease, the demand for such dividend paying shares increases. Local investors have always preferred common stocks paying dividends. It is reasonable to expect that during the current low interest rate environment investors will focus even more on dividend yields versus valuation multiples like the price-to-earnings (P/E) ratio or the price-to-book (P/B) ratio multiples or when buying stocks.

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