

Fixed Income Pension - PRA

Quarterly Report, Q3 2023
Issue 41-104409



September Net Asset Value:	\$1.20
Assets:	\$9.17M
Inception:	Nov-12

PERFORMANCE (Net)

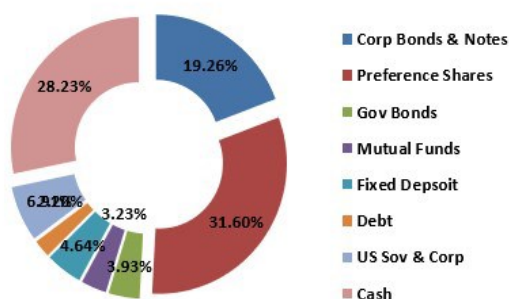
	Fund	Benchmark*
1 Month	0.11%	0.35%
3 Month	0.61%	1.06%
1Yr	2.00%	4.25%
3Yr	2.44%	4.25%
5Yr	3.46%	4.25%

*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.

Balancing Credit Risk & Interest Rate Risk

The Prime Income Fund (the "Fund") generated a return of 0.61% in Q3. The fund was up 2.00% over the last 12 months which is underperforming the benchmark but trending upwards.

In the Bahamian market the primary risk is credit risk while in the U.S. fixed income market both credit risk and interest rate risk are material. The key driver of interest rate risk is Central Bank policy. In the Bahamas the Prime Lending Rate (the "PLR") historically remains stable for years on end. The PLR was lowered from 4.75% to 4.25% in January 2017 and has not changed since. On the other hand, the Federal Reserve Bank of the U.S. (the "FED") actively adjusts the Fed Funds Rate (the "FRR") to stimulate or cool the U.S. economy. The FED has increased the FFR 5.25% via 11 rate increases since early 2022. Thus, managing interest rate risk in the US market is key, while less of an issue in the Bahamian market

Regarding credit risk, the US credit rating as measured by Moody's S&P and Fitch is Aaa, AA+, and AA+, respectively. On the other hand the credit rating for The Bahamas as measured by Moody's and S&P is B1 and B+ respectively, which is 14 to 15 levels below the U.S. Therefore, credit risk is a key concern for the Bahamian market.

In November of 2022 the Fund, via the Investment Currency market, purchased \$30 million in US Treasuries and investment grade corporate bonds. We expect U.S. interest rates to decrease in 2024 which should generate capital gains on these investments. Also, the weighted average coupon payment on these bonds is around 3%.

The table below details how US yields continue to edge upward making new investments 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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