RF Inter. Fixed Income Pension Fund (USD)

Quarterly Report, Q3 2024
Issue 42 —102529 —USD

Net Asset Value:	$1.11
Assets:	$461K
Inception:	Nov-13

PEFORMANCE

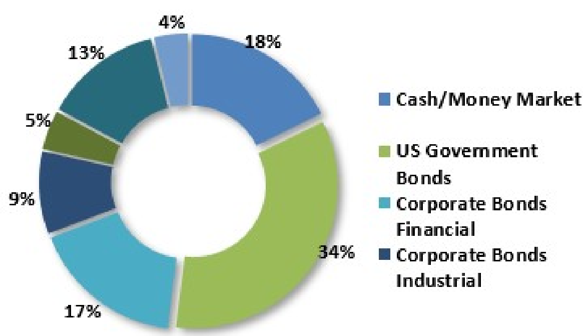
	Fund	Benchmark*
1 Month	0.52%	1.25%
3 Month	2.57%	5.15%
1Yr	4.27%	10.68%
3Yr	-1.19%	-0.43%
5Yr	-0.63%	1.06%

** Bank of America/Merrill Lynch B310 U.S. Corp. & Govt. 5-7 year AAA-A*

TOP FIVE HOLDINGS

U.S. GOVERNMENT BONDS	34.30%
U.S. CORPORATE BONDS—FIN	17.21%
CASH/MONEY MARKET	17.66%
CORPORATE PREFERENCE SHARES	13.24%
U.S. CORPORATE BONDS—IND	9.31%

ALLOCATION



RF Inter. Fixed Income Pension Fund (USD) is a sub fund of the RF (Bahamas) International umbrella investment fund . The allocation shown is subject to change without notice and at the discretion of the investment manager.

The Feds are Making Moves

The Fund returned 0.52%, 2.57%, and 4.27% in September, Q3 and over the last 12 months, respectively. The Fund underperformed the benchmark over the 3 period.

The allocation chart at bottom left shows that the Fund is 34.30% allocated to US Government Bonds and primarily in short to medium duration paper. The second largest exposure is investment grade financial sector corporate paper, with investment grade industrial corporate paper being the third largest exposure. Together these three allocations account for over 70% of the total portfolio.

In 2021, the Federal Reserve maintained the position that inflation was transitory and kept the Federal Funds Rate (FFR) at 0.25%. However, by February 2022, the Fed recognized its mistake and began a series of rate hikes, totaling 5.25% over the following 18 months. This shift led to an upward movement in the U.S. Treasury yield curve (see chart below). As a result, both equity and bond investors experienced double-digit losses in 2022, largely due to the Fed's policy missteps.

In the third quarter of 2024, the Fed finally began the process of reducing interest rates by 50 basis points, which led to a significant increase in bond yields. The FED could potentially make a final rate cut in their last meeting for 2024. While the Fed has begun cutting rates, the U.S. economy remains strong, which raises concerns that inflation could resurface.

The Fund has benefited significantly from these developments and is poised to continue benefiting as the Fed pursues further rate cuts. This will increase the value of the existing bonds held by the Fund. The remainder of 2024 and into 2025 should prove to be some of the most profitable years for fixed income investments since the pandemic.

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