

Fixed Income Pension Fund

Quarterly Report, Q4 2023
Issue 41—803523



December Net Asset Value:	\$2.07
Assets:	\$24.80M
Inception:	Nov-12

PERFORMANCE (Net)

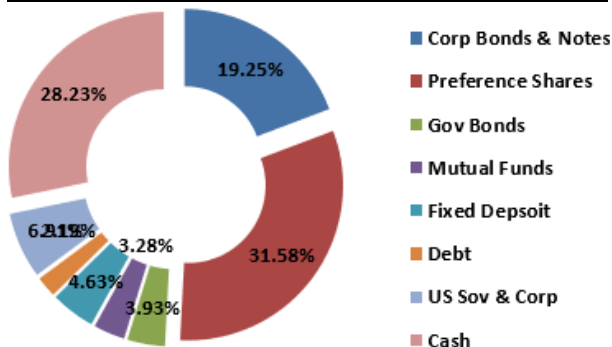
	Fund	Benchmark*
1 Month	0.34%	0.35%
3 Month	0.84%	1.06%
1Yr	2.51%	4.25%
3Yr	2.51%	4.25%
5Yr	3.29%	4.25%

*Bahamas Prime Rate

TOP FIVE HOLDINGS

CABLE BAHAMAS PREF SHARES 6.00%	10.98%
NAD LIMITED NOTE 7.50%	8.47%
CABLE BAHAMAS PREF SHARES 5.50%	8.34%
RF BANK 1MTH FIXED DEPOSIT 1.00%	4.63%
BE ALIV FIXED RATE NOTES 8.5%	3.51%

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.

Evolving Credit Rate Environment

The Prime Income Fund (the "Fund") generated a return of 0.34% in Q4. The Fund was up 2.51% over the last 12 months which is underperforming the benchmark but trending upwards.

In the Bahamian market, the primary concern is credit risk, whereas in the U.S. fixed income market, both credit risk and interest rate risk are significant factors. Interest rate risk in the U.S. is primarily driven by central bank policy, with the Federal Reserve actively adjusting the Fed Funds Rate to influence the economy. The Prime Lending Rate (PLR) in The Bahamas has historically remained stable, dropping from 4.75% to 4.25% in January 2017 and staying unchanged since then.

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 and Q4 2023 the Fund, via the Investment Currency market, invested \$30 million and \$40 million, respectively, in US Treasuries, investment grade corporate bonds, and structured notes. 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 Bahamian debt has continued to rise by over 60% in the past four years, reaching historic highs. Despite the ongoing recovery of the Bahamian economy, credit risk on Bahamian debt remains the fund's major challenge. This environment makes it imperative for the Fund to diversify its portfolio to reduce risk but also to increase expected returns for the Fund.

