



## QUARTERLY NEWSLETTER – SEPTEMBER 2018

### FUND PERFORMANCE

The third quarter of 2018, was challenging for Republic Funds Inc., as Net Asset Values for all three Funds declined during the period under review. The Capital Growth Fund’s NAV decreased by 10.58% moving from \$1.6227 to \$1.4510, the Income Fund NAV’s decreased by 23.87% moving from \$1.5577 to \$1.1860 and the Property Fund by 30.08% moving from \$1.1649 to \$0.8145, over the previous quarter.

Barbados’ default on foreign debt and the announcement of restructuring of its local obligations had negatively impacted the revaluation prices of fixed income instruments during the period. This impact led to a decline in the asset base of the all Funds during the quarter, in particular the Republic Income Fund. For the Capital Growth Fund, the favorable performance of some of the equities in the portfolio was not sufficient to offset the price revaluation impact on the Fund’s fixed income securities. Overall, the Capital Growth Fund, Income Fund and the Property Fund had net decreases of 12.25%, 24.91% 30.62% respectively. The impact of Barbados’ economic challenges also resulted in the impairment of a corporate bond held by the Funds in addition to losses as a result of unfavourable valuations on properties in the portfolio.

The following table highlights the cumulative annual returns from 2014 to 2017 and returns up to the third quarter of 2018.

FUND	2014	2015	2016	2017	*2018
Capital Growth Fund	5.02%	-0.09%	7.07%	0.17%	-10.13%
Income Fund	7.84%	5.96%	4.83%	2.52%	-25.74%
Property Fund	-6.41%	1.05%	-8.96%	-1.21%	-29.38%

\*YTD Returns from January 2018 to September 2018.

### ECONOMIC/MARKET REVIEW

A recent report from the Central Bank suggested that economic activity in Barbados had contracted by 0.5% for the first nine months of 2018. During the third quarter of 2018, major activities were implemented as part of the government’s economic adjustment program. These included Government’s undertaking of an International Monetary Fund (IMF) programme; restructuring of local government debt and default on international debt payments. In September, the Ministry of Finance issued an Offer to Exchange to holders of Government of Barbados (GoB) securities. The Offer to Exchange sought the acceptance of security holders to exchange the majority of Barbados dollar-denominated debt owed by the GoB (existing Treasury Notes, Treasury Bills and Debentures) for new debt instruments issued by the GoB. The GoB offer included interest rate reductions, extension of maturities and selective principal reductions.

Regionally, the TTSE market saw declines in the Composite and All T&T indices of 1.28% and 2.10% while the Cross Listed index advanced by 0.66%. The JSE recorded increases of 14.68% and 8.42% in the Jamaican Composite and JSE select indices respectively. On the international market, the last quarter saw rising interest rates and the imposition of tariffs on Chinese goods by the United States causing volatility in the US markets. Despite this volatility, benchmark indices such as the DOW, S&P, and the Nasdaq recorded increases of 9.0%, 7.2% and 7.1% respectively.

### FUND OUTLOOK

While some local economists expect that Barbados will continue to be negatively affected by fiscal programs in the short term, a major credit rating agency has lauded Barbados’ efforts to treat swiftly with its debt and viewed Barbados’ economic outlook as positive. On November 16, 2018, S&P Global Ratings assigned its 'B-' issue-level rating to Barbados' long-term debt issued in its debt exchange. S&P Global Ratings also affirmed its 'SD/SD' long- and short-term foreign currency credit ratings on the country, and its 'D' (default) ratings on Barbados' foreign-currency issues. This announcement is a positive signal for investors in government-issued securities after weeks of much volatility and concern. We expect the government to implement policies over the next 12-18 months that gradually achieve fiscal consolidation and institutional safeguards, while slowly strengthening macroeconomic stability.

#### Quarterly Updates:

1) The Directors of Republic Funds (Barbados) Inc., maintains the decision on the restriction of subscriptions to the Income Fund and limited redemptions to 20% of holdings per unit holder. 2) The updated Prospectus and Newsletter will be posted online.



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### Quarterly NAV Movement (September 2017 – 2018)

#### Capital Growth

Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
1.5980	1.6145	1.5715	1.6227	1.4510

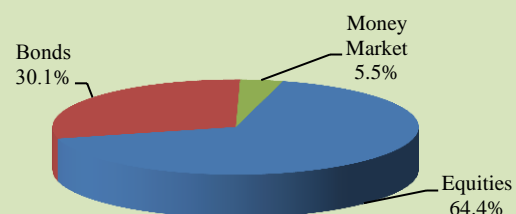
#### Income Fund

Sept-17	Dec-17	Mar-18	Jun-18	Sep-18
1.5883	1.5971	1.5446	1.5577	1.1860

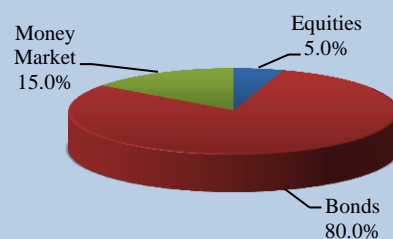
#### Property Fund

Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
1.1570	1.1534	1.1406	1.1649	0.8145

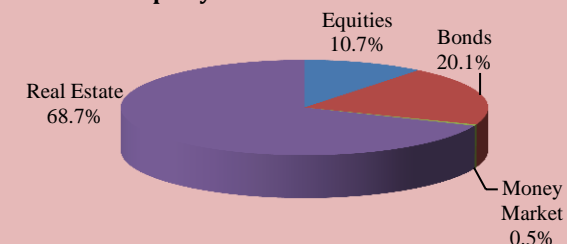
#### Capital Growth Fund - Asset Allocation



#### Income Fund - Asset Allocation



#### Property Fund - Asset Allocation



#### Republic Capital Growth Fund Top Five Holdings

Rank	Company/Issuer	Security Type
1	Goddard Enterprises Ltd	Equity
2	Royal Bank of Canada	Equity
3	Insurance Corporation of Barbados	Equity
4	One Caribbean Media	Equity
5	Massy Holdings Ltd	Equity

#### Republic Income Fund Top Five Holdings

Rank	Company/Issuer	Security Type
1	Government of Barbados Debentures	Fixed Income
2	UWI-Clinical Medicine & Research Bond	Fixed Income
3	NSR Bond	Fixed Income
4	Barbados Agricultural Management Co.	Fixed Income
5	Barbados Port Inc.	Fixed Income

#### Republic Property Fund Top Five Holdings

Rank	Company/Issuer	Security Type
1	Heron Court Lot	Real Estate
2	Apes Hill Long Term Development	Real Estate
3	One Caribbean Media	Equity
4	Barbados Port Inc.	Fixed Income
5	Government of Barbados Debentures	Fixed Income

#### Republic Capital Growth Fund

##### Fund Size

\$8,779,205

##### Net Asset Value

\$1.4510

##### Minimum Initial Investment

\$500

##### Subsequent Investment

\$100

#### Republic Income Fund

##### Fund Size

\$14,301,124

##### Net Asset Value

\$1.1860

##### Minimum Initial Investment

\$2,000

##### Subsequent Investment

\$500

#### Republic Property Fund

##### Fund Size

\$2,005,760

##### Net Asset Value

\$0.8145