



CFAL

BOND FUND LTD.

Q2 2018
REPORT

FUND INFORMATION

Investment Objective: CFAL Bond Fund, Ltd. ("the Fund") seeks to preserve the principal value of the investment while returning a yield approximately equal to the local prime rate (currently 4.25%).

Investment Strategy: The Fund will pursue its objective by investing primarily in a diversified mix of high yield, high quality short-term and long-term fixed income securities. These investments may include corporate bonds and commercial papers, mortgage-related and asset backed securities, government registered stocks and preferred stock investments

Net Assets: \$226.096M

Currency: BSD

Fund Inception Date: Aug-31-03

Management Fee: 0.50%

Frontload/ Backload Fee: 0.00%

Expense Ratio (2017): 0.53%

Early Withdrawal Fee: No early withdrawals permitted

Investment Manager: CFAL

Bloomberg Ticker: COLBOND BM

Benchmark: Local Prime Rate (4.25%)

FUND DATA

| | |
|------------------------|------------|
| Avg. Current Yield | 4.42% |
| Weighted Avg. Maturity | 7.67 years |
| Average Duration | 5.02 |

RATE EXPOSURE (%)

| | |
|---------------|-------|
| Variable Rate | 53.68 |
| Fixed Rate | 46.32 |

TOP 5 SECURITY HOLDINGS (%)

| | |
|--|------|
| Colina Holdings Pref. 1.50% APR (currently 5.75%) | 5.98 |
| BGRS 5.20% due 07-14-37 | 3.33 |
| NAD Series B USD 13.00% due 03-30-34 | 2.97 |
| Cable Bahamas Ltd. Series 6 Pref. 5.75% due 05-16-24 | 2.68 |
| Be Aliv Series B Notes 8.50% due 12-31-31 | 2.38 |

*BGRS: Bahamas Government Registered Stock

PERFORMANCE SUMMARY (%)

As at June 30, 2018

| | Cumulative | | Annualized | | | | | |
|---------------|------------|-------|------------|--------|--------|--------|---------|---------|
| | QTR2 | YTD | 1 Year | 3 Year | 5 Year | 7 Year | 10 Year | Incept. |
| Fund | +0.93 | +1.87 | +3.98 | +4.23 | +4.36 | +4.65 | +5.02 | +5.33 |
| Benchmark | +1.06 | +2.13 | +4.25 | +4.45 | +4.67 | +4.81 | +5.11 | n/a |
| +/- Benchmark | -0.13 | -0.26 | -0.27 | -0.22 | -0.31 | -0.16 | -0.09 | n/a |

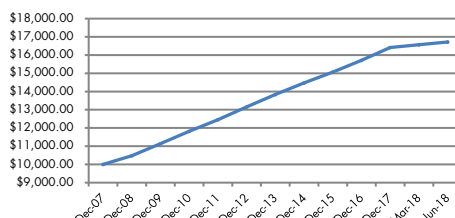
CALENDAR YEAR PERFORMANCE (%)

| | 2018 | | | | | | | |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|
| | YTD | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Fund | +1.87 | +4.46 | +4.30 | +4.07 | +4.61 | +5.18 | +5.67 | +5.39 |
| Benchmark | +2.13 | +4.25 | +4.75 | +4.75 | +5.12 | +5.12 | +5.12 | +5.13 |
| +/- Benchmark | -0.26 | +0.21 | -0.45 | -0.68 | -0.51 | +0.06 | +0.55 | +0.26 |

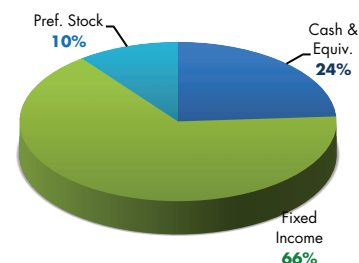
PORTFOLIO DURATION ALLOCATION

| Duration | % of Bond Holdings | YTM | Avg. Duration |
|---------------|--------------------|------|---------------|
| Under 1 year | 36.30 | 2.40 | 0.30 |
| 1 – 3 years | 8.60 | 4.50 | 1.70 |
| 3 – 5 years | 9.60 | 4.50 | 4.00 |
| 5 – 7 years | 10.30 | 9.10 | 6.30 |
| 7 – 10 years | 9.10 | 5.50 | 8.60 |
| Over 10 years | 26.10 | 5.00 | 11.20 |

GROWTH OF \$10,000



ASSET ALLOCATION



PERFORMANCE REVIEW:

The CFAL Bond Fund, Ltd. generated gains of 0.93 percent for Q2 2018, ending at a Net Asset Value per share of \$2.16. The Fund underperformed its benchmark, the Local Prime Rate, by 0.13 percentage points for the quarter. Year to date return on the Fund is 1.87 percent.

The current climate of low interest rates on savings accounts and deposits continues to attract a large number of subscriptions to the CFAL Bond Fund as net additions were \$9.60 million over the quarter. As a result, the Fund's net assets grew from \$216.60M in March 2018 to \$226.096M in June 2018. The high levels of subscriptions and limited investment opportunities have contributed to the Fund's high cash and equivalents allocation of 24.00 percent. This cash allocation has contributed to the Fund's underperformance of the benchmark. Term deposits make up 20.70 percent of the Fund, and average annual yield on these deposits remains subdued at 1.60 percent. During the quarter the CFAL Bond Fund made several Bahamas Government Registered Stock purchases. As additional investment opportunities arise, we hope to reduce the Fund's cash allocation. Sector returns were positive over the quarter as the fixed income segment provided a return of 1.55 percent and perpetual preference shares generated gains of 1.23 percent.

The CFAL Bond Fund Ltd. remains an attractive investment alternative for conservative investors. We will continue to pursue high-quality, long-term, fixed income investments with an objective of preservation of capital while providing attractive returns.

Disclaimer: This performance report is for informational purposes only. Only the Offering Memorandum, of which the present document is not a part, should be relied upon for the purpose of considering an investment in the CFAL Bond Fund, Ltd. Past performance is not necessarily indicative of future results.

For more information, email info@cfal.com.



Contact CFAL today to discuss your financial goals
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