ROYAL FIDELITY
Money at Work

Hedge Strategies Fund (USD)

Q1 2018
Issue 14

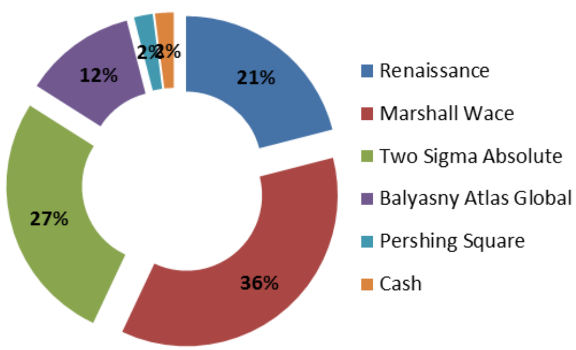
Mar Net Asset Value:	$10.2525
Assets:	$4.97M
Inception:	Jul-14

Performance:

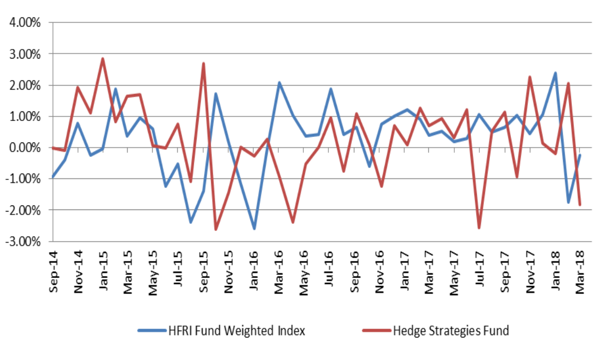
	Fund	Benchmark*
1 Month	-1.83%	-0.25%
3 Month	-0.02%	0.35%
1 Yr	4.00%	6.29%

** HFRI Fund Weighted Comp Index*

Allocation:



Volatility:



The Hedge Strategies Fund is a sub fund of the Royal Fidelity International umbrella investment fund. Performance shown above is for Class D1 shares. The graph above compares actual fund performance for the month shown versus the benchmark, and may not correspond with the other performance data shown due to underlying NAV reporting delays. 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.

Fund minimizes downside volatility; changes pending

After a recent analysis of the portfolio, it became clear that we had to make a few changes. Unfortunately, those changes can sometimes take longer than expected to implement.

The fund posted a slight loss for the first quarter of the new year, following a respectable return of more than 7% last year. While not what we were hoping for so far, part of the lackluster performance can be attributed to the speed with which we are able to make allocation changes within the portfolio.

It's not very fast.

Despite those restrictions, the reason for creating the fund in the first place—limit losses due downside volatility in the broad long-only equity markets—has never been more appropriate. US stocks have recently seen substantial downside volatility after an entire year of gains; global political tensions weigh heavily on equity performance in many countries around the world; the Brexit deadline looms; US and China square off over trade . . . and the list goes on and on.

To the point, after a healthy January performance (+5.62%), the S&P 500 dropped –3.89% in February and -2.64% in March! For the quarter, the S&P lost –1.17%, while the fund posted only a –0.02% loss.

Our portfolio changes included a redemption of both Pershing Square and Balyasny Atlas Global, which should be complete within the next quarter. These managers have consistently underperformed the others and no longer fit our risk-return models.

We intend to maintain only three positions in the portfolio in the short-term, which should serve us well considering that all three have positive YTD performance through March. ❑

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