ROYAL FIDELITY
Money at Work

Targeted Equity Fund

Q1 2018
Issue 22

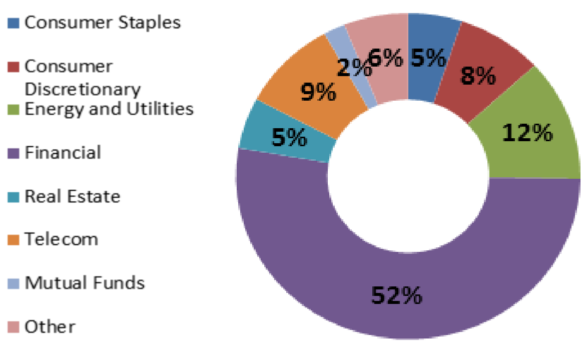
Mar Net Asset Value:	$8.2236
Assets:	$21.45M
Inception:	Nov-12

Performance:

	Fund	Benchmark*
1 Month	-0.29%	-4.32%
3 Month	-1.07%	-4.92%
1 Yr	-0.90%	3.12%
3 Yr	18.22%	17.22%

** BISX All Share Index*

Allocation:



Top Holdings:

FIDELITY BANK (BAHAMAS)	22%
FOCOL	9%
CABLE BAHAMAS	9%
COMMONWEALTH BANK	9%
FINCO	7%

The Targeted Equity 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.

Market volatility: Two sides of the same equities coin

Stock prices go up and down. And if one of those stocks happens to be a top holding in a fund, the effect on returns can be significant (either positively or negatively).

Different investors respond differently to these fluctuations as well: Investor X understands that equity mutual funds are designed for building wealth over time, and that short-term fluctuations are the price to pay for long-term gain. So, he ignores short term slides in the value of his equity fund because he's confident the reward over time will be much greater. (Plus, he understands that he doesn't actually *lose* anything unless he sells his shares for less than he invested.)

Investor Y, on the other hand, runs for the hills at the first sign of downside volatility.

So, who's right?

The answer depends on why someone invests in the first place. If it's for long-term wealth accumulation than Investor X is right.

If it's to make a quick buck and move on to something else, then Investor Y has a case to make.

However, mutual funds in general are not designed as quick-trade vehicles. In fact, in the Bahamas, the standard time frame for either subscriptions or redemptions in mutual funds is typically one month. (Unlikely that anyone can effectively trade for short-term gain with those parameters!)

The Targeted Equity Fund has been living in negative territory for at least a year now. But consider this: last year the fund had a return of –2.64%, and only 4.58% the year before.

But in 2015, the fund returned 19.58%.

Could it happen again? Absolutely. And investors who run for the hills risk missing out on the party if and when it does! ◆

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