ROYAL FIDELITY

Hedge Strategies Fund (USD)

Q2 2019
Issue 20

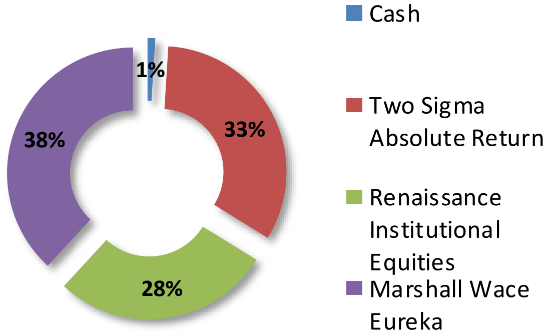
Net Asset Value:	$10.63
Assets:	$5.53M
Inception:	Jul-14

Performance:

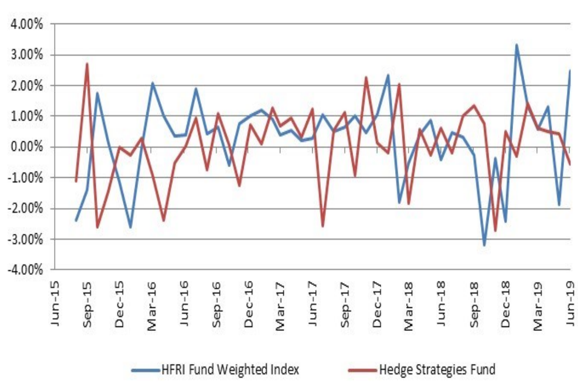
	Fund	Benchmark*
1 Month	-0.56%	-1.87%
3 Month	0.37%	0.00%
1 Yr	2.79%	-1.33%

** 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.

Risk vs. Return

Alternative investments are intended to provide investors with a reduced level of risk versus a direct investment in the equity markets, while returns should be commensurate with the risk taken.

The first performance measure that we use is the performance of the Alternative Strategies Fund (the ASF) versus the benchmark (See the performance table). Over all three periods noted, the ASF has outperformed the benchmark.

The ASF is invested nearly evenly in three funds. We do not want the correlation between these funds and the S&P 500 index to be high. Over the last five years the weighted average correlation was 0.22, which means that for every 1% change in the S&P 500, the ASF changes by only 0.22%. This represents a low correlation and is what we want.

Volatility is a measure of risk and we want the ASF to be less volatile than the S&P 500; less risky. Over the last five years the annual volatility of the ASF and the S&P 500 were 6.42% and 12.09% respectively. The ASF was almost half as volatility or risky as the equity market. This is also what we are looking for.

Two other metrics that we track are the Sharpe Ratio and the Sortino Ratio. The Sharpe Ratio is measure excess return versus standard deviation, while the Sortino Ratio is a measure of excess return versus downside deviation. We use a benchmark of 1 in both cases. Over the last five years the weighted average Sharpe and Sortino ratios were 1.40 and 1.62 respectively. Once again, this is what we are looking for.

Market volatility has increased YTD and over the next few months at least, we do not see volatility decreasing. In our view the ASF is the optimal way to gain or increase exposure to global equity markets.

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