Fidelity Capital Management

Monthly Letter
January, 2017

December 31, 2016	*YTD*
Sparrowhawk Fund (EUR)	**6,69 %**
Royal Albatross Portfolio (USD)	**3,35%**
Kingfisher Portfolio (USD)	**4,64 %**

DJ Ind Index	13,42%
S/P 500 Index	9,50%
MSCI World	5,43%
Berkshire Hat	23,42%
Gold	8,14%
EUR/USD	-3,20%
Oil WTI	44,76%

15.26%

In 1980, 37 years ago, the investment manager launched the FCM Opportunity Fund (Sparrowhawk Fund as of 2009). The value of the fund has grown from$900.000 to $180 Million at a rate of 15,26% compounded annually.

Change on its way.

"Trump is a deal maker who negotiates hard and doesn't mind getting banged around or banging people around. The people he chose are bold and ready to play hard-ball to make big changes happen in economics and foreign policy"

The Big Picture

What will 2017 bring to us?

2016 brought many surprises, including Trump's election and a strong 4Q stock market rally.

In 2017, populism fears in Europe could prove unfounded, as European elections could produce pro-growth governments and wake up the EU. European stocks could outperform the US. The Fed could hike interest rates more aggressively than expected, as Republican initiatives raise economic growth and inflation.
A possible currency war, if Trump were to intentionally weaken the US dollar, investors would move into "risk off" mode in every asset class.

The Royal Albatross Portfolio (asset class allocation strategy) ended the year + 3,33% with 40% in cash.

Brussel's immigration policy is still one of the top issues for the European electorate. The Netherlands is considered among the most likely countries to follow Britain out of the EU.

Telecom services could be 2017's best performing sector based on easing regulation of internet net-neutrality, lower tax rates and declining industry price competition thanks to higher inflation.

China gets to participate in the free market without having to follow the rules of a free market. This needs a solution, but trade barriers is a bad idea.

One issue Trump and the democrats can agree on: Infrastructure. That means fixing – and building more – roads, bridges, trains and airports. It also means a big bet on upgrading the tech infrastructure as well. A conservative figure would be $US 500 billion, but more like $US 1 trillion in spending.

The estimate of the American Society of Cicil Engineers is that US infrastructure demand will require $3.6 trillion of investment through 2020 to achieve a national score of a "B-rating"

Figure 3: Estimated infrastructure funding increase, main beneficiaries for the exposure

	Estimated Funding ($B)	Funding increase
Surface Transportation	$786	84%
Electricity	$126	17%
Water Infrastructure	$75	167%
Airports	$30	26%
Ports and Inland Waterways	$11	50%
Total	$1,000	

Source: Company Reports, Canaccord Genuity estimates

Engineering and construction, aggregates and heavy-equipment manufacturers (Caterpillar looks to be a dual beneficiary on both infrastructure and tax reform) will definitely have a seat at the table in this new world order. Vulcan, for instance, would also be a key beneficiary in the value chain as leading construction materials supplier, along with Martin Marietta Materials and Summit Materials. In machinery, the infrastructure boom could provide a floor for certain end markets and kickstart the early stages of recovery, so we are watching Caterpillar and Deere for exposure to this theme.

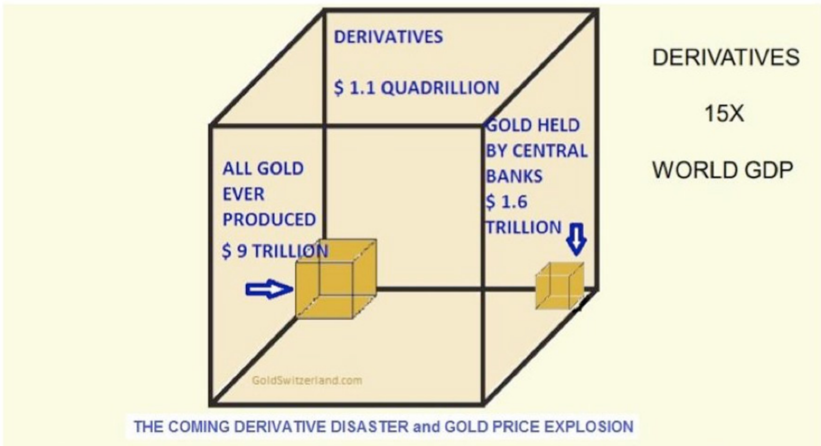
What are the Markets telling us?

Do we have a major shift on its way?
Yes, political, economic and the markets. Deflation concerns are gone, interest rates are rising, economic growth is picking up, people spend, unemployment at a nine year low, US businesses is growing faster and housing starts at a nine year high.

The stock markets likes these shifts and so does the US dollar, but bad for bonds and gold.

Although there are still dark clouds looming overhead. Debt remains a great concern and so is the derivatives markets. It is more than five times greater than the world GDP. A problem in this area could trigger a crisis.

Derivatives Now Total A Staggering 15 Times World GDP



Stock Market

Index	2016 Peak	YTD
FTSE 100	14.43%	14.43%
S&P 500	11.14%	9.54%
CAC 40	4.86%	4.86%
DAXK	3.67%	3.67%
BSE SENSEX	11.21%	1.95%
Nikkei 225	2.42%	0.42%
Hang Seng	9.97%	0.39%
Shanghai	-5.01%	-12.31%

As of December 30, 2016

The Trump bull market keeps on going and going, and it's likely headed a lot higher. And it is not only the US, stocks around the world are rising too. But the US is leading the pack, with a stronger economy and positive sentiment.

Money is also pouring into stocks, but there's still a lot of money sitting on the sidelines and ready to join the party. The market believes growth will pick up under Trump and it is convinced his policies are good for business.

There is a big rotation in stock sectors since the election. Stocks that were strong before is lagging now and the laggards have moved into top positions.

The Fund are holding high quality stocks and buying gradually in the favored sectors. But since stocks have risen far and fast, they are overextended and poised for a correction and that would provide a good buying opportunity.
Trumps economic policy is driving rates higher, because he is committed to spending trillions on infrastructure projects, the military and so on and planning on lower taxes.

This could result in a soaring US deficit and more debt in the years just ahead. This means more government borrowing which will keep an upward pressure on interest rates. It will also boost economic growth.

Top choice of depressed European stocks, which offer both high yields and appreciation potential. The Fund haven't focused much on Europe lately, we are looking at some undervalued areas that aren't getting wide attention. After another year of underperforming the US counterparts, some European blue chips, Nestlé, Royal Dutch Shell, Novartis and Unilever carry yields of 3% - 7%.

US Dollars

The strong dollar is of course due to the steep rise in interest rates and the expectation that spending for infrastructure could result in inflation,which could keep upward pressure on interest rates. There is not much competition for the $US in other currencies. So the dollar could rise further.

Of course, a super strong dollar will lead to slower economic growth. This is something,no one wants, but the big question, will anybody be able to stop it.?

We could see a stronger dollar in the months ahead and a strong dollar is good for the global stock markets.

Gold and Natural Recources

The strong dollar has been putting pressure on the gold price. But considering how strong the dollar has been, especially since the election, gold hasn't declined that much. This means gold is holding up well. Overall, the environment for 2017 and beyond looks good for gold, regardless of the election reaction.

It fell sharply when the Fed acted. Even though the Fed only raised its Fed Fund's rate by a ¼% for the first time in a year, Yellen's statement spooked the metals markets. She noted how well the economy is doing, and said the Fed will raise rates several times in the year ahead. These comments pushed the gold down.

Industrial metals and raw materials are probable winners. Both Goldman Sachs and Morgan Stanley turned bullish on steel for the first time in a decade. Trump's plan is changing the scenario and could put pressure on gold for even longer.

We are watching gold and as long as the fundamental picture remains bullish, we have to watch and wait to see when we get back in at an opportune time.

Meanwhile, Islamic finance is changing its way with gold as the AAOIF approves a sharia standard for gold based products. This will cause a strong demand for gold, and it will be very interesting to see how the gold price reacts to this. The Chinese will continue to be buyers at the lows.

Oil. It is still to be seen if the historic production cut by OPEC and associates really comes to pass. If it does then we will see oil higher. Energy companies will then boost the market.
The Energy and Resource sectors may have a good 2017.

Summary

A major shift is taking place on several fronts…political, economic and in the markets. It's affecting us all, and the Fund is changing some of its long-term allocations.

Equity investments face a big choice for 2017. Bet on appreciated "Trump" stocks in the hopes of a stronger economy, or focus on more quality and defensive sectors. Since the election, economically sensitive stocks, banks, and energy stocks have risen, while traditionally defensive groups like consumer stocks and electric utilities have suffered from concerns about higher rates and inflation.

Real assets are gaining more ground than financial assets. And it clearly makes sense in today's debt ridden and liquidity driven world. While major central banks are on a spree, many others like China and Russia also continue to buy gold for their growing reserves.

The Sparrowhawk Fund has a significant allocation to quality US focused companies priced at attractive levels in industries like media, payment industry, pharma, infrastructure, consumption, etc. Precious metals are also an important long-term position allocated to the Fund.

The Sparrowhawk Fund, a Long Global Conviction Equity Fund that is actively managed based on views with a time horizon measured in years, emphasizing fundamental, economical and geopolitical analysis and select those sectors that should benefit from these movements. The Fund has a selection of a limited number of leading stocks in each favourite sector is chosen.

Sparrowhawk Fund
Monthly Performance Figures

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD (USD)	YTD (EUR)	S/P 500
1980							7,04	3,45	3,77	5,46	16,3	0,54	**41,70%**	**57,35%**	18,83%
1981	-3,78	-2,08	1,23	-5,70	0,53	-2,60	-4,00	-5,64	-3,98	3,55	-2,1	0,15	**-22,23%**	**-6,54%**	-9,73%
1982	2,70	-5,83	-0,88	3,63	-0,42	3,93	2,92	9,78	8,83	12,96	9,02	9,05	**69,77%**	**92,22%**	14,76%
1983	3,26	4,96	5,07	9,53	5,68	7,51	0,05	-1,77	-0,45	-2,86	0,18	-1,28	**33,20%**	**57,97%**	17,26%
1984	-2,67	-2,98	-0,35	-1,91	-3,04	0,82	0,33	10,61	-3,33	4,6	-0,12	7,42	**8,63%**	**25,61%**	1,38%
1985	6,11	0,16	-1,19	-0,4	7,38	2,93	1,15	1,31	-1,95	4,42	5,04	3,57	**31,95%**	**5,45%**	26,36%
1986	1,71	4,30	1,59	-0,54	4,23	1,47	-2,39	1,65	-4,40	2,42	0,41	-1,53	**8,89%**	**-9,69%**	14,62%
1987	6,80	2,35	1,09	-3,85	-0,23	-2,31	7,59	-1,12	-2,11	-20,52	-4,48	5,03	**-14,00%**	**-29,60%**	2,03%
1988	4,17	2,54	1,08	2,65	-3,62	3,53	0,10	0,18	1,82	0,76	0,82	1,75	**16,71%**	**30,43%**	12,39%
1989	1,99	1,44	-0,09	1,46	2,05	0,99	3,99	0,67	-0,52	-0,71	1,69	-2,08	**11,29%**	**9,62%**	27,25%
1990	-2,2	1,23	3,18	0,09	6,79	3,21	2,10	-5,39	-6,21	0,58	3,24	2,44	**8,64%**	**-5,29%**	-6,56%
1991	5,73	6,16	3,8	0,45	-1,06	4,12	3,45	0,62	-0,32	0,67	-2,53	8,10	**32,69%**	**35,65%**	26,30%
1992	2,88	4,53	-3,22	-1,73	-0,33	-2,42	0,52	-0,33	2,50	3,85	8,52	-2,77	**11,93%**	**24,27%**	4,47%
1993	1,31	3,11	3,08	2,39	8,59	0,57	1,89	1,91	0,33	3,48	1,61	3,52	**36,93%**	**48,19%**	7,06%
1994	5,00	1,94	-0,14	2,36	2,4	0,07	5,65	5,25	1,25	-1,21	-6,24	-0,86	**15,91%**	**5,15%**	-1,55%
1995	3,43	3,26	5,03	-0,22	1,55	2,76	11,64	1,77	0,80	-0,73	7,45	-1,47	**40,58%**	**35,01%**	34,12%
1996	5,67	6,01	-5,00	5,88	-0,38	-3,34	-6,79	5,56	5,67	-0,34	8,17	-1,27	**20,07%**	**22,34%**	20,26%
1997	7,63	-0,27	-2,94	4,23	9,81	1,87	11,37	1,75	0,95	-2,25	3,28	1,17	**41,93%**	**61,92%**	31,01%
1998	-2,25	16,05	5,26	0,82	-4,70	6,31	-1,19	-12,08	0,00	11,64	10,66	14,16	**49,43%**	**43,31%**	26,67%
1999	6,37	-5,14	8,10	1,87	0,24	7,37	-3,04	2,64	-2,51	7,09	3,53	10,54	**42,20%**	**61,76%**	19,53%
2000	-1,56	5,36	9,32	-8,22	-5,69	5,95	-1,98	17,36	-8,48	-9,31	-12,12	1,49	**-11,46%**	**-5,37%**	-10,14%
2001	3,32	-14,68	-2,93	12,31	-11,19	-3,55	1,56	-1,09	-4,28	2,4	3,72	-1,88	**-17,52%**	**-12,72%**	-13,04%
2002	-0,64	-5,42	2,56	1,33	1,15	2,13	6,73	-0,78	2,8	0,33	-6,24	2,93	**6,34%**	**-9,79%**	-23,37%
2003	-0,18	-2,24	2,61	0,00	2,40	-4,62	0,88	4,33	-4,38	5,5	3,16	4,44	**11,85%**	**-6,72%**	26,38%
2004	2,01	3,32	1,12	-4,67	2,07	2,02	-1,67	-1,75	0,95	2,53	4,35	1,2	**11,71%**	**3,70%**	8,99%
2005	4,71	10,78	-2,84	-4,9	3,00	2,41	6,54	3,85	3,78	-4,17	6,2	3,87	**37,24%**	**57,15%**	3,00%
2006	21,12	-4,49	9,06	8,97	-5,29	-5,14	-4,86	2,62	-4,86	-0,47	5,10	-1,61	**18,09%**	**5,95%**	13,62%
2007	5,72	-3,93	3,2	7,28	6,50	2,25	-1,57	-2,05	15,1	9,58	-2,69	3,46	**49,90%**	**35,58%**	3,53%
2008	3,31	9,14	-6,09	8,25	0,62	6,98	-8,8	-8,56	-11,02	-4,71	0,81	4,39	**-8,92%**	**-4,93%**	-38,48%
2009	-0,08	2,82	1,29	7,80	7,74	9,18	-9,41	9,63	3,71	3,34	-0,08	2,98	**48,08%**	**44.51%**	23,45%
2010	-9,79	3,43	7,78	-5,85	-6,39	-4,61	9,02	3,11	8,70	3,77	1,11	9,89	**7,71%**	**15,27%**	12,78%
2011	3,02	0,40	-7,01	0,94	-2,98	-2,73	5,63	-8,41	4,32	-7,97	2,70	-3,27	**-17.60%**	**-15,46%**	0,00%
2012	4,49	0,03	-1,33	-1,03	-2,91	-1,10	3,18	0,53	0,73	-0,96	-2,14	-1,86	**-0,73%**	**-2,60%**	13,41%
2013	2,81	2,24	0,99	-3,69	-0,88	-5,21	-2,3	0,25	-1,70	1,55	1,45	-0,25	**-1,36%**	**-5,31%**	29,60%
2014	-0,02	2,94	2,75	-0,86	1,22	-0,49	-0,53	3,01	-0,51	-0,32	-0,01	-0,02	**-5,71%**	**7,16%**	11,39%
2015	1.59	3,94	1,79	-2,84	1,21	-1,90	0,55	-5,42	-2,47	6,06	2,15	-3,39	**-9,62%**	**0,64%**	-0,73%
2016	-2,71	1,16	-0,99	-0,04	1,17	-0,10	2,72	-1,08	0,37	1,84	1,78	2,48	**3,28%**	**6,69%**	7,59%
2017															

Performance prior to January 2009 is based on the FCM Opportunity Fund (USD) which has been managed by the Investment Manager since 1980 using the same investment strategy and approach as the Sparrowhawk Fund.
Past performance is not an indicator of future results.

Audited YTD performance.
1980-2008 in USD
2009-Today in EUR

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