Monthly Letter
March, 2017

February 28, 2016	*YTD*
Sparrowhawk Fund (EUR)	**7,78 %**
Royal Albatross Portfolio (USD)	**2,05%**
Kingfisher Portfolio (USD)	**6,49 %**

DJ Ind Index	5,31%
S/P 500 Index	5,57%
MSCI World	4,88%
Berkshire Hat	5,32%
Gold	8,11%
EUR/USD	0,13%
Oil WTI	0,46%

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.

The Trump Card.

The Big Picture

Growth is still slow. But consumer spending is up, home prices are rising and unemployment is low. Manufacturing is picking up, earnings are looking a lot better and there is nothing like improving earnings to support stock prices. Deflation pressures have also eased, thanks to rising commodity prices.

The reason interest rates are so important is because they move all major markets. They influence business and retirement plans, the economy and the real estate market. They are powerful and we want to keep an eye on them.

They are quiet for the moment and still trading near 5000 year lows. The big picture shows us that in 1980, inflation was raging and the yield hit 15%. Then on it started to go down and it still does today 36 years later. This should not come as a surprise considering the sluggish economy.

Just when it looked like things were picking up, economic growth slowed to 1,9% in the 4Q. The economic growth in 2016 was the worst in five years and it was also the 11th year in a row that growth failed to reach 3%.

This means rates will probably stay low for quite a while, regardless of what the Fed and experts say.

Interest rates are not going to surge as long as inflation remains near current levels.

Last year was filled with surprises, unpredictable events and wild market volatility.
From Brexit to a real fight in the US elections to Trump's victory and interest rates at
5000 year lows. It looks like 2017 is going to be an interesting and challenging year.
Events will likely continue to fuel volatile markets.

The biggest wild card has been Donald Trump. And so far the stock market has surged on optimism over Trump. This could be good for business, earnings and economic growth.
Thanks to a better economy and Trump optimism, consumer confidence is at 16 year high.
This has also boosted stocks and you can see some panic buying for the first time in years. Investors see the market heading higher and they don't want to be left behind.
This could lift stocks higher.

But be careful, nothing has really changed. The fundamental foundation is still the same. Debt continues to soar and the economy remains sluggish. So where is the big change?

The markets sees the economy picking up, deflationary pressures easing, jobless claims at a 43 year low and most important a new president.

Trump is not a politician, he is a business man, a deal maker and he is already breaking many of the old rules. So far, people like that, and there are many signs of a monumental shift taking place.

Trump's actions could be more significant than the 1979-1982 shift from socialists to the capitalists in the UK, US and Germany when Thatcher, Reagan and Kohl came to power.
"The Trump administration will be bigger than what eggheads are calculating based on tax and spending changes. Big shifts, away from unproductive socialist people to can-do profit makers" (Ray Dalio).

This includes the move toward nationalism, populism, protectionist policies and away from globalization. This move is also sweeping through Europe.

But the big question is, will the new administration be aggressive and thoughtful, or aggressive and reckless ?

The stock market keeps surging. It's strong and bullish and the Dow Industrials, S&P 500 and Nasdag are all on new all time record highs. Overall it's been more focused on the good news and downplaying the bad news. This often happens when a bull market is so strong, and it's now happening again. Currently, stocks are ready to head higher and we continue to hold on to quality stocks in our favorite themes.

Gold is coming back recently. Uncertainty and safe haven buying along with a weaker dollar index have been the main reason why. Gold shares has been the strongest market, even stronger than stocks and bonds.

What are the Markets telling us?

What's driving the markets these days?
A lot is going on. So much has been said about Trump, we are tired of hearing about it. He is everywhere on the news, to the point that every comment, tweet or action is dissected by a team of commentators.
He is very different than previous presidents and he is controversial. How is this going to affect the markets? Overall, investors have been focusing on the positives, especially tax reform plans. This alone drove stocks higher. Basically, it was seen as another plus in an increasingly good business environment.

At the same time, the risks of trade barriers and protectionism have mostly been ignored.
So far, this includes withdrawal from the Pacific trade agreement, which has Japan, Australia and 10 other countries as members, and plans to put tariffs on goods from Mexico and China. Talk of trade wars is in the air and the markets may not be able to ignore some of these ongoing developments for long.

"The reason the US long ago abandoned protectionist trade policies was because they not only don't work, they actually leave society worse off".

So considering the situation, it seems like uncertainties could eventually hurt stocks. It probably won't happen any time soon but it could at some point.

The Fund is therefore leaning more on quality positions to better wheather through a correction.

The VIX index is at a super low level, signaling the stock market isn't worried about what is happening, at least for now.

But despite the ever growing debt, derivatives and other fundamentals, the economy is showing signs of improvement.

So it's not all about Trump. Stocks are rising because things have been steadily improving since before the election. Plus interest rates remain low, so investors are moving out of bonds and into stocks.

First for 2016, gold shares were by far the best market, outperforming the others with a 59% gain for the year. Then came oil which was up 46%. Further down the list, copper was up 20%, then silver +16%, the Dow Industrials +15% and gold +8%.

Now for 2017. Several of the markets are overstretched, both on the upside and downside. Low interest rates are going to be good for stocks. But for the moment the stock market is a bit overextended and a downward correction would be normal. This would provide a good buying opportunity.

The strong US dollar has been keeping a downward pressure on gold. But gold has dropped too far, too fast and is starting to move up.

Stock Market

The Fund is making some minor adjustments in stocks, by adding some positions and selling some laggards. The stock market is looking good and the Fund is positioned for quality in our favorite sectors.

Overall the market likes the Trump vibes. He is probusiness and less regulation, which seems to be enough for Wall Street.

For now, the market is focusing on these positive factors and essentially ignoring some of the more worrisome actions.

The Fund manager strongly believes that it is important to be selective. Some sectors are doing very well, but others aren't. Retail provides a good example….Amazon totally dominated the holiday shopping season while retail stores did not. Many stores are closing and cutting employees. It is also one reason the FANG's are strong. (FB, AMZN, NFLX, GOOG).

The soaring stock market rise following Trump's election doesn't stop. Opinions of where we are going is all over the place. But the Trump rally has fueled optimism not seen in decades. Since the stock market looks ahead it's telling us that business, earnings and the economy will continue to do well as the year goes by.

The strong dollar could eventually hurt profits of the multinational companies and this could hurt stocks too.

As long as stocks keep hitting new highs, the market will signal good times ahead. The Dow, Nasdaq and Small-Caps are the leaders. They are the strongest US stock sectors and the US is the strongest world stock market.

Still, most of the global equity markets are also on the rise and they're looking good. This is a positive for the overall stock market picture because when all of the world stock markets are moving up together, you know the bull market is real and solid.

The Royal Albatross is holding a 40% position in our recommended stocks. 20% in commodities and 40% cash. The Portfolio made +3.33% in 2016 with 40% in cash and is up +2,05% YTD 2017, still with 40% cash.

US Dollars

China has been selling their US Treasuries in part to defend the falling yuan, but they are also buying tons of gold. Russia has been doing the same, and so have some of the world largest investors. It's been an ongoing accumulation over the last decade. This is not a "day trade" but a strategic geopolitical move.

The main reason for the strong dollar is rising interest rates. They keep a solid foundation under the dollar. But it is also optimism, thanks to Trump. The general feeling is that better times are coming in large part due to tax reforms, lower corporate taxes, fiscal policy, reduced regulation, a more robust economy and greater corporate profits. And if interest rates moves higher, the dollar's upside is rather wide open.

The Sparrowhawk Fund has at this time its largest positions in US dollars. It looks like it has the best upside potential.

But keep in mind that a super strong dollar could hurt US and global growth. It could lead to higher tariffs on imports and strained relations with trading partners. Trump is accusing China, Japan and Germany of devaluing their currencies to gain trade advantages.

Japan's Abe meeting at the White House went well, but the US trade deficit is currently at a four year high and a weaker US dollar could certainly help.

Going back to 1971, when the dollar was no longer backed by gold, it began to trade in the free market and it's been on the decline ever since. However during this decline, we have had three big upmoves, the Reagan years 1979-1985, Clinton's second term 1995-2001 and, finally, Obama was able to stabilize the dollar when gold peaked during his second term.

Despite these upmoves, it's important to note that the dollar's mega trend has been down for 45 years. Within this downtrend, those three upmoves lasted about six years.We are now in the third upmove and getting mature. So if the dollar falls from here, it would not be unusual. In fact, it would fit in with the pattern, based on timing, politics and the mega downtrend.

The yen has been dropping, along with others. It's been falling so hard to an extreme low. This means the yen is bombed out, the other currencies are similar, so they will likely bounce up in the upcoming weeks.

The Chinese yuan and the Shanghai stock market also provide a good example, as they are moving in opposite directions. Generally, the major world markets tend to rise when the currencies decline.

Gold and Natural Recources

Gold loves uncertainty and gold has risen steadily higher. So has silver, platinum and palladium. Gold shares took off the most and outperforming all other major markets.

The Fed has been uncertain due to Trump's economic environment and investors and the world are uncertain for the same reasons. While gold's path won't be straight up, its bullish trajectory is set. It's already risen as much as it did last year at the same time.

Global gold investment demand for 2016 hit its highest level in four years. Gold exports to China soared. According to the Swiss Federal Customs, more gold was sent from Swiss refiners to the world's top consumer (China) than in any month since January 2014.

Russia's gold reserves also grew almost 15% in 2016. India has always been fond of gold, but the young population has an even stronger affinity with gold. And 45% of India's population is under the age of 25.

Gold can't go broke and it stood the test of thousands of years. This is why wealthy people own large quantities of gold. It is the ultimate safe haven asset; it's real money, which is probably why Germany continues to take its gold back from US and Paris vaults. Once you own enough gold for protection, you can own gold stocks for profits.

Don't forget that gold is the ultimate inflation hedge, and this could be the "surprise" in the coming years.

Palladium's demand comes from catalytic converters for cars to help reduce pollutants produced by gas and diesel engines. Pollution is one of China's big problems and with the government set to reduce smog, palladium will continue to be in demand.

Silver has been getting a good boost from the strong resource sector, namely the copper price. And if resources stay strong, silver will continue to benefit. Hedge funds are attracted to silver according to the futures trading commission.

Copper is jumping up, reaching a 20 month high. It's being boosted by growing demand, optimism over Trump's infrastructure plans. Hedge funds hold their most bullish position ever in copper.

Oil has been up on signs of more OPEC compliance and the global oil glut is disappearing faster than expected. The Energy Info Adm expects the global oil market to be relatively balanced this year and next.. It raised its forecast on crude production and prices for this year. World Bank also forecasts the 2017 oil price at $55.

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%**	9,54%
2017	2,17	5,49												**7,78%**	5,57

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

Robin Curry-Lindahl

LCL Asset Management AB
FCM S.A.
19, Emile De Mot Avenue
1000 Brussels, Belgium

Mob: +32 496 166368
Tel: +32 (0)2 641 1599
Email: rcl@ fidelity-sa.be
www.fcm-sa.com