



Fidelity Capital Management

Monthly Letter
October, 2017

September 30, 2017

YTD



Sparrowhawk Fund (EUR)

2,05%



Royal Albatross Portfolio (USD)

5,25%



Kingfisher Portfolio (USD)

4,15%

DJ Ind Index	13,37%
S/P 500 Index	12,53%
MSCI World	14,24%
Berkshire Hat	12,54%
Gold	10,51%
EUR/USD	12,62%
Oil WTI	-6,58%

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.

**Buy and hold, hold, hold
and let those returns compound.**

Two big hurricanes, has disrupted big cities, causing loss of life and amounting to hundreds of billions of dollars. Just Hurricane Harvey alone was one of the ten worst natural disasters in the world over the past 50 years. And since Houston was the fourth largest economy in the US, the repercussions will be felt for a long time.

The damage caused by Irma and Harvey could reduce growth this year. But next year, rebuilding will be good for the economy.



The Big Picture

Wild cards, also known as black swans. These are usually unexpected events that often pop up from out of nowhere and throw the markets for a loop. For the most part, they are surprise events no one saw coming.

Then there are the lingering wild cards. They are often low grade and ongoing. These create concern, but it's not bad enough to upset the markets, until finally it does. The event boils up, it crosses a line and the markets react.

The end is usually the same....markets turn volatile, some fall sharply and others surge as safe havens.

In the North Korea case, it's been crossing many lines. They have been testing their missiles for a long time and making threats. Recently, N Korea fired a missile over Japan and said they would shoot one over Guam. But the markets didn't react strongly.

They were concerned, but it wasn't enough to really upset the markets. Then came the day N Korea tested its long range hydrogen bomb. Trump reacted saying "all options are on the table" And where this goes from here is unknown, but it spooked investors.

Things then settled down again. World leaders spoke out, warning of the devastating effects should war break out. The U.N. tried to beef up its diplomatic efforts. Again, sanctions were passed for the eighth time since 2006. But N. Korea keeps making threats.

The Chinese have very little influence over Kim Jong-un. He does what he wants and doesn't care about the rest of the world's opinions.

Perhaps this is what finally caused the markets to react more strongly. But also important was Trump's warning that the US may halt trade with countries doing business with N Korea.

Should this happen, it would certainly hurt the global economy. Corporate profits and the world stock markets could be affected too.

Difficult to believe sanctions on China, the US's largest trading partner.

The uncertainty makes the markets nervous and that will likely continue while this wild card hangs overhead.

As long as this is the case, the safe havens will probably remain on center stage. This means investors have been turning to gold, bonds and some stronger currencies.

What are the Markets telling us?

There is no question, gold is the world's safe haven and it will probably continue, especially if N.Korea stays in the actuality. The Fund is holding gold and we will stay with this trend as long as it last. The same is true on the stock market. We are in some of the stronger stocks and we'll keep them.

Going back to the building of the pyramids, the Greek and Roman Empires, and all of the empires



before and after that, interest rates were never as low as they were in 2016. That is impressive and indicates that following such a historical low, interest rates aren't going to go shooting up from here. They will take time to move up, very gradually.

Low rates is great for the economy, bullish on stocks and the real estate market. It is also a plus for gold.

Stock Market

Despite the hurricanes, North Korea and other concerns, the market is still focusing on the good news, the strong fundamentals and the positive technical signs.

A big bullish factor continues to be low interest rates. This is the fuel driving the market higher, but there is much more. Earnings growth, for instance, has been important. The last 4 quarters has been strong growth, especially the last two quarters. This is very bullish for stocks, combined with strong business and consumer confidence, it's keeping a solid foundation under the market.

We are buying the strong upside leaders in our favorite sectors. Many of these are global markets, which are generally outperforming the US stock exchange.

Index	2017 Peak	YTD
Hang Seng	28.00%	25.00%
BSE SENSEX	22.34%	18.78%
S&P 500	12.03%	11.52%
CAC 40	11.72%	8.33%
Shanghai	9.08%	7.67%
DAXK	9.38%	6.82%
Nikkei 225	6.71%	6.71%
FTSE 100	5.15%	1.72%
<i>As of September 25, 2017</i>		

The Albatross Portfolio is + 5,24%, being 20% in cash. The US stock part is + 14,36%, the Global stock part is + 21.57% while the Bond and Real Estate part is slightly positive.

US Dollars

In Germany, Chancellor Angela Merkel won again, but her party was knocked to their knees and so the negotiations for a coalition government will begin, and that brings about uncertainty for the Eurozone's largest economy, and that is not a good thing for the euro.

The US dollar was the big safe haven in previous years, but that's no longer the case. Sentiment shifted this year and now the euro has become a safe haven of choice.



The global community is losing confidence in US policies, both domestically and internationally. “It’s all about Trump, no matter how you slice it”. Many of his comment are making investors nervous and then they sell the dollar.

A weak dollar isn’t necessary a bad thing. It is good for trade and the economy. The 12% dollar decline means the US export are cheaper and more attractive.

Gold and Natural Resources

There is uncertainty coming from all over. Political, geopolitical, natural disaster and the Fed, plus also the other central banks. So investors are nervous and safe haven buying has been popular last month. Investors and hedge funds pile into gold. Hedge funds bullish bets have climbed almost nine times since early July, Commerzbank has seen a more than 5x bullish positioning in gold.

Last week investors poured \$1 billion into the largest ETF of gold. Russia and China continue to stockpile gold in order to cut their dependency on the dollar. Others are doing the same. Germany finished repatriating the gold reserves they had in France during the Cold War, and it’s happening three years ahead of schedule. Frankfurt now has over half its gold with the rest still in NY and London.

Gold will gets its crown back as the ultimate currency. The gold price is a measure of fear...and economic fear is the most powerful. But it also moves on political fear and tense geopolitical fears. Gold is the true longstanding currency of last resort.

Copper is up to a three year high on better manufacturing activity in China. Hurricanes are disastrous, but in the long run they will be good for economic activity and for the commodities with all the rebuilding that will have to be done.

We are looking into a few resource stocks to add in the portfolio.

The Albatross Portfolio, will most likely buy the resource sector in October

Summary

There is a high possibility that stocks will stay in their major uptrend, especially if interest rates remain at low levels and a weak US dollar is also a boost for US stocks.

But an upcoming downward correction would provide a good opportunity to buy into some of the stronger sectors.

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 chosen sector.



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	-0,85	0,05	-1,09	-1,46%	0,52%	0,25					14,65%	2,05%	12,55%

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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