Fidelity Capital Management

January 2021 Investment Letter

31/01/2021

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|---|---|---|
| | **Sparrowhawk Fund (EUR)** | **+17,19%** |
| | **Royal Albatross Portfolio (USD)** | **+8,08%** |
| | **Kingfisher Portfolio (USD)** | **+22,73%** |

| | |
|---|---|
| DJ Industrial Index | +7,25% |
| S/P 500 Index | +16,26% |
| MSCI World Index | +14,06% |
| Berkshire Hathaway | +2,42% |
| Gold | +25,12% |
| EUR/USD | +8,94% |
| Oil WTI | -20,91% |

**16.63%**

*In 1980, 40 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 $493 million at a rate of 16,63% annually.*

*As we start our 40th year of fund management, we want to tell you how very grateful we are for your loyalty and confidence. We wish you all the best in the year ahead.*

*As we embark on this new year, let's hope it'll be better than last year. We think it will...*

The Biden inauguration went smoothly and the markets liked the outcome. That was especially true of stocks and precious metals…

Most of the stock market indexes, for instance, hit new record highs and they're poised to rise further. Sentiment is very bullish, and the market particularly liked the fact that more easy money is coming soon. Also bullish is the fact that the dollar is in a sharp decline and it's set to fall further.

2020 was one for the history books. And several experts are saying things will get worse in the upcoming months. This is something none of us are looking forward to, but we're not surprised.

So far, 2021 has not gotten off to a good start. The violent attack on Congress was shocking and sad. We can only hope this type of political upset does not continue and the US is indeed able to heal.

Then there's the virus. It's gaining momentum worldwide, yet many people aren't taking it seriously, but we sure are.

The vaccine is here, and this will make a huge difference as the year moves on. It'll mark the beginning of the end, so have patience and take care. Once this starts to kick in, 2021 will indeed end up being a better year. It'll provide hope, change and opportunity and that's something we'll all welcome.

**The economy?**

That's a little tricky. Not to sound too simplistic, there are a few factors we can be pretty sure about...

We know the Fed has been creating money like never before. We've talked about this all year and the amounts involved are truly unprecedented

To give you an example... during the 2008 financial crisis, the Fed's balance sheet "soared" from 1 trillion to 4.5 trillion between 2007 to 2014. This was a huge rise of 350% and, as you can see on the chart below, something like that had never happened before.

This was primarily thanks to the Fed's ongoing QE programs, and it included massive buying of U.S. government bonds, as well as mortgage backed securities to help save the banks and literally keep the entire financial system from falling off a cliff.

Then things settled down in 2019, but last year at this time there was again some cause for concern. Let us explain...

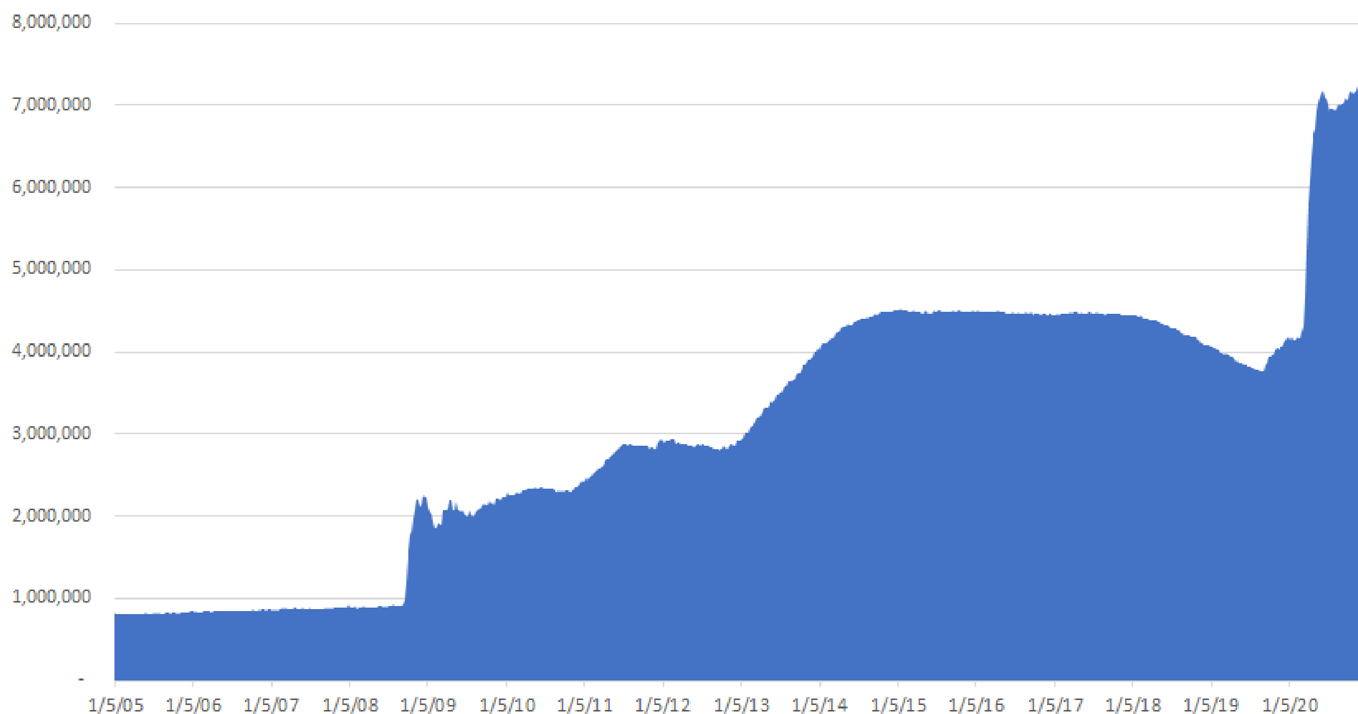
The Fed was flooding the financial system with tons of cash to make up for the lack of cash reserves in the overnight loan market in the banking system for the first time since the 2008 crisis, and the amounts involved were mind boggling.

The Fed's balance sheet began to soar, but that was nothing compared to what was to come. The pandemic hit and all hell broke loose. The Fed then really started pouring money into the system, making the previous interventions look like mini efforts.

Just last year, for example, the Fed's balance sheet soared to over $7 trillion. That was a massive rise of 100% in less than one year.

Plus, 25% of all of the U.S. dollars to ever exist were created in the last nine months. That's an awful lot of money creation and the Fed has consistently said they'll keep at it for as long as it's needed to fight the effects of the coronavirus and to hold off the resulting recession.

This of course means debt will continue to soar to levels we can't even relate to. But we do know that U.S. government debt will exceed the size of the economy this year, for the first time since World War II.



This is unreal and it's not what the Fed was set up to do. But they've evolved into the role of lender of last resort. Nevertheless, the effects of all this debt and money creation are also going to become more noticeable, probably later this year.

The most obvious effect will be inflation. It's going to happen, sooner or later. And considering all the money that's already been created, and will continue to be created during the new Biden Administration, inflation could end up being huge, especially once consumers start spending again.

Well, gold, silver and the gold universe would certainly be winners in this type of environment. We're happy to report that was certainly the case in 2020. They were clearly the winners and we believe that's going to continue this year too.

Sparrowhawk Fund has a 4% holding in gold and otherwise no other commodity is allowed to be held in the portfolio and never will.

We also believe the U.S. dollar will fall to new record lows. That in turn would provide an additional boost for the metals and commodities since they generally move in opposite directions. It'll also mean higher currency markets.

The flood of money that's been created has fueled the ongoing rise in the stock market. Here too, this will likely continue, driving stocks higher. As we've often noted, inflation is the bond market's worse enemy. So the outlook isn't bright for bond prices. That's especially true combined with the weak U.S. dollar.

Low interest rates, however, will probably stay in vogue. The Fed has to hold rates low to help boost the economy. Long-term rates, however, have been rising in recent months, and doing their own thing.

That's the way we currently see the outlook for the year ahead. This could change of course but for now, the script seems to be written. We'll be keeping you posted as we go along.

As we've previously pointed out, long-term interest rates are a different story. Even though they're at low levels too, U.S. long-term interest rates have been moving up. The 30 year yield has also risen, signaling the major trend is now up.

## The Big Picture

The severity of the downturn in the economy in 2020 is like what happened in the Great Depression, but hopefully much more short-lived. The speed of which the market crashed was like 1987. I reminds a bit also of Sept. 11, because of the human toll and the financial crisis in 2008 because of the effort the Fed have taken.

We've also effectively watched a full market cycle and a full economic cycle happen in a more condensed period of time than anything we have seen in the past. And that's one of the most unique things about this market. If you would have laid this scenario out and said we'd have a bear market that started on Feb. 19 and ended on March 23, and that we'd be back at new all-time highs by early September, nobody would have believed you. It's head-spinning.

There's a push and pull. The vaccine has pulled forward the economic recovery, and that's reflected in the market, but we are dealing with the virus pushing down economic growth in the near term

Short-term interest rates are near zero and they're likely going to stay there for years to come. How do we know?

Well, the Fed has basically said so several times. With the pandemic in full force and the economy still on thin ice, they've made it clear they'll keep doing whatever they have to do to help boost the economy and keep things from getting worse.

At this point, we don't yet know how bad the economy has been hurt, or how quickly it'll be able to recover to a more normal situation. But however long it takes, we can be relatively sure that interest rates will stay where they are as long as the economy and the financial reality is vulnerable.

That's basically been the case since the 2008 financial crisis, only it's much more serious today than it was then. And it's not just the U.S. Interest rates are near zero around the world. So one way or another, all of the major countries are in the same boat, some just more extreme than others.

The 10 year yield has plunged so far in recent years, a further rebound rise would not be at all unusual, especially if inflation starts to pick up. If so, the 30 and 10 year yields could both keep rising, but the mega trends would still be down.

Remember, the Fed can control short-term interest rates but it does not control long- term interest rates.

In recent years, however, the Fed has had more influence in this sector. The simple reason why is because the Fed now owns more U.S. government bonds than anyone else. Nevertheless, they can only influence so much.

Basically, a zero interest rate policy (ZIRP) has been part of the financial landscape ever since the real estate bubble burst in 2008.

And even before that, easy money fueled the dot.com bubble, which burst in 2000. It's really been one bubble after another since then and the entire economy has been affected and distorted by the Fed's easy money and artificially low interest rates.

How long can this continue? That's obviously the big question ,and we just don't know. Sooner or later the bubble will burst and the economy could get hit hard again, or not.

Over the years we've often seen the system keep plugging along far longer than one would imagine. In other words, even though the Fed has made many mistakes, they'll plug the dam to keep it from bursting as best they can.

Optimists also point to Japan as an example. They've had zero interest rates for over 20 years. Plus, their debt to GDP ratio is the largest in the world... yet Japan continues to do okay.

So the feeling goes, if Japan can do it, we can too and we have room to keep on. We'll see how it goes, but we do know that stretching ourselves too thin and inflating the biggest bubble yet will not be good for the bond market.

The bottom line is, bonds are not attractive. That goes for all bonds. They're risky and we continue to recommend avoiding them for the time being. That's especially true now that the U.S. dollar is also hitting new lows. It's not a good combination and you're much better off looking elsewhere.

This is turn could result in inflation down the line and that may be another good reason why long-term yields are rising. They tend to look ahead and they don't like what they're seeing.

But where is the inflation?

We got that question for years after the initiation of quantitative easing during the financial crisis. Yes, the Fed was pumping massive amounts of liquidity into the financial system, but part of the reason it didn't cause inflation was that money stayed in the financial system. It didn't come out through the lending channels and work its way through the economy.

This time, a double-barreled monetary and fiscal stimulus has caused a surge in money supply to almost 25% year over year. So people ask, why haven't we gotten inflation.?

But we think we have massive inflation: It's just been in asset prices, not in the real economy. That is partly due to the fact that a lot of the money has stayed in the financial system. And—unique to this crisis—was that during this time in which all this money was being pumped into the financial system and into the hands of consumers, the economy was basically shut down. That's why the savings rates shot up to 33%. But that money has to find a place to go. So it found its way into asset prices.

Now, we might be sowing the seeds of some inflation, both near term and longer term, because some of the forces that have pushed inflation down over the past three decades—globalization, population growth, and labor-market power—are reversing. And in the near term, with the vaccine, we could see a surge in economic activity and demand from parts of the economy that haven't yet been brought back online or aren't at full capacity.

Diversification is key because these rotational shifts we are now seeing are happening so quickly. Diversification needs to happen not just across sectors, but also across market cap, geographies, asset classes, and within asset classes. My counterpart in international, Jeff Klein, has a view that we're seeing a setup for more international outperformance relative to the U.S.

Just as important as diversifying is rebalancing more strategically. One of the things we've been suggesting, particularly in this Covid era, is what we call volatility-based rebalancing. Instead of rebalancing quarterly or annually, let your portfolio be your guide. If you set limits on your allocations so you trim back on areas that have outperformed and add to areas that underperform, you can catch the wave of upside when those rotations happen.

## What are the Markets telling us

As we've often noted, the stock market looks ahead. So it's likely looking over the valley and it sees better times coming downstream. Say, for instance, once the vaccines are widely available people

will begin to come out and all that pent up demand could lead to a stronger economic recovery than anyone expected.

But what tells the pessimists, the stock market doesn't look ahead anymore because it's totally manipulated. We know that many believe this and in large part it's true.

The Fed's easy money policy has been a huge factor pushing stocks higher. (M1 money supply soared 70% in 2020.) We all know that. We also know this easy money is going to continue in the new Administration. But does this mean the market has stopped looking ahead? We don't think so.

Yes, the Fed heavily influences the market, like they have been. But if all of the stock markets in the world are moving up, it means something and we'd be stubborn not to keep an open mind.

The same is true of interest rates. The steep decline in interest rates over the past 40 years has indeed been another bullish factor for stocks. It's been an ideal environment. But this does not mean the stock market is powerless.

It still has its place and until it's proved otherwise, we'll continue to watch and see what the market's trying to tell us.

Currently, we still believe a final leg up in this bull market is underway. That's what the market is signaling... That is, stocks could keep heading higher for quite a while and the move could be very dramatic and speculative.

Take a look at Nasdaq. Despite its super rise, note its leading (long-term) indicator is not yet too high. This reinforces that Nasdaq could rise a bit further and the other stock indexes are similar. But as we've previously mentioned, we also think it's important to maintain some caution. The situation overall is sketchy. Some stocks are already extremely expensive and volatility could continue, especially if sentiment shifts, which it could..

The bottom line is that the gold universe is much stronger than stocks. It has better potential, which is why we recommend keeping a larger position in metals related investments.

During last year, gold rose 25% in one of its best years in decades. The S&P 500, in comparison, rose 16%.

So there's no question the relative strength major trend favors gold over stocks. This means gold will continue to be the top performer, likely well into the years ahead, and the percentage gains will be greater in gold, not stocks.

Now that doesn't mean stocks have to fall, even though they could. It just means that the years ahead will probably be similar to 2020. So you'll want to adjust your portfolio accordingly.

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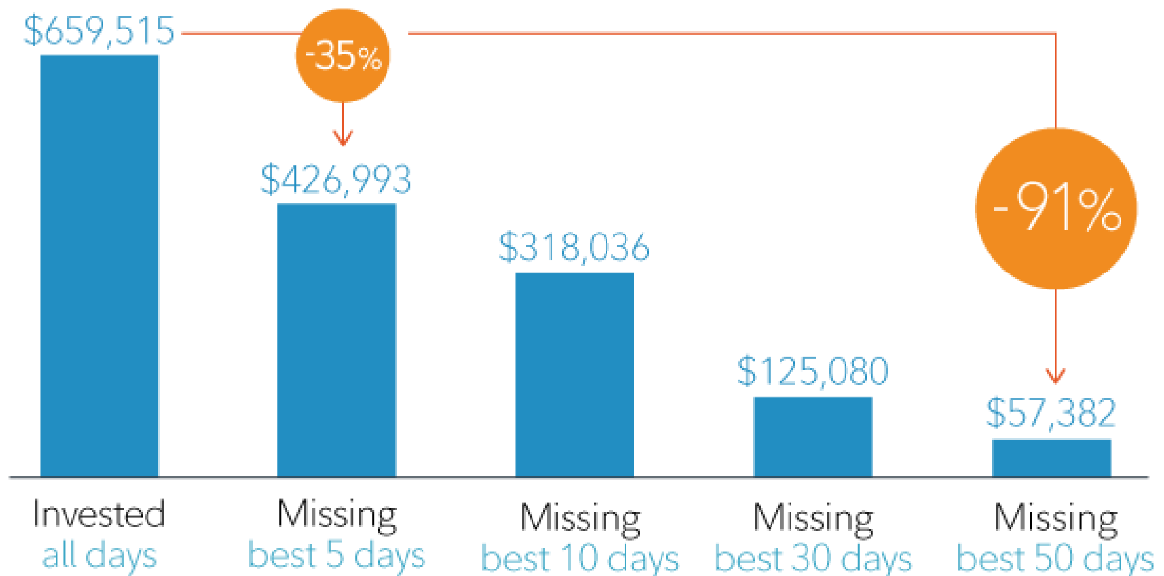
Investors that missed the 10 best days of the S/P 500 Index in any given decade would have seen more than 50% lower returns over the course of that decade on average.

Focus on time in the market **– do not try to time the market**
It can be tempting to try to sell out of stocks to avoid downturns, but it's hard to time it right.
If you sell and are still on the sidelines during a recovery, it can be difficult to catch up. Missing even a few of the best days in the market can significantly undermine your performance.

As for real estate, the average home price was up 15% in 2020. It's also a good investment, especially with interest rates so low. The same is true of the global stock markets. But here too, gold is better. And that's where your focus should be.

The Sparrowhawk Fund has a 5% holding in gold since 2019.




- Invest consistently**, even in bad times**
  Some of the best times to buy stocks have been when things seemed the worst.
  Consistent investing can give you the discipline to buy stocks when they are at their cheapest.

## Stock Market

The stock market has been soaring. It's been strong and bullish with most of the stock indexes hitting new record highs.

| Index | 2021 Peak | YTD |
|---|---|---|
| Hang Seng | 8.85% | 8.85% |
| Nikkei 225 | 4.57% | 4.33% |
| FTSE 100 | 6.39% | 3.91% |
| BSE SENSEX | 3.84% | 3.45% |
| Shanghai | 3.89% | 2.69% |
| S&P 500 | 1.83% | 1.14% |
| CAC 40 | 2.80% | 0.85% |
| DAXK | 2.41% | 0.70% |
| *As of Jan 19, 2021* | | |

If you simply look at what the market has done this year and what, say, GDP [gross domestic product] has done this year, yeah, it's extraordinarily disconnected. However, the reality is a bit more reflective of the economy. You can see this in divergence between the Big Five stocks [Apple (AAPL), Amazon .com (AMZN), Microsoft (MSFT), Facebook (FB), and Alphabet (GOOGL)] and the rest of the market: The market peaked on Sept. 2, at which point the Big Five were up 65%. The other 495 were only up 3%.

The market's rally has broadened into other areas, such as value, small-cap, and into more cyclical areas, including Covid laggards [for example, airlines and energy]. The more recent stage has been very much about laggards. Now, whether it's occurring with too much force and prematurely, we'll have to see. We need to see consistently better economic data to justify a continuation of this rotation into the laggards.

Concerns over rising coronavirus cases and uncertainty of Biden's massive economic rescue package will lead to a bumby road ahead.

For quite a while, the stock market has been ignoring bad news. That goes for the economic news, political news, covid news... it all doesn't seem to matter. Instead, the market has been focused on other things. For instance, contrary to what everyone thought, the market surged when the Democrats won the Georgia senate seats. It was happy because this means more stimulus and infrastructure spending will be coming sooner than later.

In other words, with the Democrats controlling the House and the Senate, it'll boost the economy and that'll be good for the stock market. Nevertheless, we could still see some vulnerability, which would not be unusual considering the steep rise the stock market has had in recent months. That is, a pause would be normal.

Also, one must consider that interest rates are essentially zero and there is roughly $4.5 trillion in money-market funds earning nothing in the bank. With so much cash on the sidelines, both retail and institutional investors are looking to the equity markets for returns.

We strongly believe that the Fed has done more than anybody could have expected or imagined. If the economy does struggle, we expect the Fed to continue to provide significant support.

First and most important, easy money has overpowered everything else. It's been driving the market higher. That's what the market's focused on and it's thriving in this environment.

"Traders understand it's the stimulus that has kept the market blown up over the last several months when it should have sold off due to the economic impact of the pandemic.

Second, the vaccine news has also fueled optimism. Keep in mind, the stock market always looks ahead. So perhaps it sees better times coming, say six months down the road. This in turn is also helping to boost stocks higher.

Of course, we still think it's important to maintain some caution knowing things are not ideal and the situation could turn volatile. But in the meantime, we think stocks look good for the months ahead, and possibly beyond.

We'll soon see. For now, however, the stocks we like best are listed on our top ten positions. We're adding some new ones and as the markets head higher, these should do well, and we feel it's worth the risk.

**1. The pandemic has an end date.**

**2. Low interest rates.**

**3. Massive monetary stimulus.**

**4. Support from the winners.**

Stocks of tech companies that have enabled employees to smoothly transition to working from home have thrived in the market environment, as evidenced by the strong earnings reports from Facebook, Apple, Amazon, and Alphabet in late July. "The good news extends beyond those companies, with about 40% of the S&P 500 classified as technology, digital media, e-commerce, online education or 5G."

These themes are Sparrowhawk Fund's favourite sectors.

The Sparrowhawk Fund own companies that generate significant free cash-flow and that have sizable amounts of cash on their balance sheets. Also, many of the holdings are dominate their industry and actually have businesses that benefit from this environment of uncertainty.

The Sparrowhawk Fund run a highly concentrated portfolio,…...These are fine companies, with solid long-term prospects, this environment forces the Fund to only own excellent companies, with fortress balance sheets and exceptional short and long-term prospects.

The Fund remain "fully invested", but the cash balances allow the Fund to buy names they like, when the Market throws them away.

**Portfolio News**:

**Apple** is expected to post a rise in 1Q revenue and breach $100 billion in overall sales on Wednesday, driven by its new 5G IPhone models as well as booming demand for MacBooks and AirPods as scores of professionals continue to work remotely.

**Facebook** is expected to report a rise in 4Q revenue as more businesses used its digital advertising tools during the holiday season with online traffic surging due to the pandemic.

**Microsoft** continues to benefit from a global shift to work and learning from home.

**Johnson & Johnson** is expected to disclose late-stage data on its Covid 19 vaccine this month. Investors remain keenly focused on commentary about the single-dose vaccine we will also look out for the company's profit forecast.

## US Dollar

The U.S. dollar is now well on its way. This month it hit a nearly three year low and this is just the beginning. The dollar index has already dropped 12%, from its March highs to the year-end lows.

This is part of a chipping away process that's eroding the dollar's international appeal. It's affecting its global prestige and hurting the dollar's place as the world's favorite reserve currency.

This has been happening for years but this sentiment is gaining momentum and as it does, the dollar's fall will pick up steam.

It basically happened when the U.S. gave up on its fiscal discipline. And since this discipline has essentially evaporated, it's keeping downward pressure on the dollar.

The latest examples were the Fed's announcement that it'll keep its easy money and bond buying going into 2021. And Joe Biden's $1.9 trillion stimulus plan will be on top of that.

Plus, its widely believed the vaccines will help the global economies recover this year.

This in turn has prompted investors to buy assets outside the U.S., which has also driven the dollar lower. And the weaker dollar, in turn, bodes well for the world economy and the international stock markets.

Most people within the U.S. don't pay much attention to the falling dollar. They feel it doesn't really affect them and, overall, it's not a priority compared to a lot of other things. In fact, unless they're traveling, it generally stays on the back burner.

But it does warrant attention, First, a weak dollar is inflationary. It'll make things more expensive and it'll erode your purchasing power. Here are a couple of examples of what we mean...

As the dollar weakens, the currencies of other countries rise. This makes imports more expensive because it takes more dollars to buy the product than it did before. So anything not made in the U.S. will cost more.

A weak dollar also drives up the cost of commodities and base metals (precious metals too). But investments aside, this will make your food costs rise. The same goes for building materials and so on. And when this dollar weakness is combined with massive money creation, like we're now seeing, it's a double whammy with the end result being big inflation.

So what happens to the dollar is important and it shouldn't be brushed off. Investment wise, of course, it has many implications. That's especially true for the precious metals, which tend to surge when the dollar falls sharply. And that's what we believe is coming in the years ahead.

The U.S. has way too much debt. It's been spending more than it takes in, so the deficits keep getting bigger. That's been the case even more so since the pandemic hit. Very simply, spending is out of control and as long as that continues, it's going to keep downward pressure on the dollar.

The fact is, the dollar's been declining for over 100 years. Chuck Butler recently pointed this out showing how $100 in 1913, when the Federal Reserve was established, is now worth about $3.85. In other words, the dollar has lost nearly all of its purchasing power.

China's economy is currently the world's strongest and the yuan is gaining global acceptance. It's one of the world's most actively traded currencies and this will likely continue as China opens its markets to the world. This has been happening slowly, but it is happening and we're keeping a watch on the yuan. Currently, however, our favorite currencies are the Australian and Canadian dollars, the euro, Swiss franc and the New Zealand dollar.

## Gold and Natural Resources

In 2020 we saw gold, silver and their shares shoot up, reconfirming the stronger bull markets since 2018. Annual gains for both metals were the best since 2010.

Silver was more impressive with 2020 being the second best percentage annual gain in 20 years, after 2010. These are impressive numbers for a growing bull market that has a bright future in the years ahead.

Sparrowhawk Fund do not hold positions in any commodity and never will, except gold. Since 2018 the fund has a 4% position in the gold bullion.

Consider this.... Silver and the tech heavy Nasdaq Composite had similar gains in 2020. Silver had the edge, up 47% while Nasdaq was up 43%. Gold, the HUI gold share index, copper and palladium essentially had similar gains near 25% each.

The weak dollar helped boost the markets. But with the new year seeing long term yields rise briskly, it's helping to stabilize the weak dollar for now, which put pressure on gold and silver.

Normally, rising rates are bad for the markets, over- all, but with rates at such extreme low levels, we may not see them hurt the market too much, especially if inflation begins to rear its head.

When zooming in on today, many markets took a turn in October. The U.S. dollar started a deeper fall while copper, crude, platinum and the resource shares all started a stronger rise that's carried over to the new year.

It's time to be well positioned for 2021.

This is also tying in with Joe Biden's plan to rebuild infrastructure in the U.S.... And globally as well.

Construction has been growing globally since last year. China took the lead as they've been building new roads, bridges and infrastructure in general.

OPEC and the oil producing countries have lowered production, helping to boost the oil price. Energy shares are looking good too.

Joe Biden is proposing an infrastructure plan as part of the stimulus that will help get some people back to work.

The Sparrowhawk Fund is analyzing infrastructure stocks and eventually some mining stocks to take advantage of the stimulus programs coming up.

The resource sector is getting hotter with the stock market. It's seeing better times ahead, especially with the start of a massive vaccine. Copper and several of the base metals have risen sharply since the May lows and they reflect the overall strength in this sector. Meanwhile, gold fell further last month, slipping below $1800, but it's now getting a boost from the ever-weakening dollar. In fact, the weak dollar is giving all the commodities and global markets a boost. That includes materials and even the U.S. stock market.

A weak dollar helps the U.S. economy and it certainly helps the markets.

Crypto currencies have a future and digital money is growing. But it's future would never replace holding physical gold as a safe haven.

Physical gold gives you freedom and independence. If you've always had it, it's hard to imagine life without it. People who have fled from countries, who've given up everything for freedom, understand the power of having physical gold.

Silver has been holding up better than gold. Even though it's down 24% from its August high, it's correcting an explosive rise from the March lows when it rose 153% to its August peak. Silver has been gifted the strength from the resource sector since the summer.

Keep in mind, when gold and copper rise together, silver soars. Plus, silver is at an extreme low versus gold. And while it's been outperforming gold this year, its strength has only just begun. It has great potential.

Many places in the U.S. and around the world are seeing construction growth. China alone is in a commodity boom. We're seeing growth all around us from homes to condos to stores. It's impressive. And aside from that we have the infrastructure boom promised by President elect, Joe Biden. That should provide lots of jobs for 2021.

## Summary

The ESG Score for Sparrowhawk Fund is at 70 which higher than the iShares ESG Aware MSCI USA ETF score of 68. This is the largest ESG focused fund and it is surprising to see funds which are having a common sense approach to investments but do not advertise any focus on ESG are actually having a greater ESG score.

In the short-term, our economy faces several speed bumps, like the expiration of certain governmental stimulus programs and stubbornly high unemployment. As the market begins to separate winners from losers, we feel the Sparrowhawk Fund will do well.

We're bound to have lots of volatility going forward but keeping the focus on the bigger picture and the key trends will give the manager confidence and calm.

**The Sparrowhawk Fund's** major strategy is usually fully invested (today 10% cash) in a highly concentrated portfolio with long-term holdings of quality companies, with solid balance sheets that generally enables the company to go through any recession.

Since 1980 the fund manager has generated + 40.000%, compared to the S/P500 +2.500% or 16,5% annually vs 9,72% for the S/P 500.

The conviction of the managers to spend time in the market and catch the immense strength of the long-term compounded returns is much more important than trying to time the market, which the manager believe cannot be done successfully.

How can you catch returns such as 77.000% (Microsoft since 1980) if you once decided to sell this great company. There are a number of these companies that should be held for many years.

The Sparrowhawk Fund has a significant allocation to quality global companies focusing on those that can organically grow. Priced at attractive levels in industries like media, payment industry, pharma, online education, 5G players and consumption.

The Sparrowhawk Fund, a Long Global Conviction Equity Fund that is actively managed based on views with a time horizon measured in years, not days, 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 favorite sector.

**The Royal Albatross Portfolio. (Six asset classes management)**

The Portfolio's performance ended the year 2020 +8,08% and added another positive year since inception in 2007 and since backtracked back to 1973.

There has been only one negative yearly performance and that was in 2015 with -2,05%. Not bad for a performance out of 57 years.

Diversification is key because these rotational shifts we are now seeing are happening so quickly. Diversification needs to happen not just across sectors, but also across market cap, geographies, asset classes, and within asset classes. Jeff Klein, has a view that we're seeing a setup for more international outperformance relative to the U.S.

Just as important as diversifying is rebalancing more strategically. One of the things we've been suggesting, particularly in this Covid era, is what we call volatility-based rebalancing. Instead of rebalancing quarterly or annually, let your portfolio be your guide.

**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 | 4,16 | 0,39 | 0,47 | -1,09 | -1,46 | 0,49 | -2,76 | 0,25 | 4,39 | 0,53 | 0,64 | **23,52%** | **8,33%** | **19,42%** |
| **2018** | 5,79 | -1,20 | -4,80 | 2,80 | 5,69 | 2,22 | 2,05 | 4,28 | 1,65% | -5,05 | 0,40 | -8,49 | **-1,99%** | **2,47%** | **-6,24%** |
| **2019** | 5,82 | 3,32 | 5,22 | 6,33 | -7,29 | 2,94 | 3,68 | -0,80 | 0,86 | 0,74 | 3,63 | 1,19 | **24,59%** | **27,03%** | **29,30%** |
| **2020** | 4,08 | -3,18 | -8,70 | +12,05 | +2,40 | +3,90 | +1,58 | +5,58 | -1,60 | -2,05 | +5,33 | +1,16 | **27,66%** | **17,19%** | **16,26%** |

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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