Fidelity Capital Management

July 2019 Investment Letter

2019 YTD

Sparrowhawk Fund (EUR)	**18,88%**
Royal Albatross Portfolio (USD)	**2,03%**
Kingfisher Portfolio (EUR)	**12,94 %**

DJ Industrial Index	14,03%
S/P 500 Index	17,35%
MSCI World Index	15,63%
Berkshire Hathaway	4,04%
Gold	8,65%
EUR/USD	-1,09%
Oil WTI	28,90%

16.57%

In 1980, 39 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 $356 million at a rate of 16,57% compounded annually.

Know what you own and why you own it. (Lynch)

Things are slowly improving on the trade war front and this is something both the USA and China wants. They know an ongoing trade war wouldn't benefit anyone and it hurts both countries. For this reason, we don't expect the trade war to drag on.

This economic recovery is already 10 years old. This has now become the longest economic expansion in history. This leads many to believe it has to end soon, but the President is determined to keep the economy going prior to the 2020 election and he's using the tools at his disposal to attain this goal. This has resulted in a new twist in the normal business cycle. Monetary policy has become political, and some argue a credit cycle has replaced the business cycle, so the cycle and the recovery remain in force.

For the first time since 1913 when the Federal Reserve was created, it has now become political. Think about this for a minute… For the past 105 years, the Fed has always been independent. They did their business, managing the money supply and interest rates, and more, based on what they felt the economy needed. When there was disagreement, these discussions took place behind closed doors. If anything, the Fed was always somewhat mysterious. We remember how everyone would constantly debate over what the Fed may (or may not) do on a certain day, and this was the case for years... until last year. So, when President Trump began criticizing Fed Chairman Powell, it was unprecedented. And so was the fact he kept telling him what to do. It soon became obvious that Trump wanted low interest rates to keep the economy and stock market moving along, and he was unhappy the Fed wasn't following orders, so to speak. The criticism continued with the latest being an indirect threat that Powell may be fired. Meanwhile, the Fed started hinting months ago that interest rates will probably soon head lower. So, while they're trying to maintain some independence, it's also clear they're going to give in to the President's demands. And when they do, all systems will be go and nothing will stop this interest rate decline.

We know that some of you are wondering, how much lower can interest rates go, considering they're already at super low levels? The 10 year yield, for instance, is near 2%, so what's the downside? The simple answer is… the next target is at the 2016 all time lows. That would be near 2.10% on the 30 year yield and 1.37% for the 10 year yield. But these rates could go even lower, and a drop to near zero is not out of the question. As you'll remember, most countries already have negative, below zero, interest rates. The U.S. is the big exception, but it's now following the rates in other countries and they're all going down. This means that global interest rates are already at 5,000 year lows, which is when records began in Sumeria, the first civilization. Since then and throughout human history interest rates have never been this low. Does this make us nervous? Yes. The fact this has never happened before is indeed food for thought. It doesn't necessarily mean it has to end badly, but it doesn't sound good either. Basically, we are truly in uncharted territory and this alone warrants attention. In other words, it's not a casual event and it's going to be historical and interesting to see where we go from here.

What are the Markets telling us?

Our basic strategy has not changed. In fact, it's coming together nicely and increasingly, all of the markets are in synch in an "everything rise." The bottom line is this, interest rates are set to fall further. This will continue to be good for the stock market. This applies to the U.S. and global stock markets. Low rates will also keep boosting the bond market. And they're now starting to put downward pressure on the U.S. dollar. This, in turn, is driving gold and gold shares higher. We feel we're well positioned to keep benefitting from these trends. In fact, this month we're looking to add some new positions, and increasing our holdings in stocks, and we are looking at gold, which are all on the upswing and doing well. We believe this is going to continue for quite a while.

The low interest rates have been moving nearly all of the markets and they're responsible for the "everything rise." For example, stocks and bonds are surging, thanks to low interest rates, and so are the gold related markets. Some of the currencies are also going up. In fact, the only market that's under downward pressure is the U.S. dollar because lower interest rates are making it less desirable. Most important and considering all factors, there's no question these trends are going to continue. The key point being interest rates, which are going to stay low for a long time, and this will continue to drive the markets.

Stock Market

The stock market surged this month. Several of the stock indexes hit new record highs and the market clearly remains on its bullish path.
This actually ended up being the strongest June for stocks in 64 years. It was also the best first half of the year for the S&P500 in two decades. So, the stock market isn't only strong, but it's breaking impressive records too. Driving stocks higher were the very familiar basic reasons… easing tensions on the trade front between the U.S. and China, and the likelihood the Fed is going to lower interest rates sooner rather than later. As you know, interest rates have been the key factor moving most of the markets, and especially stocks. And if rates head lower as we expect, it's going to be very good for stocks in the months and probably year ahead.

If the market does indeed unfold in this bullish way, and it currently looks like it's going to, then this bull market could be one for the record books… That is, despite the fact the bull market has already lasted a long time, it could still keep going and move higher than most people thought possible. The bull markets of 1974-1987 (in blue), and the one from 1987 to 2000 (in green), as well as the current bull market since 2009 (in red). What's most interesting is how closely these three bull markets have moved together. If this continues, and the current bull market moves clearly into its third speculative phase, then this rise could stay on track and move up in a similar fashion, like the other two bull markets did.

NOV 1974 to AUG 1987: 13 YEARS 350%
DEC 1987 to JAN 2000 : 12 YEARS 650%
MAR 2009 to PRESENT: 9 YEARS 400%

The world stock markets have generally been looking better too. They're picking up and several have turned technically bullish. This is a good sign for the stock market overall. The main reason why is because major bull markets tend to take most of the world's stock markets with them. And this is starting to happen. But the U.S. stock market is basically one of the strongest and it's the one we feel most comfortable with. We also like China, mainly because it's oversold, it has good potential and it has a lot of catching up to do. Brazil is looking good too. The Russian stock market has been one of the strongest. But we'll let that one go by, primarily due to risk factors.

Index	2019 Peak	YTD
S&P 500	20.09%	20.09%
Shanghai	32.67%	19.34%
CAC 40	19.86%	18.95%
Hang Seng	20.00%	13.63%
DAXK	15.95%	13.50%
FTSE 100	12.99%	11.84%
BSE SENSEX	12.19%	8.37%
Nikkei 225	11.46%	8.35%
As of Jul 15 2019		

Sparrowhawk Fund is at + 21,20% as of July 15 2019. Holding mostly US and Chinese stocks. Number one on the Global Equity Fund List.

US Dollar

Well, there's no question the U.S. wants a weaker dollar.
The President has been beefing up his complaints about the overvalued U.S. dollar, repeatedly calling for a weaker dollar. He's also been blaming Fed head Powell for the strong dollar, in large part because the Fed has been slow to lower interest rates. And lower rates would keep downward pressure on the dollar. Most recently, President Trump called on traders to play the "currency manipulation game" in order to match efforts by

China and Europe to manipulate currencies and pump money into their economies.

Lower dollar and interest rates on the horizon? This will make President Trump happy. That's because it'll help exports, making them cheaper, and it'll also provide a boost to the economy. Plus, it'll help cast a rosier outlook prior to the 2020 election. So again, lower interest rates and a weaker U.S. dollar are two trends we can almost guaranty are going to unfold in the months ahead. Now, we know nothing is ever guaranteed and it's actually reckless to make such statements. This is about as close to a sure thing as you'll ever see in any market... But time will soon tell if that's the way it plays out.

China and Russia, have been selling their U.S. Treasury bonds. Their bond holdings are now at a 12 year low and they've been buying a lot of gold. Other countries are doing the same. They're also coming up with several ways to bypass the U.S., via international payments and so on, making agreements among themselves. China has already made agreements with 34 countries that excludes the U.S. dollar. That's not the way it used to be, but the end result is that the U.S.'s leadership in financial matters is slowly eroding for a number of reasons. And as this happens, the U.S. dollar's role as the world's reserve currency is diminishing as well. This has happened throughout history and a big change again appears to be in process. But these things take a long time and it's going to be a good while before this becomes more obvious.

Gold and Natural Resources

The Sparrowhawk Fund is analyzing and watching closely the gold price and may take a new position if the fundamental view is supporting that.

Gold continued up, tearing through six years of bearish resistance this past month.
In this ongoing uncertain world with increased trade and geopolitical tensions, and some countries diversifying their reserves away from the dollar, safe havens like gold will continue to blossom.

As each month passes, gold demand gets stronger, especially in China where they continued to raise reserves for the seventh straight month. Likewise, for Russia. Poland also said they've more than doubled their gold assets over the past couple of years, becoming the top holder in Central Europe. Central banks continue to buy gold.
Elite investors are turning to gold. The bond king, Jeffrey Gundlach, the hedge fund manager, Paul Tudor Jones and Ray Dalio of Bridgewater Associates have all turned to gold. The dollar has been under pressure during this run up in gold. Interestingly, the dollar has held up pretty well considering the sharp rise in gold, but the dollar's path is

pointing downward. If President Trump has his way, the dollar and interest rates will be heading much lower. The fall in yields this month adds to this scenario, especially with world rates low or negative. This reflects a struggling world, yet the stock market in the U.S., and now some of the other countries, continues to rise in this low interest rate environment.

Gold's already risen 12% since its early May lows. This is a similar rise to the one in 2017-18, but it's far less than the 7 month rise from the Dec 2015 lows. In fact, if gold continues to rise from here and reaches the $1536 level, that would then be a 20+% rise from the May lows. This rise would be fantastic for the turnaround bull market.

The oil price has been getting a boost from the growing tension between the U.S. and Iran. The U.S. blamed Iran for the attacks on two oil tankers in the Gulf of Oman last month. Plus, a drop in U.S. crude supply and a storm in the Gulf of Mexico added to the now seven week high.

Summary

The Sparrowhawk Fund has as a long-term strategy to be fully invested at all times, convinced that spending time in the market is much more important than trying to time the market. With the conviction of catching the strength of the long-term compounded returns. (CAGR +16% since 1980).

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, infrastructure 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, 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.

Robin Curry-Lindahl
LCL Asset Management AB
FCM S.A.
19 Avenue De Mot
1000 Brussels
Tel +32 2 6411590
Mob +32 496 166368
rcl@fidelity-sa.be

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	4,83							**17,58%**	**18,88%**	**17,35%**

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, Avenue Emile De Mot
1000 Brussels, Belgium

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