

## March 2022 Investment Letter

YTD 2022



**Sparrowhawk Fund (EUR)**

**-4,82%**



**Royal Albatross Portfolio (USD)**

**-0,89%**



**Kingfisher Portfolio (USD)**

**-6,18%**

DJ Industrial Index

-4,57%

S/P 500 Index

-4,94%

MSCI World Index

-5,54%

Berkshire Hathaway

+17,37%

Gold

+5,23%

EUR/USD

-2,87%

Oil WTI

+33,45%

**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.*

## What do Putin want?

Following are some comments in 2014 by Professor John Mearsheimer, University of Chicago.



Is Ukraine of vital interest to the US/NATO? Not at all

Is Ukraine of vital interest to Russia? Definitely Yes.

Does the US and Europe wish to peel Ukraine away from the Russian orbit and incorporate it into the West? YES. They have been trying since over 20 years and ignoring the consequences.

Remember Ukraine is on the Russian border and Russia has repeatedly said that it is absolutely unacceptable to have Ukraine attached to the West.

Will Russia do everything it can to make sure that this will not happen? YES of course they will.

A wish for a NATO military expansion integrating Ukraine, just like Poland, Baltic States etc. has been going on for quite some time. This, started already in 1990's. And Russia said NO "not acceptable.". This will NOT HAPPEN!

Is US promoting democracy all over the world, such as Iraq, Libya, Afghanistan? Yes, but not very successfully. Including Ukraine? YES. Just look at the mess today.

During The Bucharest Summit in 2008, NATO made a final declaration: "NATO welcomes Ukraine's and Georgia's Euro Atlantic aspirations for membership in NATO. We agreed today that these countries will become members of NATO."

Do you think Russia would just sit by and let it happen.? ABOLUTELY NOT

Russia said again this is unacceptable. Putin's response to that Bucharest declaration: "Georgia and Ukraine becoming part of NATO is a "direct threat" to Russia"

Did Putin do anything about it? YES, he attacked Georgia. Not very clever by the West to trigger this.

The Coup of Feb 22 2014:

The pro-Russian Ukraine president Yanukovich says no to a EU deal. Putin offers a better deal not involving EU. This leads too protests and fights. The President flees to Russia after several dead in the streets. Again, the West had tried to make a EU deal with Ukraine behind the back of Russia.

Russia takes Crimea and will not give it back. Putin will never let Crimea become a NATO base.

Putin says, "either you (the West) stop this insisting strategy or I will reck Ukraine, but I will not allow Ukraine to be integrated to the EU or NATO." This is year 2014.

The US will never allow a foreign country to have a military base on its borders, remember the Cuba crisis.

Why then would Russia allow it? Why is the US/NATO acting so surprised by Putin's actions?

Is Putin the main cause to today's crisis? Probably not. Probably the stupidity of the West.

Is Putin crazy or irrational? No But that is what everybody in the West would like to believe.

Is Putin trying to create a Greater Russia? NO, he is too clever for that and he knows he can't do it.



This does not justify Putin's war actions in Ukraine, but nobody in Washington can say they were not warned.

Ignoring Putin's warnings is not a very clever strategy.

If politicians do not look at historical geopolitical facts, they will never understand the causes of a crisis.

For now, this situation is the biggest unprovoked aggression since 1939. It's worrisome, fueling concern and uncertainty about what might happen next.

Basically, the world watches and waits. So, it's no wonder that everyone is nervous and uncertain.

Meanwhile, the situation is already affecting all of the markets, in one way or another. That's primarily due to the uncertainty in the world today. But there's more... The war has triggered the biggest commodity shock since 1973, and with reason. Russia is a huge producer and exporter of wheat and resources, like natural gas, oil, coal, aluminum, copper, nickel and palladium. As you'd expect, these prices have been surging.

This has had a huge impact on gold and the other precious metals, primarily because of their safe haven status.

The same has been true of the U.S. dollar. It's been moving up strongly as investors turn to the security of safe havens. We believe this will continue as long as this geopolitical crisis remains unstable.

## **The Big Picture**

Most important to remember is that interest rates have been at super low levels for the past 14 years. And during that time, whenever the Fed tried to raise interest rates, they quickly change the strategy and drove them down again because the economy was unable to withstand higher interest rates.

The point is, the Fed just raised interest rates by a quarter of 1%, but the economy is now far deeper in debt than it was before. As you know, the pandemic drove debt and spending to out of sight levels.

The Fed has been the main financier of this debt via their bond buying programs. And if the economy couldn't handle higher interest rates before, it really won't be able to endure them this time around.

But what about inflation? Won't the Fed have to keep raising interest rates to help curb inflation?

Theoretically yes, but the Fed's hands are tied.

Inflation is currently near 15%. There is no way the Fed could raise rates to anywhere near this level in order to seriously make a difference on the inflation front.

As you'll remember, last month everyone was debating about how much the Fed would raise interest rates at their meeting this month. Would they raise by half a point? A whole point?

With inflation surging, most expected the Fed to raise the Fed funds rate by at least half a percentage point. They didn't, but the Fed did say they expect to raise rates six times this year.

Even though rates have been rising since last year, so has inflation. But inflation has risen much faster, which has kept real interest rates deeply negative at minus 5% - 7%.



Aside from being a real problem for savers, it's very positive for the gold price,

## What are the Markets telling us?

The Russian invasion of Ukraine—which has roiled equity and commodity markets in recent weeks—remains in focus with a new round of diplomatic talks between officials from both countries in Turkey.

“Investors have grasped at positive headlines in recent weeks and more sensitive assets such as energy prices have reacted accordingly, but the reality has been few signs of concrete progress towards any cease-fire,”

## Stock Market.

The Federal Reserve is talking tough about fighting inflation and the stock market loves it.

The S/P 500 gained 1.8%, extending its rally for a second week, while the Nasdaq rose 2%. Only the Dow Jones Index finished the week little changed, up 0.3%. The S&P 500 has now gained 8.1% over the past two weeks, its largest such rally since April 2020.

Don't go looking for the “good news” that was responsible for the week's gains—there wasn't any, at least not of the traditional kind. Russia's invasion of Ukraine shows few signs of ending. Fed Chairman Jerome Powell and other Fed governors have been talking up the possibility of half-point rate increases at upcoming Fed meetings.

Now that investors appear to have accepted a long, drawn out, conflict—but one that won't have as much of an economic impact as feared—bond prices are dropping and stocks are rallying. “We suspect the divergence in the two this month has been due, at least in part, to some improvement in investor sentiment with regards to the effects of the Russia-Ukraine war, resulting in improved demand for ‘risky’ assets (such as equities) at the expense of ‘safe’ ones (such as Treasuries).”

Index	2021 Peak	YTD
FTSE 100	3.90%	1.20%
BSE SENSEX	5.12%	-1.13%
Nikkei 225	1.88%	-2.94%
S&P 500	0.64%	-4.73%
CAC 40	3.12%	-10.95%
Shanghai	0.00%	-11.68%
DAXK	2.44%	-12.59%
Hang Seng	6.70%	-16.48%
<i>As of Mar 28, 2022</i>		



## **The Royal Albatross Portfolio YTD -0,89%**

Natural Resources +26%

Gold +6%

The Cash position is at 40%.

The Sparrowhawk Fund is at -4,82% YTD.

## **Portfolio News:**

### **Stock split:**

GameStop (GME) strong sell and not owned by the Fund, is the latest company to publicize its intentions for a stock split following a similar announcement from Tesla this week and recent decisions by Apple, Amazon and Alphabet. The split will help provide flexibility for future corporate needs.

Splitting a stock does not affect underlying fundamentals, but it could attract more investors by making the shares more affordable for retail investors. In fact, splits are historically “bullish” for companies.

### **Infrastructure:**

Inflationary pressures and geopolitical rivalry will favor heavy investment in the fourth industrial revolution. China and the US are locked in an extremely competitive and intense technology competition, particularly in the areas of AI, data analytics and other fourth industrial revolution technologies that will result in “smart” cities consisting of smart factories, buildings, transportation systems and other technologically advanced infrastructure.

However, for companies and government organisations to truly harness these technologies, significant infrastructure investments will be needed to facilitate the flow of data and electricity.

This bodes well for companies like Trimble Rank 7, Matterport Rank 6 as well as AMT and AT&T. Also, Patria Investments (PAX), offer an attractive dividend yield of over 5%, with a deep discount to its peers, debt free balance sheet and a lot of cash.

## **US Dollar**

The U.S. dollar has been strong. It's become the safe haven currency of choice. And in this flight to safety it benefitted along with the precious metals.

As the Russian invasion of Ukraine escalated, investors, bankers and just about everyone else wanted U.S. dollars. Demand surged and suddenly, things like the Fed's actions, low interest rates, big debt, inflation and so on moved to the back burner.

It was all about the war. Basically, investors wanted out of other currencies and they only wanted the U.S. dollar.

The only exceptions were the currencies from countries that produce oil or commodities, like the Australian, Canadian and New Zealand dollars.



New Zealand also raised their interest rates and that helped too. But still, the U.S. dollar was the #1 strongest currency.

That's essentially because, when push comes to shove, the U.S. is the world's strongest country and it has the best economy. It's also important that the U.S. is far from Eastern Europe and the dollar is the world's reserve currency.

As you'd expect, the Russian ruble has collapsed. It plunged as the situation intensified and then it kept falling. Even though Russia raised their interest rate to 20%, it didn't help, and with reason.

The world has turned against Russia in a big way. Their stock market had to close and their economy is collapsing. And Russia's aggressive actions are also affecting many other countries worldwide.

One example is the weakening currencies of Poland and Hungary as concern grew that they could be next. This is aside from the economic effects of the refugee crisis, higher oil prices and so much more that's now affecting the global economy.

The bottom line is, uncertainty is growing by the day. No one knows how this is going to turn out and as long as the war and all of its effects hang overhead, the world will remain on edge.

## **Gold and Natural Resources**

How does gold fit into the currency picture.

As you know, gold is the world's oldest currency. It has traded as a currency for over 5,000 years.

Of course, most people today don't think of gold as a currency, but it is. And it's the only currency that has maintained its purchasing power.

The fact is there is not one paper currency that has stood the test of time. They have all eventually disappeared.

So, if we include gold in our currency ranking, it's stronger than the dollar and it is the world's best currency. That's why so many central banks keep gold in their reserves.

Overall, it's a full commodity bull market. And the Fed's plan to raise interest rates this year, while inflation stays high is still a bullish factor for the commodity market.

New highs in crude, several industrial metals and in the agri sector ... they all jumped up. This commodity move is being fueled by rising inflation with no end in sight. The Russian war has exacerbated the move in inflation with more uncertainty, and a run towards tangible assets and away from financial assets.

This bull market was already underway and it's poised to rise for several years to come.

Gold is king for now. It's the ultimate safe haven and it's being confirmed by investors running to the safety of gold. Plus, with senior miners stronger than juniors, it's reflecting value over risk.



Crude oil got all the attention this year as it soared almost 100% since its December lows. It reached a 14 year high as it approached its record high in 2008.

This is impressive to say the least, and it's caused the world to spin.

But other metals have also risen... take palladium and nickel as an example. Even copper caught a bid when it peeked into record high territory and it continues to hold firmly near the highs. Plus, we've seen new highs in aluminum, gas, wheat, all based on supply turmoil. The commodity index has a balance of resources, energy, precious metals and agricultural. It jumped up to an eight year high and it's well on its way in a full commodity bull market rise.

Russia is a major producer of oil, gas, aluminum, palladium, nickel, wheat and corn. It's, therefore, not surprising to see these commodities soar. More supply disruptions are happening and with no end in sight.

Russia has been buying gold ongoing for about seven years. According to the World Gold Council, Russia's gold reserves total 2298 tonnes. Gold's unique role as the currency of last resort is apparent with Russia today. They have a huge domestic gold stockpile to fall back on, if they get desperate, and most likely it'll be with China. We'll see how this all turns out.

Overall, you don't want to miss this commodity up cycle. It could last for several years.

## Summary

The managers continuously state that they are not short-term traders, but prefer to consider themselves long-term investors. Also, they define success not as an absolute performance return goal, but rather as *“generating excellent long-term returns and limiting a material loss of capital.”*

The goal is to produce and generate solid returns, but they also believe successful investing involves limiting one's downside.

The Fund has generated +16,50% compounded annually since 1980.

Within the Fund portfolio, the weights are manageable. The managers are not making outsized bets on holdings and use a disciplined risk management system to keep the portfolio weights modest. The reality is that they never like to lose money and understand how hard it is to earn back that capital.

One of the key characteristics they are always looking for in a company is market share leadership. The holdings are market leaders, with enduring competitive advantages. Warren Buffett calls it “moat investing”.

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

The stock market is pricing in what the US economy will look like in 12 to 18 months, not yesterday or even today. From the manager's perspective, they remain cautiously optimistic. They are staying patient and focused on the long-term.

When the political or social environment feels uncertain, the Fund maintain its discipline and focus on the 40-year investing strategy, process and philosophy. The manager make their investment decisions based on the fundamentals. This steady, patient, long-term-oriented approach, often leads to success.





**The Sparrowhawk Fund's** major strategy is usually to be fully invested (today 13% 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 + 50.574%, compared to the S/P500 +3.080% or 16,63% annually vs 8,65% 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 decided to sell this great company. There are a number of these companies that should be held for many years.

The Sparrowhawk Fund, a Long Global Theme 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 Sparrowhawk Fund is donating part of its fees to WWF and to the Lewa Rhino Sanctuary.**



Lewa Wildlife Conservancy was previously a cattle ranch owned by David and Delia Craig, who together with Ana Mertz and Peter Jenkins, initially set aside 5,000 acres to protect and breed rhinos, whose population had dropped precipitously from 20,000 to less than 300 in the 1970's. Within a decade, the success of the project drove demand for more space and, in 1995, the Craigs decided to dedicate their entire ranch to the conservation of wildlife.

Lewa has served as a catalyst for conservation across the region, stimulating the creation of numerous conservancies, both private and community-owned, increasing the amount of land under conservation management in northern Kenya to over almost 2 million acres since the mid-1990s.

As a result of conservation efforts, the black rhino population is steadily recovering and there are now over 600 black rhinos in Kenya. However, even with marked progress, the black rhino remains critically endangered.

Today, the survival of one of Africa's iconic species rests on long-term solutions that involve local people, securing its habitat and reducing demand for its horn.

Sera Rhino Sanctuary





In 2015, Sera became the first community conservancy in east Africa (likely the whole of Africa) to establish a black rhino breeding sanctuary. A collaboration between the Kenya Wildlife Service, Lewa Wildlife Conservancy, the Sera community and NRT saw the critically endangered animal reintroduced to Samburu ranges 25 years since the last individual was poached in the area. There are now 16 black rhinos in the 107 sq. km sanctuary, from a founder population of 10.

Rhinos are monitored on a daily basis by conservancy scouts; their location, body condition and behaviour is recorded and monthly reports are shared with NRT and KWS. Motion-sensor cameras have been set up at each water hole in the Sanctuary, which provide images of rhino and other wildlife to support monitoring efforts.




In 2012/2013, northern Kenya was losing up to 132 elephants a year to poaching. In recent years that has been reduced by 97% with poaching now considered to be equivalent to stealing from your own community. The same is true of other species. With 65% of Kenya's wildlife found outside of protected areas, we're now seeing the species recovery of the Grevy's Zebra and the endangered Beisa oryx, meanwhile elephants are also utilising landscapes that have not been used for the last 25 years. Across rural communities, farmers are also demonstrating their shared appreciation of these landscapes by leaving water in troughs at night for the wildlife to drink, while a recently opened community owned and run elephant orphanage raises more than 50 rescued young elephants rewilding them successfully



**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%
2021	-0,19	+6,22	-1,39	+3,08	-1,59	+4,31	-0,45	+2,00	-1,49	+3,46	-0,75	+1,56	6,02%	13,90%	26,89%
2021	-3,61	-3,50	+3,39										-7,75%	-4,82%	-4,94%

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

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.





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