

# FCL*Capital*

March | 2017

The first quarter of 2017 was a milestone for FCL Capital for several different reasons.

First, it was on april 3rd 2007, exactly 10 years ago as this manager writes this letter, that this house's three founding partners started the first vehicle with the FCL Brand: Clube de Investimentos FCL Capital, focused on trading Brazilian small caps.

Obviously back then, we were still very far from being a professional money management firm.

Over time as our knowledge and professionalism grew and as we attracted new investors, our club was first converted into a Brazilian equity fund and now in a global, value-driven equity fund.

Apart from that, the first quarter was also a milestone because during the month of March our firm's new configuration was born: as previously announced, we are now divided between two different investment vehicles.

Their delimitations are very clear:

- FCL Opportunities serves high net worth and professional investors, has a global mandate and searches for the most promising companies that will benefit from the two major tendencies of the 21st century: global convergence, with the rise of Asia and the Brics on one hand, and the evolution of technology and its limitless possibilities on the other.

- FCL Hedge on the other hand is mostly Brazil based (although it can invest abroad), it looks for lower volatility opportunities, has a somewhat shorter time frame and serves all kinds of investors that are looking for a moderate-risk *multimercado* product.

Once we did the adjustment in our bylaws and could pursue the new strategies, our first task was to adequate both portfolios for the new realities.

As we write this letter (early April) we can state that this task is mostly finished.

**Chart 1: FCL Equities Portfolio 31/12/16**

Top Positions	% Fund's total Net Asst Value	Country
Brasken	30.40%	Brazil
Minerva	26.43%	Brazil
Fibria	14.51%	Brazil
Fixed Income Brazil		
LTN	11.19%	Brazil
Saxo Bank US Dollar Position	10.09%	-
Dufry	7.59%	Brazil

**Chart 2: FCL Hedge portfolio: 31/3/17**

Top Positions	% Fund's total Net Asst Value	Country
Operações Compromissadas	33.31%	Brazil
Brasken	9.94%	Brazil
LFT 2022	8.61%	Brazil
LFT 2023	8.61%	Brazil
NTNB 50	8.41%	Brazil
Fibria	8.08%	Brazil
Minerva	5.38%	Brazil
Comgas	4.63%	Brazil
ETFS Cocoa	3.14%	UK
Gannett	2.64%	USA
IWG PLC	2.52%	UK
BOVA 11 ETF	1.87%	Brazil
Ebay	1.06%	USA
Dufry	0.96%	Switzerland

**Chart 3: FCL Opportunities Portfolio 31/3/17**

Top Positions	% Fund's total Net Asst Value	Country
Gannett	11.76%	USA
IWG PLC	11.01%	UK
Dufry	10.04%	Switzerland
Brasken	8.94%	Brazil
Match Group	9.31%	USA
Pandora	8.28%	Denmark
Minerva	7.89%	Brazil
Fibria	7.86%	Brazil
Fixed Income	5.80%	Brazil
Fogo de Chao	1.43%	USA
Anta Sports	< 1%	China/Hong Kong

FCL Hedge had a positive month, despite the bad results from the Ibovespa index during March (-2,51%) the fund was able to achieve positive results from its fixed income and international books as well as its macro position in cocoa ETF and ended march positive in 0,025% ( 2,38% of CDI´s performance for the month).

FCL Opportunities saw its Brazilian positions suffer during the first days of the month, before our portfolio transition was completed. During march the fund had a continuous recovering process and ended the month practically stable at -0,25% in Brazilian Real against -2,51% of the Ibovespa index and +0,92% of the US dolar CPI plus its benchmark hurdle rate.

## Chart 4: FCL Opportunities, Ibovespa, US CPI

FCL Opportunities - March 2017 (Brazilian Real)	-0.25%
FCL Opportunities - March 2017 (US Dollars)	-0.57%
IBOVESPA	-2.51%
US CPI plus hurdle rate in Brazilian Real	0.92%

## Chart 5 FCL Hedge, cdi % cdi

FCL Hedge - March 2017	0.025%
CDI - March 2017	1.05%
FCL Hedge as % CDI	2.38%

Over the next few months and years we will start discussing many of our new thesis that form the basis of FCL Opportunities' global ideas. In our last letter, we already discussed some basic reasoning for our investment in Gannett, an American media and newspaper company. Many such thesis and investments should follow in the next few years and in common, they should have:

- FCL's DNA of out of the box, unconventional ideas.
- A framework that tries to explore the major 21st century trends of global convergence and consumption and technology advance.
- A focus on consumer brands that could be adopted by or made from the Bric countries (Brazil, India and China in particular) and then transported to the United States and Western Europe, or vice versa) .

In our next letter, we will discuss in more length what we see as FCL's long term mission, investment edge and process and what we could expect for the next few years in terms of our investment process.

Finally, a new website should be online soon, celebrating a decade of existence and updating our new reality as a diversified investment company.

We wish you all a great second quarter and as always thank you for your support and enthusiasm.

FCL Team

## Sobre a FCL Capital

A FCL Capital é uma gestora de recursos sediada no Rio de Janeiro, cujo objetivo é maximizar o retorno de seus investidores. A FCL tem como nicho principal, mas não exclusivo, investimentos em empresas abertas, listadas em bolsa de valores (posições compradas e vendidas nos mercados acionários). Para saber mais sobre nosso trabalho, entre em contato conosco ou acesse nosso website: [www.fclcapital.com](http://www.fclcapital.com).

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