

FCL*Capital*

September | 2017

Both of this house's strategies performed very satisfactorily in the third quarter of 2017.

FCL Hedge returned +3.58% for its investors with minimal levels of volatility, a return equivalent to 159% of the Brazilian CDI.

FCL opportunities returned +12.92% in US dollars, against an increase of +1,75% of the US CPI (its benchmark) and a performance of +3.95% of the S&P500 in the third quarter, generating significant alpha for our investors and proving the effectiveness and distinctiveness of our value proposition and strategy.

Chart 1

FCL Hedge in BRL	3.58%
CDI 3rd quarter 2017	2.25%
FCL Hedge in % CDI	159.11%

Chart 2

FCL Opportunities 3rd quarter 2017 USD	12.92%
FCL Opportunities 3rd quarter 2017 BRL	8.04%
US CPI (past 12 months)	1.75%
S&P500 3rd quarter 2017 USD	3.95%

Chart 3: FCL Hedge Portfolio 30/06/2017

Top Positions	% Valor Patrimonial Líquido Total do Fundo	País
Operações Compromissadas	40.19%	Brasil
LFT 2022	8.13%	Brasil
LFT 2023	8.13%	Brasil
Brasken	7.96%	Brasil
NTNB 50	7.35%	Brasil
NTNB 22	4.83%	Brasil
NTNB 24	4.59%	Brasil
Comgas	4.22%	Brasil
Taesa	4.02%	Brasil
ETFS Cocoa	2.72%	Reino Unido
Gannett	2.63%	EUA
IWG PLC	2.54%	Reino Unido
Cash US Dollar	1.99%	Brasil
Ebay	1.05%	EUA
Long in Platinum	0.03%	Brasil
Short in Palladium	-0.01%	Brasil

Chart 4: FCL Opportunities Portfolio 30/06/2017

Top Positions	% Fund's total Net Asst Value	Country
Gannett	12.11%	USA
IWG PLC	11.49%	UK/Switzerland
Dufry	10.67%	Switzerland
Brasken	10.48%	Brazil
Match Group	9.81%	USA
Pandora	8.90%	Denmark
Fibria	8.73%	Brazil
Anta Sports	7.89%	China/Hong Kong
Fogo de Chao	6.94%	USA
FCL Hedge	2.90%	Brazil
Minerva	2.85%	Brazil
Fixed Income	2.76%	Brazil
Cash US Dollar	1.82%	USA
Ebay	1.52%	USA
Fibria	1.32%	USA

Chart 5: FCL Hedge Portfolio 30/09/2017

Top Positions	% Fund's total Net Asst Value	Country
Operações Compromissadas	29.22%	Brazil
Brasken	10.24%	Brazil
LFT 2022	8.62%	Brazil
LFT 2023	8.62%	Brazil
NTNB 50	8.17%	Brazil
Comgas	5.22%	Brazil
NTNB 22	5.20%	Brazil
NTNB 24	4.96%	Brazil
Portobello	4.82%	Brazil
Taesa	4.21%	Brazil
Cash US Dollar	3.72%	Denmark
Gannett	2.70%	USA
IWG PLC	2.49%	UK
Blackstone	2.00%	USA
Long in Platinum	0.02%	USA
Short in Palladium	-0.08%	USA

Chart 6: FCL Opportunities Portfolio 30/09/2017

Top Positions	% Fund's total Net Asst Value	Country
Brasken	10.65%	Brazil
Match Group	10.50%	UK
Gannett	9.95%	USA
IWG PLC	9.10%	UK
Anta Sports	8.95%	China/Hong Kong
Fibria	8.09%	Brazil
Dufry	8.03%	Switzerland
Pandora	7.32%	Denmark
Fogo de Chao	4.82%	USA
Portobello	4.40%	Brazil
YY	3.65%	USA/China
FCL Hedge	3.53%	Brazil
VIPSHOP Holdings	3.12%	USA
Fixed Income	2.87%	Brazil
TIM Technologies	2.35%	USA/China
Cash (US Dollar)	1.53%	Denmark
Abercrombie & Fitch	1.49%	USA

If there is something bad about the current circumstances in global markets (synchronized and healthy global economic growth, absence of major economic shocks) is that markets, for one of the few times we can remember, appear to be doing a reasonable job of not going into manias or panics. In other words, participants are avoiding both hypes and hysterias and as such, most assets seem reasonably priced.

Chart 7: Tough time to be a contrarian

Asset	30/09/2017	Avg past 5 years
US 10 year treasury yield	2.33%	2.19%
S&P500 PE ratio	22.03	18.30
MSCI Emerging markets index	17.08	13.49
Bloomberg commodities index	83.76	103.68
Dollar index	93.57	90.10

Equities seem a bit overpriced, bonds still expensive, commodities could advance a bit and revert a little more to the mean, but overall we can't find an asset class where obvious discrepancies can be found.

Our job is made a little harder by this since as contrarians at heart we look first for the idiosyncrasies in different markets and obvious flaws in reasoning.

Nonetheless, the two major themes of our Opportunities fund, the rise of emerging markets and technological advance, remain intact and should keep bearing fruits in the next quarters, years and decades.

Sincerely,

FCL Team

Sobre a FCL Capital

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Relacionamento com Investidores

fcl@fclcapital.com

info@fclcapital.com

Avenida das Américas, 500 - Bloco 3

Sala 125

Rio de Janeiro / RJ - Brasil

CEP: 22640-100

Telefone: (55) (21) 3268-7918

www.fclcapital.com

Auditoria



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