

FCL*Capital*

March 2018

Performance

FCL Hedge	
First Quarter of 2018	0,71%
% CDI during First Quarter	44,85%
Last 12 months	8,80%
% CDI during last 12 months	104,64%

FCL Opportunities	
First Quarter of 2018 USD	6,23%
First Quarter of 2018 BRL	5,95%
US CPI Past 12 months	0,02%
S&P500 First Quarter of 2018 USD	-1,22%
MSCI All World index	-1,41%

FCL Hedge Portfolio 31/03/2018

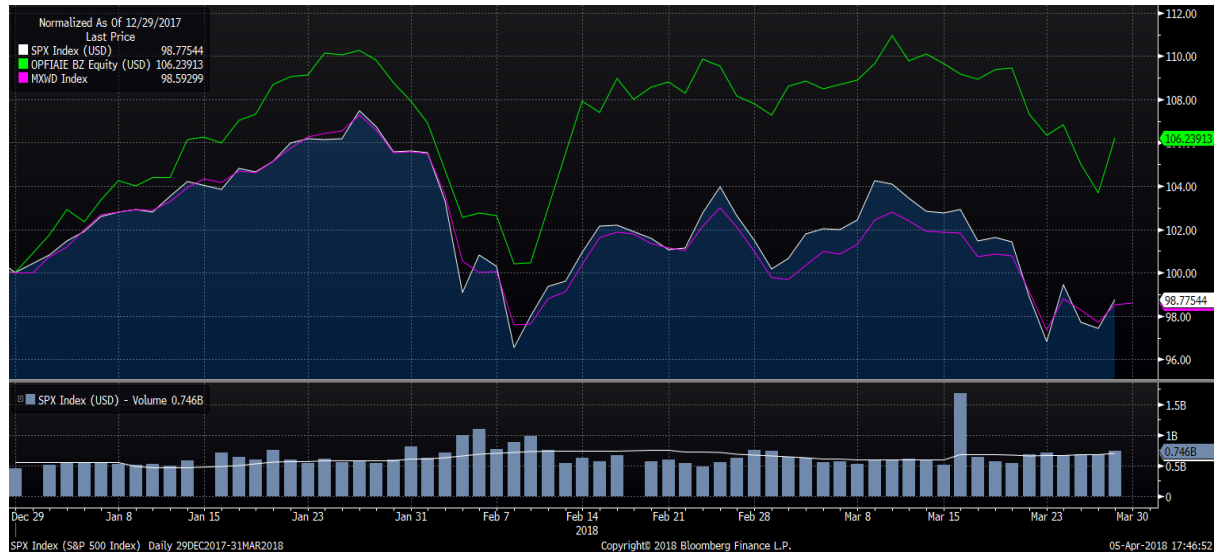
Biggest Positions	Fund's Total Net Asset Value %	Country
Operações Compromissadas	36,78%	Brazil
LFT 2022	8,70%	Brazil
LFT 2023	8,70%	Brazil
IT-DIV Índice Dividendos	8,40%	Brazil
NTNB 50	8,04%	Brazil
Ishares Bovespa	7,61%	Brazil
NTNB 22	5,22%	Brazil
NTNB 23	4,97%	Brazil
CSI 300 China Index	4,80%	China
Cash US Dollar	3,93%	USA
Greece Index ETF	1,79%	Greece/USA
Ipath Commodity Index	0,75%	Global
Ethereum Tracker	0,61%	Global

FCL Opportunities Portfolio 31/03/2018

Biggest Positions	Fund's Total Net Asset Value %	Country
IWG PLC	9,98%	UK/Switzerland
Match Group	8,85%	USA
Anta Sports	8,54%	China/Hong Kong
Gannett	7,95%	USA
Dufry	7,82%	Switzerland
Pandora	7,47%	Denmark
YY	7,34%	Brazil
Fixed Income	6,92%	Brazil
Brasken	6,60%	Brazil
Fu Shou Yuan	4,94%	China
TTM	4,53%	USA
Vipshop	4,14%	China
Portobello	4,02%	Brazil
US Dollar Cash Position	3,27%	USA
FCL Hedge	2,54%	Brazil
Fleury	2,03%	Brazil
HDFC Bank	0,74%	India
First Group	0,57%	United Kingdom
Xiabu Xiabu	0,48%	China
X5	0,42%	Russia

In the first quarter of 2018, our funds diverged in performance: in our opinion, FCL Opportunities, this house's most important investment vehicle, had its best quarter ever. The fund appreciated 6.23% in US Dollars even with a negative global stock markets performance during the quarter, which saw the S&P500 index decreasing 1.22% and the global MSCI All country index decreasing 1.41%.

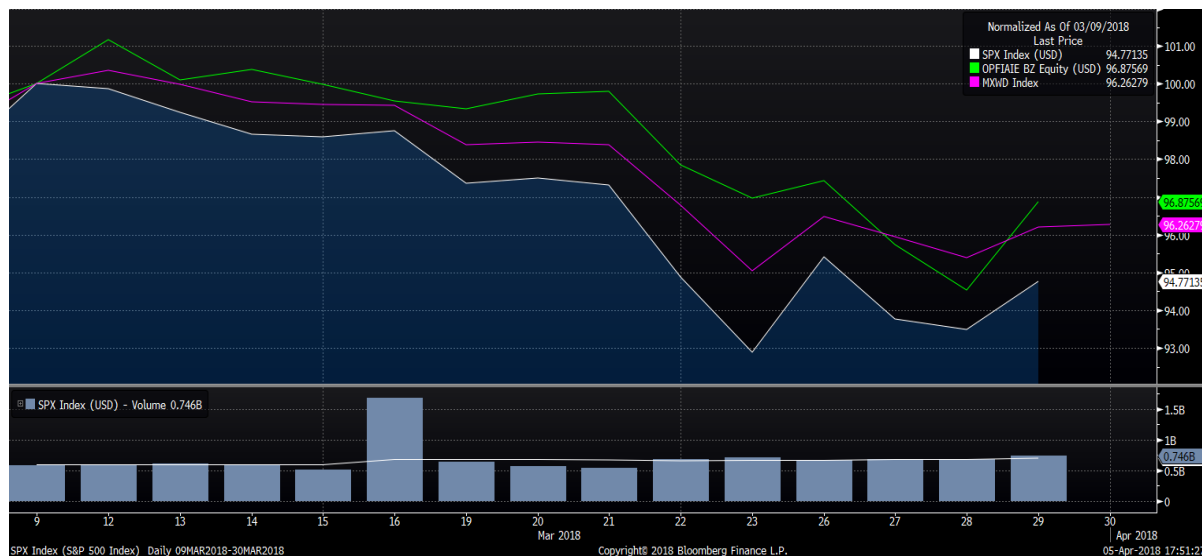
We think we were able to settle the argument about the capacity of the fund to thrive in the long term even without tailwind and facing a negative performance. So, we were able to generate more than seven points of alpha in the quarter.



FCL Opportunities (green) vs SPX index (blue) and MSCI All Country Index (purple)

But even more important than that and certainly way more overlooked is the decrease in performance since the market top, on March 9th. As our investors know, the current US administration rhetoric, with hostility and arguing for a “trade war” with China, is poisonous for the global stock markets. Added to that, the sense that the US equity market is fairly expensive, especially when it comes to technology stocks that were the “winners” in previous few years and the market faced a sell off.

Naturally, during the most intense phase our fund also experienced a decrease in shares. But let’s just zoom in the market performance from March 9th (the top) and March 31st:



March 9th - March 31st, 2018. FCL Opportunities, S&P 500 and MSCI All Country Index

As our investors can see, our Fund had a smaller decrease during the worst sell off and a faster recovery than the other indexes during this short period.

As the elite investors know, playing “defense” is at least as important than playing offense when it comes to investing. The bull markets take care of themselves.

Among the top reasons for our fund’s resilience we would put, the fund’s diversification, not only in terms of different countries and markets we invest in but also when it comes to sector diversification.

FCL Opportunities offers, in our minds, the best of both words: concentration in few powerful ideas but with country and sector diversification. A concentrated alpha but a diversified beta if you will.

FCL Hedge, on the other hand, had a subpar quarter. Our fund's directional positions, the ones that had the task of making us surpass the Brazilian CDI just didn't work in the negative equity market and risk off environment.

Even so, we would like to call attention to the product's strict risk management strategy: even in a bad quarter, where many of our positions didn't work, we were able to deliver positive returns.



In the end our fund ended the quarter with a net positive 0.71%, equivalent to a little less than half of the CDI in the period.

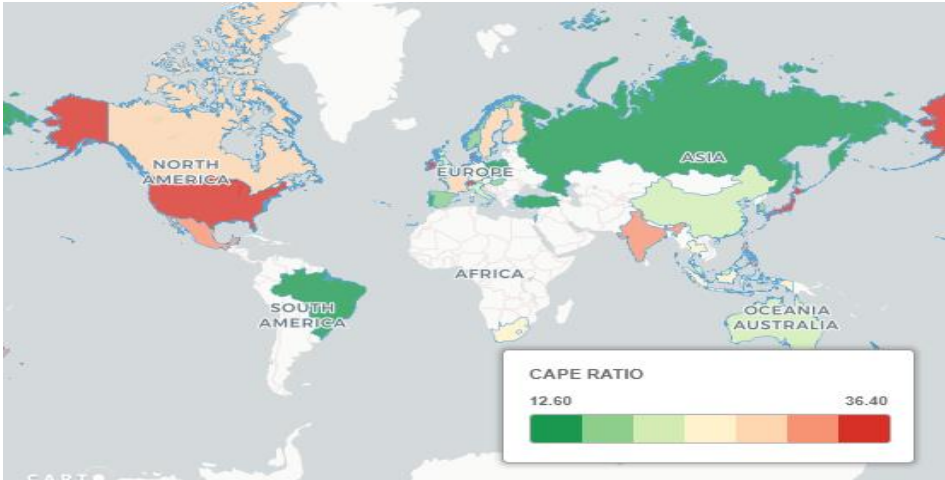
Over the past 12 months however, FCL Hedge, while maintaining strict risk control and low volatility, was able to surpass the Brazilian CDI:



FCL Hedge (green) vs CDI, past 12 months

So, in this context we think the question is: What to expect from the next few quarters?

Obviously, as it was once famously remarked, predictions are always hard, “especially about the future” but our base scenario is that this first quarter was a signal of things to come. The US stock markets are, as we noted in our annual report, fairly expensive and the synchronized global growth **without** any sign of inflation is not a condition that can be sustained for long.



Country	Cape	P/E
Denmark	36.4	25
Ireland	33.8	18.8
United States	28.5	22.3
Japan	26.3	16.4
Switzerland	24.3	24.6
Belgium	24	25
Mexico	23.3	18
Netherlands	22.9	19.7
Philippines	22.4	21.1
New Zealand	22.1	17.8
India	21.7	23.8
Taiwan	21.4	15.2
Sweden	21.3	13
Canada	20.5	20.2
Finland	20	22.3
France	19.8	17.9
Indonesia	19.4	20.6
Germany	19.2	20
Thailand	19	14.8
South Africa	18.7	15.4
Austria	17.9	17
Hong Kong	17.3	18.9
Australia	17.2	19.3
China	16.6	7.8
Malaysia	16.5	18.7
United Kingdom	15.6	27.7
Italy	15.4	34.3
South Korea	15.3	13.1
Israel	15	18.1
Hungary	14	10.8
Spain	13.8	18.2
Norway	13.6	23.8
Singapore	13.2	13
Portugal	12.6	17.9
Poland	12.5	17.1
Turkey	11.8	11.3
Brazil	11	16.6
Czech Republic	9.1	13
Russia	5	7.3

So, if we had to guess, our guess would be that more volatility is on our way.

That being said, as the first quarter has shown, we think that both of our strategies can overperform and even thrive in such a scenario.

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.

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