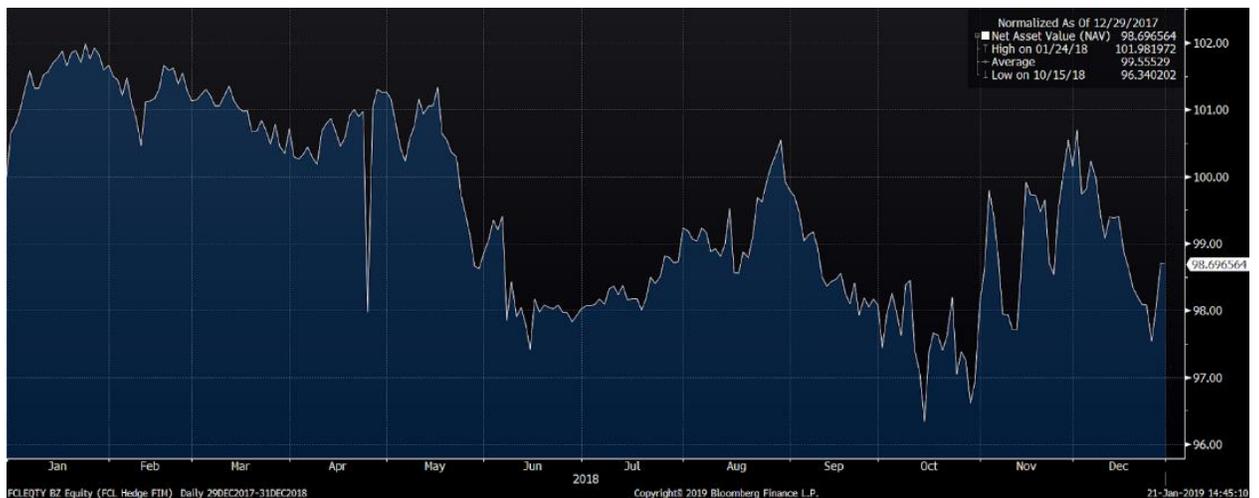


FCL*Capital*

December 2018

Both FCL vehicles closed 2018 almost flat year over year: FCL Hedge, focused in Brazilian securities, ended 2018 with a minor decrease of 1,3% and its shares valued at 2,2772, while FCL Opportunities, focused on global markets, ended the year with a decrease of 0,8% and its shares valued at 1.2748.

While it was definitely not a dream year, especially after an outstanding 2017 and a great first half of the year, this performance compares favorably with decreases in global markets of -6,24% from the US S&PP500, -25,31% from China's CSI 300, -11,18% from MSCI All countries Index and -17,11% from Ishares emerging markets Index which tends to be correlated with our shares. All of these performances, including from our funds are in local currency.



FCL Hedge, performance in 2018, local currency.



FCL Opportunities, performance in 2018, local currency

All in all, we believe that the negative year for global markets in general and emerging markets in particular, brought very attractive prices for many of the assets we tend to focus on. We start 2019 observing more bargains than in prior years (as discussed in our past letters that noted our worries about high prices). In particular, we are very optimistic about emerging markets, especially China and Brazil.

Our performance was helped by the Brazilian index, the only major index we focus on that showed positive performance in 2018 and that comprises around 20% from our global fund and even more than that for our Brazilian vehicle.

Our assets started 2019 on a very positive note and we feel that our optimism regarding China and Brazil may finally be vindicated. On the day we write this letter, January 21st, our FCL Hedge fund is up more than 5% so far in local currency and our Opportunities fund is up more than 8% in Brazilian real and more than 11% in US dollars so far in the year, helping us recoup most of the losses our strategies suffered in the second half on 2018.

That's the nature of financial markets: even when you are right about your investment thesis (something we never have any assurance of) controlling the timing of your rewards is impossible. Sometimes a brilliant investment idea or a terrible mistake takes years of returns to be uncovered. Sometimes everything happens very quickly. The game of investing can be fascinating, cruel, rewarding and unforgiving all at once.

Obviously, we hope this strong showing so far this year, is representative of what is ahead in 2019. But as we warned before, a bad month or even a bad year doesn't mean much to us and neither a good month or a good year. What counts is long term compounding, and this will be our focus: multiplying our investors capital over the long term.

As always, we thank you all for the insights, partnerships and trust you showed us this year. We hope to be able to be deserving of that through our hard work and hopefully, good long-term results.

FCL Team

Sobre a FCL Capital

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