

FCL *Capital*

4Q 2024

Irregularity

“There are decades where nothing happens; and there are weeks where decades happen” - Vladimir Ilyich Lenin.

The rock band Journey was formed in San Francisco in the 1970s by former musicians of successful Californian acts like Santana and The Steve Miller band.

It reached critical and commercial success in the late 1970s and early 1980s with a string of hits, especially their most famous song “Don’t stop believing”.

As it was (and still is) common in the rock industry, however, tensions between the band and their manager, within the bandmates, and the continuous stress of travelling, led to the dissolution of the band.

Predictably, the band did try to reunite and once again reach commercial success, with several formations and several vocalists over the following decades, but it was clearly a has been a band whose members and fanbase were aging, barely couldn’t tour anymore, and was quickly becoming a footnote in history.

On a particularly low point, during an unsuccessful European tour, reports surfaced that their then vocalist was not even singing but only dubbing¹, given his chronic health issues and substance abuse.

That would be the end of the story, if not for an interesting and completely unrelated fact: in 2007, more than 30 years after Journey was formed and more than 15 years after the peak of the band’s success, a hit television series called “The Sopranos” was about to air its highly anticipated final episode, after a decade of success.

It’s hard to exaggerate the impact “The Sopranos” had on 21st century television: the show is frequently credited alongside Game of Thrones - a tale of fantasy set in a fictional world called Westeros, and Breaking Bad - a good to evil story about a chemistry teacher who is about to die and decides to sell Crystal Meth to enrich his family - as the best televised series of all time.

The last episode was certain to make America stop and watch. And then things got interesting: although this house does not want to give too many spoilers, in the last scene of the last episode “Don’t stop believing is played in its entirety and prominently, while the series protagonist, “the mafioso” Tony Soprano, talks with his family while keeping his eyes on the front entrance to see who his killer will turn out to be.

¹ [https://en.wikipedia.org/wiki/Journey_\(band\)](https://en.wikipedia.org/wiki/Journey_(band))



Suddenly and all at once, after 15 years of relative ostracism, the world was clamoring to see Journey live again.

We often think of success as a linear, binary thing. The opposite of failure. You try and you turn out to be successful or not. But that is not how life and crucially, that is not how finance works.

Let's now think for a second about the stock market. As financial theory states, the crucial reason investors have exposure to stocks - the so called "variable income" - is the premium it pays above fixed income investments. In the US, for example, in the 1900-2024 period fixed income has given investors nominal returns of roughly 6% annually while the stock market (as measured in the major stock indexes like the S&P500) has given investors roughly 10% yearly. The four additional points of return is exactly the so called "stock market premium" since the higher variability means higher uncertainty and the average investor would have no reason to invest in stocks if the stock market offered similar returns to fixed income.

But here is an important reminder: those four additional points of return don't happen every single year in a predictable fashion. The stock market return might be 50% in one year (after which many novice investors will flock chasing its stellar gains) and -25% the next (after which they will swear that investing in the stock market is a fool's errand). The four additional points is the average compiled over a very long period. We can only observe it long after the fact.

In our [3Q 2021 letter](#) entitled "Searching for supernovas" we talked about The Killers, a different rock band, and discussed how extraordinary success in companies like Uber or Google and in many aspects of life happens almost overnight in a lot of cases and how to try to spot them early. In this letter we will examine a different phenomenon: how success is, in most cases, incredibly nonlinear.

Journey, this letter's subject, indeed had a reunion and a happy ending. After researching several candidates to be the band's lead singer and do the reunion tour worldwide fans were clamoring for, the band found it in the most unlikely place: YouTube.

A Filipino singer called Arnel Pineda uploaded some videos of his singing with a local Filipino tribute band. By coincidence Pineda's voice pitch is nearly identical to Journey's original vocalist. Also, The Philippines', which hosts an important American military base is a country with a high proficiency of English which certainly helped. The band once again found incredible success and regularly tours the world, having Pineda as the lead singer.

Traditional finance states that the two major variables when it comes to investing are risk and return. But that is not how most investors behave. They might state they care about those two things but there is also a third component that deep down they crave: predictability.

Since we founded our fund, dedicated to invest in overlooked companies and markets and having uncorrelated returns, one well intentioned advice we always received is: in this business you have to be consistent. You must survive. But they didn't mean it from a risk control perspective. They were not even advising us to be conservative. What they were really stating is that it would be better for our business to deliver consistent, even if mediocre results every year, then very high compounded returns over the long term with some spectacular years and some negative ones.

And if we are being honest, they were right: every manager in the industry knows that investors love predictability.

So, a question arises: how much of their returns are investors willing to give away to have more predictable and pattern shaped returns?

Mathematically, an investor that after a three-year period delivers a 40% return while having a negative first year, 50% positive returns in the second year and a negative third year and an investor that has arrived at the same identical 40% return after three years but with each single year a little north of 10% returns have arrived at exactly the same place. But everyone and their mother in finance knows that the first fund would struggle to stay in business and the second would explode with so many investors begging to get in.

This wouldn't be a problem for individual investors, only for fund managers if not for one fact: our house is deeply convinced that in its effort to please investors and deliver predictable returns the financial industry became somewhat constrained, repetitive, and, we would say, boring. Lacking originality and a certain dose of unorthodoxy.

If investors want perfectly symmetrical financial outcomes, the industry will strive to give it to them and certainly will leave many good ideas on the table, preferring to fail conventionality than to risk their cash cow.

And don't get us wrong: we will be the first to agree that predictability has value. It is better to reach a 40% performance in three symmetrical years than with a single spectacular year followed by two losing years. In the first case, anyone who entered the fund at any time would have made money. And predictability has several good implications and uses.

But how much value does it really have? For a really long-term investor, a single year of returns, good or bad, shouldn't change the framework that much. Predictability certainly has a place and positive value; we just think it is a little overrated.

Stated in other way: as an investor you might have perfectly linear returns or sky-high returns, but certainly you won't have the two. Just ask Burry, Soros or even Buffett who even as the greatest ever posted several years of negative returns in his career. Spectacular returns or super consistent, perfectly symmetrical returns. Pick one. You will never have both².

Now let's look at some of the most extraordinary stories in finance and some most of the extraordinary investors: all of them are also stories of irregularity.

Michael Burry, whose story was immortalized in the film "The Big Short" is a case in point: he became utterly convinced in 2005 that the American real estate market was about to crash and decided to basically go all in in betting in this conviction. As we now know, it was an incredibly prescient bet, possibly the most extraordinary ever in the financial industry.

Now, let's look at his firm's returns: Scion Capital Management, as his fund was called at the time, made this bet that was considered completely crazy by the few who had heard about it at the time.

The bet quickly went sour: in the first year after it, Scion returned -23% and then -32% in 2007. Practically all the firm's investors chose to redeem their money and Burry ultimately had to close his firm. Some investors even threatened to sue him. By 2008, he was basically only managing his own personal capital since everyone else had pretty much already left, then the crash he predicted finally came, and Scion recorded a spectacular 489.36% in returns in 2008. It was a spectacular outcome, to state the obvious. But also, a highly nonlinear outcome. Not a smoothy ride.

Most people know Elon Musk as one of the planet's greatest entrepreneurs and one of the greatest, if not, the greatest, tech visionaries.

² The craving for linearity is also responsible for many of the worst behavioral mistakes people make: they sell too soon when they get scared, be it individual stocks or shares in mutual funds.

³ [https://en.wikipedia.org/wiki/The_Big_Short_\(film\)](https://en.wikipedia.org/wiki/The_Big_Short_(film))

But here is a small story of how he came very close to being a footnote in history:

In 1995 Musk moved to California and, with his brother, founded a website called x.com, an early version of an online bank.

In 2000 x.com merged with a different and larger firm called Cofinity and PayPal was born.

Two years later PayPal was sold for \$1.5 billion and Musk personally pocketed some \$180 million.

A very wealthy man by any standards.

After this, Musk embarked on two new investments: a rocket company called Space X and an electric car company called Tesla.

Soon after that, things started going south. Space X was a nice concept but back then it was still very far away from becoming profitable and Musk had to put more money in several times, or the company would go bankrupt.

Tesla meanwhile was getting close to finally developing an electric vehicle but was burning a lot of cash in the process. Also closer to bankruptcy than of any breakthrough.

To sum it up, Elon Musk was trying to change the world. But the world had other plans.

The so-called Model S was almost born by then but at the same time Tesla had no money to keep going. At one point, as Musk himself admits, Tesla was about a month away from bankruptcy⁴. In 2008 Musk's \$180 million was down to some \$40 million. Ten down to \$30 million. Then \$20 million.

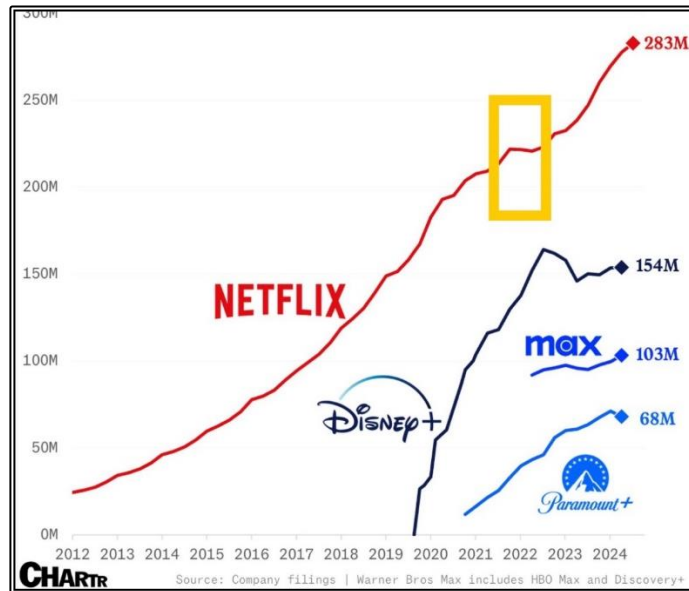
Finally, at one point, when Musk only had \$10 million left in the bank, Tesla engineers called stating that they finally had nailed the Model 3 concept. But there was a problem: they would need some \$10 million more to get it to production.

What would you do, dear reader? Give it all up and walk away from your dreams, but remain a rich man for the rest of your life or put your last \$10 million in your vision, going essentially all in?

We now all know what Musk did. He put his last \$10 million in Tesla and the company finally delivered its Model S. He later said that he thought about it and really it wouldn't make that much a difference not being rich to him. His ex-wife but it better when she stated that "truth be told, Elon has iron balls".

⁴ <https://www.cnn.com/2020/11/03/musk-tesla-was-about-a-month-from-bankruptcy-during-model-3-ramp.html>

Tesla is now worth more than a trillion dollars and Space X more than \$250 billion. Elon Musk might very well be the most consequential human being of this first quarter of century, alongside Steve Jobs. But he was very close to being a forgotten footnote in history, only mentioned briefly when discussing PayPal. A spectacular outcome. Certainly, a highly nonlinear outcome. Not a smooth ride.



Netflix lost 75% of its market cap when the number of subscribers remained flat in the framed period. Whatever people say, investing is hard. Take advantage of it. Investing is dealing with irregularity

In our [1Q 2023 letter](#) entitled “The magic box” we stated that if an equity investor misses only the 10 best market days in a decade, he will have drastically smaller compounded returns. And since it is essentially impossible to time the market the best course of action for virtually any investor is just to stay always invested in the stock market.

We still believe in that, with the important caveat that most periods for an investor should be mediocre, with a few spectacular ones. This is the only way to beat the market. Also, no period should be catastrophic because complete portfolio meltdown takes you out of the game forever. So, mediocrity with some magic thrown in is the secret sauce.

Resilience

“Warren Buffett should say, “I’m sorry”. How did he miss the silicon, wireless, DSL, cable, and biotech revolutions?” - Harry Newton, publisher (Technology Investor Magazine in early 2000)⁵.

“I felt that I had let the previous generation of entrepreneurs down - that I had dropped the baton as it was being passed to me. I met with David Packard and Bob Noyce and tried to apologize for screwing up so badly. I was a very public failure, and I even thought about running away from the valley.” - Steve Jobs in his Stanford commencement speech in 2005, about being fired from Apple in 1985.

As stated above, investing is hard. The only way to outperform the market, a devilishly difficult task, is to deviate from the crowd. That will make you feel not only lonely but also quite often, stupid because almost by definition when you deviate from the market you not only have periods of outperformance but also underperformance

The sacred cows

Finally, the willingness to deviate from consensus, by definition, means a willingness to be a contrarian and to take unconventional positions. One of the fundamental thesis of this house is that anything not yet completely understood has a higher probability of carrying alpha generation potential.

To stay in two current examples of challenging conventional wisdom:



⁵ The technology bubble burst soon after and the magazine went bankrupt while Berkshire is now worth over \$ 1 trillion dollars

It is conventional wisdom now that the US market outperformed while the Chinese market lagged. The performance of both indexes clearly supports this reality, with the S&P500 having a spectacular decade while the CSI300 lagged.



Our investors and readers know that FCL Capital has some reservations about the exaggerated thesis of so-called “American exceptionalism” regarding global equity markets.

If, on the one hand, the USA remains the most dynamic economy on the planet for the rest of the century, on the other hand, we believe that incredible opportunities will be even more abundant around the world.

An example is the USA x China comparison. Now, in the last 10 years, since January 1st, 2014, the American S&P500 has appreciated by 226% compared to just 71% for the Chinese CSI.

End of conversation then?

In truth no. If we compare not share performance but the evolution of the total market value of listed companies in the same period, China incredibly surpassed the USA, with companies listed on its exchanges seeing their market value increase by 212% compared to 186% in the USA.

Why then the fantastic American performance? A large part of it occurred due to the continuous movement of share buybacks that made the number of listed companies gradually fall and the shares that remained became more expensive due to scarcity.

On the other hand, China, a growing country, saw many IPOs and few buybacks, which caused the total market value to increase but the individual performance of the shares to lag behind.

The Brazilian fixed income paradox.

It is widely discussed in Brazil that investing in stocks is “a fool’s errand” and that all Brazilian investors should do is staying invested in domestic fixed income

While many Brazilian investors don’t realize this happens because of a financial mirage. Yes, fixed income performed strongly when measured in local currency. But what if we start thinking about the rest of the world and compare this instrument with global fixed income and global equities?

Those who invested in securities linked to Selic on January 1, 2014, more than a decade ago, today have, in dollars, basically the same money as a decade ago, despite the monetary illusion with inflation and devaluation of the real making local investors Brazilians believe that they made enormous gains during the period.

The conclusion, in our view, is inescapable, is that international portfolio diversification is essential not only for institutional investors but also for individuals.

So, to sum it up, a willingness to put your neck on the line and go against the investment world sacred cows. Patience and resilience to deviate from the crowd and tolerate good and bad periods. It is not easy because, as Charlie Munger put it best, “if you think it is easy then you are stupid”.

So, ending this section trying to answer the original question, while it is obvious that regularity itself deserves a premium and has value, it is also a fact that as an investor you will necessarily have to choose one: spectacular returns or regular returns. What is the amount of performance that you are willing to give to have regularity? This question might feel similar to the perfect amount of risk one is willing to tolerate but it is not exactly the same since volatility (as a risk measurement) and regular annual returns are not the same thing.

So, what is the correct amount of “regularity premium” one should pay? Obviously, there is a different answer for every investor, depending on his preference, tolerance and ability. But having this number in mind is helpful in knowing yourself as an investor. So, what is your number?

New York Times

Before we do a deep dive into our recent NY Times investment, it would be useful to do a quick recap of the newspaper business in the past century.

For most of the 20th century, the traditional media industry in general and newspapers in particular were one of the most spectacular businesses that existed, in terms not only of their moneymaking capabilities but also in terms of the prestige and power it conferred to its owners.

One does not need a lot of effort to concur with this house, this can even be seen in pop culture, where, from “Citizen Kane” according to many the greatest film Hollywood has ever produced and which portrays a reporter that is assigned to investigate the last of words of newspaper magnate Charles Kane (magisterially played by Orson Welles) to “Succession”, a hit series from HBO which tells the tale of the Roy family, which not so subtly is inspired by the real life Murdoch family also involved in newspapers and global media businesses.

In fact, many of the earlier Warren Buffet investments were centered in acquiring newspaper business and he, interestingly, had a particular fascination with newspapers in small and medium cities where in many circumstances the business was the only newspaper in circulation in town.

The reasons for this are not hard to understand: Buffet has always liked business with durable competitive advantages, preferably with no clear substitutes. Traditionally if a newspaper is the only one in town in a medium sized city it had a great lock in this city’s conscience and could mark up its classified prices. It was a license to print money or, in Buffet words, “a toll bridge” meaning, something with no substitutes.

With the advent of the internet, however, as consumers started getting their news online, the newspaper business started declining materially.

Many in the industry put their news online for free but not only the readership kept declining but the classifieds section, which was long one of the cash cows of the industry (subscriptions being the other one) went into deep dive.

Then social media came along all it really seemed that there wouldn’t be any newspaper that would survive. Many personalities on Twitter, like Elon Musk to take a prominent example, state that legacy media can’t be trusted and will eventually vanish for good.

While we see some truth in this perspective it is also interestingly to notice that a few elite publications, usually the ones more oriented for a global audience and top-notch journalism were able to not only erect paywalls but were seeing their online audience grow again. A few examples in this select club would be The Economist, Financial Times, the Guardian in the UK and the focus on this thesis, the New York Times.

Why is that so? Why do a select few are able to thrive in this unsuspicious environment when so many publications, some with a long history and some the only newspaper in their regions, are closing for good?

To start to answer this question an interesting anecdote can be seen in a much more recent company: Netflix.

As is well documented now⁶, Netflix reinvented its industry at least three times. First, it invented the delivery of DVDs by mail, bankrupting Blockbuster, a once mighty company and leader of its industry. Then Netflix realized that the future was streaming and instead of mail deliveries went all in on streaming.

But finally, Netflix realized that this wouldn't be enough. Streaming movies though the internet was a commodity that could be replicated elsewhere. They would in time certainly have competition. It was then, first with the series "House of Cards", starring Kevin Spacey and by the famous director David Finch, that Netflix realized that content was king. Nowadays Netflix invests multiple billions per year with its own series, from "Squid Games" to "Chef's Table", from Korean soap operas to original content in Portuguese and so much more. And this is what distinguishes the business and made it practically become a utility in this age. Content can't be replaced. Content is not a commodity

The New York Times was founded in 1851 by Henry Raymond and George Jones as the New York daily times and in the past 175 years has amassed what is arguably the greatest branding and prestige in the world of global journalism.

Starting in the 1870s thorough a series of high-profile reports of a corrupt politician called Henry tweed, going through history changing coverage of events like the bombing of Nagasaki in 1945, the Watergate scandal in 1971, the Vietnam war in the 1970s and so much more, The New York times never lost its place in the national consciousness and its prestige brand.

This much is not disputed. What is new is the changing landscape that not only the New York Times but every news publication has had to navigate in the past few decades, first with the advent of the Internet and the uncertainty about readers willingness to pay for news then with the explosion of social media and valid complaints that traditional media has not ever had its readers in mind and was ever able to produce the most truthful and highest quality journalism that readers would trust and endorse.

The power of content

The basic thesis and framework to analyze the company is that what will set apart a few elite publications like The New York Times, The Financial Times and The Economist Magazine from virtually all the rest of legacy print media is that the above mentioned publications have premium brands, engaged readership that will be willing to pay for its reports and then be able to not be viewed as commodities.

What is even more interesting, since the internet changed the distribution of news for good, they might even benefit.

⁶ We enthusiastically suggest not only the book "No rules rules" by its founder but also many of the numerous papers and essays written about the company for those wanting a deep dive on Netflix.

The Economist magazine, a British magazine founded in 1843, has twice the number of readers in the US than its home country of the UK. In the case of The New York Times, it has always had strong distribution and readership in all parts of the US, including far from its hometown, but currently, helped by the advent of online distribution, 16% of its subscribers live outside of the US. An incredible achievement for a city newspaper but one we think is only the beginning.

Although conventional wisdom thinks traditional media publications are slowly dying, we also see a few megatrends that this house thinks will allow a few select publications to not only survive but thrive:

- Online distribution - That allows people that are interested in the stories and willing to pay to be able to access content. In the past a reader from, say, Brazil or southeast Asia wouldn't be able to be a regular reader of the New York Times since the paper was not print and distributed there. With the advent of modern technology like broadband access and iPads and smartphones a reader from anywhere can access content at the same time as a reader from New York, just like a Netflix subscriber can watch a show wherever he is in the world.
- Increase in English proficiency across the world - That will allow more readers to follow global quality journalism.
- Learning curve of social media use - As time passes global publications are learning to use social media to their favor posting teasers and short stories and bringing traffic to their paywalls. At the same time, a generation that grew up with social media slowly realizes that they may be complimentary and not only substitutes: some forms of long form journalism and investigation just can't be replicated in traditional media.

The numbers

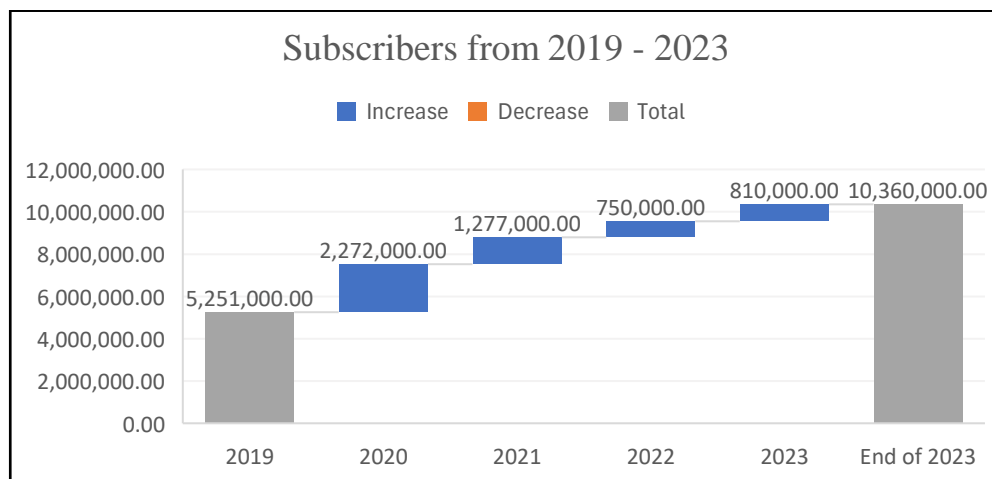
In the past few years, the main story has been the slow death of the print format and its substitution with online access. The New York Times has been a leader in this transition and one of the few publications able to navigate this transition with the ability to charge readers for content access.

In 2019 there were 5,2 million subscribers for its news and non-news products, with 4.4 million online subscribers and a little over 800 thousand subscribers of its traditional print format.

In the third quarter of 2024, the latest available, there were 11 million total subscribers, including almost 10.5 million digital only subscribers. Again, this transition gives this house confidence that for a few elite companies' global distribution and the transition to an online world will be a blessing in disguise.

Now, it is true that all major publications are still learning about monetization opportunities in this new format. Traditionally a significant part of newspaper revenues was in the classifieds section, particularly in the Sunday section. If on one hand traditional classifieds are not suited for an online format, on the other hand there are also new potential forms of monetization that might be explored.

NYT revenues (in thousands of USD)	2019	2020	2021	2022	2023
Subscription	1,083,851.00	1,195,368.00	1,362,115.00	1,552,362.00	1,656,153.00
Digital subscription	460,452.00	598,280.00	773,882.00	978,574.00	1,099,439.00
Print subscription	623,399.00	597,088.00	588,233.00	573,788.00	556,714.00
Advertising	530,678.00	392,420.00	497,536.00	523,288.00	505,206.00
Digital advertising	260,454.00	228,594.00	308,616.00	318,440.00	317,744.00
Print advertising	270,224.00	163,826.00	188,920.00	204,848.00	187,462.00
Other	197,655.00	392,420.00	215,226.00	232,671.00	264,793.00
Total	1,812,184.00	1,980,208.00	2,074,877.00	2,308,321.00	2,426,152.00



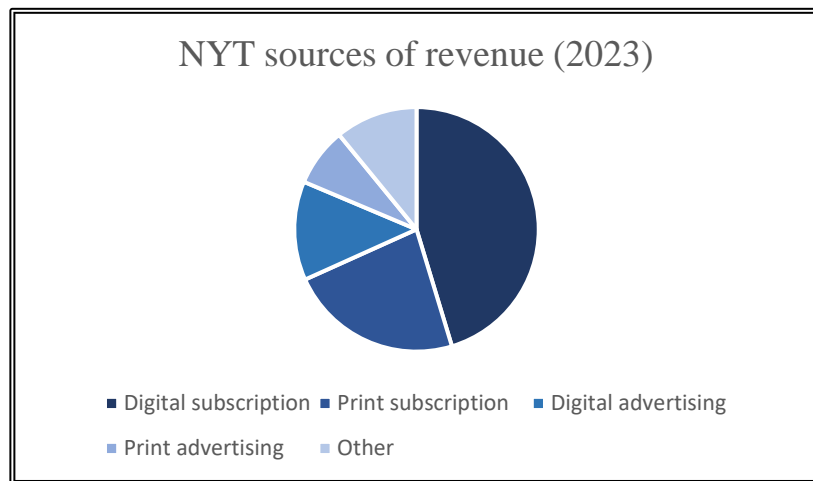
Quarter results	3Q2023	4Q2023	1Q2024	2Q2024	3Q2024
Total subscribers	10,080.00	10,360.00	10,550.00	10,840.00	11,090.00
Digital-only subscribers	9,410.00	9,700.00	9,910.00	10,210.00	10,470.00
Digital-only subscribers net addition	210.00	300.00	210.00	300.00	260.00
Total digital-only subscribers ARPU (USD)	\$9.28	\$9.24	\$9.21	\$9.34	\$9.45
<i>*ARPU (Average Revenue Per User)</i>					

In thousands of USD	2023 Actual	2024 Consensus	2025 Consensus
Revenues	2,426,152.00	2,585,000.00	2,759,000.00
<i>Growth</i>	5.1%	6.5%	6.7%
Free cash flow	338,000.00	364,000.00	471,000.00
<i>Growth</i>	196.5%	7.7%	29.4%

As for the future, the company is betting a bundle of various relevant products like the standard New York Times subscription bundled with other publications like the sports focused “The Athletic” will help it navigate the shifting media landscape.

There are certainly risks on the road ahead. This house is particularly monitoring the “revenue per subscriber” metric and, above all, the advertisement revenue, since it is still not completely clear how and to what extent this will be able to substitute the traditional classified revenues.

All in all we think the number of subscribers might surprise on the upside over the longer term since the company will be able to reach more readers in different corners of the globe that might find the content provided by the New York Times, notably its coverage of global affairs, relevant to them while the wildcard will be the advertising revenues while The New York Times and the rest of the traditional media landscape learns to navigate the transition to an online world when delivering news.



We think counterintuitively the New York Times might be a hidden gem and Buffett like investment: a globally respected brand with is in itself a relevant moat, a cheap compounder with proven durability and a long history dating back to the 19th century with its valuation momentarily depressed while it navigates a technological transition.

Performance

FCL Opportunities	
Sector Distribution	% AUM
Consumer Discretionary	33.72%
ETF	14.64%
Financial	12.28%
Industrials	10.95%
Communication Services	10.94%
Staple	5.30%
Consumer Durables	4.16%
Cash	3.96%
Commercial Services	2.10%
Healthcare	1.94%

Portfolio Concentration	
	% AUM
Top 5	59.56%
Top 10	89.42%
Top 15	99.29%

FCL Opportunities	
Returns	
Year To Date (BRL)	9.14%
Year To Date (USD)	-14.21%
12 Months (BRL)	9.14%
12 Months (USD)	-14.21%
Since Inception (BRL)	109.96%
Since Inception (USD)	13.06%
Annualized Rate of return (BRL)	9.68%
Annualized Rate of return (USD)	1.56%

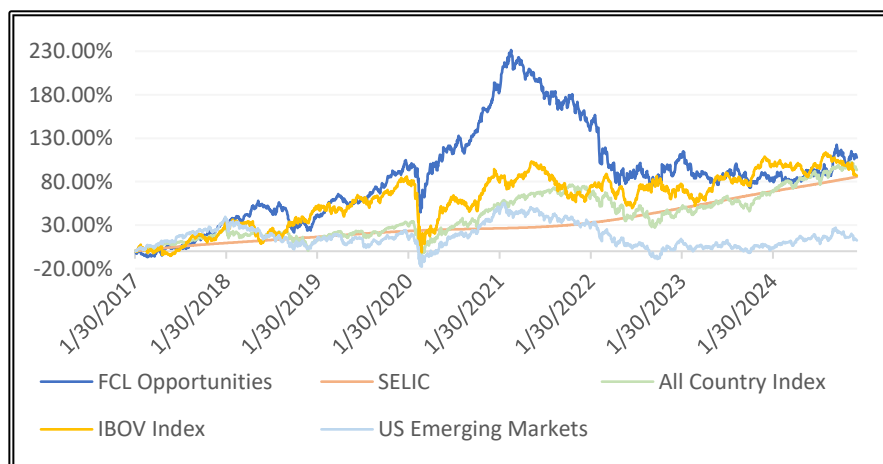
Top 5 Concentration	
	% AUM
VT:US	14.37%
ANT:XHKG	12.79%
1211:HK	10.95%
PDD:US	10.88%
HDB:US	10.58%

FCL Opportunities	
Geographic Distribution	% AUM
China	35.20%
Europe	21.02%
World	14.37%
USA	13.45%
India	10.58%
Brazil	3.39%
UK	1.70%

Exchange Exposure	
	% AUM
RMB	35.20%
EUR	21.02%
World	14.37%
USD	13.45%
INR	10.58%
Others	5.36%

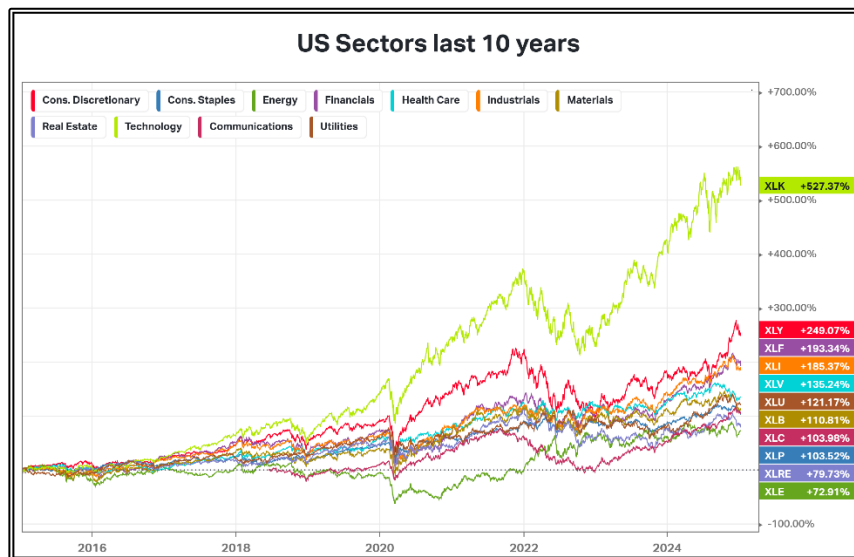
FCL Opportunities fund performance was positive in 9,14% in the year 2024. This performance compares favorably with the Ibovespa performance of minus 11% and with the iShares Emerging Markets global index (+4%) while it is in line with the Brazilian Selic accumulated index (10,87%) and lags the global All Equities Index (15,45%) which was once again helped by another year of outperformance of US large caps stocks represented above all by the so called magnificent seven stocks.

Since our inception, on January 30th, 2017, FCL Opportunities has an accumulated performance of +107,80% or 9,67% compounded annually. This compares favorably with the Brazilian against all the above-mentioned benchmarks: the iShares global equities index has performed 93,25% in the same period, the Brazilian Ibovespa index has appreciated by 85,52% while the Selic has appreciated by 85,65% and the global emerging markets index, hurt by a dismal performance of Chinese stocks in this period, has appreciated only 12,20%.



Some investors might question why we didn't include the S&P500 in this comparison and yes, obviously the American index would have beat us (and everything else) The answer is that since our inception our overall exposure to US stocks has been very low, sometimes in the single digits since our fund is dedicated to explore more overlooked corners of global stock markets.

Over the next years and decades, we are certain that there will be a reversal of those trends: emerging markets will sooner or later outperform, and the US markets will face a few years when its amazing earnings growth will have to grow faster than its share prices for its valuations to reverse back to trend.



As always with valuations it is much easier to forecast the long term correctly than what will happen over the next year or two.

A second major trend we have been dedicating our time to is to dive deep into our understanding of major new technologies like AI, crypto, nanotechnology and more. When this house started we were pretty sure we were over indexed in technology since we always devoted a major part of our time in trying to understand and predict the new products and trends and tools that will shape our existence but in retrospect if there was a major eros we made in the past, our biggest mistake , was to be less invested in technology than we should have. We don't plan to repeat this mistake.

As always, we end up thanking our clients, investors and friends for the trust invested in us and working hard to deserve this trust. Now and always a sincere thank you,

FCL Team.