Fortem Capital Alternative Growth Fund

Monthly Report – 28th August 2020

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Investment Objective

The Fund aims to provide positive returns of 4% over the medium to long term, whilst maintaining negligible equity market beta. It will invest in a core portfolio comprised of alternative beta strategies sourced from across the asset class spectrum that provide capital growth, independent of equity market cycles and macroeconomics. The Fund will make a smaller allocation to opportunistic investments that also meet strict capital preservation and investment return criteria.

The Fund Will

- Invest in structural risk premia – i.e. sources of return that are not dependent on equity markets or macroeconomics.
- Take advantage of opportunistic trades caused by structural distortions in derivative markets.
- Employ stringent counterparty controls, limiting credit exposure to high grade sovereign risk.

Monthly Update

The month of August was again extraordinary for risk assets. US equities were the clear leaders, setting new all time highs in the S&P. Within the US, once more it was tech stocks that led, showing no concern for valuation levels moving into bubble territory. The Fed formalised a new inflation targeting regime, allowing the economy to 'run hot' until average inflation over the cycle has risen. The purpose of this was really to anchor expectations of no rate increases and continued QE support for the indefinite future; 'QE infinity'. Given its status as the global reserve currency, a falling dollar becomes the principle mechanism by which the Fed can stimulate growth and to that end, real economic growth continued to recover over the month, albeit at a slowing pace, as the dollar fell. However, by formalising a target of higher inflation, the Fed has all but admitted that in order to avoid defaults from excess leverage (a problem of its own making), debt must be inflated away and currency devalued.

The Fund did not have a strong month, falling by 128bps. Faced with an extreme liquidity driven bull market, the Fund, which remains positioned slightly defensively, struggled. August was a perfect storm of liquidity induced reflation, as well as excess risk taking; the worst possible environment for a fund of this nature. As our investors are aware, short volatility and carry strategies, the main beneficiaries in the alternative beta space of these conditions, are screened out due to their correlation with risk assets. The Fund is designed to be a true alternative, to perform well at different times to the rest of the portfolio and to this end it has behaved as one might expect. If one could guarantee the continued dislocation between market valuations and fundamentals, there may well be a limited place for a genuinely uncorrelated fund in any multi-asset portfolio. Indeed, there would be no need to have more than one asset class; luckily for the Fund, this is not the case.

Key Facts

Investment Manager	Fortem Capital Limited
AUM	£53.6m
Launch Date	10th May 2019
Fund Type	Irish Domiciled UCITS V ICAV
Base Currency	GBP
Liquidity	Daily
Dealing Deadline	10:30 am Irish Time
Pricing	Daily COB
Share Type	Class A: Accumulation Class C: Accumulation
Initial Share Price	£1.000
Minimum Subscription	Class A: £5,000,000^ Class C: £5,000,000^
Annual Management Charge	Class A: 60bps Class C: 30bps
OCF	Class A: 80bps Class C: 50bps + 15% Perf Fee*
Reporting Status	Registered with HMRC
Dealing Line	+353 (0)1434 5124
Dealing Email	davy_ta_queries@ntrs.com
Depository, Admin, Registrar & TA	Northern Trust
Auditor	Deloitte
Prospectus & KIID (EN, NL) on	https://www.fortemcapital.com/fundagf.php

Share Class	Unit NAV	ISIN	Bloomberg
Class A GBP	£1.0304	IE00BJ116W86	FCAGFAA ID
Class C GBP	£1.0273	IE00BJ116X93	FCAGFAC ID
Class A EUR	€989.09	IE00BMFJH592	FCAGFEA ID

*15% of NAV growth subject to a high water mark, see Fund Supplement for more details

^Minimum sizing can be waved upon request

Platform Availability

Zurich	Nucleus	Transact	Allfunds	Novia Fin'l	Ascentric	Aviva

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Fortem Capital Alternative Growth Fund

Monthly Update - continued

A combination of flattening of commodity curves as well as the risk of front month spikes in an La Nina storm season has led to commodity exposure being temporarily lowered. This is an example of what one might call a tactical ‘common sense overlay’ on top of the structural long term returns that can be expected from the strategies. We would expect to resize the positions as soon as the opportunity presents itself. However, as some doors temporarily close, others open and new non-commodity congestion strategies have been identified that should produce positive structural returns irrespective of Fed policy or any stronger than average hurricane season.

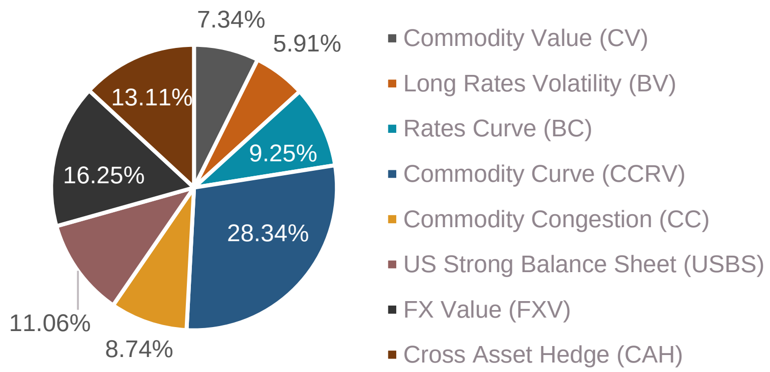
The biggest single detractor over the month was the Fund’s gold position; the structural hedge against fiscal monetisation. While the Fed’s comments put a solid underpinning for a structural shift towards inflation and suppression of real yields, gold was sold heavily around month end option expiry. Given the recent strong performance of the metal, a pull back was to be expected as faster money sold positions, but the longer term case for gold has rarely been stronger.

Strong Balance Sheet was also a detractor. The strategy is arguably the most defensive in the Fund as a proxy for short credit. If solvency issues are on the horizon, the strategy would be a major beneficiary.

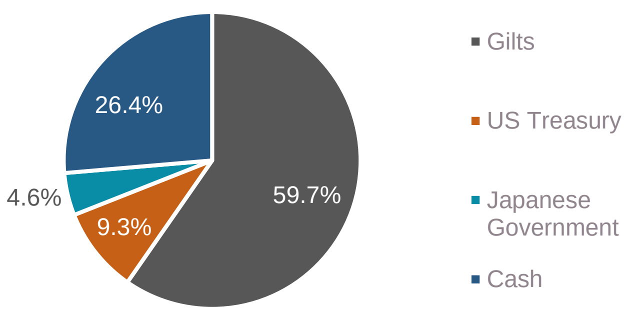
The Fund is fully backed by short-term high-grade sovereign debt, which added 14bps over the month..

Portfolio Breakdown

Alternative Beta Allocation – Risk weights per Risk Premia



Credit Exposure



Summary of Individual Strategy Risk and Attribution

Strategy	Weighted Volatility	Contribution to Return
FX Value Strategy (FXV)	1.37%	-0.59%
Commodity Curve Strategy 2 (CCRV)	0.74%	-0.03%
Commodity Curve Strategy 1 (CCRV)	0.46%	-0.30%
Rates Curve Strategy 1 (BC)	0.42%	0.06%
US Strong Balance Sheet Strategy 1 (USBS)	0.32%	-0.19%
Cross Asset Hedge Strategy (CAH)	0.32%	-0.01%
Long Rates Volatility Strategy (BV)	0.29%	-0.07%
Commodity Value Strategy (CV)	0.26%	-0.15%
Commodity Congestion Strategy 1 (CC)	0.22%	-0.02%
US Strong Balance Sheet Strategy 2 (USBS)	0.21%	-0.04%
Commodity Congestion Strategy 2 (CC)	0.19%	0.02%
Rates Curve Strategy 2 (BC)	0.14%	-0.02%

NAV Return -1.29%

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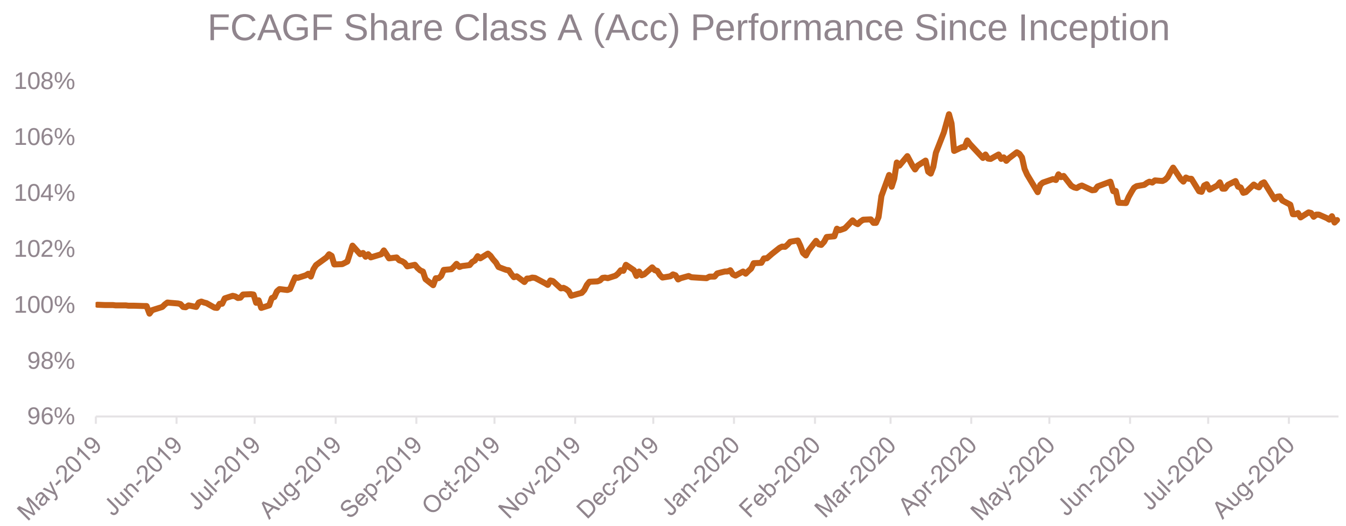
Performance (%) – Share Class A (Acc)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019					-0.19	0.42	0.78	0.65	-0.25	-0.53	0.56	-0.42	**1.01**
2020	1.24	0.77	3.36	-1.54	-0.57	0.13	-0.02	-1.29					**2.01**

12 Month Perf Periods	
Aug 18 – Aug 19	**N/A**
Aug 19 – Aug 20	**1.35**



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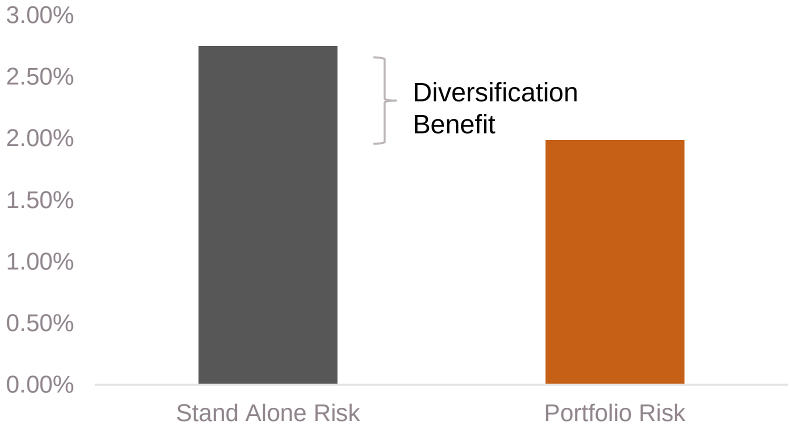
Portfolio Risk



Portfolio Risk	1.99%
Gross Portfolio Exposure	107
Portfolio Daily VaR (99%)	0.30%

- **Portfolio Risk** is the expected standard deviation of the portfolio NAV, expressed on an annualised basis. It is calculated using a 10 year correlation matrix
- **Portfolio Stand Alone risk** is the expected standard deviation of the portfolio if there were no diversification benefits between strategies. This occurs if all correlations are at 1.
- **Daily VaR (99%)** is an alternative measure of risk that looks at maximum expected loss. At 99% confidence, one can expect that there will be at least 1 day in a 100 where the daily loss on the Fund can be expected to be greater than the calculated VaR
- **Gross portfolio exposure** measures that total notional value of all the swap positions as a percentage of the portfolio NAV

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