Fortem Capital Alternative Growth Fund

Monthly Report – 28th February 2020

For Professional Investors and Institutional Clients only

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

February was a volatile month as the realisation that the coronavirus is likely to turn out to be more than a seasonal flu sparked a severe liquidity driven sell-off. With US equities not generating earnings growth but yet rallying to all time highs, driven by Fed repo injections, a sharp reversal of sentiment was all that was needed to send risk assets downward (as levered positions were quickly unwound). Safe havens such as treasuries and gold did initially rally. However, as equity market falls persisted, precious metals then also began to sell off heavily. This was a strong indication that, so far, this is a liquidity event and not a solvency issue (so far), as equity margin calls caused profit taking/forced liquidations in leveraged precious metal positions. Treasuries, as they are held as collateral, behave as quasi cash in a liquidity event and retain their safe haven status. Real economic data (PMIs) have begun to show the true damage to global economic activity from the China shutdown. As more data comes through, balance sheet/solvency concerns may grow due to what is an unprecedented simultaneous aggregate demand and supply shock.

The Fund had another strong month, adding 0.77%. Given the extraordinary moves in major asset classes, the Fund delivered a performance profile that was positively boring, with a steady grind higher over the month. Structural returns are by nature fundamentally uncorrelated with equities, but this characteristic is particularly borne out while markets are highly volatile.

Within the Fund, the commodity congestion strategy was the best performer. During the month, an unexpected cold snap in the mid-west pushed natural gas futures higher while the strategy was positioning for the passive money roll. Clearly this weather related move was independent of macro and illustrates the risks and rewards inherent within structural trades.

Key Facts

Investment Manager	Fortem Capital Limited
Unit NAV	Class A: £1.0306 Class C: £1.0266
AUM	£27.04m
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 Amount	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
ISIN	Class A: IE00BJ116W86 Class C: IE00BJ116X93
Bloomberg	FCAGFAA ID <equity> FCAGFAC ID <equity>
Dealing Line	+353 (0)1434 5124
Dealing Email	davy_ta_queries@ntrs.com
Depository, Admin, Registrar & TA	Northern Trust
Auditor	Deloitte

*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

Past performance is not necessarily a guide for the future. Forecasts are not reliable indicators of future performance. The value of investments, and the income from them, can go down as well as up and the investor may not get back the amount originally invested. The data is sourced from Fortem Capital Limited and external sources. The data is as at the date of this document and has been reviewed by Fortem Capital Limited.

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Monthly Update - continued

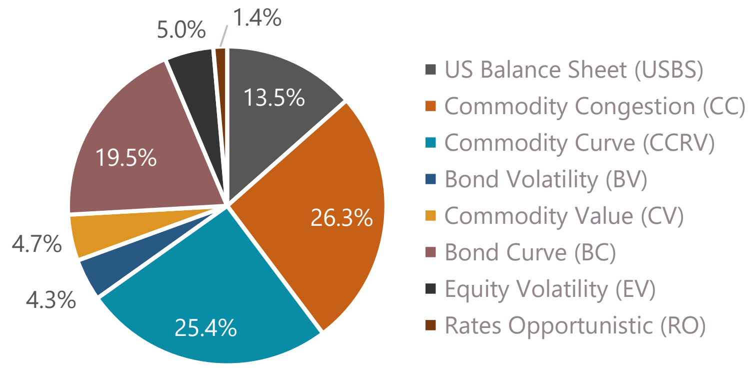
The best performing defensive strategy was the rates curve strategy, which continued its strong run from the previous month. This strategy places steepening or flattening trades across global bond markets. Given the current tilt towards flattening over steepening, the fact that the global bond market curve flattened over the month added to the Fund's overall return.

Other defensive strategies had a quiet month, which was unusual given the extreme rise in risk aversion; the strong balance sheet strategy was flat in February. Due to the indiscriminate liquidity driven nature of the sell-off, considerations of balance sheet strength (or lack thereof) were not immediate concerns. Liquidity driven sell-offs (i.e. crashes) rarely take account of fundamentals. This strategy should benefit if there is a structural downgrade in BBB credit, which could occur in a recessionary environment.

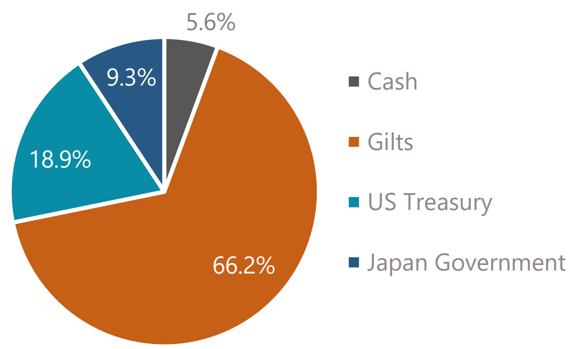
The long rates volatility strategy lost a few basis points over the month which, given the surprise move in equity volatility, is unusual. Near term volatility spiked across all asset classes on the back of virus news-flow, but longer end volatility remained low especially in rates. Longer term rates volatility tends to be less reactive to news-flow and more reactive to expected economic uncertainty. As the economic impact of the virus becomes more clear, we would expect long end volatility to slowly catch up with short term volatility.

Portfolio Breakdown

Alternative Beta Allocation – Risk weights per Risk Premia



Credit Exposure



Summary of Individual Strategy Risk and Attribution

Strategy		Weighting (Risk Based)	Contribution to Return
Rates Curve Strategy 1	RC	16.76%	0.11%
Commodity Curve 1	CCRV	15.74%	0.22%
Commodity Congestion 1	CC	14.74%	0.67%
US Strong Balance Sheet Strategy	USSB	13.48%	0.04%
Commodity Congestion 2	CC	11.52%	-0.08%
Commodity Curve 2	CCRV	9.68%	0.06%
Long Rates Volatility	BV	4.27%	-0.17%
Equity Europe Short Call Strategy	EV	3.71%	-0.03%
Rates Curve Strategy 2	RC	2.76%	-0.02%
Commodity Seasonal Strategy	CV	2.40%	0.04%
Commodity Seasonal Strategy 2	CV	2.28%	-0.05%
5-30 USD Steepener	RO	1.40%	0.07%
Equity US Short Call Strategy	EV	1.25%	0.00%

NAV Return 0.77%

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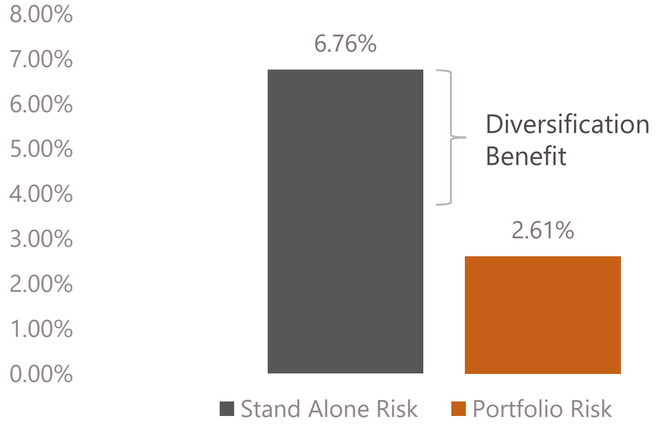
Fortem Capital Alternative Growth Fund

Portfolio Risk



Portfolio Risk	2.61%
Gross Portfolio Exposure	170%
Portfolio Daily VaR (99%)	0.40%

- **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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Disclaimer

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