

Fortem Capital Alternative Growth Fund

Monthly Report – 31st January 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

Risk assets started the month where they left off in 2019, continuing to rally on global central banking liquidity. However, bond and commodity markets were far more sanguine as economic data continues to lag the expectations priced into equity markets. Yield curves, after showing a brief reflationary steepening over the Autumn, have begun to flatten and invert, a classic cyclical slowdown signal. While commodities and bonds told a different story to equity moves at the start, concerns over the corona virus outbreak weighed on risk assets towards month end, erasing the early gains. While the tragic human cost is yet unknown, the lockdown of large parts of China has implications for trade, commodities, global growth and corporate earnings.

The Fund had exceptionally strong performance over the month of 1.24%, with most strategies delivering strong returns. Both defensive strategies and neutral strategies performed well.

For the defensive alternative beta, with asset class volatility previously near all time lows, the rise in risk aversion helped the long rates volatility strategy, as implied volatility rose across all asset classes. Likewise, high quality strong balance sheet companies outperformed as credit spreads widened, driving returns for the Fund's US strong balance sheet (short credit) strategy.

However, the best performing defensive strategy was a rates curve strategy. This strategy places steepening or flattening trades across global bond markets. Given the current positioning of a net flattening, the global bond market curve flattening that we saw over the month helped the return.

Platform Availability

Zurich

Nucleus

Transact

Allfunds

Novia Fin'l

Ascentric

Aviva

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Key Facts

Investment Manager	Fortem Capital Limited
Unit NAV	Class A: £1.0226 Class C: £1.0197
AUM	£26.03m
Launch Date	10 th 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 waived upon request

Monthly Update - continued

For the market neutral strategies, it was commodity curve strategies that showed the best returns. With curves in contango at the front end, these commodity strategies tend to be short the front month contracts and long the second month contracts, seeking to gain a roll yield down the curve. Even though the sizing of positions is beta neutral, very sharp falls in commodities can generate solid returns for these curve positions.

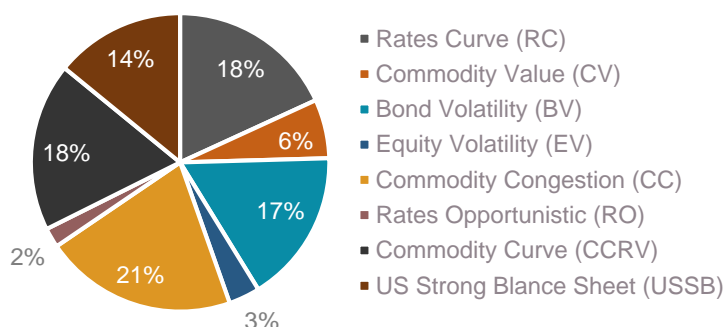
Congestion strategies, which seek to benefit from congestion around passive commodity trackers' rolling of contracts, and seasonal strategies, which seek to benefit from seasonal production cycles, had a quiet month. Both these strategies tend to perform well in uneventful markets when there are little speculative flows, but given some of the large speculative moves in energy and metals over the month, a low return is to be expected.

The Fund added a short dated Japanese bond to the collateral portfolio. After hedging duration and currency, the package pays Libor + 16bps which is significant pickup to equivalent gilts or treasuries.

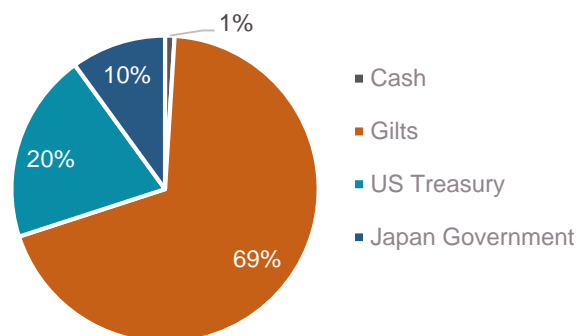
The funding portfolio of government bonds added 10bps over the month to the Fund.

Portfolio Breakdown

Alternative Beta Allocation – Risk weights per Risk Premia



Credit Exposure



Summary of Individual Strategy Risk and Attribution

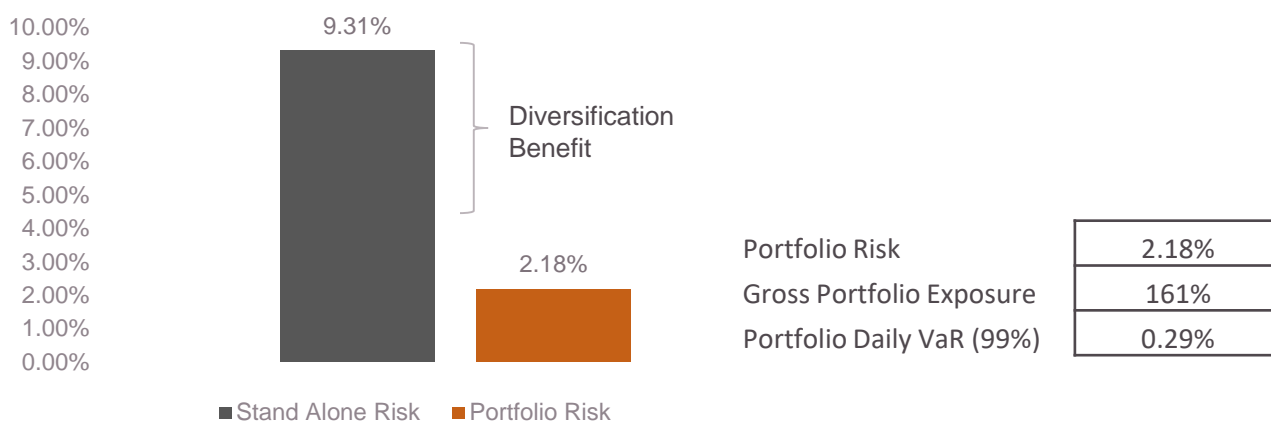
Strategy	Premia	Weighting (Risk Based)	Contribution to Return	
			Weighting (Risk Based)	Contribution to Return
Long Rates Volatility	BV	16.66%	████████████████████	0.05%
Rates Curve Strategy 1	RC	14.69%	████████████████████	0.28%
US Strong Balance Sheet Strategy	USSB	14.10%	████████████████████	0.26%
Commodity Congestion 1	CC	13.41%	████████████████████	0.05%
Commodity Curve 1	CCRV	10.47%	████████████████████	0.18%
Commodity Curve 2	CCRV	7.80%	████████████████████	0.17%
Commodity Congestion 2	CC	7.48%	████████████████████	-0.01%
Commodity Seasonal Strategy 1	CV	3.63%	████████████████████	-0.02%
Rates Curve Strategy 2	RC	3.47%	████████████████████	0.01%
Equity Short Call Strategy	EV	3.39%	████████████████████	0.02%
Commodity Seasonal Strategy 2	CV	2.77%	████████████████████	0.08%
US 5-30s Rates Steepener	RO	2.13%	████████████████████	0.05%

NAV Return 1.24%

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Portfolio Risk



- **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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