

# Fortem Capital Alternative Growth Fund

Monthly Report – 31<sup>st</sup> July 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

US equities continued their merciless climb higher in July. Despite renewed Covid-19 fears and increased tension with China, mega-cap growth stocks showed little concern, dragging the S&P 500 and NASDAQ ever higher. However, the big story for the month was the precipitous collapse in the dollar. Given its status as global reserve currency, a falling dollar will always boost risk appetite as it alleviates dollar debt and liquidity issues that permeate the global economy.

However, the speed of decline has made many wonder whether the markets are beginning to price in the future debasement effects of excessive money printing and fiscal stimulus. Gold investors were buoyed as the yellow metal hit a new all time high in dollar terms as the commodity complex rallied strongly. A further boost to gold came from bond markets as nominal yields ground lower despite inflationary signals from commodity markets. With inflation ticking up and bond yields lower, real yields broke all time record negative lows. While economic data is slowly rising from the depths, commodities and equities continue to be supported by extraordinary stimulus and the v-shaped recovery narrative. However, negative real yields imply that bond markets are emphatically pricing in a slow or non-existent growth trajectory. Only through continued stimulus can these conflicting signals from the markets be maintained.

The Fund was flat over the month. As our investors will know, a liquidity driven rally in commodities and equities is the least ideal environment for the Fund, so a neutral return is more than satisfactory. The Fund continues to show itself as uncorrelated from traditional asset classes and a true alternative in portfolios.

## Platform Availability

Zurich

Nucleus

Transact

Allfunds

Novia Fin'l

Ascentric

Aviva

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## Key Facts

Investment Manager	Fortem Capital Limited		
AUM	£47.4m		
Launch Date	10 <sup>th</sup> 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 <sup>^</sup> Class C: £5,000,000 <sup>^</sup>		
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	<a href="mailto:davy.ta_queries@ntrs.com">davy.ta_queries@ntrs.com</a>		
Depository, Admin, Registrar & TA	Northern Trust		
Auditor	Deloitte		
Prospectus & KIID (EN, NL) on	<a href="https://www.fortemcapital.com/fundagf.php">https://www.fortemcapital.com/fundagf.php</a>		
Share Class	Unit NAV	ISIN	Bloomberg
Class A GBP	£1.0439	IE00BJ116W86	FCAGFAA ID
Class C GBP	£1.0392	IE00BJ116X93	FCAGFAC ID
Class A EUR	€1,002.52	IE00BMFJH592	FCAGFEA ID

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

<sup>^</sup>Minimum sizing can be waived upon request

## Monthly Update - continued

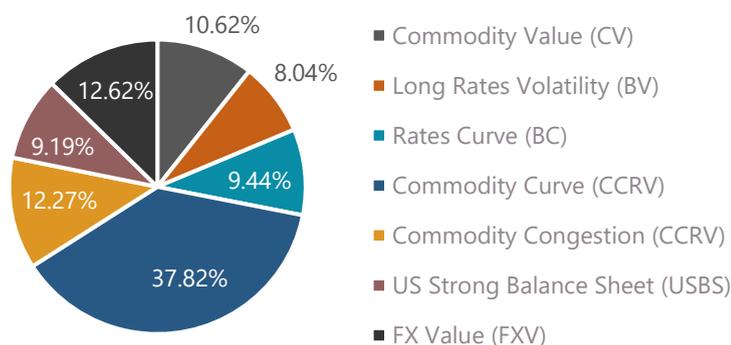
Within the Fund, the biggest detractor was commodity congestion. This strategy plays the congestion theme across multiple maturities on commodity curves, not just the front month where much of the congestion resides. The benefits of this approach are that the congestion premia across the curve behave differently to the front and so it represents another source of uncorrelated returns. The downside is the strategy is more exposed to strong curve shifts than more vanilla congestion. Such curve shifts typically happen in reflationary environments especially when the dollar is falling and liquidity plentiful, which was the major theme of the month.

The best performing strategy was FX value, namely the Fund's position in gold. It is highly likely that an era of endless printing, and endless growth of the monetary base has been entered into. Currencies that can hold purchasing power should dominate. This is especially true of gold, which is the ultimate currency value trade. Historically, an investment in gold would not be seen as a traditional 'structural' trade, but due to the fundamental nature of the global financial system being permanently altered by endless stimulus, gold now represents a structural hedge against total fiscal monetisation.

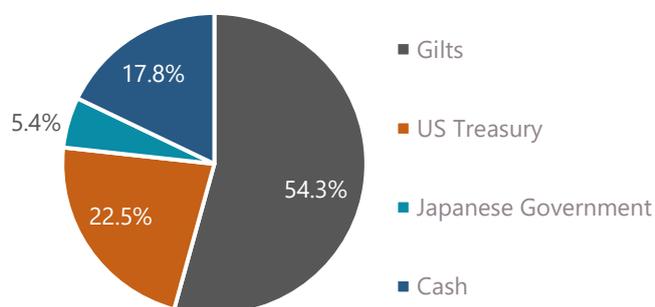
The Fund is fully backed by short-term high-grade sovereign debt, which detracted 12bps over the month, driven mainly by a rise in volatility of our FX hedging currency positions reacting to rising global dollar volatility.

## 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	
	Weight	Bar	Contribution	Bar
FX Value Strategy (FXV)	29%	[Bar]	0.19%	[Bar]
Commodity Curve Strategy 2 (CCRV)	20%	[Bar]	-0.01%	[Bar]
Commodity Curve Strategy 1 (CCRV)	17%	[Bar]	-0.01%	[Bar]
Long Rates Volatility Strategy (BV)	7%	[Bar]	0.01%	[Bar]
Rates Curve Strategy 1 (BC)	6%	[Bar]	-0.02%	[Bar]
US Strong Balance Sheet Strategy 1 (USBS)	6%	[Bar]	0.00%	[Bar]
Commodity Congestion Strategy 1 (CC)	5%	[Bar]	-0.08%	[Bar]
Commodity Value Strategy (CV)	5%	[Bar]	0.05%	[Bar]
Rates Curve Strategy 2 (BC)	3%	[Bar]	0.01%	[Bar]
US Strong Balance Sheet Strategy 2 (USBS)	2%	[Bar]	0.01%	[Bar]
Commodity Congestion Strategy 2 (CC)	0%	[Bar]	-0.02%	[Bar]

NAV Return -0.02%

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## Performance (%) – Share Class A (Acc)

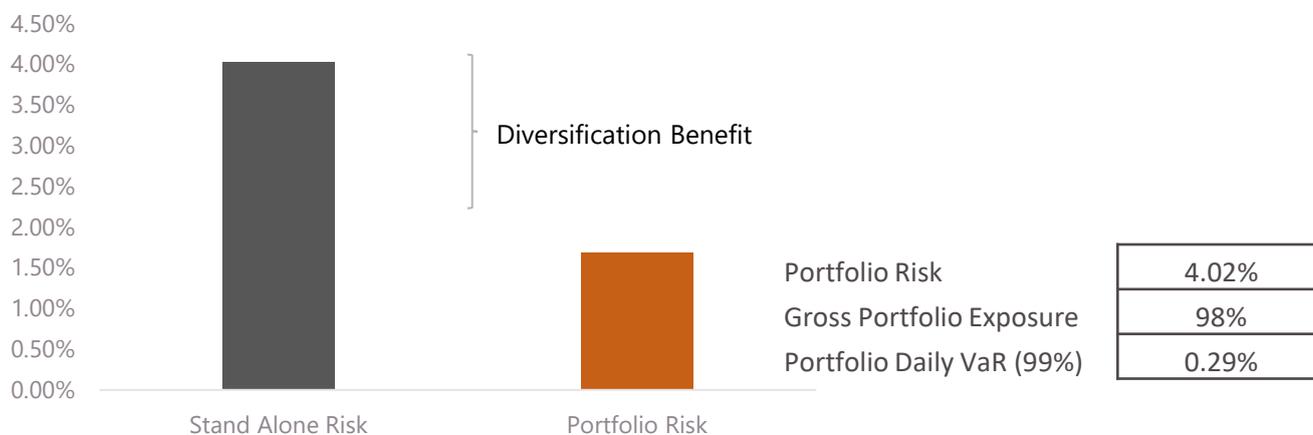
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	12 Month Perf Periods	
2019					-0.19	0.42	0.78	0.65	-0.25	-0.53	0.56	-0.42	<b>1.01</b>	July 18 – July 19	<b>N/A</b>
2020	1.24	0.77	3.36	-1.54	-0.57	0.13	-0.02						<b>3.23</b>	July 19 – July 20	<b>3.35%</b>

## FCAGF Share Class A (Acc) Performance Since Inception



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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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