

Fortem Capital Alternative Growth Fund

Monthly Report – 30th June 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

June was another strong month for risk assets, and many indices have now fully recovered back to January levels, the Nasdaq has even broken all time intraday highs, an illustration of Big Tech's part in the recent rises. Economic data continues to bounce from extremely low levels as parts of the global economy slowly come back online. This positive flow of data is in part a catalyst for renewed risk taking, but as employment will likely take years to return to previous levels, a V-shaped recovery seems unlikely, and to this extent market participants are clearly being driven more by central bank support than fundamentals.

June initially seemed to be a smooth continuation from May, with little change in sentiment. Under the hood, the underperformance of small cap and value equities through the month, after a strong start, are classic signals that the current rally is looking tired, both fundamentally and technically. This added to the fact that the virus is showing signs of a second wave, threatening further lockdowns, may mean equities are likely to need further stimulus to push higher. However, as we approach the election, further stimulus looks assured.

Given the positive rate of change of real economic data, commodities, especially growth-linked commodities, had a very strong month. Bond markets remained unchanged, giving further signal that the deflation trade may be beginning to fade.

The Fund had a fairly flat month, with a return of 0.13%. Given the continued liquidity driven rally in commodities and equities, a positive return in such a hostile environment for an alternative fund is satisfactory; the Fund again showed its ability to be de-linked from more traditional asset classes and forge its own uncorrelated path.

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: £1.0441 Class C: £1.0391
AUM	£37.3m
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

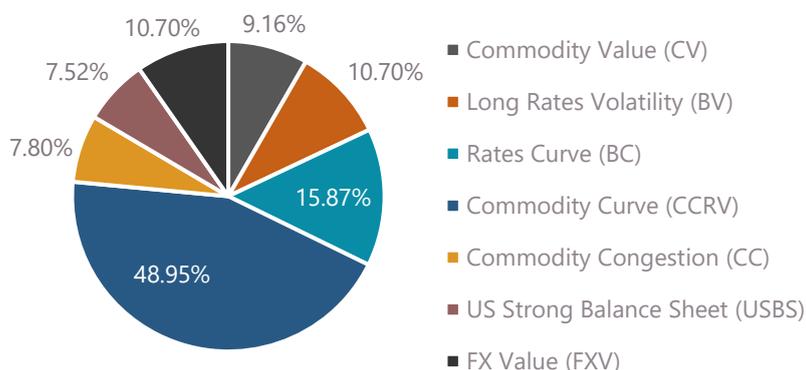
Within the Fund, the strong balance sheet strategy was the biggest detractor, unsurprising given the risk-on sentiment that continues to push risk assets higher. As this is an overtly defensive strategy, requiring increased credit risk to be properly priced into markets, the fact that it was only marginally down is indicative of the fact that market internals are starting to wane, and while headline indices push higher, defensive equity factors within those indices are holding up.

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 alternative beta trade, but due to the fundamental structure of the global financial system being altered, and continuing to be altered, gold has become one of the purer structural trades.

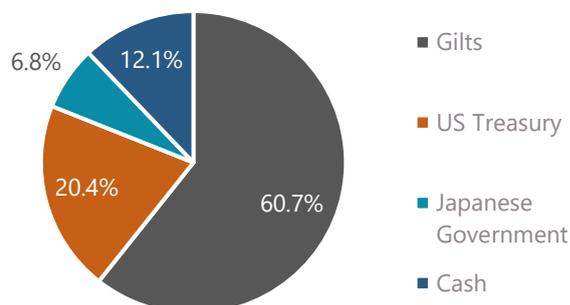
The Fund is fully backed by short-term high-grade sovereign debt, which added 8bps to the Fund's return over the month, due to the slight fall in sovereign yields.

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	
	Weighting	Visual	Contribution	Visual
Commodity Curve Strategy 1 (CCRV)	22%	[Bar]	0.05%	[Bar]
Commodity Curve Strategy 2 (CCRV)	21%	[Bar]	0.01%	[Bar]
Rates Curve Strategy 1 (BC)	17%	[Bar]	0.03%	[Bar]
FX Value Strategy (FXV)	16%	[Bar]	0.10%	[Bar]
Long Rates Volatility Strategy (BV)	9%	[Bar]	0.05%	[Bar]
Commodity Congestion Strategy 1 (CC)	6%	[Bar]	0.00%	[Bar]
US Strong Balance Sheet Strategy (USBS)	5%	[Bar]	-0.10%	[Bar]
Commodity Value Strategy (CV)	2%	[Bar]	-0.09%	[Bar]
Rates Curve Strategy 2 (BV)	2%	[Bar]	0.00%	[Bar]

NAV Return 0.13%

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Performance (%) – Share Class A (Acc)

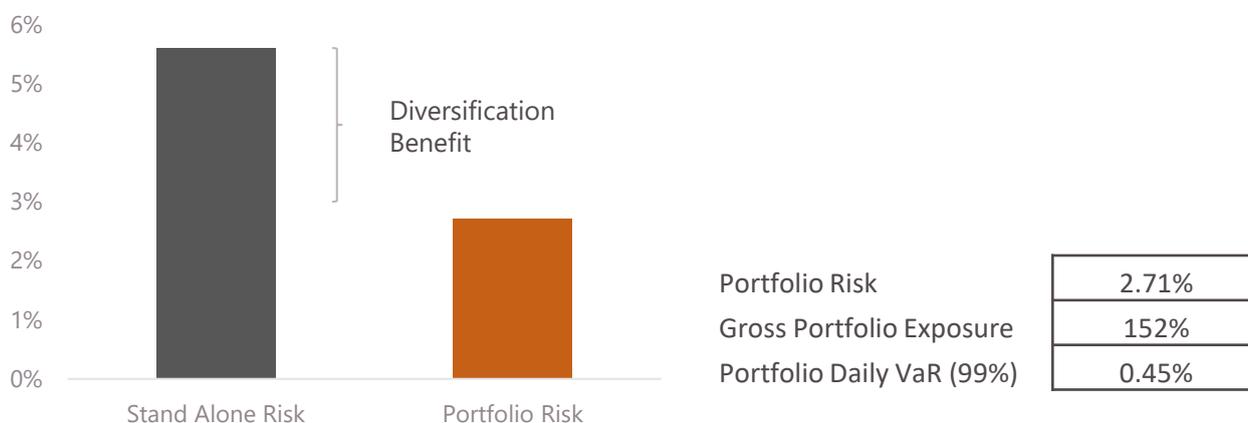
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	12 Month Perf Periods	
2019					-0.19	0.42	0.78	0.65	-0.25	-0.53	0.56	-0.42	1.01	June 18 – June 19	N/A
2020	1.24	0.77	3.36	-1.54	-0.57	0.13							3.23	June 19 – June 20	4.17%

FCAGF Share Class A 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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