Fortem Capital Alternative Growth Fund

Quarterly Commentary – 30th June 2026

UK & EU – For professional and institutional investors only
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The second quarter was characterised by a marked recovery in risk appetite. Concerns surrounding the conflict in the Middle East gradually eased and energy markets normalised, as crude in particular retraced much of its earlier spike and fears of a sustained supply shock faded. At the same time, investor attention returned decisively to AI as another wave of investment announcements from the major US technology platforms reinforced confidence that the current capital expenditure cycle remains intact.

The result was a broad recovery in risk assets. Developed market equities delivered strong returns, led once again by technology, while emerging markets significantly outperformed. Unlike more traditional periods of EM strength, performance was driven overwhelmingly by Asian technology exporters, particularly Taiwan and Korea, as investors continued to favour semiconductor, memory and electrical equipment companies central to the AI infrastructure build-out, whilst more commodity-oriented emerging markets lagged as energy prices retreated.

However, beneath the strength in headline markets, an important shift has begun to emerge. The market narrative has evolved from rewarding AI investment almost indiscriminately towards questioning where the long-term economic returns from that investment will ultimately accrue. During the earlier stages of the cycle, simply participating in the build-out of AI infrastructure was sufficient to attract capital. Increasingly, investors are becoming more selective, distinguishing between those enabling AI investment and those ultimately capable of monetising it through sustainable earnings growth and productivity improvements.

This distinction is likely to become increasingly important. AI undoubtedly represents one of the most significant technological developments of our lifetime, but history suggests that transformative technologies often experience periods where investment materially outpaces realised economic returns. As capability continues to improve rapidly and the cost of intelligence declines, the debate is gradually shifting from the scale of investment towards the sustainability of future cash flows.

Elsewhere, the macroeconomic backdrop remains broadly balanced, but increasingly reliant on the AI investment cycle to remain so. Inflation has moderated from the highs experienced earlier in the year as energy markets stabilised, whilst labour markets continue to cool gradually. At the same time, AI-related capital expenditure is doing much of the heavy lifting for both economic activity and corporate earnings, offsetting signs of moderation elsewhere in the economy. As a result, the key macro debate is no longer whether AI is supporting growth, it clearly is, but how durable that support proves to be once the current investment cycle begins to mature and markets increasingly demand evidence of sustainable returns.

The Alternative Growth Fund returned -1.9% over the period.

Total Return	2026	Q2
UK 100	7.6%	4.0%
US 500	10.0%	15.1%
Europe 50	11.1%	15.2%
Japan 225	40.1%	37.3%
Hong Kong 50	-9.3%	-6.5%
US 2000	22.6%	21.5%
Swiss 30	10.1%	12.9%
Global Equity	9.7%	13.8%
Global Bond	0.6%	0.7%
Commodities	12.3%	-8.9%
PGF	**2.1%**	**4.7%**
AGF	**-5.3%**	**-1.9%**
DGF	**-8.9%**	**-0.7%**
USI	**9.7%**	**15.0%**
ARF	**15.7%**	**10.3%**
CARF	**-12.0%**	**7.0%**
LAF	**16.0%**	**8.1%**

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Income

The income portfolio returned 0.8% over the second quarter of 2026 and the current yield of the book is 3.9%.

Diversifier

Diversifier attribution for the period was disappointing. Rates volatility detracted 43bps. FX value detracted by 61bps as the US Dollar continued to strengthen versus other currencies. Equity quality was the largest detractor, losing 1.3% over the quarter driven primarily by the continued buying of options on the most unprofitable parts of the US small cap market. We saw the commodity curve strategy start to recover after the huge moves in energy commodities following the Iran invasion, with the strategy contributing 91bps to performance. The adjustments we made early on in Quarter One proved to be the correct move as risk was reduced whilst still being able to capture commodity curve repricing. While near-term volatility may persist, current curve dislocations represent a highly attractive opportunity set over the medium term.

We started to implement our Diversifier Framework into the Fund, where we characterize each of our strategies as either Carry, Trend or Mean Reversion. This framework is a natural evolution of our overall macro regime framework, which examines how certain factors behave during different macro regimes. This has resulted in a few changes to the Diversifier holdings in the Fund over the quarter, with the introduction of a Commodity Trend strategy, a Commodity Mean Reversion strategy as well as a Cross-asset Trend strategy. These were part-funded by reductions in our long Rates Volatility strategies as well as the Equity Quality strategy. This will be an ongoing process as we reshape our diversifiers to be more diversified across macro regimes.

Protection

Equity markets experienced a significant bounce back in the quarter driven by news of a ceasefire in the Gulf. Consequently, our Protection detracted by 2.2% during the quarter. We continue to believe that equity markets are ignoring all the 'bubble' warning signs we have seen before, and we therefore continue to believe that investors should have ample protection for their portfolios.

Outlook

Both equities and commodity markets seem to have shrugged off the immediate effects of the Iran invasion as equities marched higher and energy markets, in particular crude oil, retraced significantly during the quarter. This was initially driven by notice of a ceasefire in the region, but we still have not seen any sign that either party is recognising or adhering to this ceasefire. As a consequence, whilst some shipping has been restored through the Straits of Hormuz, this area still remains the central focus of potential Iranian military threats and we worry that the longer-term effects of this reduction in commodity supply is likely to have a significant impact on global GDP growth as we progress through the year, particularly in Europe, which is extremely vulnerable to potential energy shocks.

There seems to be no halt in the AI capex spend in the US, with huge issuances in both equity and bonds for the hyperscalers such as Alphabet and Oracle as well as three enormous IPOs in SpaceX, Anthropic and OpenAI scheduled this year. It will be interesting to see not necessarily the initial demand, which should be formidable given retail enthusiasm, but more how they trade subsequently post the initial euphoria.

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