Fortem Capital Alternative Growth Fund

Quarterly Commentary – 30th September 2026

UK & EU – For professional and institutional investors only
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The third quarter was characterised by an unusual divergence between equity and government bond markets. Despite renewed geopolitical uncertainty, higher energy prices and a marked increase in global borrowing costs, equity markets remained relatively resilient. Strong corporate earnings and continued investment in artificial intelligence supported risk appetite, while government bonds experienced significant selling pressure as investors reassessed the outlook for inflation and monetary policy.
Having eased towards the end of the second quarter, tensions in the Middle East returned to the forefront of investor attention as negotiations between the US and Iran lost momentum. Oil prices recovered sharply, with Brent crude returning above $100 per barrel, while further disruption to energy supply and refining capacity placed renewed pressure on inflation expectations. Higher energy costs once again highlighted the vulnerability of economies to a prolonged supply shock, particularly in Europe, where dependence on imported energy remains significant.
The recovery in inflation expectations prompted a further reassessment of monetary policy. Both the Federal Reserve and the European Central Bank increased interest rates by 25 basis points in September, while the Bank of England maintained rates at 3.75%, acknowledging the growing risk of more persistent inflation. Government bond yields rose sharply across developed markets, with the US 10-year Treasury yield moving above 5% and longer-dated yields reaching levels not experienced for many years. The sell-off was exacerbated by fiscal concerns and increased borrowing requirements, including substantial debt issuance associated with the expansion of AI infrastructure.
Nevertheless, equity markets continued to demonstrate resilience. Corporate earnings remained strong, particularly in the US, where continued investment in data centres, semiconductors and related infrastructure supported economic activity. However, performance became increasingly differentiated. Rising bond yields favoured Value over Growth, while smaller companies and other interest-rate-sensitive assets faced greater headwinds. European equities lagged, reflecting a more challenging combination of earnings growth, energy costs and borrowing conditions, while Japanese equities remained relatively well supported.
An important development is the changing nature of the AI investment cycle. While investment commitments remain substantial, the growing reliance on external financing and a higher cost of capital are making the distinction between companies benefiting directly from this expenditure and those ultimately capable of generating sustainable economic returns increasingly important. The scale of investment continues to support growth, but this increasingly needs to be assessed alongside the prospective returns on that capital.
Looking forward, the principal risk is that the combination of persistent inflation, elevated interest rates and geopolitical uncertainty begins to weigh more materially on economic activity and corporate profitability. Equally, resilient earnings and continued investment may allow equity markets to absorb a more restrictive monetary environment for longer than anticipated. This creates a more complex backdrop for investors, in which diversification across different sources of return, rather than reliance on any single macroeconomic outcome, is likely to become increasingly important.

Total Return	2026	Q3
UK 100	9.5%	1.8%
US 500	12.5%	2.2%
Europe 50	10.3%	-0.7%
Japan 225	34.2%	-4.2%
Hong Kong 50	-1.5%	8.6%
US 2000	13.7%	-7.2%
Swiss 30	7.5%	-2.4%
Global Equity	11.8%	1.9%
Global Bond	-2.9%	-3.5%
Commodities	29.3%	15.1%
PGF	**3.6%**	**1.5%**
AGF	**-1.9%**	**3.6%**
DGF	**-0.8%**	**8.8%**
USI	**11.5%**	**1.7%**
ARF	**12.0%**	**-3.2%**
CARF	**-12.9%**	**-1.0%**
LAF	**14.0%**	**-1.8%**

The Alternative Growth Fund returned 3.6% over the period.

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Income

The income portfolio returned 71bps over the third quarter of 2026 and the current yield of the book is 4.1%.

Diversifier

Diversifier attribution was 311bps over the quarter, with performance varying considerably across the underlying strategies.

Commodity markets experienced another significant change in regime as renewed tensions in the Middle East drove energy prices higher. This was a more challenging environment for strategies positioned to benefit from a normalisation of commodity curve dislocations, particularly where front-month energy contracts strengthened relative to deferred maturities. Conversely, strategies seeking to capture persistent trends across commodity markets benefited from a different set of return drivers.

The sharp repricing of developed-market interest rates also created a materially different environment for Rates Volatility strategies compared with the earlier part of the year. FX Value, Equity Quality and other systematic strategies experienced differing influences from interest-rate divergence, changes in equity market leadership and renewed currency volatility.

Following the changes initiated earlier in the year, the Fund's Diversifier allocation is assessed through our framework of Carry, Trend and Mean Reversion strategies. The objective remains to diversify across return drivers that behave differently under changing macroeconomic conditions, rather than relying excessively on the continuation or reversal of any individual trend.

Protection

The Protection portfolio contributed -35bps over the quarter.

Despite the resilience of equity markets, the combination of elevated valuations in parts of the market, renewed geopolitical uncertainty and higher borrowing costs reinforces the importance of maintaining exposure to strategies capable of responding to a material market correction.

Outlook

The outlook for systematic diversifiers remains closely linked to the interaction between inflation, interest rates and market volatility. Higher commodity prices may continue to support trend strategies while challenging positions dependent on curve normalisation. Similarly, persistent interest-rate volatility could create opportunities for certain volatility-based strategies.

The Fund remains focused on achieving a more balanced distribution of risk across complementary return drivers, supported by a dedicated Protection allocation. This is particularly important in an environment where traditional equity and bond exposures may both come under pressure.

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