Fortem Capital Dynamic Growth Fund

Quarterly Commentary – 28th June 2024

UK & EU – For professional and institutional investors only
Switzerland – this is an advertising document for professional and institutional clients as defined by the Swiss Financial Services Act only

Total Return	2024	Q2
UK 100	7.9%	3.7%
US 500	15.1%	4.2%
Europe 50	10.4%	-2.1%
Japan 225	19.1%	-1.8%
Hong Kong 50	6.2%	8.9%
US 2000	1.5%	-3.3%
Swiss 30	11.0%	4.0%
Global Equity	11.8%	2.6%
Global Bond	-3.2%	-1.1%
Commodities	2.4%	1.5%
PGF	**4.0%**	**1.7%**
AGF	**0.8%**	**0.0%**
DGF	**3.4%**	**0.5%**
USI	**14.3%**	**3.8%**
ARF	**3.9%**	**-0.6%**

Q2 began with a shadow of doubt over the soft-landing narrative as a reacceleration in consumer prices, particularly essential goods, caused policymakers to row back on their declarations of victory in the battle against inflation and investors to heavily discount their rate cut expectations for the year. Data in April proved strong and was received poorly as this provided confirmation in investors' minds that the turn in the rate cycle was indeed further away than was priced in and conditions would remain 'restrictive' for longer.

In reality, financial conditions remain loose and, as the quarter wore on, markets repriced higher, driven by an ever-shrinking cohort of very large companies. The more rate sensitive parts of the market struggled, namely bonds and smaller cap equities, as higher for longer took hold, but equity positioning remains extreme and the market remains squarely in the soft-landing camp at a time when data is weakening and revisions suggest that this began earlier than was initially believed or priced.

Bonds continue to struggle against stubborn price rises, monetary authorities that have been burned declaring inflation over early, and supply more akin to wartime than the end of the cycle. The assumption that duration is an investor's friend during times of slowing growth cannot be relied upon with unwavering confidence given the dramatic fiscal difference in this cycle versus previous ones; this is likely the reason that investors are more cautious in their duration positioning than in previous cycles also.

The Fund increased in value by 0.5%.

Income

The Fund is fully backed by short-dated high-grade debt. As rates have risen, so has the return available from the Fund's collateral, with the collateral yielding 5.4% as at quarter end.

Beta

The Fund's beta portfolio was a negative contributor through the quarter by virtue of its geography as European equity beta suffered its first negative quarter since mid 2023. The portfolio's beta weighting sits at the very bottom of its range currently.

Diversifier

The Fund's diversifier portfolio added to performance through the quarter driven largely by the rates volatility strategies as the higher for longer narrative continues alongside a back end of the yield curve that must have a fiscal floor given policy.

The commodity strategies posted negative returns as natural gas timespreads strengthened on warmer than normal weather meaning demand for cooling was higher than is usual for the time of year. Since the end of the quarter this has already reversed and the strategies are positioned to take advantage of the winter premium given storage levels are seasonally high.

The majority of the Fund's negative returns within the Diversifier Portfolio emanated from the FX strategies. The long Yen position, as it has for much of the past 18m, was a detractor as the Yen went to multi-year lows against USD. However, Japanese wages are rising at their fastest pace in more than 30 years at a time when inflation has woken from its slumber and the central bank are on a path of monetary tightening at the point the rest of the world by and large is looking to when it will begin to loosen. Much of that mark-to-market in Yen underperformance that the Fund has worn could be set to return, particularly if the Yen behaves in its typical safe haven way if we enter a period of economic turbulence.

The Fund's rates curve position, a steepener option on the US 10s2s, was a detractor as the yield curve remains stubbornly inverted and has now been inverted longer than any period since the 1970s.

Protection

The Fund makes no allocation to protection currently.

Outlook

The Fund has delivered significant positive returns with no correlation to traditional asset classes since it came under Fortem's care. That has been achieved through a combination of returns from the income, beta and diversifier portfolios and the correlation is testament to the true diversifying nature of the investments which sit within that part of the portfolio.

The Fund is currently positioned defensively with the beta allocation at the bottom of the range and defensively minded diversifiers meaning the Fund should be well positioned to weather any storm that might lie ahead.

In the meantime, the income portfolio returns are such that investors are not necessarily faced with a common conundrum when the risk-free rate sits where it currently does in the forgoing of those returns in order to add diversification to portfolios. The Fund is fully collateralised with high-grade short-dated debt, meaning that as well as being highly liquid it allows investors the opportunity to participate in the high short-dated rate environment we are currently experiencing.

Fortem Capital Dynamic Growth Fund

Quarterly Commentary – 28th June 2024

UK & EU – For professional and institutional investors only
Switzerland – this is an advertising document for professional and institutional clients as defined by the Swiss Financial Services Act only

- This document has been issued and approved as a financial promotion by Fortem Capital Limited for the purpose of section 21 of the Financial Services and Markets Acts 2000. Fortem Capital Limited registration number 10042702 is authorised and regulated by the Financial Conduct Authority under firm reference number 755370.
- This document is intended for Professional Investors, Institutional Clients and Advisors and should not be communicated to any other person.
- The information has been prepared solely for information purposes only and is not an offer or solicitation of an offer to buy or sell the product.
- Data is sourced from Fortem Capital Limited and external sources. The data is as at the date of this document and has been reviewed by Fortem Capital Limited.
- Information, including prices, analytical data and opinions contained within this document are believed to be correct, accurate and derived from reliable sources as at the date of the document. However, no representation or warranty, expressed or implied is made as to the correctness, accuracy or validity of such information.
- Fortem Capital Limited assumes no responsibility or liability for any errors, omissions or inaccuracy with respect to the information contained within this document.
- All price and analytical data included in this document is intended for indicative purposes only and is as at the date of the document.
- The information within this document does not take into account the specific investment objective or financial situation of any person. Investors should refer to the final documentation and any prospectus to ascertain all of the risks and terms associated with these securities and seek independent advice, where necessary, before making any decision to buy or sell.
- The product may not be offered, sold, transferred or delivered directly or indirectly in the United States to, or for the account or benefit of, any U.S. Person.
- The Fortem Capital Progressive Growth Fund is a Sub-Fund of Skyline, an open-ended investment company with variable capital incorporated on 1 June 2010 with limited liability under the laws of Ireland with segregated liability between Funds. The Company is authorised in Ireland by the Central Bank of Ireland pursuant to the UCITS Regulations.

"NOTICE TO INVESTORS DOMICILED OR RESIDENT IN SWITZERLAND - The interests in the UCITS Fund and any related services, information and opinions described or referenced in this document are not, and may not be, offered or marketed to or directed at persons in Switzerland (a) that do not meet the definition of "qualified investor" pursuant to the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 ("CISA") ("Non-Qualified Investors"), or (b) that are high net worth individuals (including private investment structures established for such high-net worth individuals if they do not have professional treasury operations) that have opted out of customer protection under the Swiss Federal Financial Services Act of 15 June 2018 ("FinSA") and that have elected to be treated as "professional clients" and "qualified investors" under the FinSA and the CISA, respectively ("Elective Qualified Investors").
In particular, none of the information provided in this document should be construed as an offer in Switzerland for the purchase or sale of the interests or any related services, nor as advertising in Switzerland for the interests or any related services, to or directed at Non-Qualified Investors or Elective Qualified Investors. Circulating or otherwise providing access to this document or offering, advertising or selling the interests or any related services to Non-Qualified Investors or Elective Qualified Investors may trigger, in particular, approval requirements and other regulatory requirements in Switzerland.
This document does not constitute a prospectus pursuant to Articles 35 et seqq. FinSA and may not fulfil the information standards established thereunder. No key information document pursuant to Swiss law has been established for the interests. The interests will not be listed or admitted to trading on a Swiss trading venue and, consequently, the information presented in this document may not fulfil the information standards set out in the relevant trading venue rules."

Phone: 0208 050 2905 **Email: sales@fortemcapital.com**