Fortem Capital Liquid Alternatives Fund

Quarterly Commentary – 30th June 2026

UK & EU – For professional and institutional investors only
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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%**

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 Liquid Alternatives Fund returned 8.1% over the period.

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The Fund's Diversifier Portfolio combines three classic liquid alternatives, implemented in a cost-efficient and highly liquid format: equity long/short, managed futures and gold.

This sits within our core framework:

Expected Return = Income + Beta + Diversifier

- Income is generated through the collateral and funding book
- Structural beta is delivered via a low and stable equity long/short exposure (~30% net)
- Diversifiers are provided through USD exposure, non-growth style factors (quality, value, momentum and size), managed futures and gold

This construction is deliberate. The Fund is designed to participate in the environments markets have historically spent most of their time in; benign, "Goldilocks" conditions, while maintaining robust diversification through periods of stress and regime transition.

Over the quarter, the equity long/short sleeve drove most of the Fund's performance. The factor-tilted long book returned +20.4% versus +13.8% for the MSCI World, demonstrating the benefit of factor selection alongside the Fund's modest structural beta. Returns were primarily driven by momentum, which benefited from continued leadership in technology and semiconductor stocks while quality, value and size detracted.

The portfolio behaved broadly as intended during a benign, risk-on quarter. Structural beta and momentum participated in the equity rally as investor attention returned to AI, while easing geopolitical concerns and falling oil prices supported broader risk appetite. USD exposure also contributed positively. Although oil prices retraced as the quarter progressed, renewed inflation concerns and a more hawkish Federal Reserve narrative in June reduced expectations for policy easing and reinforced a higher-for-longer rate outlook. This demonstrated that USD exposure can provide a differentiated source of return even when equity markets are rising, rather than contributing only during periods of risk aversion.

The managed futures sleeve added +0.5% over the quarter. The strategy benefited from persistent trends across global markets earlier in the period, although the rapid reversal in energy as geopolitical concerns eased reduced some of those gains towards quarter-end. This is consistent with the strategy's systematic trend-following approach, which provides a return stream structurally different from equity factor premia and is most effective when directional market moves persist.

The gold sleeve detracted −1.3%, as easing geopolitical concerns, improving risk appetite and profit-taking from earlier record highs reduced demand for defensive assets. Firmer US rate expectations and dollar strength also presented headwinds. This does not alter gold's role within the portfolio as it remains a differentiated real-asset exposure that has historically provided diversification during periods of monetary instability, geopolitical stress and declining confidence in financial assets.

Overall, Q2 demonstrated the complementary nature of the Fund's return drivers. Structural beta and momentum allowed the Fund to participate meaningfully in the risk-on equity rally, while USD and managed futures provided additional differentiated returns. Gold detracted as geopolitical concerns eased, but remains aligned with its intended role should market conditions become less benign.

Outlook

While uncertainty remains around oil supply and the durability of the current de-escalation, the key question is whether the current AI- and semiconductor-led market leadership can persist or begins to broaden.

In this environment, the Fund's multi-sleeve approach remains particularly relevant. USD exposure can benefit from risk aversion and periods in which US policy remains tighter relative to other markets, while quality and value provide diversification away from momentum-led equity returns. Managed futures can benefit if sustained trends emerge across equities, rates, currencies or commodities, while gold may become increasingly supportive if geopolitical, inflationary or monetary uncertainty intensifies.

Looking forward, beta-heavy allocations may become more vulnerable if current AI-led market leadership reverses or renewed geopolitical stress weakens risk appetite. The Fund is therefore positioned to perform across outcomes: continuing to participate in benign conditions, while retaining the ability to adapt and respond as regimes evolve.

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