Fortem Capital Progressive Growth Fund

Quarterly Commentary – 30th June 2026

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	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 Progressive Growth Fund returned 4.7% over the period.

Income
The Income portfolio returned 0.7% over the period and the yield is aligned with the cost of equity funding.

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Beta

The Beta portfolio returned 4.6% over the period.

Global equity markets rose strongly over the period, with the Global Equity index returning 13.8%. The portfolio participated in the market advance while retaining its deliberately defensive profile. Cover levels remain substantial, with both growth and protection headroom of approximately 42%, providing meaningful resilience against future market weakness.

The portfolio continues to hold relative overweights to Europe and Japan. These markets have offered particularly attractive pricing for new investments, enabling positions to be established when interest rates were elevated and prospective returns were correspondingly strong. This remains important for the portfolio's medium-term return profile.

Even in a scenario where these markets were to decline sufficiently for investments to remain outstanding for several years, the returns embedded at inception would still exceed the portfolio's target. This is in marked contrast to the conditions prevailing in 2021, when low interest rates and less favourable pricing resulted in prospective returns being locked in at levels materially below target. One can see this clearly in the GRY grid in the outlook section; forward-looking returns are attractive.

Risk Overlay – Diversifier + Protection

The Risk Overlay detracted 0.6% at Fund level during the quarter.

Diversifier performance was mixed. Commodity Curve benefited as energy term structures began to normalise following the extreme dislocation experienced in the first quarter. This was offset by weaker performance from Rates Volatility, FX Value and Equity Quality. While near-term volatility may persist, the repricing across commodity curves has created a more attractive opportunity set and improved the prospective return profile of the allocation.

Protection detracted as equity markets rallied following the easing of tensions in the Middle East. Nevertheless, we continue to believe that investors should maintain portfolio protection. Equity valuations remain elevated, market leadership is highly concentrated and several bubble warning signs are evident. Protection therefore remains a necessary component of the portfolio, despite the potential for it to weigh on returns during periods of strong risk appetite.

Outlook

The Fund behaved as expected during a quarter characterised by a rampant bull market, participating meaningfully in the market advance while retaining the protection and diversification that underpin its long-term return profile.

With regard to outlook, defined return funds allow for a slightly more prescriptive approach to be taken by investors, as at any point one is able to ask of a fund of this ilk:

1. What is the risk?
2. What is one currently being paid to take that risk?

With regard to the risk at any point in time. Within the Progressive Growth Fund, one takes credit risk to high-grade sovereigns, given that it is fully backed by sovereign debt. That currently extends to the governments of the US & UK. With regards to the beta portfolio, one is exposed to deep OTM puts on major developed indices, so the key is where the portfolio currently sits with regards to the strikes of those puts. Currently, there is plenty of protection, as was alluded to in the beta section. So then what is one currently being paid to take on that risk? Comfortably more than the Fund's target return.

Gross redemption yield of Beta portfolio:

Immediate spot moves	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
Return (%)	29.9%	20.5%	13.4%	8.3%	4.8%	4.4%	4.4%	4.4%	4.4%
Time to Maturity (Av. yrs)	3.2	2.1	1.4	0.9	0.5	0.5	0.5	0.5	0.5
GRY to Maturity (Av. %)	**8.6%**	**9.1%**	**9.5%**	**9.6%**	**9.5%**	**9.4%**	**9.4%**	**9.4%**	**9.4%**

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