Fortem Capital Progressive 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 Progressive Growth Fund returned 1.5% over the period.

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Income

The Income portfolio returned 47bps over the period and the yield is aligned with the cost of equity funding.

Beta

The Beta portfolio contributed 50bps over the period.

Equity markets continued to advance during the quarter, albeit at a more modest pace than in Q2 and against an increasingly challenging interest-rate backdrop. The Fund participated in these market conditions through its portfolio of defined return investments, while maintaining the strategy's defensive characteristics. The portfolio continues to hold relative overweights to Europe and Japan.

The sharp increase in government bond yields has also changed the prospective return environment for new investments. Higher interest rates can improve the economics of newly structured positions, although actual terms remain dependent on volatility, financing costs and the underlying equity market.

Risk Overlay – Diversifier + Protection

The Risk Overlay contributed 11bps over the quarter.

Diversifier performance reflected increasingly differentiated returns across strategies. The renewed rise in energy prices created a more complex environment for commodity curve strategies, while the sharp repricing of global interest rates was particularly positive for Rates Volatility exposures. FX Value, Equity Quality and other systematic strategies experienced differing influences from interest-rate divergence, changes in equity market leadership and renewed currency volatility.

Protection remained an important component of the portfolio as equity markets continued to advance despite elevated geopolitical uncertainty and rising yields. Its contribution over the period was -20bps.

Outlook

The Fund continues to offer exposure to defined equity returns without requiring an uninterrupted continuation of the current bull market. This is particularly relevant given the growing divergence between equity market performance, bond yields and the macroeconomic outlook.

The key considerations is the level of protection embedded within the Beta portfolio and the prospective returns available from new investments. With global interest rates materially higher and equity markets relatively resilient, the opportunity set remains. The Fund continues to combine these defined return characteristics with Diversifier and Protection exposures intended to moderate the impact of more challenging market environments.

Gross redemption yield of Beta portfolio:

Immediate spot moves	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
Return (%)	45.6%	37.0%	27.1%	18.9%	11.2%	7.5%	6.3%	6.3%	6.3%
Time to Maturity (Av. yrs)	4.7	3.7	2.7	1.9	1.1	0.7	0.6	0.6	0.6
GRY to Maturity (Av. %)	**8.3%**	**8.8%**	**9.3%**	**9.8%**	**10.6%**	**11.2%**	**11.4%**	**11.4%**	**11.4%**

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