

Fortem Capital US Income Fund



Quarterly Commentary – 30th September 2024

UK & EU – For professional and institutional investors only

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The Fund's objective is to provide an annual income of 4% p.a. whilst providing for capital growth such that the Fund's total return tracks the S&P 500 Index's net total return.

Benchmark US equities continued their strong performance in Q3, extending the uptrend that began after the Fed-induced bear market in Q4 2022. The Fund, which tracks the major US benchmark, also had a strong quarter as a result increasing in value by 5.8%.

The S&P 500 has now finished higher in seven of the last eight quarters, including four consecutive quarters in the green. Over the prior four quarters, it has delivered a total return of 36.3%, a feat only achieved during the rebounds from the 2009 Global Financial Crisis lows and the 2020 COVID-19 lows in the last 20 years. Through the end of Q3, the S&P 500 has a total return of 21.7%, marking its best year-to-date gain through three quarters since 1997.

This ongoing bull market persists despite one of the steepest rate hiking cycles in modern times. While some have doubted the sustainability of this trend, the market has demonstrated resilience. Periods characterized by narrow leadership—where the majority of stocks underperformed their cap-weighted benchmarks—have given way somewhat in the previous quarter to rotations into previously underperforming sectors and industries.

Corporate earnings have been a principal driver of this bull market. In Q2, S&P 500 companies saw 11.3% year-over-year earnings growth, with 80% beating estimates—surpassing the five-year average of 77%. While Q3 earnings growth is expected to slow to 4.3%, forecasts remain optimistic. S&P 500 earnings are projected to grow 11.3% in calendar year 2024 and 14.4% in 2025, and any disappointment here could have a pronounced effect on the US benchmark index.

A historic problem for US benchmark equity for investors in need of income is its lack of natural yield, a problem exacerbated as the index becomes dominated by stocks that pay little or no dividends. However, the Fund again paid a dividend during the quarter making the 12m historic yield 4.0%. Income investors are no longer required to choose between benchmark exposure and yield.

Total Return	2024	Q3
UK 100	9.8%	1.8%
US 500	21.7%	5.8%
Europe 50	13.1%	2.4%
Japan 225	14.8%	-3.6%
Hong Kong 50	29.0%	21.5%
US 2000	11.2%	9.3%
Swiss 30	12.8%	1.6%
Global Equity	18.9%	6.4%
Global Bond	7.0%	3.6%
Commodities	1.7%	-0.6%
PGF	5.2%	1.2%
AGF	1.8%	1.0%
DGF	5.1%	1.6%
USI	20.9%	5.8%
ARF	5.3%	1.3%
CARF	-	1.9%

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