

# Fortem Capital Alternative Growth Fund

Monthly Report – 30<sup>th</sup> November 2020

UK & EU – For professional and institutional investors only

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## Investment Objective

The Fund aims to provide positive returns of 4% over the medium to long term, whilst maintaining negligible equity market beta. It will invest in a core portfolio comprised of alternative beta strategies sourced from across the asset class spectrum that provide capital growth, independent of equity market cycles and macroeconomics. The Fund will make a smaller allocation to opportunistic investments that also meet strict capital preservation and investment return criteria.

## The Fund Will

- Invest in structural risk premia – i.e. sources of return that are not dependent on equity markets or macroeconomics.
- Take advantage of opportunistic trades caused by structural distortions in derivative markets.
- Employ stringent counterparty controls, limiting credit exposure to high grade sovereign risk.

## Monthly Update

It should perhaps be no surprise that in a year in which so many records have been broken, November would continue in the same vein; and so it transpired. Positive vaccine news on three consecutive Mondays over the month dominated any early election jitters and sent risk assets soaring. The race for a vaccine turned into a race to room temperature as the three from first Pfizer, then Moderna and finally Astrazeneca could be stored at progressively warmer temperatures, making mass distribution progressively easier. In particular, the more cyclical, value names that had been so badly affected by the policy response to the pandemic were the major beneficiaries, well illustrated by the Russell 2000's record month, in which it posted a gain of 18.4%.

In factor world, equity value had a highly positive month, and the disparity between value and quality was only bigger on two previous occasions, in the aftermath of the Dot Com Crisis and Global Financial Crisis. Against this extreme backdrop, which would be considered the most hostile for the Fund, it weathered the environment reasonably well, ending the month down 0.29%. FX Value and US Strong Balance Sheet were the biggest detractors, costing the fund 0.38%, while a European Relative Value Volatility strategy added towards the beginning of the month was the strongest performer, adding 0.21%.

Since the Fund's launch in 2019, the MSCI World has increased by over 25% in total return terms. Against this backdrop, the Fund has behaved as an alternative should and produced positive absolute returns, with no correlation to risk assets, low volatility, and positive skew (crashed upwards when negatively skewed equity crashed downwards in March). The Fund remains well positioned to capitalise on any volatility that might materialise again.

## Platform Availability

7IM

Allfunds

Ascentric

Aviva

FNZ

Novia  
Fin'l

Nucleus

Standard  
Life\*\*

Transact

Zurich

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Fortem Capital Limited registration number 10042702 is authorised and regulated by the Financial Conduct Authority under firm reference number 755370

## Key Facts

Investment Manager	Fortem Capital Limited		
AUM	£44.5m		
Launch Date	10 <sup>th</sup> May 2019		
Fund Type	Irish Domiciled UCITS V ICAV		
Base Currency	GBP		
Liquidity	Daily		
Dealing Deadline	10:30 am Irish Time		
Pricing	Daily COB		
Share Type	Class A: Accumulation Class C: Accumulation		
Initial Share Price	£1.000		
Minimum Subscription	Class A: £5,000,000 <sup>^</sup> Class C: £5,000,000 <sup>^</sup>		
Annual Management Charge	Class A: 60bps Class C: 30bps		
OCF	Class A: 80bps Class C: 50bps + 15% Perf Fee*		
Reporting Status	Registered with HMRC		
Dealing Line	+353 (0)1434 5124		
Dealing Email	<a href="mailto:davy.ta.queries@ntrs.com">davy.ta.queries@ntrs.com</a>		
Depository, Admin, Registrar & TA	Northern Trust		
Auditor	Deloitte		
Prospectus & KIID (EN, NL) on	<a href="https://www.fortemcapital.com/fundagf.php">https://www.fortemcapital.com/fundagf.php</a>		
Share Class	Unit NAV	ISIN	Bloomberg
Class A GBP	1.0275	IE00BJ116W86	FCAGFAA ID
Class C GBP	1.0253	IE00BJ116X93	FCAGFAC ID
Class A EUR	985.5724	IE00BMFJH592	FCAGFEA ID
Class A USD	1000.3129	IE00BMFJH600	FCAGFUA ID

\*15% of NAV growth subject to a high water mark, see Fund Supplement for more details

<sup>^</sup>Minimum sizing can be waived upon request

\*\*C Share Class only

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## Monthly Update - continued

There were two new strategies added in November.

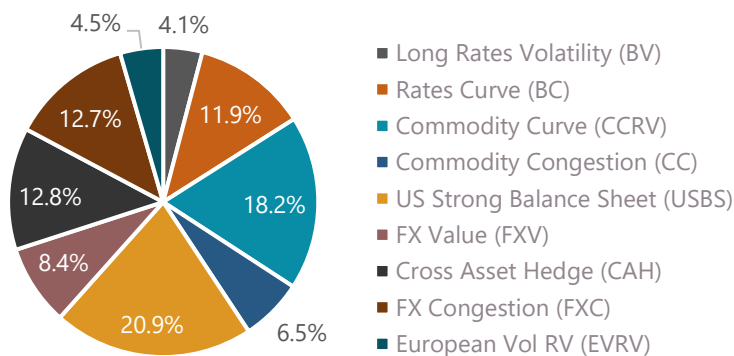
A European Relative value Volatility strategy that aims to profit from mis-priced deeply out of the money options on European equity indices, whilst exhibiting minimal equity market sensitivity. During the month, the strategy benefited from firstly identifying options significantly mis-priced relative to their theoretical fair value and also benefitted, albeit to a far lesser extent, from the 20%+ rally in the underlying, which offset some of the minor losses incurred within the portfolio from the major risk-on rotation into value.

As previously noted, with hurricane season having passed, the Fund increased as planned its exposure to commodity strategies, including the addition of a new Commodity Curve strategy. The strategy is a compliment to those already employed in the Fund; it takes a more static approach with seasonal adjustments on ten commodities.

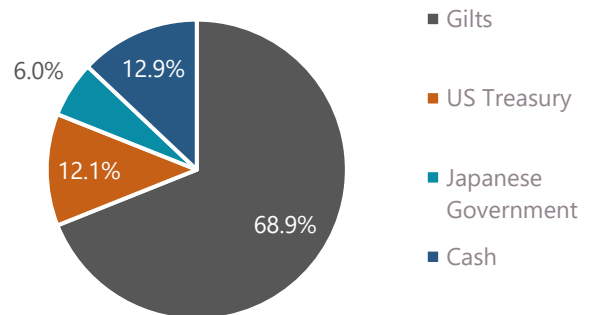
The Fund is fully backed by short term, high grade, sovereign debt, which subtracted 2bps over the month.

## Portfolio Breakdown

### Alternative Beta Allocation – Risk weights per Risk Premia



### Credit Exposure



## Summary of Individual Strategy Risk and Attribution

Strategy	Weighted Volatility		Contribution to Return	
	Value	Bar	Value	Bar
FX Congestion Strategy	0.80%	[Bar]	-0.08%	[Bar]
Rates Curve Strategy 3	0.63%	[Bar]	-0.04%	[Bar]
US Strong Balance Sheet Strategy	0.40%	[Bar]	0.02%	[Bar]
Cross Asset Hedge Strategy 2	0.35%	[Bar]	-0.03%	[Bar]
Long Rates Volatility Strategy	0.33%	[Bar]	0.03%	[Bar]
FX Value Strategy 2	0.31%	[Bar]	-0.25%	[Bar]
FX Value Strategy	0.30%	[Bar]	-0.03%	[Bar]
Commodity Congestion Strategy 2	0.30%	[Bar]	0.06%	[Bar]
Rates Curve Strategy 1	0.29%	[Bar]	0.00%	[Bar]
Commodity Curve Strategy 3	0.14%	[Bar]	-0.01%	[Bar]
Commodity Curve Strategy 4	0.14%	[Bar]	0.00%	[Bar]
Commodity Congestion Strategy 1	0.17%	[Bar]	0.02%	[Bar]
US Strong Balance Sheet Strategy 2	0.17%	[Bar]	-0.12%	[Bar]
Commodity Curve Strategy 1	0.16%	[Bar]	0.01%	[Bar]
Rates Curve Strategy 1	0.29%	[Bar]	0.00%	[Bar]
Commodity Curve Strategy 3	0.24%	[Bar]	-0.01%	[Bar]
European Vol RV Strategy	-0.09%	[Bar]	0.21%	[Bar]

NAV Return -0.29%

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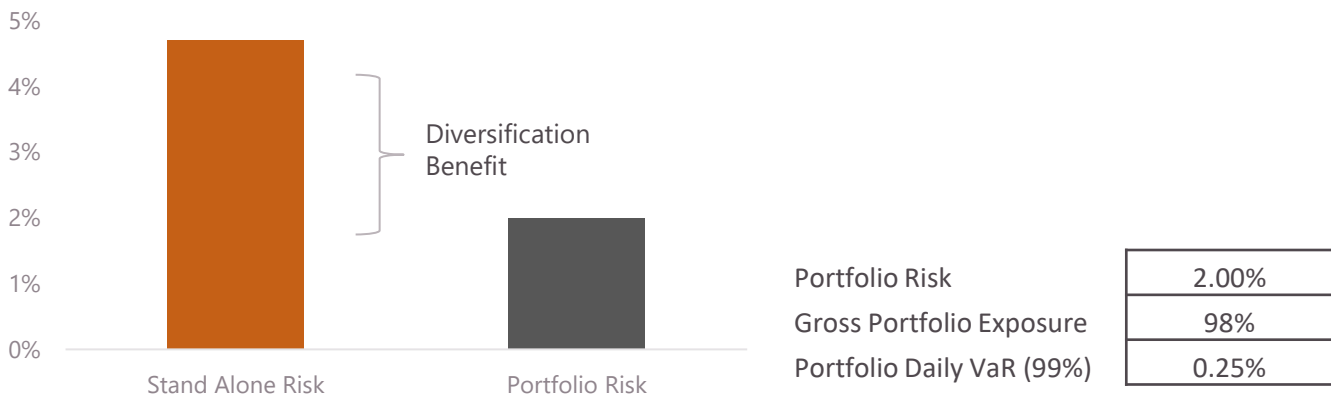
## Performance (%) – Share Class A (Acc)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	12 Month Perf Periods	
2019					-0.19	0.42	0.78	0.65	-0.25	-0.53	0.56	-0.42	<b>1.01</b>	Nov 18 – Nov 19	<b>N/A</b>
2020	1.24	0.77	3.36	-1.54	-0.57	0.13	-0.02	-1.29	0.24	-0.23	-0.29		<b>1.72</b>	Nov 19 – Nov 20	<b>1.61</b>



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## Portfolio Risk



- **Portfolio Risk** is the expected standard deviation of the portfolio NAV, expressed on an annualised basis. It is calculated using a 10 year correlation matrix
- **Portfolio Stand Alone risk** is the expected standard deviation of the portfolio if there were no diversification benefits between strategies. This occurs if all correlations are at 1.
- **Daily VaR (99%)** is an alternative measure of risk that looks at maximum expected loss. At 99% confidence, one can expect that there will be at least 1 day in a 100 where the daily loss on the Fund can be expected to be greater than the calculated VaR
- **Gross portfolio exposure** measures that total notional value of all the swap positions as a percentage of the portfolio NAV

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