Fortem Capital Alternative Growth Fund

Monthly Report – 30th September 2020

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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

September was the first month since the crisis where a bout of risk aversion returned. Led by the tech sector, equities gave back some of the previous month's meteoric gains. While the real economy continued its slow recovery, risk assets seemed to take a breather, reflecting some concern that fiscal stimulus has not been forthcoming as politics begins to take a front seat as the election approaches. While both sides will be forthcoming on further fiscal spending given a clear mandate, both sides have intimated that they will contest the results in November come what may. It would seem that for markets it is uncertainty around stimulus alone rather than political risk aversion that dominates. As with the 'trade wars', or 'vaccine updates', a similar pattern of 'stimulus news' as the new and only narrative to keep markets buoyed has appeared.

Given the slight pullback in equity markets, the dollar staged a muted comeback over the month, dragging commodities lower. Bond markets continue to ignore any potential for adverse inflationary side effects brought on by endless stimulus, and yields remain rooted to the floor. With both bond and equity markets in extremes, risks are rising that both are wrong.

The Fund added 24bps over the month with positive performance from most strategies. The best performer was strong balance sheet; the strategy isolates strong balance sheet as a factor whilst removing equity. As firms are forced to eventually stand on their own feet in a harsh economic climate, balance sheet strength is likely to continue to be rewarded. The worst performing strategy was the gold position which faced headwinds with the stronger dollar. It is likely that the most hostile conditions for the fund have now passed, and it should continue in its trajectory as a low volatility, all-weather alternative.

Key Facts

Investment Manager	Fortem Capital Limited
AUM	£55.4m
Launch Date	10th 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^ Class C: £5,000,000^
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	davy_ta_queries@ntrs.com
Depository, Admin, Registrar & TA	Northern Trust
Auditor	Deloitte
Prospectus & KIID (EN, NL) on	https://www.fortemcapital.com/fundagf.php

Share Class	Unit NAV	ISIN	Bloomberg
Class A GBP	1.0329	IE00BJ116W86	FCAGFAA ID
Class C GBP	1.0297	IE00BJ116X93	FCAGFAC ID
Class A EUR	991.4465	IE00BMFJH592	FCAGFEA ID
Class A USD	1005.8034	IE00BMFJH600	FCAGFUA ID

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

^Minimum sizing can be waved upon request

Platform Availability

Zurich	Nucleus	Transact	Allfunds	Novia Fin'l	Ascentric	Aviva

Past performance is not necessarily a guide for the future. Forecasts are not reliable indicators of future performance. The value of investments, and the income from them, can go down as well as up and the investor may not get back the amount originally invested. The data is sourced from Fortem Capital Limited and external sources. The data is as at the date of this document and has been reviewed by Fortem Capital Limited.

Monthly Update - continued

Two new strategies were added over the month which are likely to be beneficiaries of any continuation in stimulus' heavy influence over market moves.

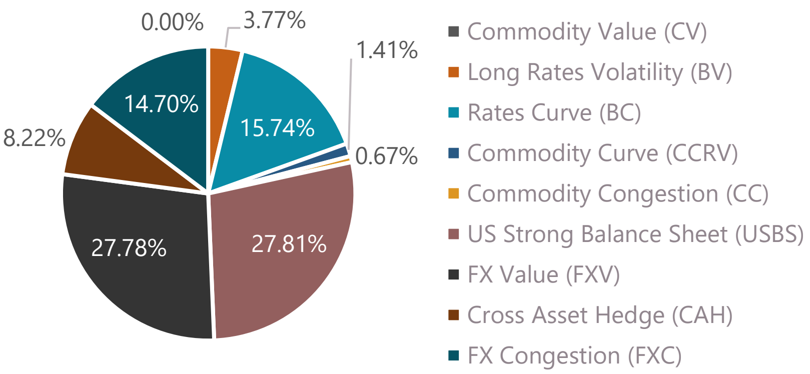
A FX value strategy that systematically buys cheap currencies and sells expensive currencies according to their relative purchasing power parity was added. As DM interest rates cluster around zero, relative interest rate differentials play less of a role in determining currency valuation. And, while the race to the bottom in devaluing currency through excess printing continues, those currencies that maintain their purchasing power will hold their value in relative terms. The strategy pairs well with our gold position as it removes much of the dollar sensitivity from the fund, and provides a separate, uncorrelated methodology to profit from the structural phenomena occurring ion the global money supply.

Also added was a FX congestion strategy. Any dispersion in returns of assets between geographies and currencies forces passive funds to systematically reset FX hedges at month end, most clearly seen in US assets versus other developed market assets. The strategy positions itself for these expected month end FX flows. Unlike some congestion strategies, the strategy thrives in volatile markets where performance dispersion (and therefore hedging flows) for the US versus other developed markets is largest.

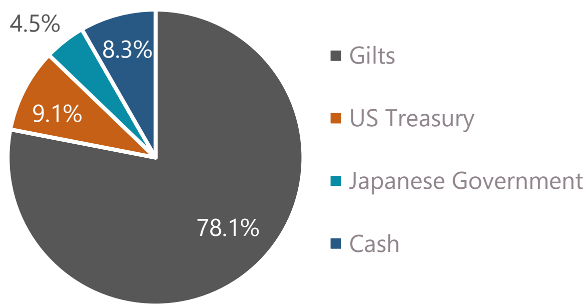
The fund is fully backed by short-term high-grade sovereign debt, which added 14bps over the month.

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
FX Value Strategy 2 (FXV)	0.88%	-0.09%
FX Congestion Strategy (FXC)	0.76%	0.00%
US Strong Balance Sheet Strategy 2 (USBS)	0.70%	0.14%
Rates Curve Strategy 3 (BC)	0.56%	0.00%
US Strong Balance Sheet Strategy (USBS)	0.33%	0.05%
Cross Asset Hedge Strategy 2 (CAH)	0.32%	0.00%
Long Rates Volatility Strategy (BV)	0.29%	0.02%
FX Value Strategy (FXV)	0.27%	0.00%
Rates Curve Strategy 1 (BC)	0.26%	-0.05%
Commodity Congestion Strategy 2 (CC)	0.21%	0.01%
Commodity Curve Strategy 1 (CCRV)	0.14%	0.04%
Rates Curve Strategy 1 (BC)	0.14%	0.03%
Commodity Congestion Strategy 1 (CC)	0.10%	0.01%
Commodity Value Strategy (CV)	0.06%	0.00%
Commodity Curve Strategy 3 (CCRV)	0.01%	0.00%

NAV Return 0.24%

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Fortem Capital Alternative Growth Fund

Performance (%) – Share Class A (Acc)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019					-0.19	0.42	0.78	0.65	-0.25	-0.53	0.56	-0.42	**1.01**
2020	1.24	0.77	3.36	-1.54	-0.57	0.13	-0.02	-1.29	0.24				**2.26**

12 Month Perf Periods	
Sep 18 – Sep 19	**N/A**
Sep 19 – Sep 20	**1.84**

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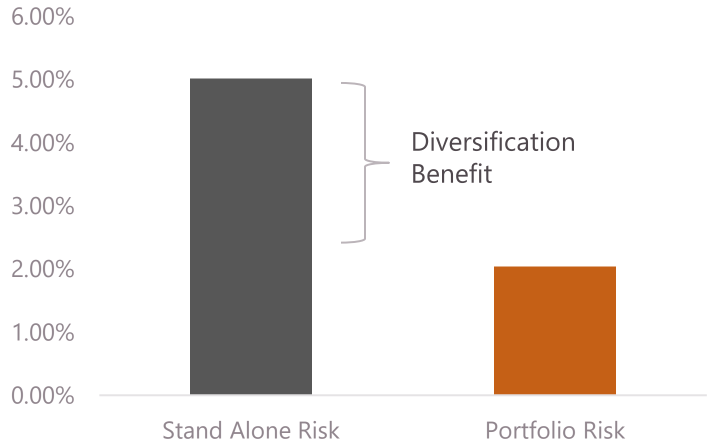
Portfolio Risk



Portfolio Risk	2.04%
Gross Portfolio Exposure	75%
Portfolio Daily VaR (99%)	0.35%

- **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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