

# Fortem Capital Progressive Growth Fund

Monthly Report – 31st January 2020

For Professional Investors and Institutional Clients only



## Investment objective

The Fund aims to provide positive returns of 6-7% over the medium to long term, whilst aiming to reduce equity market beta in short term draw-downs. It will invest in a Core portfolio comprised of defined return equity strategies that aim to provide capital growth over the medium to longer term, in all but extreme negative market scenarios. The Fund will make a smaller allocation to Diversifying investments that also meet strict capital preservation and investment return criteria.

## The Fund will

- Employ stringent counterparty controls, limiting credit exposure to high grade sovereign risk.
- Mitigate against material single index exposure via robust portfolio construction and management.
- Impose strict exposure limits to each investment, strike level, barrier level.

## Monthly update

The Fund significantly outperformed major equity markets over the month with the exception of the S&P 500. Whilst the Fund posted a -0.71% return, the FTSE 100, Eurostoxx 50, Nikkei 225 & Hang Seng capital return indices were down -3.40%, -2.78%, -1.91% and -6.66% respectively.

The outperformance can be attributed mainly to two connected factors. Firstly, the overall equity delta (equity market sensitivity) of the Fund to those underlying equity indices being both stable and relatively low, and secondly the positive return from the Diversifiers within the Fund. As the Diversifiers themselves are both structurally and fundamentally uncorrelated to equities, they not only assist in the Fund maintaining a more stable delta, they also particularly help in periods when equities sell off. For a reminder of what the Diversifiers are and how they do this, see [this recent short explanation](#).

The Diversifiers themselves delivered +0.35% to the Fund (over 2% on a stand alone basis). This was encouraging as their inclusion within the Fund is to counteract equity market moves like those seen in January. The majority of these gains were attributable to the commodity linked risk premia strategies all performing strongly across curve, congestion and seasonality.

Activity wise, there were two investments within the Core that matured, which were rolled into two new replacement investments. In addition, the Fund invested in one year maturity Japanese Government Bonds with associated currency hedges. The rationale for their inclusion was quite simple; they further diversified the sovereign credit exposure within the Fund and also took advantage of the structural anomaly occurring in the JGB / cross currency derivative market. As a comparison, the yield achieved on these JGB / swap packages was circa 30bps greater than that achievable for comparable UK Gilts or US Treasuries.

## Platform availability

Zurich	Nucleus	James Hay	Fidelity Int'l	Ascentric	Novia Fin'l	Standard Life
Novia Global	Allfunds	Aviva	7im	Old Mutual	Elevate	Transact

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## Key Facts

Investment Manager	Fortem Capital Limited
Unit NAV	Class A: £1.1103 Class D: £1.0249 <sup>1</sup> Class A (hedged) USD: \$1.0508 Class A (hedged) EUR: €1.0258
Net Asset Value	£151,053,176
Fund Launch Date	20 <sup>th</sup> September 2017
Fund Type	Irish Domiciled UCITS V ICAV
Base Currency	GBP
Liquidity	Daily
Dealing Deadline	10:30am Irish Time
Pricing	Daily COB
Share Type	Class A: Accumulation Class D: Distribution of capital
Initial Share Price	£1.000
Minimum Subscription Amount	Class A: £5,000,000 <sup>^</sup> Class D: £5,000,000 <sup>^</sup>
Annual Management Charge	Class A: 50bps Class D: 50bps
OCF	Class A: 70bps Class D: 70bps
Reporting Status	Registered with HMRC
ISIN	Class A: IE00BF047831 Class D: IE00BD7Y3W82 Class A USD: IE00BJH53458 Class A EUR: IE00BJH53565
Bloomberg	FCPGFAA ID <equity> FCPGFDD ID <equity> FCPGFUA ID <equity> FCPGFEA ID <equity>
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

<sup>1</sup> Excludes distribution of capital

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

\* Includes the UK Equal Weight Index

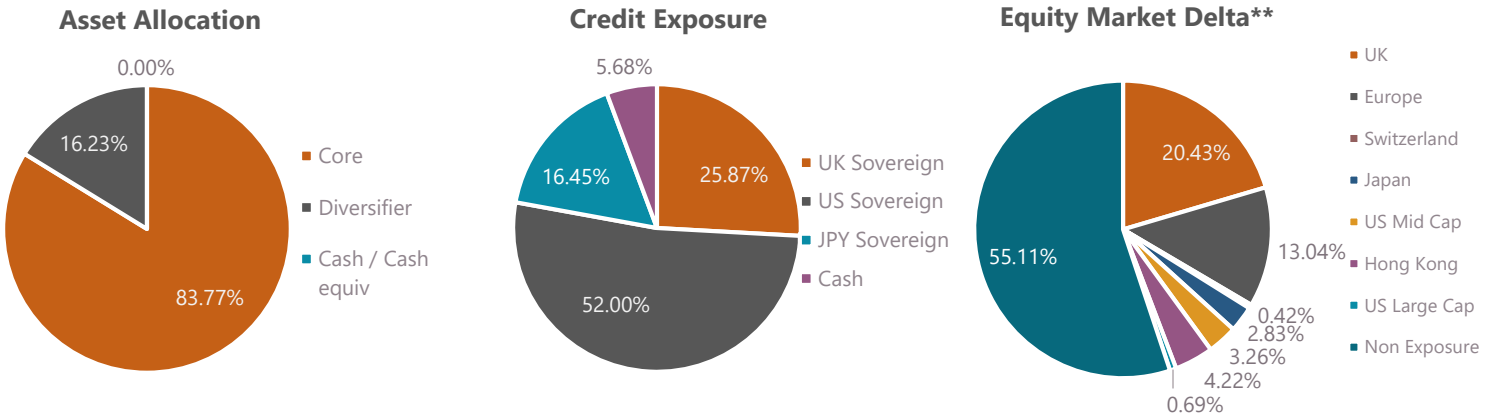
Information as at 31<sup>st</sup> January 2020

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## Portfolio breakdown



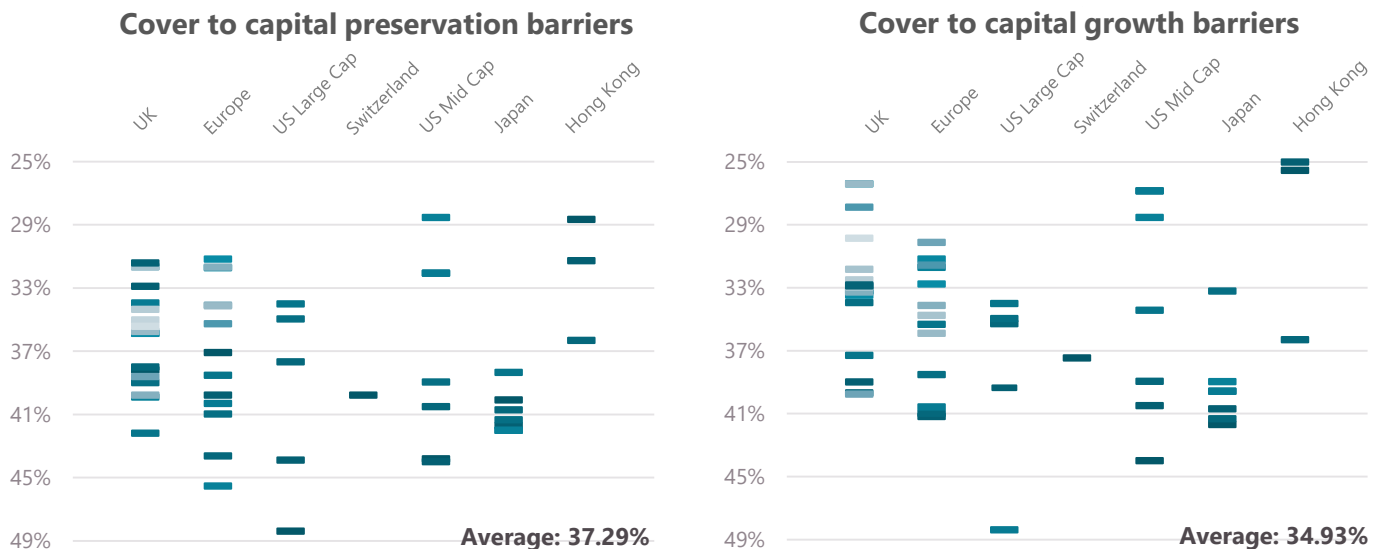
\*\* sensitivity of the Fund to underlying market moves

## 12 month projected Fund performance<sup>^</sup>

	-15%	-10%	-5%	0%	+5%	+10%
Immediate	-8.0%	-4.6%	-1.9%	0.0%	1.3%	2.2%
1 month	-7.6%	-4.2%	-1.6%	0.4%	1.8%	2.8%
2 months	-7.2%	-3.8%	-1.0%	1.0%	2.3%	3.2%
3 months	-6.8%	-3.4%	-0.7%	1.3%	2.7%	3.6%
6 months	-5.7%	-2.1%	0.7%	1.9%	4.1%	5.0%
12 months	-2.6%	1.2%	3.9%	5.8%	7.0%	7.8%

<sup>^</sup>These scenarios are net of fees and represent sensitivities to equity market moves only. Therefore it does not include performance contribution from the Diversifiers or credit.

## Summary of equity index barrier exposures



- Cover to capital preservation represents for each investment, the level by which the underlying equity index may fall, before capital is eroded, assuming each investments runs to it's maturity.
- Cover to capital growth represents for each investment, the level by which the underlying equity index may fall, before capital growth is zero, assuming each investments runs to it's maturity.

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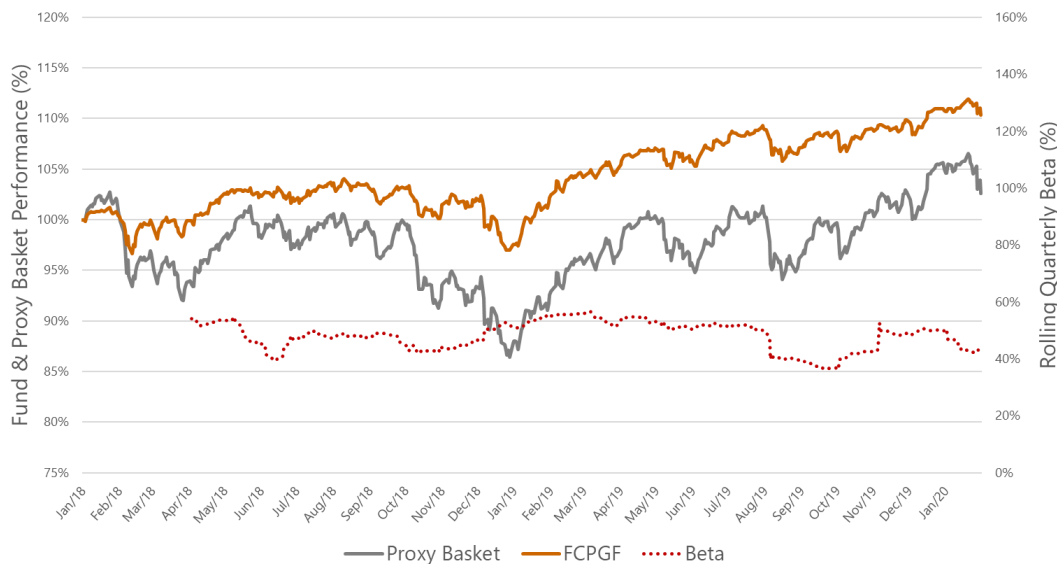
Phone: 0208 050 2905 Email: [sales@fortemcapital.com](mailto:sales@fortemcapital.com)

## Fund performance (%) – Share Class A (Acc)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	12 Month Perf Periods	
2017									-0.10	0.06	0.33	0.84	<b>1.13</b>	Jan 17 - Jan 18	<b>N/A</b>
2018	0.34	-0.88	0.45	2.66	-0.20	-0.15	1.38	-0.78	0.29	-1.54	0.34	-4.24	<b>-2.47</b>	Jan 18 - Jan 19	<b>2.09</b>
2019	5.03	1.76	1.17	1.48	-1.60	2.32	1.08	-1.62	1.49	0.00	0.75	1.00	<b>13.46</b>	Jan 19 - Jan 20	<b>7.18</b>
2020	-0.79												<b>-0.79</b>		

## Fund performance (%) – Share Class A (Acc) versus proxy basket of equity indices

FCPGF Performance, Rolling Beta versus Proxy Equity Basket



\*\*\* Proxy basket of indices consists of underlying indices to which the Fund has market sensitivity, as measured by delta. Their weight within the basket is rebalanced each month end to match that of the Fund's delta, normalised to an overall basket weight of 100%.

For example May 2019 the UK market delta = 21% and overall Fund delta = 50%, UK weight in proxy basket = 21% / 50% = 42%. This methodology is applied for each underlying equity index.

The weights as calculated at May 2019 will be applied for calculating June 2019's historical performance for the Proxy basket.

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