

Fortem Capital Alternative Growth Fund



Explaining to an Investor

For Professional Investors and Institutional Clients only

Key Questions

What is the Fortem Capital Alternative Growth Fund?

A UCITS V, Irish domiciled open-ended fund that is managed by Fortem Capital with Toby Hayes as the lead fund manager.

The objective of the fund is to achieve 4 - 5% p.a. return over the medium to long term with negligible correlation to equity markets.

Where does it fit in a portfolio?

This fund should be allocated to the Alternatives bucket where most Absolute Return funds sit. It is important to re-highlight a key objective of this fund is to be uncorrelated to equities and bonds.

What does it invest in?

The fund derives its returns from investing in 'alternative beta' strategies which are mainly structural in their nature. These trades are asset-backed by Gilts and US Treasuries whose duration risk is removed.

What is 'alternative beta'?

Alternative beta are sources of return embedded within traditional asset classes and which are already present in most multi asset portfolios. By stripping out the asset class beta, the alternative beta can be isolated, and invested in separately.

What is the 'screening process'?

We screen the investment universe of 'alternative beta' strategies and disregard any that have a positive correlation to equities. We also take out any strategy whose returns are fundamentally driven by, or sensitive to macro views or central banks' policy. Finally, we also only focus on trades whereby the returns are driven as a result of a 'structural' anomaly.

What is 'a structural trade'?

These are trades or strategies whereby there is an idiosyncratic reason for the potential return that is independent of macro, cyclicity or central bank policy. Examples of structural anomalies include congestion effects from large passive index rebalances and rolls, depressed or elevated curves due to regulatory or fiscal legislation, or market distortions from non-price sensitive market participants.

Who are the Investment Committee?

There are 5 members on the Investment Committee overseeing the running of the fund. Read more on their diverse and deep range of experience within asset management and derivatives trading / risk management on page 3.

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Why is it different to other Absolute Return Funds?

It is unique in that it is the only fund that focuses on 'structural trades' rather than investing in strategies dependent on continued equity market performance or successful macro views. We are confident that this fund should grind out 4-5% p.a. in all equity markets, but as it has a defensive slant, to perform especially well in a equity bear market.

What are the costs, OCF?

Full MiFID II costs, OCF+ is capped at 80bps (0.80%) per annum. Of which 0.60% is the Annual Management Charge.

How liquid it is?

Very. Investor's cash is allocated to Gilts and Treasuries, held by our custodian. This government bond portfolio provides the funding for the swaps on the various strategies. Any redemption is met by a sale of government bonds and a cancellation of strategy swaps.

UCITS requires that the swaps are daily tradeable, and the swap contracts explicitly state this. The underlying markets for the swaps are only on the most liquid, deep traded markets.

Is there any counterparty risk?

Negligible. In the event of a financial crisis and bank defaults, the swaps automatically would cancel. The remaining portfolio would be the government bonds held with our custodian. The positive or negative PnL of the swaps is collateralised daily, which means if a bank owes the fund money, cash or government bonds are paid to the fund by the bank.

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Investment Committee Bios

Toby Hayes

Toby Hayes CFA is the fund manager of the Fortem Capital Alternative Growth Fund. He is also a member of the Fortem Global Investment Committee. Toby has 19 years of experience in the financial services industry. Prior to joining Fortem, Toby was a multi-asset fund manager for Franklin Templeton managing several alternative and traditional multi asset funds. He was also a partner for Pacific Investments developing various derivative based alternative strategies and was also a founding partner at Armstrong investment managers, a multi-asset boutique where he managed global macro multi-asset portfolios. Previous roles included managing Insight's Diversified Target Return Fund, the first UK retail absolute return fund to use risk premia indices as well as various multi asset products for UBS Wealth Management. Toby holds a master's degree in economics from Edinburgh University and is a CFA charter holder.

Ryan Rogowski

Ryan has over 19 years of experience in financial services, having worked closely with professional investors on multi asset investments and hedging solutions. Ryan spent the first 7 years of his career at HSBC where he gained experience in asset management and project finance, corporate finance and multi asset derivative solutions - where he spent the majority of the time. The latter part of his career was spent at BNP Paribas Equities and Commodity Derivatives and then at Societe Generale where he led the UK cross asset solutions team in working with discretionary fund managers, asset managers, private banks and a select number of pensions funds.

Chris Dagg

Chris has worked within the financial services industry since 2002 and is also a chartered management accountant. Formerly a trader on the securitisation desk at Citigroup, he was responsible for the creation, trading and risk management of investment linked securities issued by Citi, totalling some 1,000 products and \$3 billion in asset value. After leaving Citi, Chris joined a boutique investment house, structuring and pricing derivative based investments whilst overseeing all primary and secondary market activity.

Edward Senior

Ed has more than 20 years' experience within the financial services industry and is also a chartered management accountant. He spent 14 years at Citigroup working predominantly within the design and implementation of multi asset derivative based investments and hedging solutions covering European and Asian clients. During his time there, he established a fund management business and Irish based UCITS platform, launching a number of successful derivative based funds. From 2013 he built a fund management business with three other partners, Atlantic House Fund Management, launching and co-managing two funds and growing assets within 3 years' to more than £250 million.

Stefan Wagner

Stefan embarked on his career within the financial services industry more than 24 years ago. Starting out as a derivative structurer in 1994 at Bankers Trust, two years later he went on to establish and run Citigroup's European exotic options trading desk. There he ran one of the largest, most active, and consistently profitable equity option trading teams globally. He was credited with developing a number of innovations in the interbank option market. Latterly, Stefan ran Citi's European structured products business where he developed a range of investment products and funds. Over \$50 billion of these investments were successfully placed with high net worth and institutional clients. Stefan is currently an owner and MD of Nalu Capital S.A. which is a Luxembourg based fund platform, one of which is co-run by himself, specialising in derivative and value investing arbitrage strategies.

Kevin Gray

Kevin Gray, CFA has 10 years' experience within the financial services industry and alternative investments. Kevin began his career at Brooks Macdonald Asset Management before joining Bordier, where he was an Investment Director and sat on both the firm's Investment and Management Committees. In 2020 he joined Fortem Capital as a Fund Manager and member of the Global Investment Committee. Kevin graduated from Durham University Business School with honours and is a CFA charterholder.

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