

Fortem Capital Alternative Growth Fund



Monthly Report – 30th October 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

The two protagonists that were likely to have a significant impact on markets during October were well known in advance, and did not disappoint.

Risk assets were initially buoyant, spurred on by a feeling that the prospect of a Democrat 'blue wave' was growing, greasing the wheels for a further \$2trn stimulus package to pass through Congress. However, as colder weather set in on the northern hemisphere, many European countries saw a resurgence in reported Covid-19 cases. Compared with the first wave, governments attempted to implement more localised policy, but towards month end further national restrictions were being imposed in some countries, and being planned in others. US reported cases also increased throughout October and, after their positive start, global equity markets, with the exception of EM, finished the month lower than they started it to varying degrees.

The final week of the month saw equities, bonds and gold all move down in tandem, a clear sign that the some of the selling was also liquidity driven, possibly by risk parity investors for whom correlation numbers no longer compute, forcing them to sell across asset classes.

The Fund was down 0.23% over the month. A spike in Natural Gas prices, a common occurrence at this time of year, was a main driver. Commodity curve strategies tend to be short futures nearer the front of the curve, when those curves are in contango, and so are adversely affected by sharp moves upward in spot prices that cause non-parallel shifts such as those seen in October. This is the reason that the Fund reduced its exposure to commodity strategies, and particularly to Natural Gas, coming out of the summer. Despite this reduction, the Fund's commodity curve strategies were still the biggest detractor alongside gold.

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	£55.4m		
Launch Date	10 th 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	1.0305	IE00BJ116W86	FCAGFAA ID
Class C GBP	1.0277	IE00BJ116X93	FCAGFAC ID
Class A EUR	988.2584	IE00BMFJH592	FCAGFEA ID
Class A USD	1003.5836	IE00BMFJH600	FCAGFUA ID

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

^Minimum sizing can be waived upon request

**C Share Class only

Monthly Update - continued

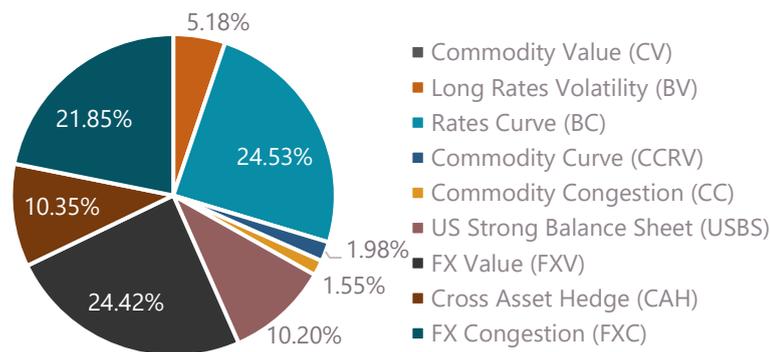
The biggest contributor to performance over the month were the Fund's rates curve strategies. These naturally tend to offset some of the negative effects that reflationary moves have on the commodity strategies. The rates curve strategies in the long run should also be beneficiaries of the anchoring of interest rates near zero, for at least the foreseeable future, at a time when longer term yields are at historically low levels. Incidentally, this phenomena poses a challenge, now a well documented challenge, to any multi-asset investment manager that has historically used fixed interest as the ballast in portfolios to provide balance in any equity market downturn. The Fed and other central banks' promise to keep near term rates at or near zero, coupled with the ability of yields further out to move upwards, poses considerable risk to the traditional 60/40 portfolio, especially given where credit spreads trade currently.

Various periods in 2020 have already given a glimpse as to what may lie ahead; finding alternative ways to add diversification is becoming increasingly important.

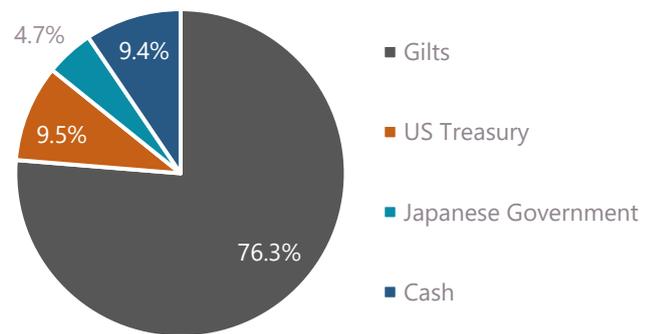
Trading activity was muted over the month.

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 (FXC)	0.74%	[Bar]	-0.04%	[Bar]
FX Value Strategy 2 (FXV)	0.61%	[Bar]	-0.06%	[Bar]
Rates Curve Strategy 3 (BC)	0.56%	[Bar]	0.04%	[Bar]
US Strong Balance Sheet Strategy (USBS)	0.34%	[Bar]	0.01%	[Bar]
Cross Asset Hedge Strategy 2 (CAH)	0.32%	[Bar]	0.00%	[Bar]
Long Rates Volatility Strategy (BV)	0.29%	[Bar]	-0.03%	[Bar]
FX Value Strategy (FXV)	0.28%	[Bar]	0.02%	[Bar]
Rates Curve Strategy 1 (BC)	0.27%	[Bar]	0.02%	[Bar]
Commodity Congestion Strategy 2 (CC)	0.22%	[Bar]	0.01%	[Bar]
US Strong Balance Sheet Strategy 2 (USBS)	0.14%	[Bar]	0.00%	[Bar]
Rates Curve Strategy 1 (BC)	0.14%	[Bar]	0.02%	[Bar]
Commodity Curve Strategy 1 (CCRV)	0.14%	[Bar]	-0.05%	[Bar]
Commodity Congestion Strategy 1 (CC)	0.11%	[Bar]	0.00%	[Bar]
Commodity Value Strategy (CV)	0.06%	[Bar]	0.01%	[Bar]
Commodity Curve Strategy 3 (CCRV)	0.04%	[Bar]	-0.01%	[Bar]

NAV Return -0.23%

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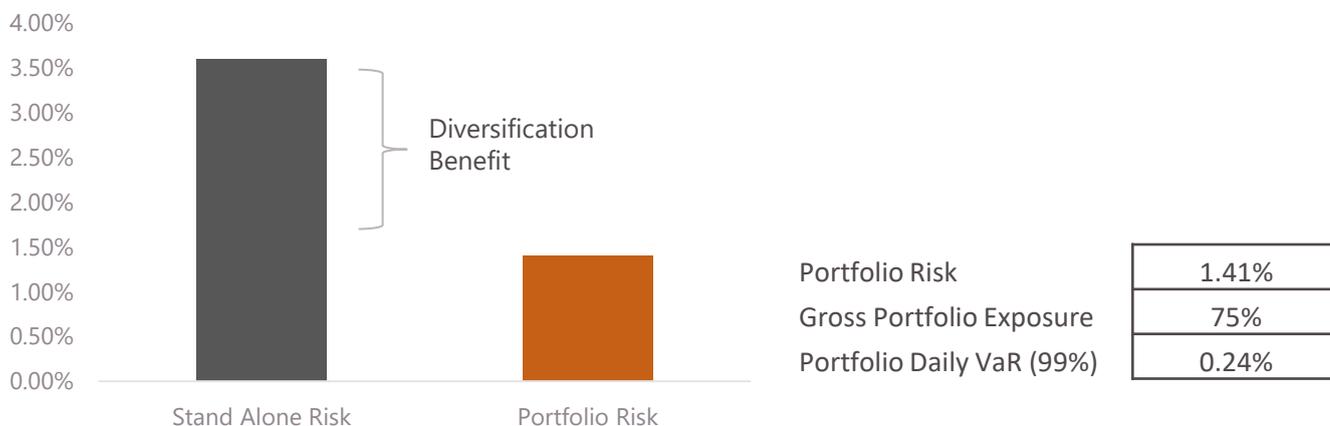
Performance (%) – Share Class A (Acc)

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	1.01	Sep 18 – Sep 19	N/A
2020	1.24	0.77	3.36	-1.54	-0.57	0.13	-0.02	-1.29	0.24	-0.23			2.02	Sep 19 – Sep 20	1.61



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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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