Fortem Capital Alternative Growth Fund

Monthly Commentary – 29th April 2022

UK & EU – For professional and institutional investors only
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Total Return	2022	Apr
UK 100	3.6%	0.8%
US 500	-13.0%	-8.7%
Europe 50	-10.9%	-2.1%
Japan 225	-6.1%	-3.5%
Hong Kong 50	-9.5%	-4.1%
US 2000	-16.7%	-9.9%
Swiss 30	-3.5%	0.9%
BCOM	30.6%	4.1%
US Treasury	-9.5%	-3.8%
Euro Property	-10.3%	-6.0%
PGF	-5.5%	-1.5%
AGF	1.6%	1.0%
Real Estate	-7.4%	-3.6%
US Equity Income	-13.0%	-8.8%

Bond and equity markets once again sold off in tandem in April in a continuation of what investors have had to contend with thus far in 2022. A combination of the war in Ukraine, central bank hawkishness and the misguided zero-Covid policy in China again led investors out of both asset classes.

Equity markets have posted significant falls this year; as at the end of April the MSCI World is down 13.5%. But it is the bond market which has garnered the biggest headlines, having suffered their worst start to a year on record, by some margin. Global bonds fell 5.5% in April, leaving them down 11.3% in 2022. As is well documented, this has been driven by the shift in expectations from eternally dovish central banks to those same banks entering a tightening cycle and promising to begin to shrink their grossly inflated balance sheets. Whilst credit spreads have increased, credit markets have been reasonably orderly thus far, particularly when one considers the amount of leverage in the system.

China, and its most recent Covid outbreak, became a major story. Those that have been vaccinated in China have been so with a less effective vaccine. There is a notable difference in the death rate which has prompted the Chinese authorities to continue the zero-Covid policy that, up until now, had been relatively successful in containing the virus. Chinese lockdowns have a profound effect on the global economy, both in terms of supply and demand, those effects are likely to be felt in the coming months.

The Fund posted a return of 1.0%.

The rates volatility strategies were the biggest contributors as bond markets continued to experience turbulence.

Elsewhere, there were also positive contributions from the long CDS positions. Spreads have moved higher this year but, when looking back through time, still sit well below March 2020 levels, which was not a credit crisis, below levels in early 2016, and far below 2008 levels. If the reversal in course of monetary policy were to stress credit markets, there is still a long way that spreads could go.

The Fund's US equity volatility arbitrage strategy was the main detractor. The strategy aims to profit from taking long and short option positions where they are perceived to be under or overvalued.

2022 has been a tough year for investors thus far, particularly in the world of 60/40. The Covid crisis in March 2020, and as importantly the sheer speed and severity of the recovery, has possibly lulled investors into an assumption that this would be repeated if the current turbulence were to get worse before it gets better. And of course it might.

However, investors should be aware that the very core of the current turbulence is centred around the removal of the stimulus that has kept bond and equity markets so buoyant for so long and facilitated such a swift recovery from the last crisis. This is not a new paradigm, it is the reversal of the old one.

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