Fortem Capital Alternative Growth Fund

Monthly Commentary – 30th September 2022

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Total Return	2022	Sep
UK 100	-3.7%	-5.2%
US 500	-24.1%	-9.3%
Europe 50	-21.0%	-5.6%
Japan 225	-8.5%	-7.1%
Hong Kong 50	-24.1%	-13.2%
US 2000	-25.1%	-9.6%
Swiss 30	-18.0%	-5.3%
BCOM	12.4%	-8.4%
US Treasury	-14.6%	-4.3%
Euro Property	-39.5%	-16.6%
PGF	**-12.9%**	**-6.2%**
AGF	**1.7%**	**1.5%**
Real Estate	**-37.3%**	**-17.3%**
US Equity Income	**-24.1%**	**-9.3%**

September saw a continuation of the struggles seen for both equity and bond markets thus far this year as investors fully digested Jackson Hole, continued to come to terms with the fact policymakers are committed to bringing down inflation at the expense of growth, and witnessed this in action as central banks around the world hiked aggressively and terminal rate expectations jumped.

September's continued declines leave global equities down 25% for the year, whilst even the mighty US Treasury market has given up over 14%.

The Fund posted a positive return of 1.5% for the month.

The majority of the returns were contributed by the Fund's rates volatility strategies. Of those strategies, the swaption on the US 10 year yield had a hard limit of the yield hitting 3.5% before profits were taken and the position restruck. This occurred in September and indeed profits were taken and a new position entered into with a higher strike.

The Fund's credit volatility positions were also positive contributors once more. As the market grapples with the fact central banks are looking at inflation alone and not the effect their actions have on companies' ability to service the significant debt built up over years of low rates, spreads continue to widen.

The biggest detractor to performance was the Fund's commodity value strategy, which is designed to monetise the outperformance of gold in Asian trading hours over European. It tends to be net long gold over time and thus suffered from gold's heavy falls.

A new rates curve strategy was added during the month, a steepener on the US yield curve. The curve has inverted to levels not seen for 40 years. The opportunity was taken to put on a two year trade to take advantage of an eventual reversion here.

It has become something of a trope, but this year has shown more than any other in recent memory the importance of diversification within investment portfolios. Persistent and high inflation, the hawkish commitment from central banks to bring it down, rising geo-political tensions and the de-globalisation of the global economy mean that the risk that traditional assets may produce at best anaemic returns for the foreseeable future is one investors must take seriously. Liquid alternatives were unnecessary whilst 60/40 had its goldilocks decade. The temperature has changed and looks set to not be quite right for some time to come.

Phone: 0208 050 2905 Email: sales@fortemcapital.com

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