Fortem Capital Alternative Growth Fund

Monthly Commentary – 28th February 2023

UK & EU – For professional and institutional investors only
Switzerland – this is an advertising document for professional and institutional clients as defined by the Swiss Financial Services Act only

Total Return	2023	Feb
UK 100	6.2%	1.8%
US 500	3.6%	-2.5%
Europe 50	12.0%	1.9%
Japan 225	5.2%	0.5%
Hong Kong 50	0.0%	-9.4%
US 2000	7.9%	-1.7%
Swiss 30	3.4%	-1.7%
BCOM	-5.9%	-5.1%
US Treasury	0.4%	-2.6%
Euro Property	7.8%	-1.1%
PGF	**4.7%**	**-0.4%**
AGF	**0.6%**	**1.2%**
DGF	**2.5%**	**4.5%**
Real Estate	**6.0%**	**-2.1%**
US Equity Income	**3.4%**	**-2.5%**

What a difference a month makes.

After January's optimism, investors were forced to take stock as the positive data points continued, but this time accompanied by a reacceleration of core inflation numbers. This led to a reassessment as to where the terminal rate lies and how long rates are likely to be elevated in the Fed's continued fight against inflation.

In terms of the three scenarios for the year:

1. The Federal Reserve have tightened the perfect amount and orchestrated a soft landing
2. They have tightened too much already and a hard landing lies ahead
3. They have not tightened enough and rates will be 'higher for longer'

Having more or less priced in 1, the market was forced to recalibrate and apply a higher probability to scenario 3. Investors have thus far this year seemed content to follow the data in ascribing very little probability to scenario 2, they have been less willing to use that same data to meaningfully increase the probability of scenario 3.

The Fund increased by 1.2% during the month.

After the collapse in rates volatility at the start of the year, with higher prices came higher volatility, to the benefit of the Fund's long rates volatility strategies.

Elsewhere, the majority of the Fund's other exposures also provided for some positive return. The notable outlier was the Gold Intraday strategy, which is net long gold and suffered as rates made their way back up.

Two new positions have been added to the protection portfolio in the form of two put spreads on the S&P 500, taking advantage of the low volatility seen after the years initial rally.

The buoyancy of January turned out to be short lived as inflation's downward trajectory paused, and in core numbers even reversed slightly. February brought back memories of 2022 as both equities and bonds sold off simultaneously. It is in these conditions that bonds will continue to fail to fulfil their role as a diversifier in portfolios. The market still misprices the likelihood of inflation proving more stubborn and central bank's hands being tied with regards to policy.

For the first time in many years central banks have replenished their policy quiver with the arrows of rate cuts when necessary. However, the idea that they would use those arrows before either it is completely necessary or the battle against inflation has been truly won is fanciful. Never before have the Fed managed to orchestrate a soft landing; this could be the first time, but history tells us that they tend to raise rates until something breaks in the economy. Here is to hoping that this time is different; it rarely is. In the meantime, the portfolio is well positioned to provide true diversification and has during its life tended to prefer periods of heightened stress for traditional asset classes.

- This document has been issued and approved as a financial promotion by Fortem Capital Limited for the purpose of section 21 of the Financial Services and Markets Acts 2000. Fortem Capital Limited registration number 10042702 is authorised and regulated by the Financial Conduct Authority under firm reference number 755370.
- This document is intended for Professional Investors, Institutional Clients and Advisors and should not be communicated to any other person.
- The information has been prepared solely for information purposes only and is not an offer or solicitation of an offer to buy or sell the product.
- Data is sourced from Fortem Capital Limited and external sources. The data is as at the date of this document and has been reviewed by Fortem Capital Limited.
- Information, including prices, analytical data and opinions contained within this document are believed to be correct, accurate and derived from reliable sources as at the date of the document. However, no representation or warranty, expressed or implied is made as to the correctness, accuracy or validity of such information.
- Fortem Capital Limited assumes no responsibility or liability for any errors, omissions or inaccuracy with respect to the information contained within this document.
- All price and analytical data included in this document is intended for indicative purposes only and is as at the date of the document.
- The information within this document does not take into account the specific investment objective or financial situation of any person. Investors should refer to the final documentation and any prospectus to ascertain all of the risks and terms associated with these securities and seek independent advice, where necessary, before making any decision to buy or sell.
- The product may not be offered, sold, transferred or delivered directly or indirectly in the United States to, or for the account or benefit of, any U.S. Person.
- The Fortem Capital Progressive Growth Fund is a Sub-Fund of Skyline, an open-ended investment company with variable capital incorporated on 1 June 2010 with limited liability under the laws of Ireland with segregated liability between Funds. The Company is authorised in Ireland by the Central Bank of Ireland pursuant to the UCITS Regulations.

"NOTICE TO INVESTORS DOMICILED OR RESIDENT IN SWITZERLAND - The interests in the UCITS Fund and any related services, information and opinions described or referenced in this document are not, and may not be, offered or marketed to or directed at persons in Switzerland (a) that do not meet the definition of "qualified investor" pursuant to the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 ("CISA") ("Non-Qualified Investors"), or (b) that are high net worth individuals (including private investment structures established for such high-net worth individuals if they do not have professional treasury operations) that have opted out of customer protection under the Swiss Federal Financial Services Act of 15 June 2018 ("FinSA") and that have elected to be treated as "professional clients" and "qualified investors" under the FinSA and the CISA, respectively ("Elective Qualified Investors").

In particular, none of the information provided in this document should be construed as an offer in Switzerland for the purchase or sale of the interests or any related services, nor as advertising in Switzerland for the interests or any related services, to or directed at Non-Qualified Investors or Elective Qualified Investors. Circulating or otherwise providing access to this document or offering, advertising or selling the interests or any related services to Non-Qualified Investors or Elective Qualified Investors may trigger, in particular, approval requirements and other regulatory requirements in Switzerland.

This document does not constitute a prospectus pursuant to Articles 35 et seqq. FinSA and may not fulfil the information standards established thereunder. No key information document pursuant to Swiss law has been established for the interests. The interests will not be listed or admitted to trading on a Swiss trading venue and, consequently, the information presented in this document may not fulfil the information standards set out in the relevant trading venue rules."