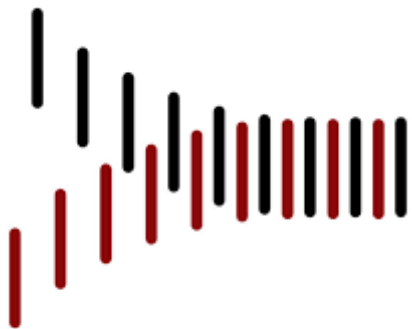




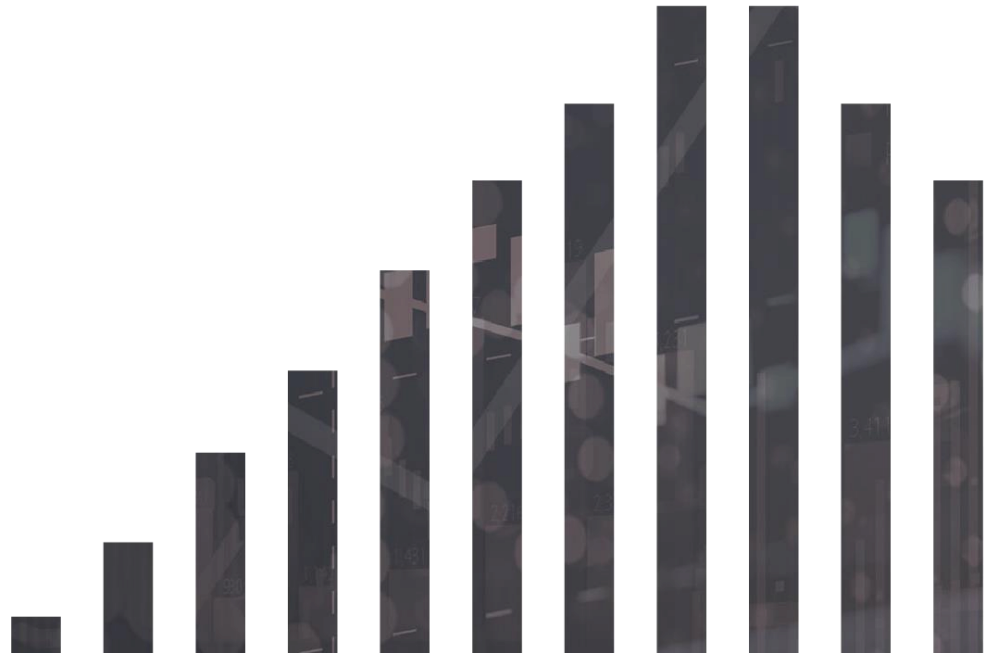
## Absolute Return Fund (ARF)

April 2024



ACTIVE FUND PLACEMENT

For Professional Clients Only



**Fortem Capital**





# Fortem Capital

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## Assets under Management & Relevant Expertise

- ◆ Specialist asset manager focussed exclusively on liquid alternatives
- ◆ AUM totalling USD 2.6 billion\* across institutional investor base
- ◆ UCITS Funds (6) + Mandates
- ◆ Dedicated PM Team supported by data scientists & independent investment committee / advisors

**Expertise and proven track record of delivering bespoke, transparent, liquid and cost-efficient solutions**



# Alternative Investments

## Common Issues

---

Access to alternative investments & outcomes typically limited by:

- ◆ **Correlation** Typically unstable and most alternative investment solutions' correlations increase as correlations increase across asset classes in times of market stress
- ◆ **Liquidity** Alternative investment solutions are typically associated with lower liquidity relative to traditional asset classes
- ◆ **Cost** Alternative investment solutions are often associated with higher cost relative to traditional asset classes

The Fortem Capital Absolute Return Fund seeks to address the above issues:

**A cost-efficient & highly liquid core alternative solution with a low & stable beta**

# Fortem Capital Absolute Return Fund (ARF)





# Investment Objectives

To provide investors a cost efficient & highly liquid core alternatives exposure with a low & stable beta. Seeks to deliver a long-term absolute return of CASH plus 2-4%

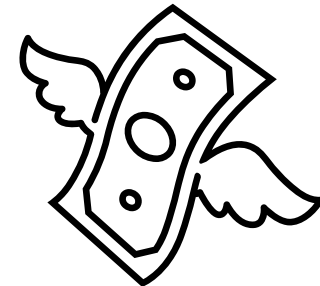
In summary, the Fund will:



Provide capital growth via investments linked to the MSCI Diversified Multi-Factor Index



Maintain a low and stable beta via short (70%) MSCI World Index



Provide a base level of return via Income linked to Cash



# Fortem Capital Absolute Return Fund

## Investment Process

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Long MSCI MF

- 100% long MSCI World Diversified Multiple-Factor Index

Short MSCI World

- 70% short MSCI World Index

Collateral

- 70% long high-grade collateral

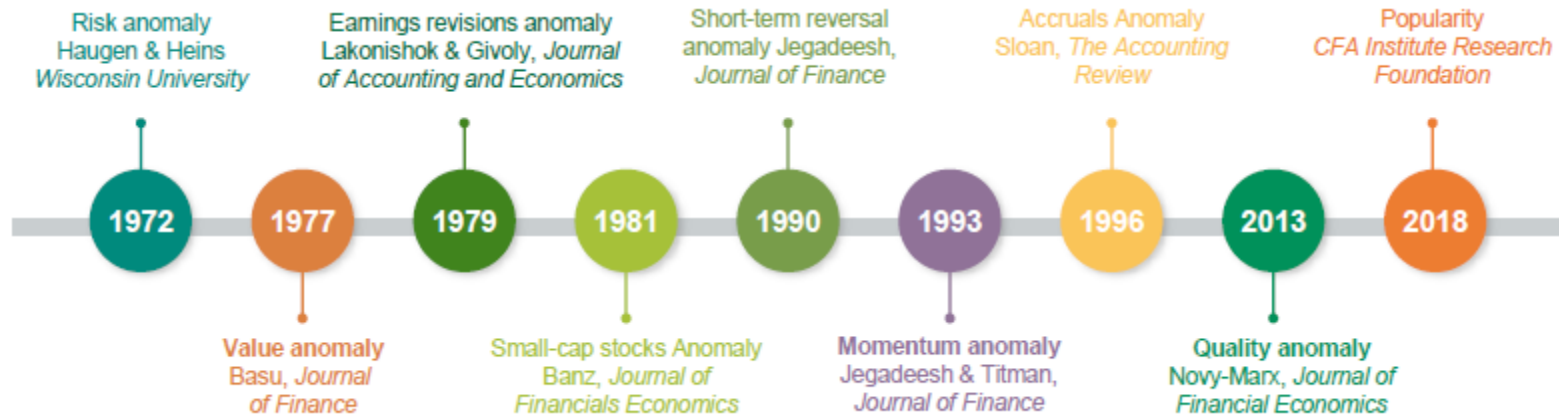
# Factor Investing





# History of Empirical Research

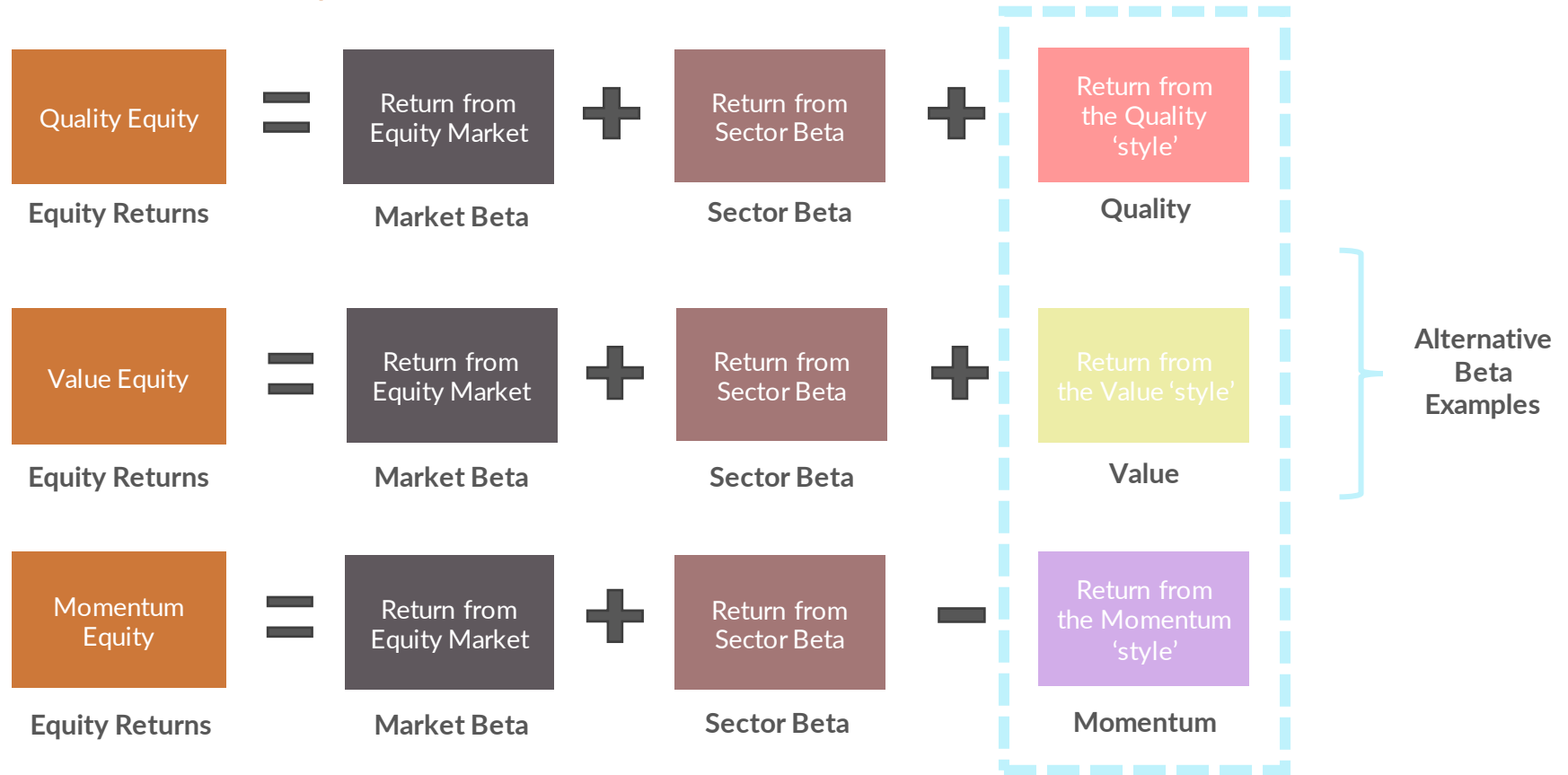
## Established Source of Alpha



- ◆ Pricing anomalies within the CAPM model are some of the most studied in all of finance
- ◆ It is now well established that factor investing is a source of alpha and the market segment has matured to sit at AuM of > \$1.2trn in smart-beta strategies worldwide

# History of Empirical Research

## Established Source of Alpha



- ◆ Alternative sources of beta are already present in almost every traditional portfolio
- ◆ They can be isolated to deliver a unique portfolio with low correlation to traditional market beta



# Factor Definitions

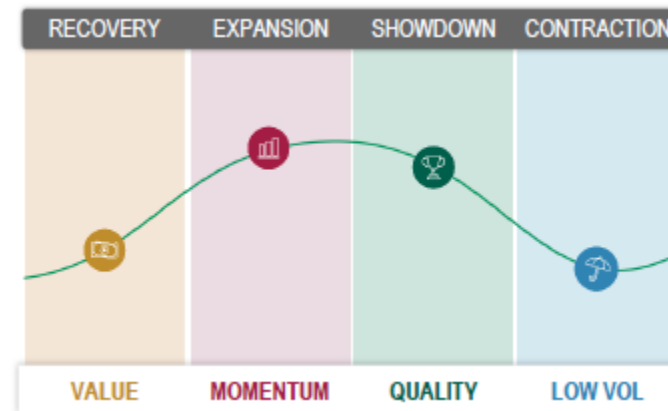
## Deriving and Measuring Factors

	Premium Derived From	Metrics
Value	<ul style="list-style-type: none"> <li>Financial distress, cash flow, liquidity risk</li> <li>Market mispricing / overly pessimistic expectations</li> </ul>	<ul style="list-style-type: none"> <li>Book to Price</li> <li>Earnings Yield</li> </ul>
Low Size	<ul style="list-style-type: none"> <li>Too small to be in the universe of certain investors</li> <li>Fewer analysts and less news coverage</li> </ul>	<ul style="list-style-type: none"> <li>Market Cap</li> </ul>
Momentum	<ul style="list-style-type: none"> <li>Extrapolation bias, herding &amp; positive feedback trading</li> </ul>	<ul style="list-style-type: none"> <li>6m Price Momentum</li> <li>12m Price Momentum</li> </ul>
Quality	<ul style="list-style-type: none"> <li>Strength of FS, stability of future cash flows</li> <li>Safe haven in turbulent times</li> </ul>	<ul style="list-style-type: none"> <li>Profitability, Investment Quality</li> <li>Earnings Quality, Leverage</li> <li>Earnings Variability</li> </ul>
Low Volatility	<ul style="list-style-type: none"> <li>Optimised portfolio exhibiting minimum variance</li> </ul>	<ul style="list-style-type: none"> <li>Lowest return variance for given covariance matrix of stock returns</li> </ul>

# Factor Correlations







## Low Intra-Correlation

- ◆ Factors have historically shown low correlation to each other and tend to perform differently during different phases of the economic cycle
- ◆ Their differing cyclical characteristics as well as their diversity in sourcing alpha (fundamental vs empirical) ensure any short-term cyclicity from one factor is addressed by complimentary exposure in another



# Factor Performance

## MSCI Factor Indices

	YTD	1Y	3Y	5Y	10Y
 MSCI World Minimum Volatility Index	4.8%	11.7%	4.8%	6.1%	7.9%
 MSCI World High Dividend Yield Index	5.3%	13.8%	5.5%	7.8%	6.7%
 MSCI World Quality Index	11.4%	33.7%	10.4%	15.5%	12.7%
 MSCI World Momentum Index	21.1%	36.3%	6.3%	12.3%	11.4%
 MSCI World Enhanced Value Index	5.8%	19.7%	4.8%	7.9%	6.0%
 MSCI World Equal Weighted Index	2.1%	6.7%	-0.5%	4.6%	4.7%

Source: MSCI, Fortem Capital  
Data from 31 Jan 2014 to 31 March 2024



# MSCI World Diversified Multi-Factor Index

Long - MSCI World Diversified Multi-Factor Index

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**VALUE**  
Relatively Inexpensive Stocks



**LOW SIZE**  
Smaller Companies



**MOMENTUM**  
Rising Stocks



**QUALITY**  
Sound Balance Sheet Stocks



**YIELD**  
Cash Flow Paid Out



**LOW VOLATILITY**  
Lower Risk Stocks

- ◆ Factor investing does, and always has, underpinned the IM industry
- ◆ Factor simply references specific driver of risk and return
- ◆ Growth factor dominates most multi-asset portfolios
- ◆ Other factors share same quality of persistence, but with low correlation
- ◆ Index aims to maximise exposure to factors whilst maintaining similar risk profile to parent index (MSCI World)
- ◆ Optimised to maximise alpha whilst targeting ex-ante risk of parent index

# MSCI World Diversified Multi-Factor Index

## Target Factor Choice



### VALUE

Relatively Inexpensive Stocks



### LOW SIZE

Smaller Companies



### MOMENTUM

Rising Stocks



### QUALITY

Sound Balance Sheet Stocks

	MSCI World	2 factors (Val, Mom)	3 factors (Val, Qty, Mom)	DMF
Total Return* (%)	4.9	8.6	8.1	9.5
Total Risk* (%)	15.7	15.8	15.1	16.0
Sharpe Ratio	0.16	0.39	0.38	0.44
Active Return* (%)	0.0	3.7	3.3	4.6
Tracking Error* (%)	0.0	4.3	3.7	4.1
Information Ratio	N/A	0.85	0.87	1.14
Historical Beta	1.00	0.97	0.93	0.99
Turnover (%)	3.1	40.0	40.0	40.0
Price to Book	2.2	1.5	2.1	1.9
Price to Earnings	18.6	13.4	13.0	13.7
Div Yield (%)	2.3	2.4	2.5	2.4

\* Gross returns annualized in USD for the 12/31/1998 to 12/31/2014 period. Results are simulated.

\*\* Annualized one-way index turnover for the 12/31/1998 to 12/31/2014 period

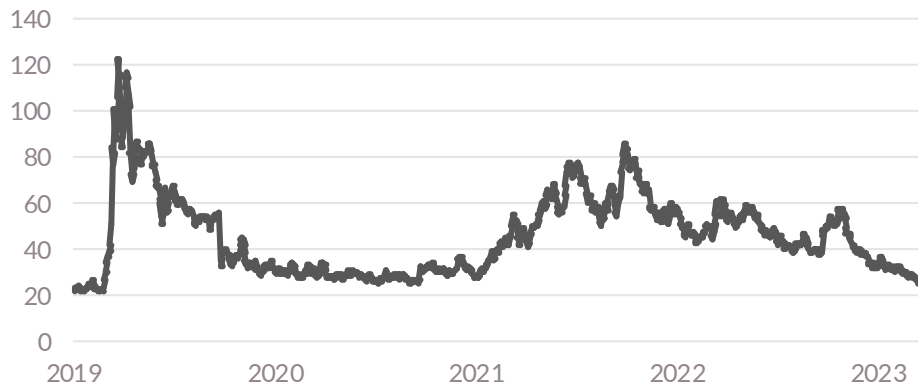
- ◆ Index aim is to deliver market-like volatility and beta vs parent index
- ◆ Including 'low volatility' resulted in below market risk
- ◆ Yield has displayed high active correlation with 'value' and 'quality'

# High-Grade Collateral

## Investment Process

- I. Identify Sovereign / SSA / IG Corp universe of names
- II. Issuances must be BBB or above i.e. not simply IG
- III. Names also screened on 3-year CDS spread
- IV. Look for spread enhancement in various currencies and take advantage of xccy basis
- V. UCITS concentration limits enforce single issuer diversification across the Fund

CDX IG (US IG) 3Y Credit spread (bps)



iTraxx Main (Europe IG) 3Y Credit Spread



*Past performance is not necessarily a guide for the future. Forecasts are not reliable indicators of future performance. The value of investments, and the income from them, can go down as well as up and the investor may not get back the amount originally invested. The 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.*





# High-Grade Collateral

## Investment Guidelines

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- I. Max duration at instrument level of 1.5 years corp / 2.5 years sovereign
- II. Target modified duration of 0.50 for portfolio with maximum 0.65
- III. Income bucket can only invest in instruments holding a rating of Baa3/BBB and above
- IV. The collateral book of the fund may maintain a maximum 5% weighted unhedged currency exposure to debt instruments issued in a currency different from that of the fund
- V. The collateral book of the Fund may invest a maximum of 85% of assets in non-CSA eligible securities
- VI. UCITS concentration limits enforce single issuer diversification across the Fund
- VII. Maximum allocation to corporate debt of 65%
- VIII. Geography – maximum 40% of corporate debt in US companies, 25% in any other individual country of issuance
- IX. All corporate debt must be issued by developed countries
- X. Sector – 20% maximum exposure to any GICS sector barring financials which have a 30% limit
- XI. Any debt instrument must have a minimum issue size of \$500m
- XII. No more than 10% of any issuance may be held by Fortem Capital at the firm level

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# Liquidity Focus

## Key Summary

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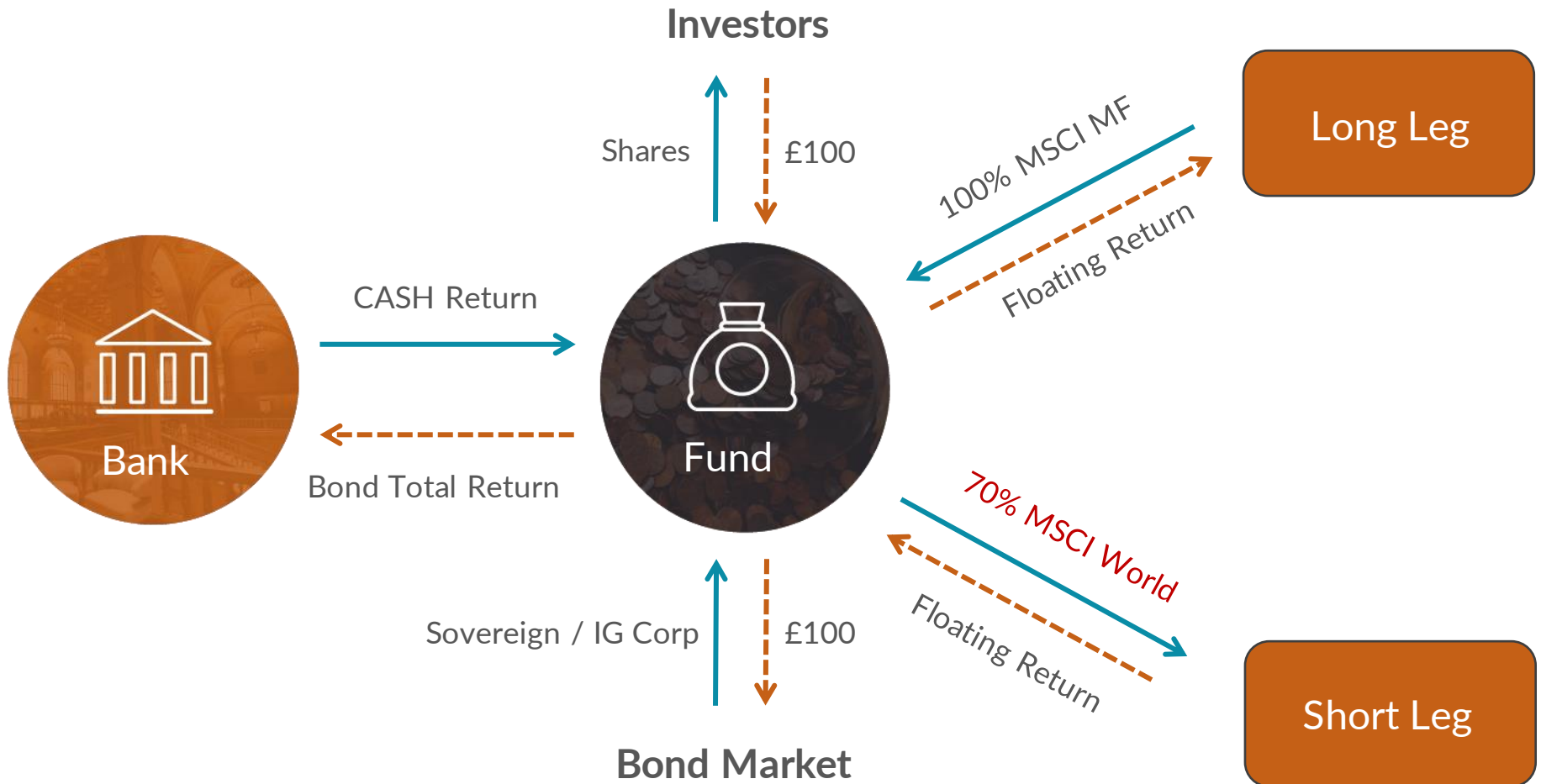
- I. Fund assets are completely segregated in The Bank of New York Mellon SA/NV custody account for benefit of shareholders
- II. Liquidity of fund = liquidity of underlying assets
- III. Assets themselves are a mixture liquid securities & liquid OTC contracts

Costs of liquidating fund holding = Costs of liquidating underlying assets

Key considerations are therefore:

- ◆ What is the underlying liquidity
- ◆ What are the costs of trading in / out of those assets = 10bps

# Fund Structure Overview

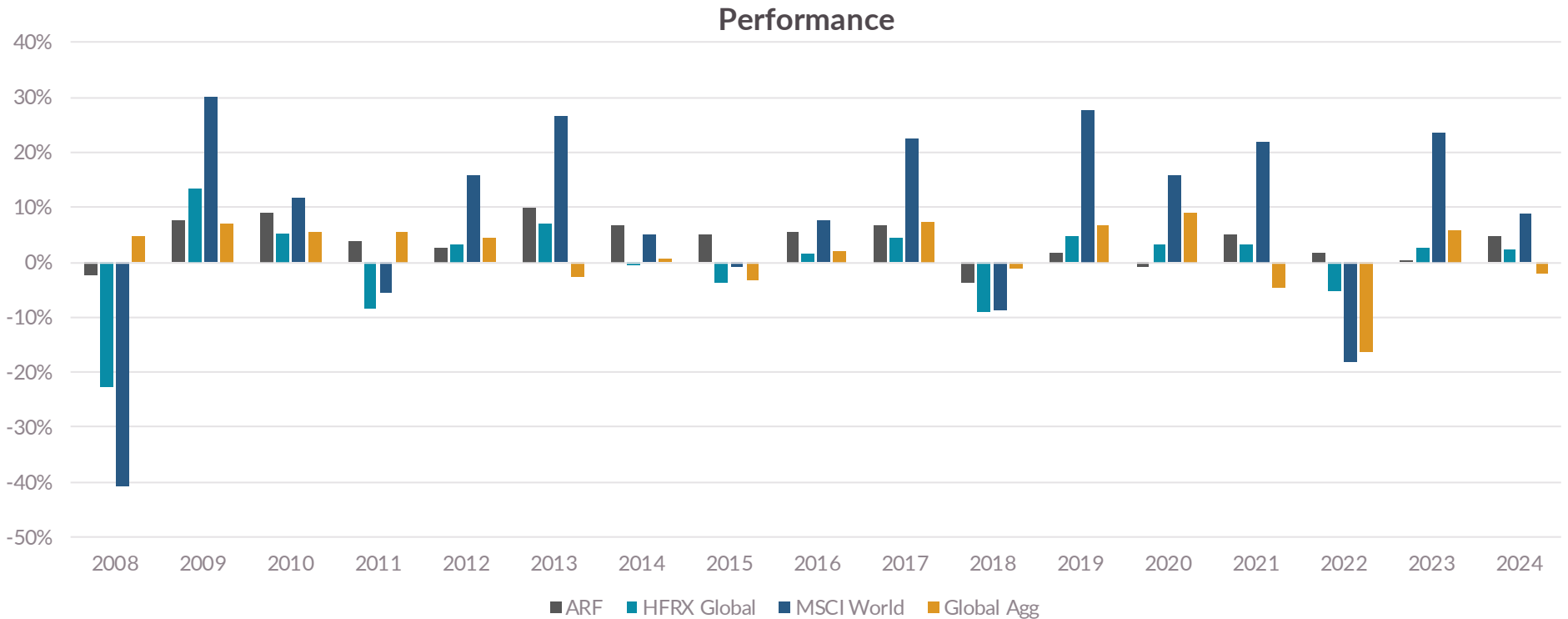


# Performance vs Equity & Bonds



# Performance vs Equity & Bonds

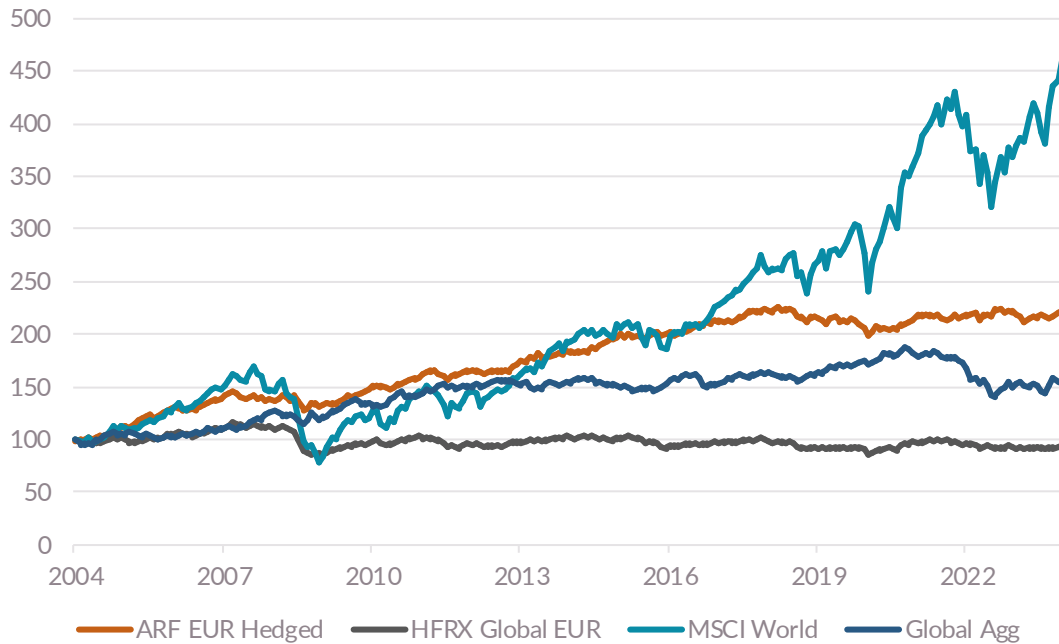
## Liquid & Efficient Alternatives Exposure



**SIMULATED PAST PERFORMANCE:** Past performance data shown in this communication is derived from back-testing simulations. This is provided for illustrative purposes only. Details of the calculation methodology are available on request. Past performance is not necessarily a guide for the future. Forecasts are not reliable indicators of future performance. The value of investments, and the income from them, can go down as well as up and the investor may not get back the amount originally invested. The 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.

# Performance vs Equity & Bonds (EUR)

## Liquid & Efficient Alternatives Exposure

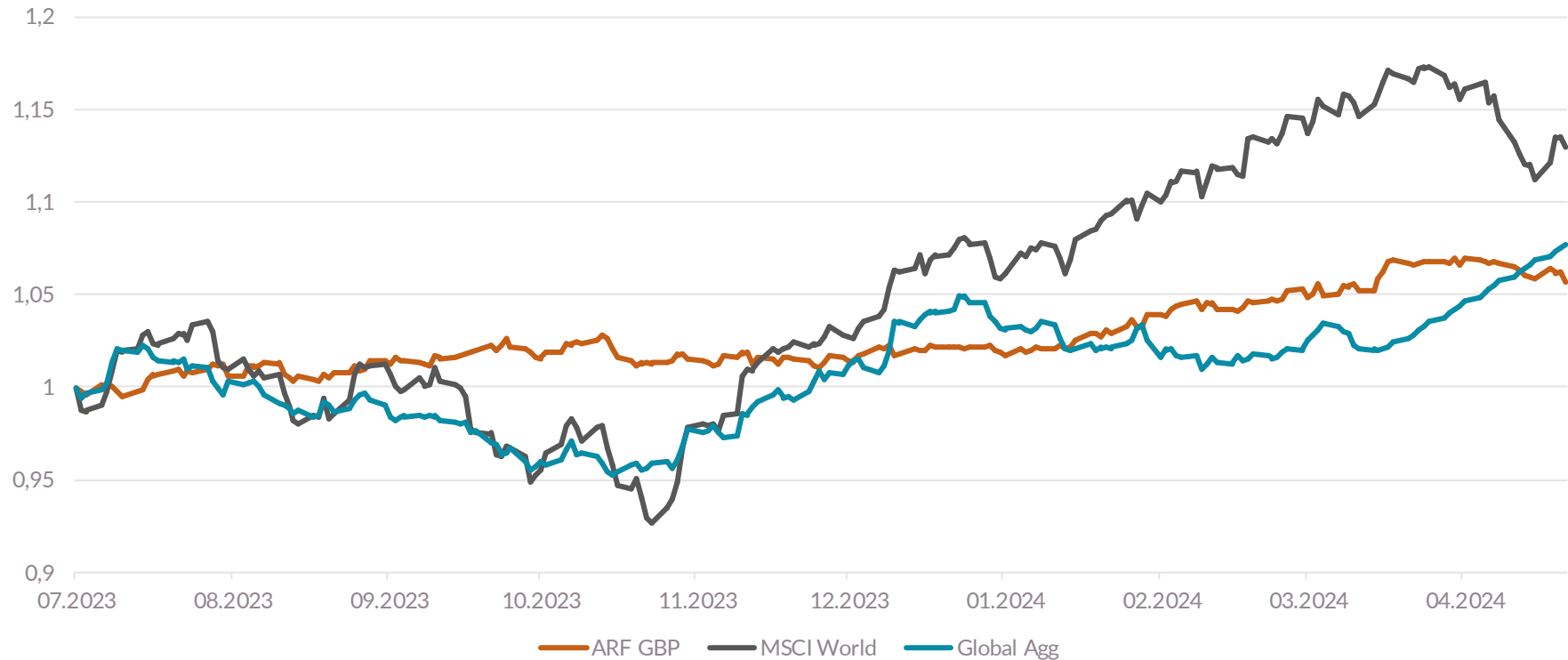


	ARF EUR Hedged	HFRX Global EUR	MSCI World	Global Agg
Start Date	31/03/2004	31/03/2004	31/03/2004	31/03/2004
End Date	28/03/2024	28/03/2024	28/03/2024	28/03/2024
Time Window	20	20	20	20
Annualized return	4.17%	-0.24%	8.10%	2.19%
Annualized Vol	4.83%	5.30%	15.42%	6.00%
Sharpe Ratio	0.86	-0.05	0.53	0.36
Worst Drawdown	-12.29%	-25.97%	-54.03%	-24.19%

**SIMULATED PAST PERFORMANCE:** Past performance data shown in this communication is derived from back-testing simulations. This is provided for illustrative purposes only. Details of the calculation methodology are available on request. Past performance is not necessarily a guide for the future. Forecasts are not reliable indicators of future performance. The value of investments, and the income from them, can go down as well as up and the investor may not get back the amount originally invested. The 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.

# ARF Performance since Inception (07/23)

## Liquid & Efficient Alternatives Exposure

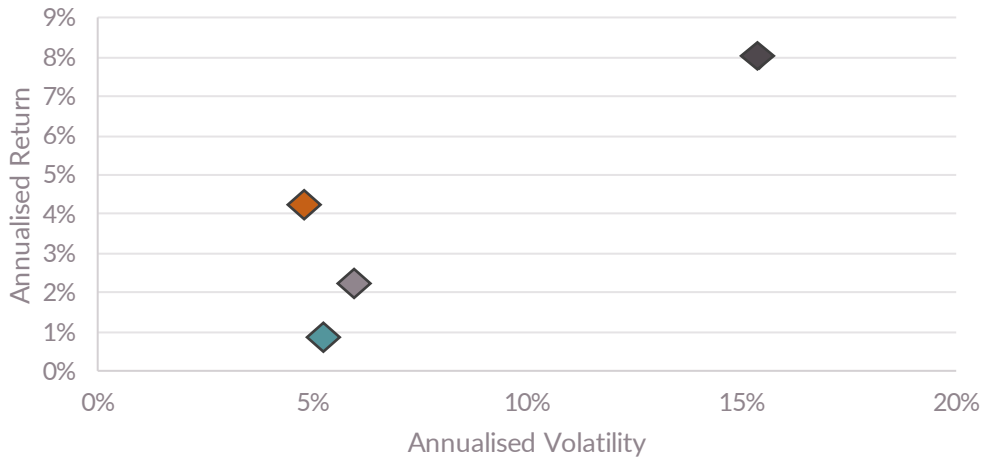


Daily, 05 July 2023 to 25 April 2024  
Source: Fortem Capital, Bloomberg

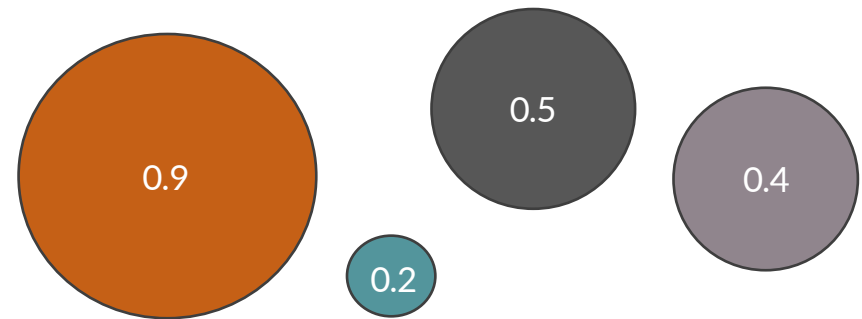
# Data Comparison Summary

◆ ARF EUR Hedged   
 ◆ HFRX Global   
 ◆ MSCI World USD   
 ◆ Global Agg USD

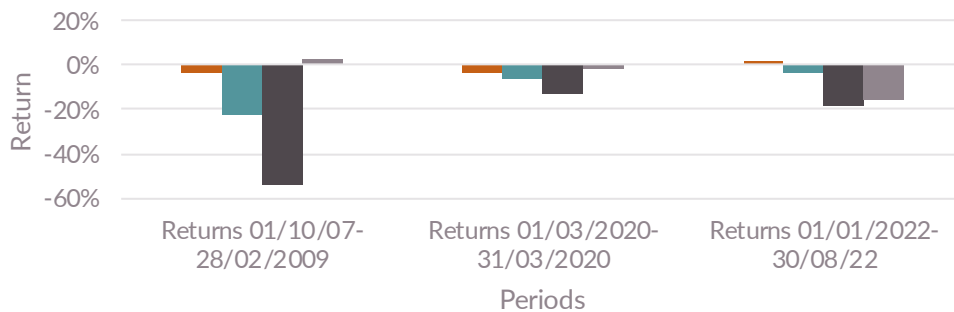
Annualised Returns vs Volatility



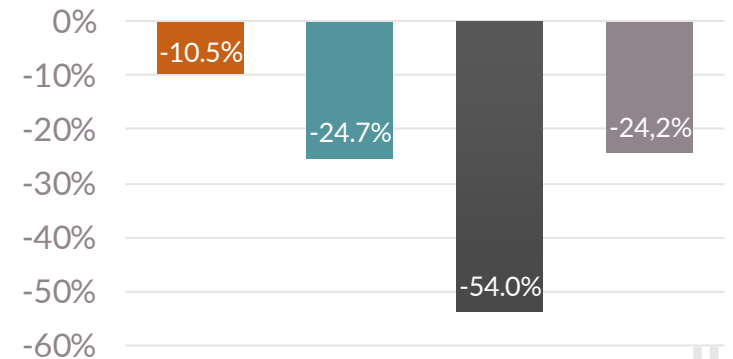
Return/Vol Ratio:



Performance Through Market Stress:



Maximum Drawdown:







# Key Facts

<b>Fund Name</b>	<b>Fortem Capital Absolute Return Fund</b>
Investment Manager	Fortem Capital Limited
Fund Type	UCITS
Base Currency	GBP
Liquidity / Dealing Deadline	Daily / 10.30 AM Irish Time
Unit NAV	£1.000
Minimum Subscription Amount <sup>1</sup>	Class F EUR Hedged: €100,000 Class S EUR Hedged: €5,000,000
Management Fee / Ongoing charges	Class F EUR Hedged: 70 / 85 bps Class S EUR Hedged: 50 / 65 bps [not live]
ISIN	Class F EUR Hedged: IE000YDM2U69 (Accumulation) Class S EUR Hedged: IE000WKV3693 (Accumulation) [not live]
Dealing Line	+353 (0) 1400 5300
Dealing Email	<a href="mailto:DublinTA@linkgroup.ie">DublinTA@linkgroup.ie</a>
Depository, Administrator, Registrar & TA	The Bank of New York Mellon SA/NV Dublin Branch, Link Fund Administrators (Ireland)
Auditor	Grant Thornton
Strategy Launch Date	5 July 2023

<sup>1</sup>Minimum sizing can be waved upon request

# Appendix





# ESG

## Firm Policy



All Investments made by the firm are subject to Fortem's Product Governance Policy (available on request). This policy encompasses ESG considerations for all investments and products made by and provided by the firm.

Fortem's Investment Committee oversees all investments undertaken within its funds and their adherence to the funds' Investment Guidelines. Any new investment that goes into a fund must be reviewed and approved by that Investment Committee. One aspect of those guidelines and review process is consideration around the investment risks of any investment from a climate and ESG perspective.



### Environmental

Our world is a miracle in every sense of the word, the odds of it existing in as perfect a way to support complex life are astronomically small, it is therefore our collective responsibility to ensure that those perfect conditions are not ended by our own stupidity.

At the micro level, the firm has procedures in place to be conscious of our own carbon footprint and ensure we do what we can to limit our own impact.

At a macro level, every single investment is subject to an ESG screen and ESG considerations are documented as part of the due diligence process within the Investment Committee. Fortem Capital is also a signatory of the PRI.



### Social

Our people are paramount. We prioritize their well-being with free mental health care through Spill and access to a performance coach. We promote camaraderie and work/life balance.

Aligned with UN PRI and UK FRC's Stewardship Code, our values shape a trustworthy foundation. Team members must share these values, recognizing their responsibility to each other, clients, and the world.

Fortem Capital proudly supports impactful social projects like FoodCycle, Wirral Athletics Club, and South Warwickshire Juniors Rugby Club.



### Governance

Fortem Capital was founded with a clear purpose that has been communicated to all stakeholders. From day one, Fortem had been designed to be scalable and have a clear visions, values, strategic plan and business model. In order for any business to be truly successful, it requires the same elements from its inception.

The unique offering in the liquid alternatives space allowed Fortem to establish strong relationships within the industry. We continue to build upon these relationships and will leverage them as we continue to expand our capabilities and offerings in the marketplace. Any successful business is only as good as its people, past, present and in the futures.

# MSCI ESG Fund Ratings

## Assessment outcome

**MSCI**  
ESG RATINGS



CCC B BB BBB **A** AA AAA

Each of the Fortem Capital Funds has been assessed by MSCI, and each of them has received an ESG rating of 'A', placing them in the 'upper average' category concerning the ESG attributes of their respective underlying holdings. Statistics drawn from these assessment are as follows:

Fund	Carbon intensity (based on weighted average carbon emissions per USD million sales)	Green vs Fossil Fuel-Based Revenue (%)	ESG Rating distribution of fund holding	Corporate governance – Weighted average % of independent board directors and weighted average % of women on Board
<b>Progressive Growth Fund (PGF)</b>	Low carbon intensity (18.6 tons)	- Green = 0.0% - Fossil fuel-based = 0.0%	- AAA = 2% - AA = 4% - A = 85%	- Independent Board Directors = 80.4% - Female Board members = 38.8%
<b>Absolute Return Fund (ARF)</b>	Low carbon intensity (21.0 tons)	- Green = 1.3% - Fossil fuel-based = 0.1%	- AAA = 7% - AA = 22% - A = 54% - BBB = 2% - B = 4%	- Independent Board Directors = 85.3% - Female Board members = 41.9%
<b>Alternative Growth Fund (AGF)</b>	Low carbon intensity (61.3 tons)	- Green = 0.2% - Fossil fuel-based = 0.2%	- AAA = 5% - AA = 13% - A = 64% - BB = 11%	- Independent Board Directors = 78.4% - Female Board members = 41.5%
<b>Dynamic Growth Fund (DGF)</b>	Low carbon intensity (32.6 tons)	- Green = 0.4% - Fossil fuel-based = 0.0%	- AAA = 1% - AA = 3% - A = 83% - BB = 2% - B = 4%	- Independent Board Directors = 79.5% - Female Board members = 43.2%
<b>US Equity Income (USI)</b>	Very low carbon intensity (11.7 tons)	- Green = 0.0% - Fossil fuel-based = 0.0%	- AAA = 10% - AA = 16% - A = 60% - BBB = 3%	- Independent Board Directors = 85.1% - Female Board members = 31.5%



# Investment Committee

## Biographies

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### Kevin Gray

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Kevin is Fortem's Chief Investment Officer and chairs the Fortem Capital Global Investment Committee. He 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. Kevin has over 10 years' experience within the financial services industry and alternative investments. Kevin is a CFA charterholder.

### Stefan Wagner

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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.

### Chris Dagg

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Chris manages the Trading, Technology and Operations divisions at Fortem Capital and has worked within the financial services industry since 2002. A chartered management accountant, as 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

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Ed has more than 25 years' experience working within the financial services industry and is also a chartered management accountant. He started out his career back in 1998 at Salomon Brothers, which ultimately became Citigroup, working within the equity derivatives and multi asset derivatives trading desks. There he spent time structuring and delivering investment solutions, utilising derivatives, and liquid alternatives, to clients across the globe. During his time at Citi, Ed established and ran their European asset management business growing assets from zero to several billion. After leaving Citigroup in 2013, Ed joined up with former Citigroup colleagues to build and establish a boutique asset management firm specialising in derivative based funds. Having completed his tenure there, in 2016 Ed left to set-up Fortem Capital, which together with the rest of the Fortem Team, aims to establish itself as the premier boutique asset management firm specialising in liquid alternatives solutions for the institutional marketplace.

### Andy Constan

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Andy is an investment consultant to Fortem Capital. He is the current CEO and CIO of Damped Spring Advisors. With a career in financial services spanning over two decades, Andy has a rich history of leadership and innovation. As Chief Strategist at Brevan Howard from 2015 to 2019, he was a key figure in strategic decision-making. His notable tenure at Bridgewater Associates saw him develop crucial volatility research and manage portfolio construction analytics. Prior to this, Andy co-founded Centerlight Capital Management, successfully steering the firm through the tumultuous financial crisis of 2008. At Archeus Capital Management, his trading strategies yielded a commendable 12.8% annual return. Andy started his career at Salomon Brothers, where over seventeen years, he rose to lead global equity derivatives and contribute significantly to the firm's proprietary trading success, generating over \$500 million in profits. Andy's strategic foresight and financial acumen have consistently propelled the firms he has worked with to the forefront of the hedge fund industry.



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