Investment Philosophy

Traditional Beta

The key pillar

*Expected Return = Risk Free Rate (cash) + **Beta** + Alpha*

- Alpha is a zero-sum game, so for the industry:

*Expected Return = Risk Free Rate (cash) + **Beta***

1st pillar of portfolio theory:

- Equity market beta goes up through time

2nd pillar of portfolio theory:

- For the vast majority of investment portfolios equity market beta must be diversified

3rd pillar of portfolio theory:

- Bond market beta (duration) can be used as the sole diversifier to equity market beta

Not-So-Alternative Beta

Diversification

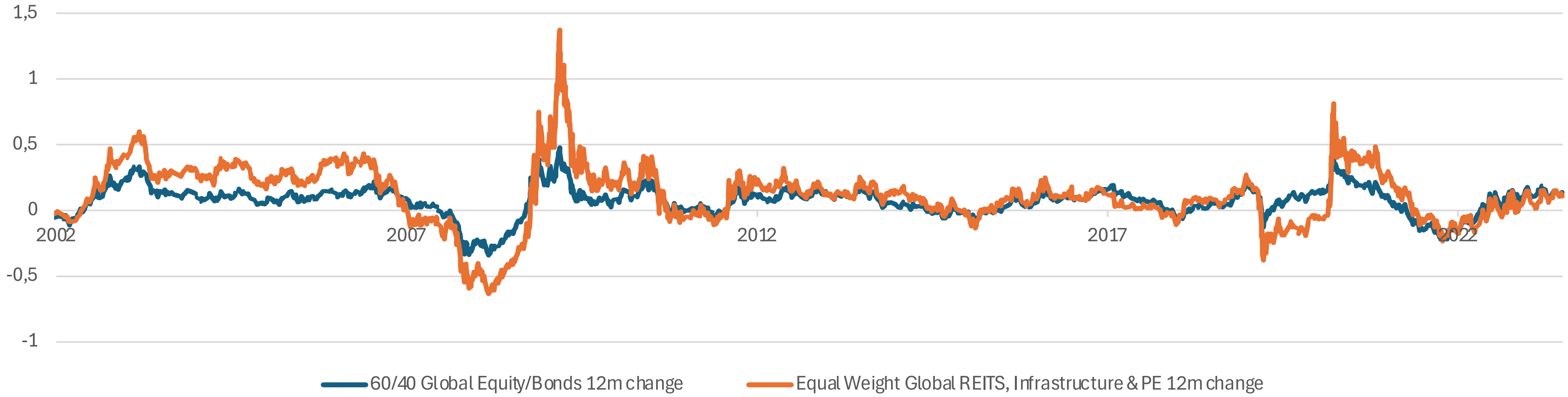
The three principals of alternative investing:

1. Cost
2. Liquidity
3. Correlation

Traditional 'alternative' betas fail on at least 2/3:

Property	liquidity & correlation
PE	liquidity, cost & correlation
Infrastructure	liquidity & correlation

60/40 vs Traditional Alternatives



As at 28th June 2024

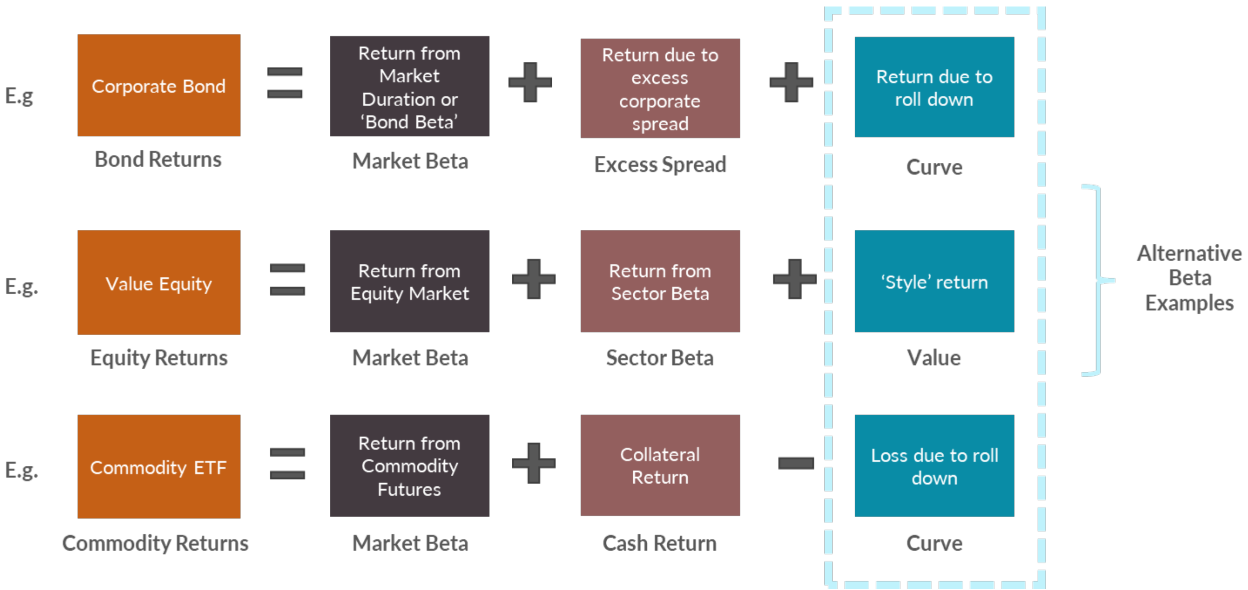
Source: Bloomberg, Fortem Capital

Alternative Beta

Diversifiers

- Assumed negative correlation between equity and bond beta cannot be relied upon
- Numerous other sources of risk and return available to investors, look for those with:

    1. Persistence of return
    2. Low correlation



Screens:

1. Statistical
2. Fundamental

Constructing portfolios

Investment Axis

*Expected Return = Risk Free Rate (cash) + **Traditional Beta + Alternative Betas***

I | B | D

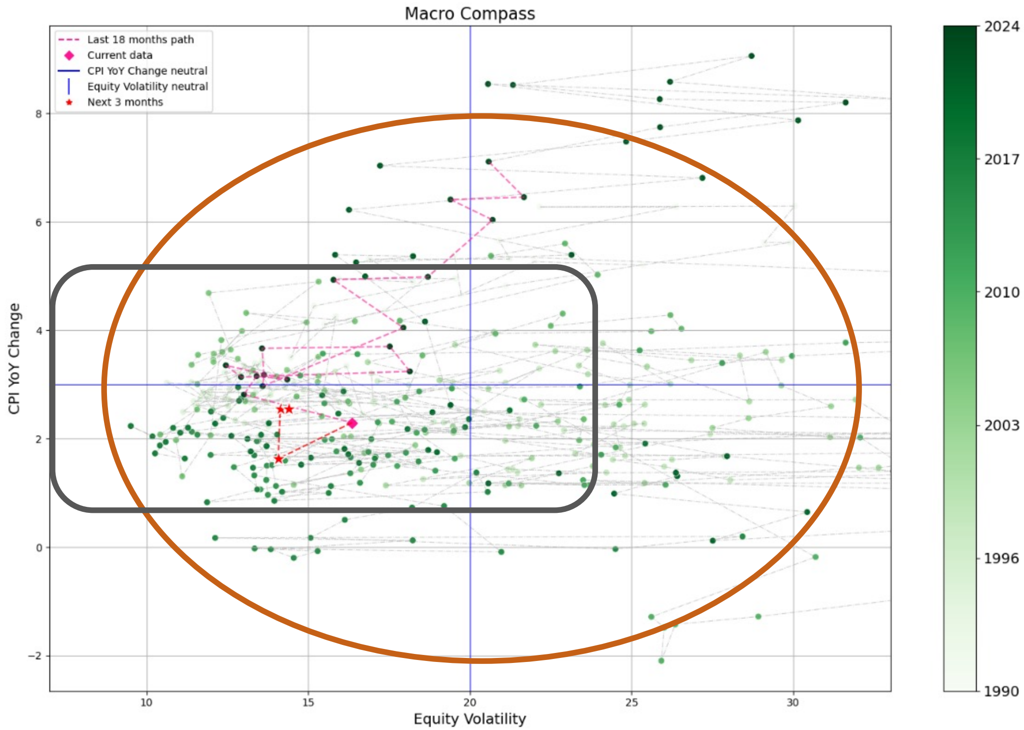
*Expected Return = Risk Free Rate (cash) + **Beta***

Portfolios of equity beta have 2 common enemies:

- ***Consumer price uncertainty***
- ***Asset price uncertainty***

The actions of policy makers globally to quell asset price volatility have introduced real price instability which itself will eventually lead back to asset price instability

Construct all-weather portfolios that can perform across the cycle including the two instabilities that unsettle equity market beta



Anti-Beta

Protection

*Expected Return = Risk Free Rate (cash) + **Traditional Beta + Alternative Betas - Protection***

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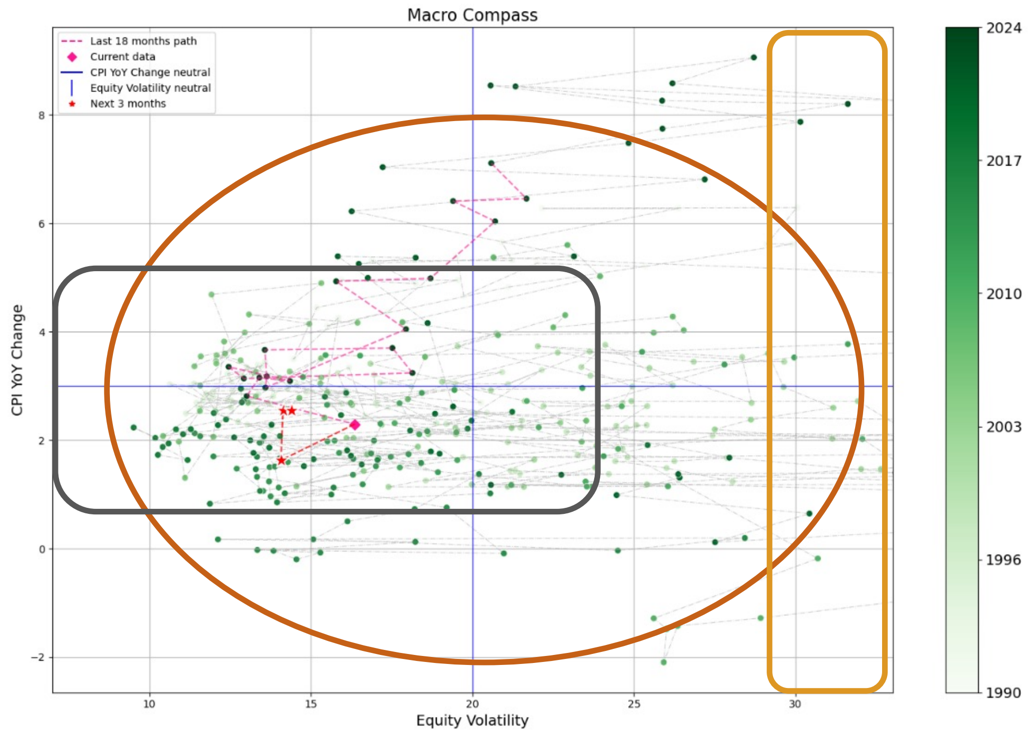
- For periods of extreme price instability, some hedging may be required
- If equity market beta goes up through time then equity market beta hedges go down through time
- Therefore, they require targeted and active management in order to hedge efficiently



Summary

Liquid Alternatives

- Outcomes – giving investors the ability to achieve genuinely diversified risk and return outcomes
- Liquidity – highly liquid investments translating into genuine daily liquidity across solutions and funds
- Cost – highly competitive through use of derivatives and structuring of funds

Liquid Alternatives

Income Portfolio

Income Portfolio

Process

I. Identify Sovereign / SSA / IG Corp falling within investment guidelines of fund

II. Allocate the majority of the portfolio in Sovereigns & SSAs

III. Issuances must be BBB or above i.e. not simply IG

IV. Names also screened on 1 year CDS spread

V. Overall duration set to ~ 0.5 to mitigate rate sensitivity

VI. Overall IG Corporate credit sensitivity ~ 0.5

VII. UCITS concentration limits enforce single issuer diversification across the Fund

1YR GBP SONIA Swap Rate

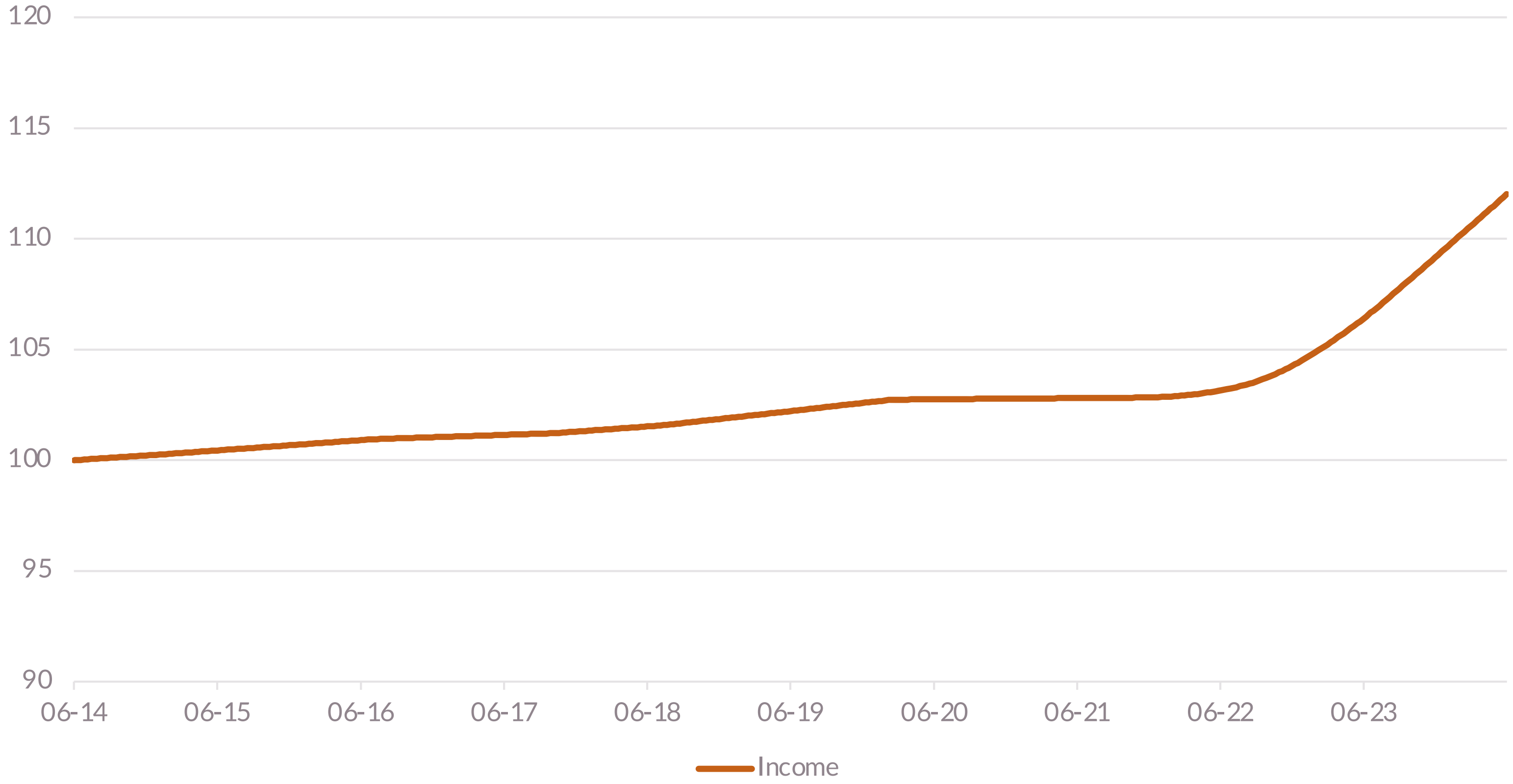
iTraxx Main (IG) CDS Spread

As at 28th June 2024

Source: Bloomberg, Fortem Capital

Income Portfolio

Performance



10yr Summary Rturns[1]	
Annualised returns	1.1%
Average volatility	0.1%

Correlations[1]	
MSCI World Net Total Return Index	0.00
Bloomberg Barclays Global Aggregate Index	-0.01
Bloomberg Commodity Index	-0.02

- Assets providing a known yield
- Income bucket yield now material as yields have increased
- Known yields mean the portfolio should have reasonably defined expected returns at fund level

As at 28th June 2024

Source: Bloomberg, Fortem Capital

Diversifier & Protection Overlay

Diversifiers

Our universe

- 26 factors across 5 asset classes, created by grouping and doing PCAs on over 4,000 strategies.

FX	Commodity	Equity	Fixed Income	Credit
Carry	Backwardation	Carry	Carry	Carry
Trend	Carry	Low Vol	Short Term Trend	Trend
Value	Congestion	Momentum	Trend	Volatility
Volatility	Trend	Quality	Value	
	Value	Size	Volatility	
	Volatility	Trend		
		Value		
		Volatility		

Diversifiers

True alternatives for a 60/40

Protection Portfolio

Protection Portfolio

Performance

10yr Summary Rturns[1]	
Annualised returns	-3.26%
Average volatility	4.48%

Correlations[1]	
MSCI World Net Total Return Index	-0.89
Bloomberg Barclays Global Aggregate Index	0.00
Bloomberg Commodity Index	-0.26

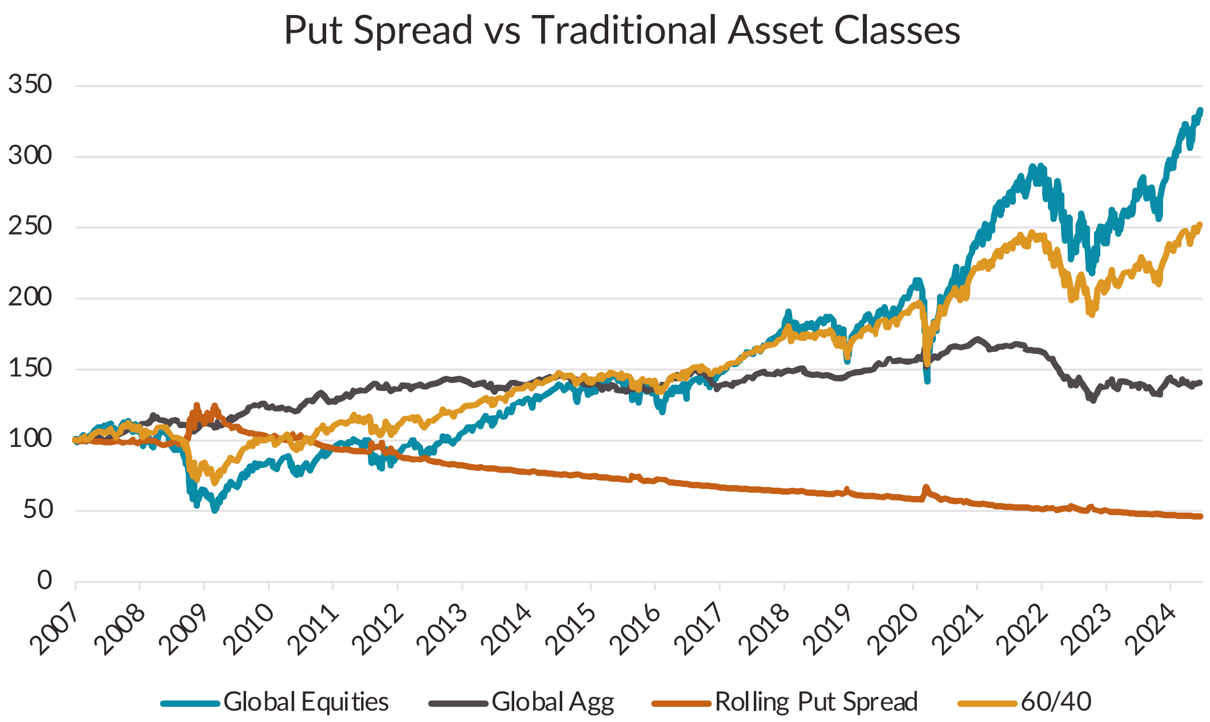
- Max spend 2% pa
- Investments providing convexity in left tail events
- Utilising Fortem's combined decades of derivatives expertise and experience to access in most efficient way
- Examples of protection strategies include rolling puts, credit default swaps

As at 28th June 2024

Source: Bloomberg, Fortem Capital

Put Spreads

Performance



	60/40	Put Spread
Total Performance	151.47%	-53.73%
Annualised Performance	5.41%	-4.31%
Annualised Volatility	10.74%	7.76%
Return/Vol	0.50	-0.56
Max DD	-39.33%	-62.36%

	Global Equities	Global Agg	Rolling Put Spread	60/40
Global Equities	1.00	0.05	-0.84	0.98
Global Agg	0.05	1.00	0.03	0.31
Rolling Put Spread	0.98	0.31	1.00	-0.80
60/40	-0.84	0.03	-0.80	1.00

- The above is a rolling put spread index which continuously buys 90% delta puts.
- As outlined in our investment philosophy, if equity market beta goes up through time then equity market beta hedges go down through time. Therefore, they require targeted and active management to hedge efficiently

As at 28th June 2024

Source: Bloomberg, Fortem Capital