

Quarterly Commentary – 31st December 2025

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

Markets navigated an unstable backdrop incredibly well during 2025.

Trade tensions escalated materially in the first half as US tariff rates rose to levels not seen since the 1930s, triggering a sharp but ultimately short-lived risk-off episode in April. At the same time, geopolitical stress intensified and long-dated yields remained stubbornly high, reducing the transmission mechanism of looser monetary policy. These headwinds weighed heavily on sentiment early in the year but proved insufficient to derail broader risk appetite.

By mid-year, markets had pivoted decisively toward policy support and broad optimism. Fiscal expansion and the prospect of easier monetary conditions, combined with renewed enthusiasm around artificial intelligence, drove a synchronised re-rating across equities, credit and commodities. Emerging markets led equity performance, while developed markets recovered from early losses to post strong full-year gains.

The strongest signal of investor behaviour came through real assets. Precious metals significantly outperformed and commodity returns remained positive despite falling energy prices. Fixed income also generated positive returns as inflation fears moderated and currency effects supported non-US investors, making 2025 the first year since the pandemic in which all major asset classes posted gains; an ‘everything rally’.

By year-end, investor positioning appeared increasingly predicated on the assumption that fiscal impulse will deliver the growth outcomes now embedded in market prices. Large deficits, sustained public investment and continued AI-related capex are widely treated as sufficient offsets to possible tighter financial conditions, and this optimism is reflected in elevated valuations and compressed risk premia across asset classes; positioning is highly stretched – over 2/3 of the individual country equity indices comprising the global benchmark are at record highs. What is less clearly priced is the cost of delivering that growth: higher funding costs, constrained monetary support, and the risk that investment proves lower-return or slower-to-realise than expected. As a result, markets enter the next phase with expectations anchored to an undying fiscal impulse. The narrative restates what is already priced, and ignores any risks which are inconvenient to it.

The Fund returned -1.5% over the quarter and 0.4% over the course of 2025.

Income

The Fund is fully collateralised by short-dated, high-grade debt. As such, its liquidity profile extends to the liquidity profile of the Income portfolio.

Aligned with the house view, the income portfolios are heavily skewed towards short-dated, high-grade sovereign debt currently. The guidelines within which the collateral of the Funds operate are both strict and conservative, and currently, positioning is towards the conservative end of what are already conservative limits. However, given that inflation remains stubbornly above central bank targets, there is considerable yield to be harvested towards the front of the highest-grade yield curves.

The income portfolio returned 0.9% over the final quarter of 2025 and the current yield of the book is 4.1%.

Diversifier

The Diversifier Portfolio has its main exposure to core, structural alternative risk premia strategies, proven through various cycles over decades.

At Fortem, we split regimes into four ‘quadrants’, which is not particularly novel. However, the axes upon which those quadrants are based are more aligned to the space in which we operate, while being highly relevant to multi-asset portfolios all the way down to single strategies and positions within those strategies themselves:

Total Return	2025	Q4
UK 100	25.8%	6.9%
US 500	17.4%	2.6%
Europe 50	21.2%	5.1%
Japan 225	28.2%	12.2%
Hong Kong 50	33.5%	-3.3%
US 2000	12.8%	2.2%
Swiss 30	18.0%	9.6%
Global Equity	21.1%	3.1%
Global Bond	7.3%	1.1%
Commodities	11.1%	4.8%
PGF	8.9%	1.9%
AGF	0.4%	-1.5%
DGF	-0.7%	-1.3%
USI	16.7%	2.4%
ARF	9.2%	1.8%
CARF	8.8%	1.7%
LAF	8.4%*	4.4%

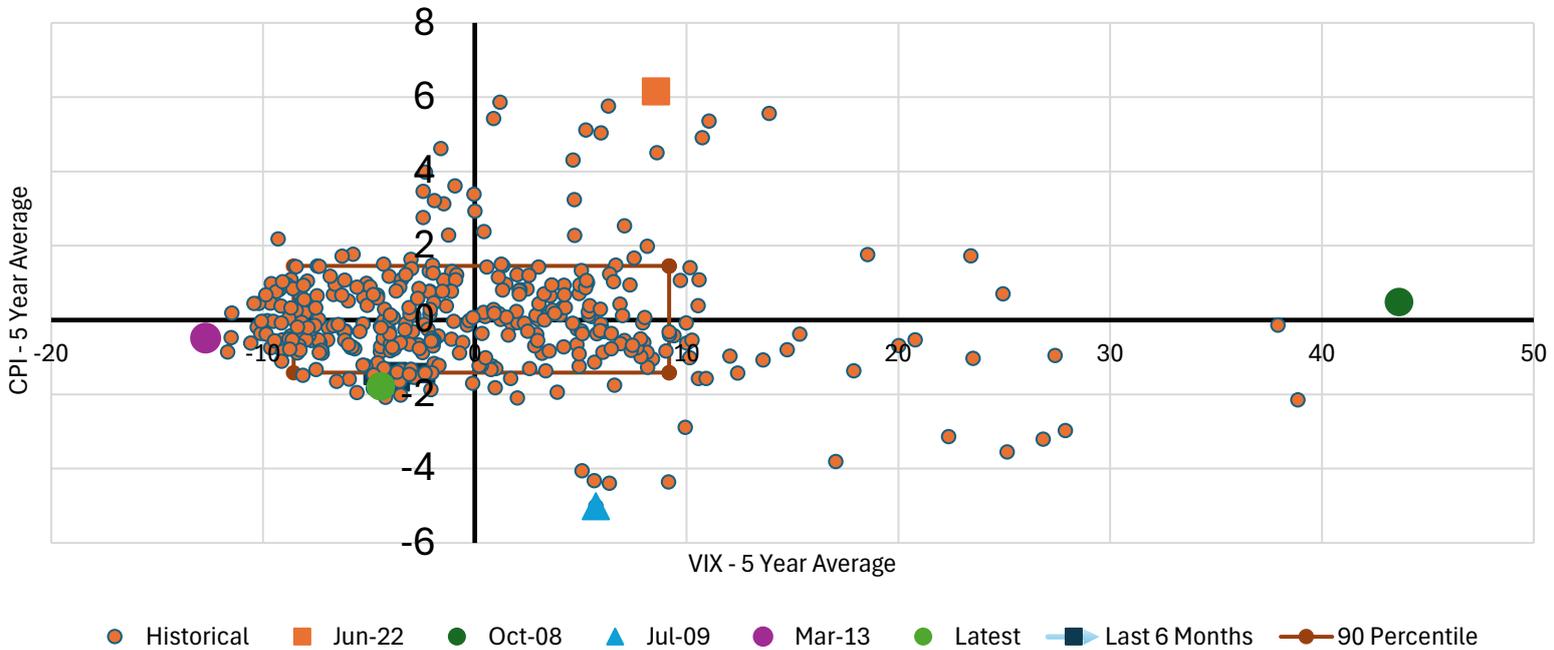
Phone: 0208 050 2905 Email: sales@fortemcapital.com

Quarterly Commentary – 31st December 2025

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

Fortem Regime Quadrant (Since 1995)



The two axes upon which the quadrants sit are:

Economic price uncertainty (real economy)

Asset price uncertainty (financial markets)

The quadrants can be seen as something akin to an investment clock. During periods of market stress, particularly those in more recent times, policymakers, in their efforts to suppress asset price uncertainty, behave as if time itself can be reversed. This illusion of stability has had profound effects on the relationship between real economies and financial markets, where dislocations and distortions are now commonplace to the extent that they are largely ignored. However, the distortions created by extraordinary policy measures do in fact matter and manifest themselves in economic price uncertainty where inflationary pressures build in response.

While policymakers may be able to pause time, and invariably when this occurs is when the ‘this time it is different’ arguments arise that economic time has been suspended indefinitely, the forces of economic and as a result financial entropy do eventually reassert themselves, returning uncertainty to the same asset prices that the policy was implemented to suppress; ‘the great thing about time is that it goes on.’

As an investor, one therefore cannot construct portfolios in a complete economic vacuum; if that were possible, then in theory one could construct a portfolio and never touch it again. Instead, one must have respect for cyclicity, recognising that time cannot be stopped, only managed. Diversification across betas and including those uncorrelated to the drivers of traditional asset price volatility is essential to this management. The investment clock is impartial, and ignoring the natural direction of time ensures portfolios are perpetually caught off guard when policymakers’ interventions run out of time, as they invariably do.

The Diversifier portfolio positioning is tilted to the bottom right quadrant, where, in particular, equity quality, FX value and commodity curve should thrive. We also retain our exposure to long rates volatility strategies in both Europe and the US.

One can see from the regime chart snail trail that for the past 6 months, we have been firmly in the bottom left ‘goldilocks’ quadrant. In this environment, one should expect risk assets to perform well, as they have. For investors, it is whether they are comfortable with their entire portfolio, including the supposedly diversifying portion, positioning for a continuation of the goldilocks environment versus anything not currently priced in causing a shift right along the volatility axis.

Quarterly Commentary – 31st December 2025

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

The wider market continues to price a continuation of bottom left quadrant conditions, the Diversifier portfolio is positioned for an end to that goldilocks environment, which is likely what investors currently require from a diversifier.

Over the quarter, the Diversifier portfolio returned -1.2%.

Unsurprisingly, given the ‘everything rally’, those losses were driven in the main by the two most defensive diversifier positions; equity quality and FX value.

Equity quality isolates the premia that financially strong companies tend to outperform over the longer term. Fortem’s implementation of this uses the Merton Distance to Default Model on the US 2000 index. The index is a sensible universe on which to apply the premia, given that over half of the companies that comprise it are loss-making. 2025 was a well-publicised ‘annus horribilis’ for the equity quality factor. However, there is something of a refinancing cliff approaching, and if yields remain elevated, those companies which have enjoyed debt that was restruck almost for free in the aftermath of Covid might come under far greater balance sheet scrutiny.

FX value positions were adversely affected by weakening of JPY & CHF. These two currencies are particular safe havens, so again there would be significant recovery expected if the ‘everything rally’ were to fade.

The outlook for the portfolio in its current guise is one that is highly constructive for an environment in which risk assets begin to underperform. Positioning certainly worked at the start of last year, before the kerosene poured on the market by policymakers caused short-term underperformance.

Protection

The Fund’s Protection Portfolio is made up of put options linked to the US 500 index as well as CDS on benchmark US and European credit indices. During the Q1 turbulence, the protection portfolio began to kick in in earnest before some profit was taken with volatility at its highs. The put positions were rolled once more during the quarter, and spend increased to maximum levels, leaving the Fund with a large amount of embedded convexity, more than it has had in its life-to-date.

Outlook

Markets increasingly appear to have shifted from an “everything rally” to something closer to an “everything bubble.” Asset prices across equities, credit and duration-sensitive assets are now heavily predicated on the delivery of a powerful and synchronised set of promises: a sustained surge in AI-related capex translating into durable productivity gains, a material and effective fiscal impulse, and further monetary easing that meaningfully loosens financial conditions. The difficulty is not that these outcomes are impossible, but that they are already well embedded in prices. As a result, there is very limited tolerance for disappointment on any front, whether in the scale, timing or efficacy of investment spend, the political feasibility of fiscal expansion, or the real-economy transmission of rate cuts. In this context, diversification must be treated with particular discipline. Assets held to diversify or protect risk-heavy portfolios cannot themselves rely on the realisation of these same optimistic assumptions for their return profile. True diversification requires exposures whose outlook is not contingent on AI monetisation, fiscal follow-through, or policymakers once again validating elevated valuations. Where diversification depends on the same promises that underpin risk assets, it is diversification in name only.

The Fund is designed to provide convexity in a crisis and cause bleed in the meantime. While it has admittedly not kept up with cash in a high-rate environment, it has been reliable as something that has provided for positive returns across different types of market sell-off. With regards to outlook, the Fund is positioned to do best when the equity portion of a multi-asset portfolio does worst.

Quarterly Commentary – 31st December 2025

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

- 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."