

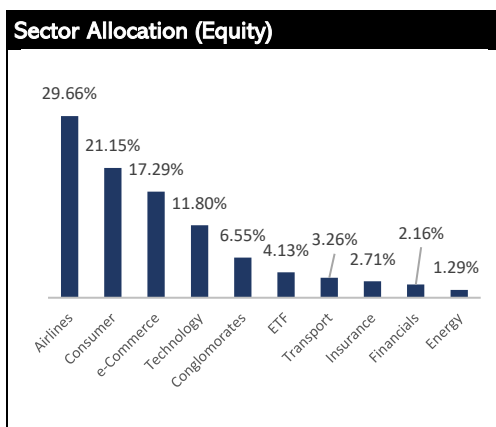
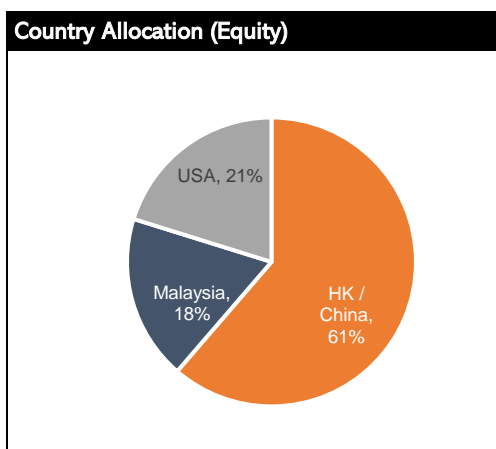
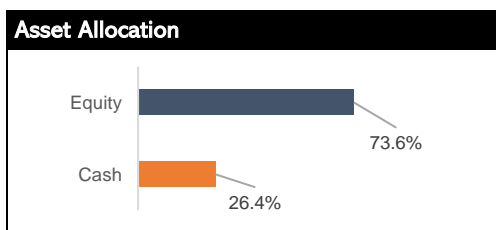
Fortress ACM 325 Fund -1

SEVEN TWENTY ONE (July 2021)

Performance (%)	NAV per Unit as at 31 st July 2021	1-mth	3-mth	YTD	Since inception*
Fortress ACM 325 Fund - 1	RMO.9909	(7.17%)	(5.74%)	(0.51%)	(0.91%)
Performance of Global Indices (as a reference only)					
MSCI World		1.7%	4.4%	14.1%	16.2%
MSCI AP ex J		(6.8%)	(6.2%)	(1.4%)	1.6%
FBMKLCI		(2.5%)	(6.7%)	(8.1%)	(8.4%)
HSI		(9.9%)	(9.6%)	(4.7%)	(1.3%)
STI		1.2%	(1.6%)	11.4%	12.1%
S&P 500		2.2%	5.1%	17.0%	18.7%
Nasdaq		1.2%	5.1%	13.8%	16.6%

Source: Bloomberg

*Fund Commencement Date: 8th December 2020



The herd mentality at its best

The portfolio has taken a 7.2% monthly dive largely due to one factor - China's negative news flow in relation to regulatory crackdown in certain sectors (most recently targeted at the education sector). The portfolio saw all the effort it put in over the past 7 months wipe out over a 6-day period. To be fair, the highhandedness of the new regulations was worse than expected and we admit that we were caught off-guard. The names we invested in Hong Kong/China were good ones (strong cash holdings, leaders in their business segment, fundamentally sound and at attractive valuations) and were spread over at least 7 different sectors (we did not have exposure to China education). Despite that, the sell-off was brutal and across the board. We have not seen selling this ferocious and widespread since the financial crisis in 2008

After taking-in the situation and assessing each company and sector we felt that the selloff was overdone and reckless, to say the least. We then quickly decided to put on our thinking cap to see how we could benefit from this situation. Do not follow the herd and do not panic!! The fund has time on its side...we have around 25-30% cash...we decided to ask ourselves if this was the right time to buy and if so, how do we execute the strategy. We looked at the macro data and felt that Beijing in trying to remind its "captains of industry" who the real boss is and that their expansion and embracement of Western Capitalism has gone a bit too far for Beijing's liking.

So, regulatory “adjustments” were announced but unfortunately with reckless vigour. Beijing had not expected such a pullback and widespread selling to the point where over USD1 trillion of market cap was destroyed within 6 days and global and local investors’ confidence were shaken to the core. After the carnage, the Chinese government, in trying to “save face”, did arrange a call with some global investment banks on 25th July 2021 to restore confidence and lay out a clearer regulatory path ahead. Overall, we feel that with this pullback there will be a grind upwards over the next few months as regulatory negative news flow will most likely cease or be released with a lot more caution and care. We do think that the risk premium is undoubtedly higher in China now but not at the ‘un-investable’ level as some may put it. For now, we must live with the red in the book and most likely use this opportunity to accumulate more (since we do have a decent cash pile). The fund will gradually creep back into the black as investors start realizing that not being invested in these good names will be to the detriment of their portfolios in the long run.

Other than China, the current spike in the Covid-19 ‘delta variant’ globally will push back the ‘re-opening’ timeline thesis by a few months. However, we have decided to maintain our exposure in airlines as we believe global vaccination efforts will ramp up dramatically over the next few months, the situation will eventually be contained and pent-up demand for air travel will resume/kickstart strongly.

The US market has done well but is showing signs of fatigue. With the summer months hitting full swing, the US markets will probably start easing off. Earnings of the large tech names and even consumption related stocks have been good (mostly in-line or beating analyst estimates). The key concern is still inflation and how it will be managed. We are gradually reducing our exposure to US equities and will start looking at other countries/regions that have a recovery play theme which has not been reflected in their respective markets.

Fund Approach

From a fund perspective we know that this pullback has sent jitters into our investor’s spines and rightfully so. What happened in China, to us, can be construed as a Black Swan event. The “good” thing is that the instigator has also been hurt (severely) and it is in their benefit to restore confidence. The process will take a bit longer as losing faith and trust is much easier than regaining it, but we feel it will be done in an orderly fashion. We also feel the adage that “markets and investors have a short memory” will prevail. We view this pullback in HK/China as an attractive opportunity to position the fund for its long-term return objective... long-term being a 12-month view.

We avoid talking about specific stocks in our monthly newsletter but are happy to discuss with existing investors on an informal basis when the opportunity arises.

Month-on-Month Performance

	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	NAV % Chg												0.9960 (0.40%)	(0.40%)
2021	NAV %Chg	0.9639 (3.22%)	1.0181 5.62%	1.0515 3.28%	1.0512 (0.03%)	1.0445 (0.64%)	1.0674 2.19%	0.9909 (7.17%)						(0.51%)

Fund Details*	
Tenure and maturity of the Fund	The Fund will mature on the third (3rd) year anniversary from the Commencement Date
Management Fee	Monthly Management Fee = (No. of Units held X 1.5% X RM1.0000)/12.
Fund Category and Investible Assets	Mixed Asset (including but not limited to listed equities, fixed income securities, government bonds, listed derivatives, listed collective investment schemes)
Valuation Frequency and Reporting	Monthly
Penalty Charge	8% of the withdrawal amount
Early Liquidation	If Fund achieves 50% (net basis) over and above the Offer Price during the 3-year period

*For more information, please refer to the Fund Information Memorandum and First Supplementary Information Memorandum.

Disclaimer

This document is prepared for informational purposes only. This document shall under no circumstances be construed as an offer to sell nor shall it be taken as a form of professional advice of any manner. The performance of the fund is not guaranteed, and the value of investment and their derived income may increase or decrease. Past performance is not a guide to future or likely performance. Before investing into the fund, you should consider whether this fund meets your investment objective and risk appetite. Although the information in this document was compiled with due care and from reliable sources, FCAM does not guarantee its accuracy, completeness, correctness, or timeliness for any particular purpose. FCAM reserves the right to change any information without giving any notice.

Investors are advised to read the Information Memorandum together with the First Supplementary Information Memorandum of the Fortress ACM 325 Fund - 1 and obtain professional advice before subscribing to the Fund.

Units of the Fortress ACM 325 Fund -1 can only be sold to Sophisticated Investors.