QUARTERLY REPORT
AS AT 30 SEPTEMBER 2021

Fulcrum Diversified Investments Fund

OBJECTIVE

The Fund aims to achieve long-term absolute returns in all market conditions over a rolling five-year period, with lower volatility than equity markets and in excess of inflation.

APIR	HFL0104AU	**MANAGER APPOINTED**	2 November 2020
ARSN	093 497 468	**FUND SIZE**	$153.4m
INCEPTION DATE	31 March 2001	**EXIT PRICE**	$1.6740

Net performance (%) and statistics

	1 month	3 months	1 year	3 years p.a.	5 years p.a.	7 years p.a.	Since inception p.a.[2]
Fund[1]	**-0.73**	**-3.47**	**3.99**	**-1.70**	**0.53**	**1.73**	**4.34**
Fulcrum Composite[3]	**-0.73**	**-3.47**	**5.41**	**4.06**	**4.00**	**3.07**	**5.29**

[1]Shaded Fund performance prior to 2 November 2020 is not attributable to Fulcrum Asset Management, but the previous investment manager. Performance of the Fulcrum Composite is presented below for reference.

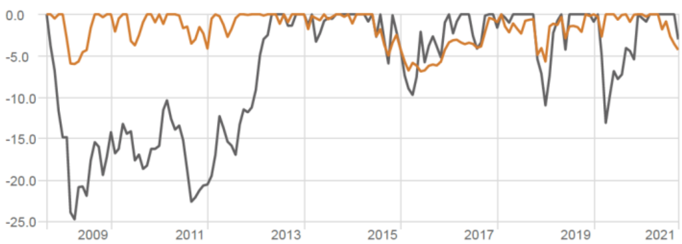
Fulcrum Composite 1 month rolling returns[3]

CY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2021	-0.29	3.50	0.19	3.55	-1.82	1.00	-1.82	-0.95	-0.73				**2.49**
2020	-0.27	-2.45	6.34	0.53	0.87	-0.63	0.56	0.57	-0.91	0.88	0.64	1.30	**7.45**
2019	4.53	0.32	-0.16	0.99	-2.61	1.50	0.05	-0.15	-0.59	2.69	-0.20	1.40	**7.88**
2018	2.86	-1.46	-0.74	1.12	-0.66	-0.59	1.58	0.12	0.08	-4.34	0.88	-1.72	**-3.02**
2017	0.28	0.06	-0.33	-0.21	0.17	-0.14	-0.47	0.15	1.82	1.74	-0.15	-0.36	**2.54**
2016	-1.56	-1.15	1.01	-0.36	-0.75	0.13	0.59	0.17	-0.12	0.49	1.52	0.93	**0.85**
2015	2.88	2.55	0.72	0.04	1.16	-2.65	0.88	-1.98	-1.29	1.63	0.99	-1.78	**3.01**
2014	-1.80	1.63	-0.28	-0.25	2.01	-0.61	0.30	0.99	1.32	-0.30	2.14	-1.12	**4.02**

Risk analysis since inception[3,4]	
Sharpe ratio	0.48
Standard deviation	5.65
Beta to MSCI World	0.19
Max drawdown	-6.89
% of winning months	59.87
Average win	1.45
% of losing months	40.13
Average loss	-1.07

Drawdown since inception[3,4]

Time Period: Since Common Inception (1/09/2008) to 30/09/2021



Past performance is not indicative of future performance. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distributions.

[2] This figure represents the annualised performance of the Fund from the Fund's inception on 31 March 2001 and the Fulcrum Composite's inception on 16 September 2008.

[3]From 16 September 2008 to 31 March 2012 the Fulcrum Composite represents the Fulcrum Diversified Absolute Return strategy net of fees as implemented in the longest running separate account, adjusted for the interest rate differential between AUD$ cash and GBP cash. From 1 April 2012 to 13 December 2012 the performance represents the TM Fulcrum Diversified Absolute Return Fund Class C GBP adjusted for the interest rate differential between AUD$ cash and GBP cash. From 14 December 2012 to 31 March 2015 the performance represents the TM Fulcrum Diversified Absolute Return Fund Class C AUD. Periods from 1 April 2015 to 30 October 2020 the performance represents the Fulcrum Diversified Absolute Return Fund (Australian unit trust). Performance from 2 November 2020 to date reflects the actual net returns of the Fulcrum Diversified Investments Fund. Source: Fulcrum Asset Management, JP Morgan and Morningstar Direct.

[4]Source: Morningstar Direct.

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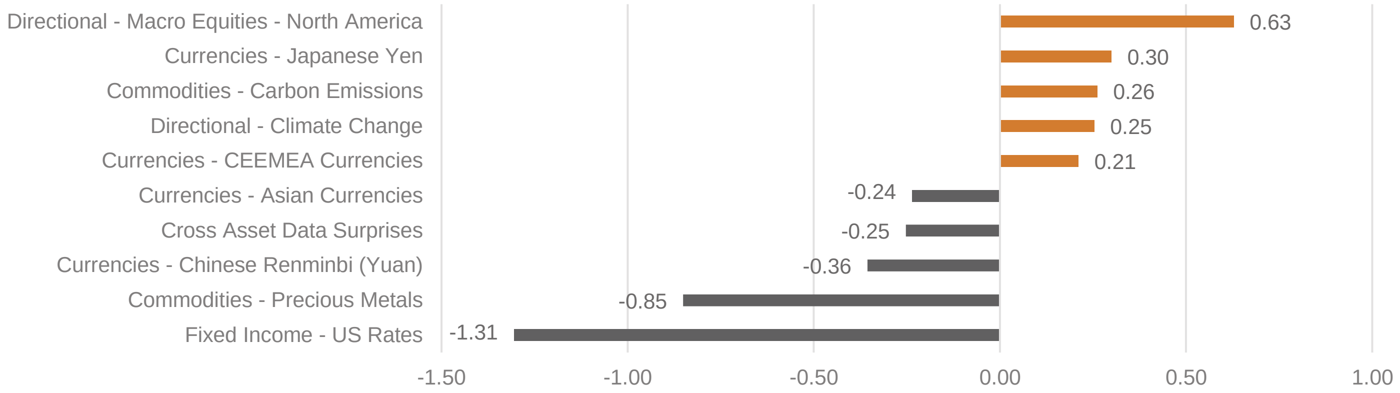
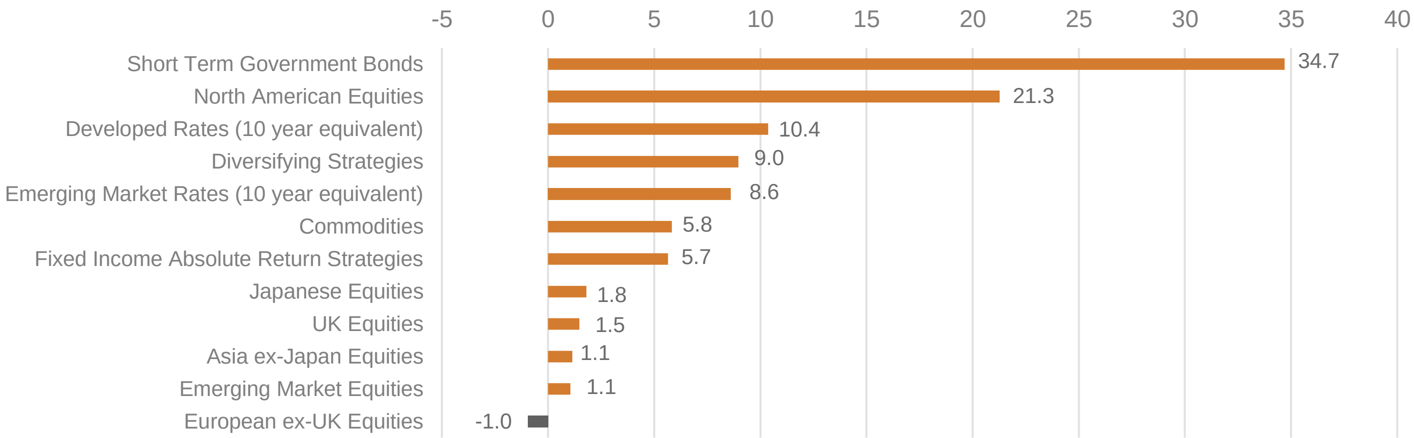
3 month top and bottom contributors and detractors (%)



Asset allocation (%)



Market review

Global equity markets finished the quarter lower, giving back their gains accumulated during the first two months of the period, as investors grappled with the prospect of default from China's second largest property developer, a growing energy crisis in Europe and China, continued supply disruptions across the globe and an earlier than expected end to the US Federal Reserve's asset purchase programme. The combination of events raised fears of both rising inflation and falling growth, otherwise known as stagflation. This proved to be a poor environment for balanced portfolios of equities and bonds, which experienced their worst return since March 2020.

A slew of factors, low inventory levels, poor renewable power generation and years of inadequate investment, put pressure on energy prices and created an energy crunch from Asia to Europe, sending energy-linked commodity prices to record levels. Consequently, taking worsening supply disruptions into their stride, markets priced in higher inflation expectations, with short- and medium-term US nominal bond yields higher on the quarter. Against this backdrop, the US dollar climbed back to its highest level since the beginning of the year.

Performance review

The Fulcrum Diversified Investments Fund returned -3.47% (net) for the quarter.

Relative value strategies was the main detractor, whilst directional strategies were flat and diversifying strategies were marginally up. Within relative value, the key positive contributor came from positioning within the investment manager's thematic equities though this was not enough to offset losses from their pro-cyclical positioning within currencies and fixed income.

The investment manager's more sanguine view on global growth and the subsequent recovery, led to losses across a broad range of growth sensitive assets within relative value. Exposure to Asian currencies, such as the Korean won, which the investment manager expected to benefit from a pick-up in global trade suffered, and their negative positioning in the Chinese renminbi was insufficient to offset these dynamics. Commodities also struggled but the losses were concentrated in precious metals, despite real rates moving further into negative territory and carbon emissions gave back some of their strong year to date gains.

Performance review (continued)

Fixed income overall was marginally down with significant regional dispersion, as gains from European, UK and Chinese duration positions were offset by the short US duration exposure. Thematic equities were a bright spot, with gains from some of their cyclical and technology disruption themes. Whilst volatility strategies and equity macro were both down a little over the quarter, directional strategies were flat over the period, with a small positive contribution from the investment manager's climate aligned equities. Finally, diversifying strategies had a strong quarter continuing to capture the broad trends across commodity markets.

Entering the third quarter of 2021, the investment manager was pro-cyclically positioned, net short duration (in the US and UK versus Europe and Asia), neutral the US dollar and held defensive precious metals. The investment manager believed that the recent economic weakness had been overstated due to supply bottlenecks, rather than being a pure reflection of falling demand, and expected to see strength in key underlying trends to re-assert itself in upcoming data. However, as the quarter progressed, it became apparent that supply bottlenecks were more persistent and economic activity was slowing in some parts of the world. Given the investment managers reassessment, they have reduced our pro-cyclical exposures and positioned the portfolio conservatively, with a below average allocation to equities, minimal exposure to government bonds and a positive stance on the US dollar.

Market outlook

The investment manager expects a continuation of the global economic recovery as vaccinations have significantly reduced the impact of the pandemic on countries. The recent slowing down of activity in major economies like China, UK and Germany can derail global growth which is currently supported by the US and some parts of Europe. Meanwhile, supply chain disruptions and an energy crunch continue to put upward pressure on inflation expectations, bringing about conditions for a stagflationary environment. Against this backdrop, the investment manager has positioned the portfolio to be more resilient against different economic outcomes with minimal exposure to government bonds (as weak growth and high inflation pull bonds in opposite directions). This means remaining nimble and opportunistic when implementing their investment ideas across a broad range of macro assets, time horizons and strategies. While uncertainty is high, it also means that the opportunity set is large, with more dispersion of economic outcomes and policy responses across countries, as some central banks decide to react to the very same shocks that others decry as transitory and supply related. This environment is rich in asymmetric opportunities for different regime outcomes as the sand shifts beneath our feet and assets start to behave differently to each other than historic correlations would suggest.

Material matters

During the month, there have been no material changes to the Fund in terms of key service providers, the risk profile, investment strategy or changes to individuals in the investment team who play a key role in the investment decisions of the Fund.

The Fund is classified as a hedge fund in accordance with the Australian Securities and Investments Commission, Regulatory Guide 240 'Hedge funds: Improving disclosure'. This classification is based on the fact that the Fund currently exhibits two or more characteristics of a hedge fund, being:

- complexity of investment strategy or structure;
- use of leverage;
- use of derivatives;
- use of short selling;
- charges a performance fee.

This information contains general information only and is not intended to represent specific investment or professional advice. The information does not take into account an individual's personal financial circumstances, objectives or needs. Before making an investment decision, you should consider obtaining professional investment advice that takes into account your personal circumstances and should read the current target market determination and offer document before making an investment decision to acquire or to continue to hold units in the Fund.