

# 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.

<b>APIR</b>	HFL0104AU	<b>MANAGER APPOINTED</b>	2 November 2020
<b>ARSN</b>	093 497 468	<b>FUND SIZE</b>	\$219.9m
<b>INCEPTION DATE</b>	31 March 2001	<b>EXIT PRICE</b>	\$1.7511

## Net performance (%) and statistics

	1 month	3 months	1 year	2 years p.a. <sup>2</sup>	3 years p.a.	5 years p.a.	7 years p.a.	10 years p.a.	Since inception p.a. <sup>3</sup>
<b>Fund<sup>1</sup></b>	<b>-0.47</b>	<b>-2.90</b>	<b>2.61</b>	<b>3.54</b>	<b>-0.75</b>	<b>0.17</b>	<b>1.28</b>	<b>3.80</b>	<b>4.30</b>

<sup>1</sup>Fund performance prior to 2 November 2020 is not attributable to the current investment manager, but the previous investment manager. Presented below is the longer-term track record of the current investment manager's strategy since its inception.

<b>Fulcrum Composite<sup>4</sup></b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>4.83</b>	<b>3.80</b>	<b>3.20</b>	<b>4.36</b>	<b>5.14</b>
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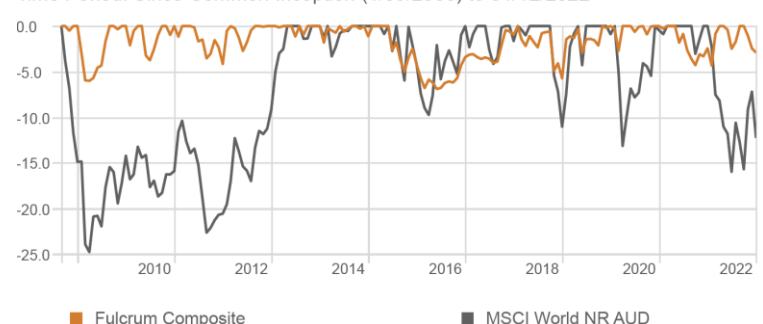
Fulcrum Composite 1 month rolling returns <sup>4</sup>													
CY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
<b>2022</b>	-1.94	3.63	2.15	1.26	-0.40	-2.10	0.80	2.18	0.10	-1.06	-1.39	-0.47	<b>2.61</b>
<b>2021</b>	-0.29	3.50	0.19	3.55	-1.82	1.00	-1.82	-0.95	-0.73	1.25	-0.22	0.91	<b>4.48</b>
<b>2020</b>	-0.27	-2.45	6.34	0.53	0.87	-0.63	0.56	0.57	-0.91	0.88	0.64	1.30	<b>7.45</b>
<b>2019</b>	4.53	0.32	-0.16	0.99	-2.61	1.50	0.05	-0.15	-0.59	2.69	-0.20	1.40	<b>7.88</b>
<b>2018</b>	2.86	-1.46	-0.74	1.12	-0.66	-0.59	1.58	0.12	0.08	-4.34	0.88	-1.72	<b>-3.02</b>
<b>2017</b>	0.28	0.06	-0.33	-0.21	0.17	-0.14	-0.47	0.15	1.82	1.74	-0.15	-0.36	<b>2.54</b>
<b>2016</b>	-1.56	-1.15	1.01	-0.36	-0.75	0.13	0.59	0.17	-0.12	0.49	1.52	0.93	<b>0.85</b>

## Fulcrum Composite risk analysis since inception<sup>4,5</sup>

Sharpe ratio	0.48
Standard deviation	5.64
Beta to MSCI World	0.16
Max drawdown	-6.89
% of winning months	59.30
Average win	1.46
% of losing months	40.70
Average loss	-1.07

## Drawdown since inception<sup>3,4</sup>

Time Period: Since Common Inception (1/09/2008) to 31/12/2022



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.

<sup>2</sup>A 2 year p.a. performance period has been included to represent the returns of the current investment manager following its appointment in 2020.

<sup>3</sup>Returns since inception represent the annualised performance from the first full month of operation.

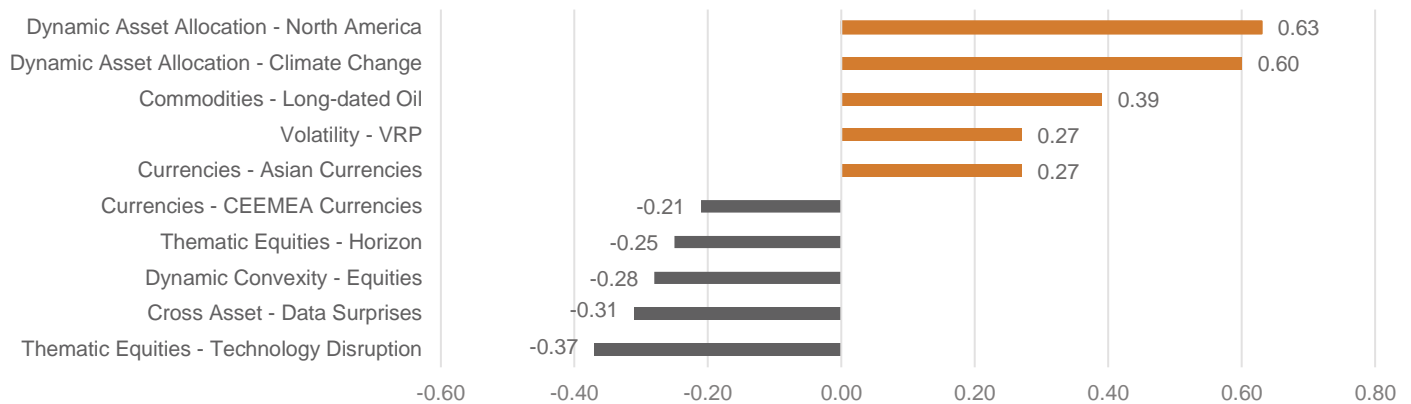
<sup>4</sup>The inception date of the Fulcrum Composite is 16 September 2008. Performance periods from 16 September 2008 to 31 March 2012 represent the Fulcrum Diversified Absolute Return strategy net of fees as implemented in the longest running separate account, adjusted for the interest rate differential between AUD cash and GBP cash. Performance periods from 1 April 2012 to 13 December 2012 represent the TM Fulcrum Diversified Absolute Return Fund Class C GBP adjusted for the interest rate differential between AUD cash and GBP cash. Performance periods from 14 December 2012 to 31 March 2015 represent the TM Fulcrum Diversified Absolute Return Fund Class C AUD. Performance periods from 1 April 2015 to 30 October 2020 represent the Fulcrum Diversified Absolute Return Fund (Australian unit trust). Performance periods from 2 November 2020 to month-to-date represents the actual net returns of the Fulcrum Diversified Investments Fund. Source: Fulcrum Asset Management, JP Morgan and Morningstar Direct.

<sup>5</sup>Source: Morningstar Direct.

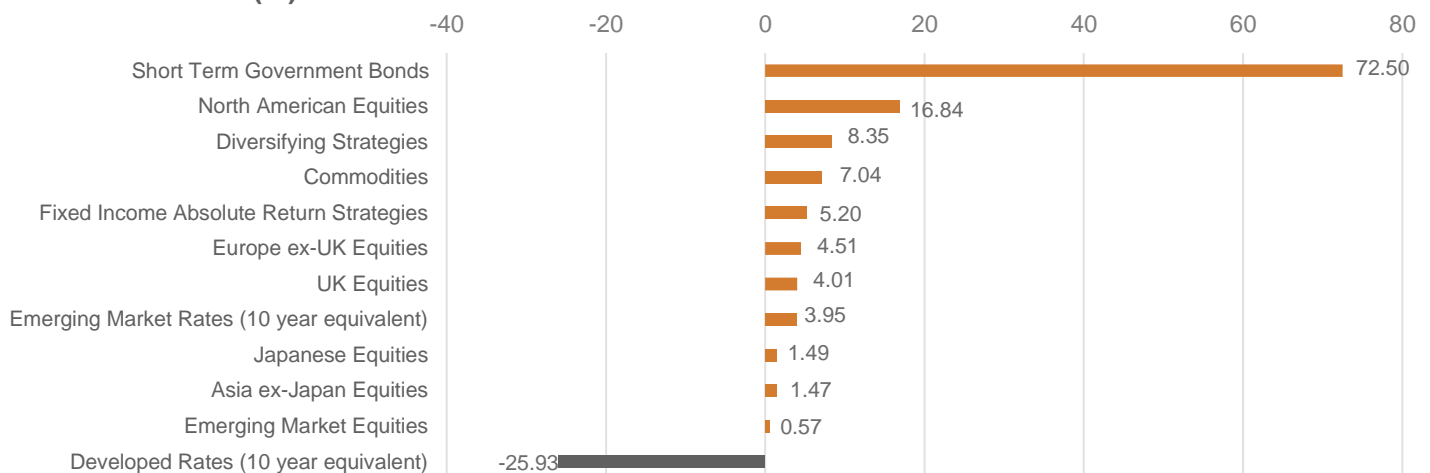
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### 3 month top and bottom contributors and detractors (%)<sup>1</sup>



### Asset allocation (%)<sup>1</sup>



<sup>1</sup> Data reflects the underlying fund in USD terms.

### Market review

The fourth quarter of 2022 saw a significant rebound in asset returns, with global equities posting a +9.8% gain alongside a +4.6% increase for global bonds. Incoming inflation data, and the subsequent repricing of monetary policy expectations, continued to exert a powerful influence over markets. The Chinese government's exit from their zero-COVID strategy also played a major if highly variable role: markets had to balance the improved medium-term growth outlook with a sharp near-term economic slowdown as the virus spread accelerated.

Though the beginning of October saw a sharp sell-off across asset classes, signs of disinflation across goods and energy products began to lift sentiment by the end of the month. Markets then staged a strong rally in November as the US October inflation report showed a larger-than-expected deceleration in both core and headline inflation. This, combined with increasing hawkishness from European central banks, led to a significant weakening in the dollar against major currencies. European markets in general also benefited from the sustained drop in natural gas prices amid warmer-than-usual winter weather.

Meanwhile, as the spread of COVID accelerated in China, domestic services and international trade activity experienced a sharp slowdown. The resulting decline in energy demand caused a significant negative shock to oil prices, which in turn boosted developed market bond and equity valuations. Furthermore, optimism around an eventual rebound in China lifted medium-term growth expectations and contributed to a rally in non-energy commodities.

## Performance review

The Fulcrum Diversified Investment Fund returned -2.90% (net) for the quarter, with gains from directional strategies offsetting losses from relative value and diversifying strategies. Within relative value, losses were led by equity thematic as risk sentiment rebounded, and currencies performance was hit by an appreciation in European FX. Cross asset and diversifying strategies saw losses as price trends reversed and growth sentiment improved, and dynamic convexity was also down. Commodities positions added to returns as both precious and industrial metals saw strong gains over the quarter.

## Market outlook

Going forward, markets will remain very sensitive to COVID developments within China. Whilst near-term uncertainty remains elevated amid unprecedented strain on the health sector, the medium-term outlook is improved by the prospect of an eventual full re-opening. This, combined with underinvestment in global energy production, informs our continued exposure to long-dated oil.

Whilst bond yields declined over recent months amid cooling inflation expectations and falling term premia, we maintain short duration positions concentrated in Europe. This reflects the fact that European monetary conditions have not yet tightened to the same extent as in the US, and though energy prices have eased, the continent faces continued upward pressure on core inflation and wage growth.

Ultimately, recent events have highlighted how a multitude of distinct shocks can hit markets simultaneously. By constantly assessing the nature of these shocks, and maintaining low exposure to traditional assets, we continue to pursue a dynamic strategy that is less directional in nature.

## Material matters

A new PDS for the Fund was issued on 30 September 2022, updated for FY2022 fees and costs and the new RG97 fees and costs disclosure regime.

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.

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