

The Role of Fulcrum Diversified Absolute Return Fund in an Investment Portfolio

Fulcrum Diversified Absolute Return Fund (DAR) seeks to provide investment outcomes that are complementary to those from traditional asset classes, with a focus on delivering absolute returns in the broadest possible range of market environments. It can help diversify your portfolio and seeks to protect from downside risk.

DAR aims to help clients generate medium to long-term (3-5 years) returns in excess of cash and inflation, with the strategy investing globally in a wide variety of highly liquid uncorrelated return streams.

Risk management is central to our approach, and specifically, we seek to limit volatility and performance drawdowns to acceptable levels so that clients can maintain an appropriately long investment horizon and avoid common behavioral mistakes that stem from unexpected volatility.

DAR's complementary role in a portfolio

DAR complements the core asset classes of equities and bonds as well as traditional multi-asset funds; its unconstrained approach focuses on limiting downside risk whilst seeking to generate strong risk adjusted returns.

Relative to Liquid Alternative Strategies and Macro Liquid Alternative Strategies, DAR seeks to achieve higher risk-adjusted returns, low correlation to global equities and fixed income, and low correlation to traditional balanced 60/40 portfolios, as outlined in the table below:

As of 12/31/2022¹

	Diversified Absolute Return (Net) ²	Wilshire Liquid Alts ³	HFRX Hedge Fund ⁴	Bloomberg US Agg Total Return ⁵
Since Inception*	2.79%	1.03%	1.40%	0.84%
1 Year Return	2.19%	-3.84%	-4.41%	-13.01%
5 Year Return	4.20%	0.82%	1.41%	0.02%
Standard Deviation	5.0%	4.5%	4.6%	4.4%
Beta to Global Equities ⁶	0.1	0.3	0.3	0.1
Beta to Global Fixed Income ⁷	-0.2	0.4	0.2	1.1
Correlation to Global Equities ⁶	0.3	0.9	0.8	0.3
Correlation to Global Fixed Income ⁷	-0.2	0.4	0.2	1.0
Correlation to Balanced Portfolio (60/40) ⁸	0.3	0.9	0.8	0.4

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-855-538-5278. Performance shown reflects contractual fee waivers. Without such waivers, total returns would be reduced.

Returns for periods greater than one year are annualised. *Inception date: July 31, 2015. ¹Data analysis provided since inception of the Fund. ²Represents Fulcrum Diversified Absolute Return Super Institutional Class ("the Fund"), a series of Northern Lights Fund Trust IV. ³Represents the Wilshire Liquid Alternative Index (Bloomberg ticker: WLIQA) ⁴Represents the HFRX Global Hedge Fund Index (Bloomberg ticker: HFRXGL). ⁵Represents the Bloomberg US Agg Total Return Value Unhedged USD (Bloomberg ticker: LBUSTRUU). ⁶Represents MSCI World TR USD Hedged (Bloomberg ticker: WHANWIHD). ⁷Represents Bloomberg Global Aggregate Total Return Index Value Hedged USD (Bloomberg ticker: LEGATRUH). Source: Fulcrum Asset Management LLP, Bloomberg. ⁸The balanced portfolio contains 60% equities⁶ and 40% bonds⁷. Source: Fulcrum Asset Management LLP.

DAR's role in the current market environment

One of the most important issues for investors is how they can help cushion their portfolios from declines in equity markets. Traditionally there have been several ways people approach this, with the use of government bonds being the most popular; a decision supported by historically attractive yields, negative correlations to equities, simplicity, familiarity, unconventional monetary policy including a decade of quantitative easing and a bull market for bonds that started in the early 1980's and ended in 2020.

However, as we have witnessed in 2022, during a period of higher inflation, bonds have shown themselves to be a far less reliable portfolio diversifier, with the Bloomberg US Agg Total Return index falling -13.01% over the course of the year. Worse still, the correlation between equities and bonds¹ has become positive in the last three years, which has not been uncommon in previous decades, exacerbating equity losses, just when investors needed a diversifier to offset their equity risk

Whilst this does not necessarily mean that bonds are to be avoided, investors need to appreciate that the nature of diversification is not constant but evolves with the macroeconomic environment. Therefore, it seems sensible to explore the wide range of other options for effective diversification. We assess these alternatives through the twin lenses of risk mitigation and return enhancement; investments that can act in harmony that seek to cushion portfolios when equities are falling, or to potentially provide the return that bonds have achieved in the past. Some examples include:

- **Diversification within Fixed Income.** Investors can diversify their fixed income exposures by incorporating different strategies. Countries with steeper yield curves can still offer significant diversification when risk assets fall since they have more room to compress, for example.
- **Defensive Currencies.** Some currencies in jurisdictions with negative to low interest rates, like the Japanese yen and Swiss franc, have historically acted as buffers during risk-off

episodes as investors unwind carry strategies. The current rate repricing is creating interest rate divergences, bringing to the fore once again traditional defensive currencies.

- **Alternative Sources of Real Returns.** Non-traditional sources of real return and diversification can come from infrastructure, listed real estate, commodities, inflation-protected bonds, to name a few. Such assets can play a critical role in portfolios and may help shelter against high inflation, an environment in which government bonds are unlikely to diversify.
- **Diversified Tail Risk Hedging.** Tail risk strategies can be designed with the potential to offer modestly positive excess returns over the very long term, with a negative correlation to equity markets. Successful tail hedging requires active management across a broad range of assets and the continual real-time assessment of market positioning and evaluation of market complacency or readiness for tail events.

In the current market environment, implementing a broad range of investment opportunities across different asset classes, strategies, and time horizons can provide alternative sources of returns and necessary diversification.

As an alternative, an investor can employ a manager which encompasses all these possible investment strategies and more, within their opportunity set and importantly, conducts detailed global macro research to set allocations. Market and economic forces can change quickly, and an alternative manager should have the flexibility to adjust allocations to avoid undue risk and take advantage of changing circumstances.

¹Analysis performed of the correlation of equities (represented by the S&P 500 Index and the MSCI World TD USD hedged Index) against bonds (represented by the Barclays Global Aggregate Bond Index (USD Hedged)). The calculated correlation use data from the previous 24 months to 31st December 2022.

A Broad and Diversified Investment Approach

The Fulcrum Diversified Absolute Return strategy is built on three principle building blocks with each playing a specific role in the portfolio and contributing to performance – Dynamic Asset Allocation, Discretionary Macro and Diversifying Strategies:

- Dynamic Asset Allocation is focused on long-run wealth generation with an improved distribution of risk and return. By taking directional views across equities, commodities, and bonds.
- Discretionary Macro strategies, are focused on shorter term trading of economic/market transitions across all asset classes.

- Diversifying strategies include liquid alternative approaches, such as trend-following, which exploit Fulcrum’s expertise in systematic strategies – and offer further breadth to the overall portfolio.

Building diverse portfolios that focus on a broad range of performance drivers over a multitude of time horizons is key, and our approach has been tried and tested through a wide range of market conditions, including the recent Covid pandemic in 2020 and inflation shock of 2022 when equities and bonds declined together.

Fund Risk Profile:

	Dynamic Asset Allocation	Discretionary Macro	Diversifying Strategies	Diversified Absolute Return
Description	Medium term directional views across global equities, commodities and bonds	Shorter term trading of economic/market transitions across all asset classes	Medium term trend following, technical signals on >170 markets	Absolute Return
Percentage of Risk	30-40%	40-50%	0-10%	5.0% Portfolio Standard Deviation
Expected Beta to Equities	+0.3	-0.1	+0.1	+0.1

Past performance is not a guide to future performance and future returns are not guaranteed. The chart above is provided for illustrative purposes only and is subject to change. It is based on historic fund data since inception through to 31st December 2022.

The individual strategy percentage of risk range is provided as a proportion of the total risk of the portfolio. Standalone risk by strategy is calculated by the strategy weight in the portfolio multiplied by the standard deviation of portfolio holdings in that strategy category. It is measured independently of other strategies and does not take into account their potential offsetting effect. The volatility range represents standard deviation which measures historical variability of returns around the average for an individual position, asset or group of assets. Higher standard deviation suggests greater risk.

Why invest with Fulcrum?

An independent firm with an experienced investment team. Fulcrum is an independently owned investment management company with a focus on absolute return strategies. Our disciplined investment process is driven by an experienced and stable senior team, who have complementary strengths and are supported by a team of over 30 investment professionals, including 12 PhDs.

Headquartered in London with an office in New York, Fulcrum has over 90 employees and \$6.2bn assets under management.

The same senior investment team has managed our portfolios from inception.

Repeatable results with a broad base of performance drivers. Our approach is to combine the benefits of three performance drivers, namely Hit Ratio (i.e. the quality of investment ideas), Asymmetry (the skill in implementing those ideas) and Breadth (the number of ideas). Such strategies are more likely to generate attractive and repeatable investment outcomes that are demonstrably not the result of luck and do not necessitate unreasonably long investment horizons.

Academic Rigor. Our investment process is guided by economic theory and backed by empirical research. This provides a valuable reference from which to frame our thinking and research, helping us to combine the fundamental and behavioral factors in

underlying investment markets.

Multidisciplinary. We leverage the full suite of capabilities available within Fulcrum – across the areas of global macro, risk premia, thematic equities, alternative solutions, and responsible investing – to help us achieve our investment objectives for clients.

Key differentiators of DAR

Return generation:

- Diversified multi-asset portfolio investing across the four liquid asset classes of equities, bonds, currencies, and commodities.
- Fund targets long-term absolute returns in all market conditions over rolling five-year periods, with lower volatility than equity markets and in excess of cash and inflation.

Risk Mitigation:

- Permanent hedging overlay to help reduce participation in declining equity markets.
- Historically the fund has provided positive returns when equity markets were down, significantly in 2022 and Q1 2020.

Complementarity:

- Dynamic global asset allocation subject to strict risk limits.
- Aims to deliver a more stable profile of returns with a lower realized sensitivity to traditional equity and bond markets.

Why Fulcrum Diversified Absolute Return Fund?

- Low correlations to traditional assets.
- Rising correlations of bonds with equities.
- DAR returns are not dependent upon any one asset class, factor, or time horizon.

Contact us

Head Office

T: +44 207 016 6450
IR@fulcrumasset.com

Fulcrum Asset Management LLP
Marble Arch House,
66 Seymour Street
London W1H 5BT

New York Office

T: +1 (646) 837-6110
IR@fulcrumasset.com

Paul Seaton
Investment Director,
Head of North America
paul.seaton@fulcrumasset.com

Fulcrum Asset Management
LP 405 Lexington Avenue,
9th Floor New York, NY 10174

Premier Investments, LLC (Distribution Partner)

T: 952-214-0899

Bill Peterson, CFA
President,
bpeterson@premierinvestments-llc.com

Premier Investments, LLC
5775 Wayzata Blvd. Suite 700
St. Louis Park, MN 55416
952-214-0899

Glossary

Standard Deviation - measures historical variability of returns around the average for an individual position, asset or group of assets. Higher standard deviation suggests greater risk.

Beta – a measure of the volatility of a security or portfolio compared to the market as a whole.

Correlation - statistical measure of the degree to which two variables move in relation to each other.

Wilshire Liquid Alternative Index - measures the collective performance of the five Wilshire Liquid Alternative strategies that make up the Wilshire Liquid Alternative Universe. It is designed to provide a broad measure of the liquid alternative market by combining the performance of the Wilshire Liquid Alternative Equity Hedge Index (WLIQAEH), Wilshire Liquid Alternative Global Macro Index (WLIQAGM), Wilshire Liquid Alternative Relative Value Index (WLIQARV), Wilshire Liquid Alternative Multi-Strategy Index (WLIQAMS), and Wilshire Liquid Alternative Event Driven Index (WLIQAED).

HFRX Hedge Fund Index - is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

Bloomberg US Aggregate Total Return Index Value Unhedged USD – a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS (asset-backed securities) and CMBS (agency and non-agency).

Disclosure

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the fund may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling 1-855-538-5278. Performance shown reflects contractual fee waivers. Without such waivers, total returns would be reduced.

As of the prospectus dated March 10, 2023, the Adviser has contractually agreed to waive a portion or all of its management fees and pay Fund expenses in order to limit the total annual fund operating expense to 1.05% (FARYX) and 1.05% (FARIX) through April 30, 2024. This limit excludes shareholder servicing fees; any front end or contingent deferred loads; brokerage fees and commissions; acquired fund fees and expenses ("AFFE"); fees and expenses associated with investment in other collective investment vehicles or derivative investments; borrowing costs; taxes; and extraordinary expenses such as litigation expenses.

FOR INSTITUTIONAL USE ONLY – NOT FOR PUBLIC DISTRIBUTION

The Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus and summary prospectus contain this and other important information about the investment company, and it may be obtained by calling 1.855.538.5278, or visiting www.fulcrumassetfunds.com. Read them carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. Absolute return strategies are not designed to outperform stocks and bonds during strong market rallies. Exposure to the commodities markets may subject the Fund to greater volatility than investments in traditional securities. The value of commodity linked derivative investments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or sectors affecting a particular industry or commodity, such as drought, floods, weather, embargoes, tariffs and international economic, political and regulatory developments. Derivatives involve special risks including correlation, counterparty, liquidity, operational, accounting and tax risks. These risks, in certain cases, may be greater than the risks presented by more traditional investments. The Fund may use leverage which may exaggerate the effect of any increase or decrease in the value of portfolio securities or the Net Asset Value of the Fund, and money borrowed will be subject to interest costs. The Fund invests in foreign securities which involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater in emerging markets. Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investment by the Fund in lower-rated and non-rated securities presents a greater risk of loss to principal and interest than higher-rated securities. Diversification does not assure a profit nor protect against loss in a declining market.

The Fulcrum Diversified Absolute Return Fund is distributed by Northern lights Distributors, LLC.

16774370-NLD-04212023