Fulcrum Diversified Absolute Return (FARIX)

FULCRUM

August 31, 2024

Diversification	Downside Mitigation	Liquidity
Generate returns with a low correlation to stocks and bonds.	Seeks to hedge against extreme losses.	Daily valued and reasonable fees.

Description

Fulcrum Diversified Absolute Return (FARIX) can help diversify a portfolio consisting primarily of stocks and bonds with its low correlation and beta to both, along with good historical downside mitigation during volatile periods for markets. Target return of Cash Rate +3-5%.

Fund Information

Institutional Class	Management Fee	Gross Expenses	Net Expenses*	Strategy Start Date	40 Act Launch Date	Fund AUM ($)	Strategy AUM ($)	Firm AUM ($)
FARIX	**0.90%**	**1.40%**	**1.20%**	**09/2008**	**7/31/2015**	**$193m**	**$6.3bn**	**$7.6bn**

*Contractual through October 31, 2024

Investment Process

All weather portfolio investing across equities, bonds, currencies and commodities, built from complementary strategies combining discretionary and systematic inputs, with each playing a specific role and contributing to performance. Tailored hedging overlay aims to protect against extreme losses.

DYNAMIC ASSET ALLOCATION	+	DISCRETIONARY MACRO	+	DIVERSIFYING STRATEGIES	=	DIVERSIFIED ABSOLUTE RETURN
Medium-term directional views across global equities, commodities and bonds		Shorter-term trading of market transitions across all asset classes		Medium-term trend following, technical signals on >170 markets		**Absolute Return** Since inception low correlation to equities and negative to bonds
Percentage of Risk 30-40%		**Percentage of Risk** 40-50%		**Percentage of Risk** 0-10%		
Expected Equity Beta* +0.3		**Expected Equity Beta*** -0.1		**Expected Equity Beta*** +0.1		**Expected Equity Beta*** +0.2

[4]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.
[5]Expected Beta to Equities– A measure of the volatility of a security or portfolio compared to the market as a whole. Specifically, outlines the anticipated beta value associated with a portfolio's equity holdings. By multiplying the beta -value of a given strategy or portfolio with the expected movement of the aggregated securities, the expected change in the overall risk of the portfolio can be determined.

Net Performance

	As of August 31, 2024			As of June 30, 2024				
	August	YTD	Since Inception**	Q2-24	1 Year	3 Years	5 Years	Since Inception**
Fulcrum Diversified Absolute Return	-0.94%	5.30%	2.88%	1.48%	9.35%	2.30%	5.14%	3.04%
Wilshire Liquid Alternatives[1]	0.69%	7.14%	2.09%	0.49%	7.30%	1.37%	2.75%	1.95%
HFRX Global Hedge Fund Index[2]	0.35%	4.01%	1.93%	0.32%	5.36%	0.42%	3.18%	1.83%
Bloomberg US Agg Total Return[3]	1.44%	3.07%	1.62%	0.07%	2.63%	-3.02%	-0.23%	1.22%

Note returns for periods greater than one year are annualized. **Inception date: July 31, 2015. [1]Represents the Wilshire Liquid Alternative Index which 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) (Bloomberg ticker: WLIQA). [2]The HFRX Global 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 ticker: HFRXGL). [3]Represents the Bloomberg US Agg Total Return 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 and CMBS (agency and non-agency) (Bloomberg ticker LBUSTRUU).

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.

Investment Committee

Our disciplined investment process and risk management is driven by an experienced and stable senior team, who have complementary strengths and are supported by a team of over 30 investment professionals.

Gavyn Davies,
Founding Partner & Executive Chairman

- BBC, Executive Chairman
- Goldman Sachs, Chief Economist,
- Managing Director and Partner
- HM Treasury Forecasting Panel UK
- Policy Unit at 10 Downing Street, Economic Policy, Economist, then advisor to the Prime Minister
- St John's College, Cambridge

Suhail Shaikh,
Partner, Chief Investment Officer

- Goldman Sachs, Investment Strategy Group, Global Equity, then Global Fixed Income & Currency Asset Management
- London School of Economics & Political Sciences, BSc in Management
- CFA Charterholder

Andrew Bevan, PhD
Partner, Economic Advisor

- Goldman Sachs, Managing Director, Head of Global Markets Research
- Bear Stearns, Managing Director, Head of Financial Analytics and Structured Transactions Group
- PhD International Monetary Economics, PhD in Theology

Juan Antolin-Diaz,
Partner, Chief Research Officer

- European Central Bank, Traineeship, Division of External Development
- Foundation for Applied Economic Research, Research Assistant
- MSc in Economics, London School of Economics & Political Science Economics Degree, Universidad Complutense Madrid

Fawaz Chaudhry,
Partner, Head of Equities

- BlueCrest Capital, PM Global Equities
- Moore Capital, PM Global Equities & Credit
- Hadron Capital, PM Global Equities & Credit
- Macquarie Capital Advisers, VP, Listed Equities Group
- London Business School, MBA Finance
- MIT, M.Eng. & B.S. Electrical Engineering & Computer Science, B.S. Management Science – Finance

About Fulcrum

- Founded in 2004, Fulcrum is a highly innovative, employee-owned asset manager with a focus on macro-orientated absolute return investment strategies, integrating both discretionary and systematic inputs.
- The firm manages $7.6bn on behalf of a global client base of institutions, wealth managers, endowments & foundations, and private investors.
- The same senior investment team has managed the strategy from inception and worked together at Goldman Sachs through several decades and all manner of market environments.
- With a disciplined investment process and effective risk management, our aim is to be our clients' most trusted long-term partner.

Portfolio Performance

On the surface, August was a strong month for asset markets but, beneath the surface, there was significant volatility and de-risking early in the month to navigate. Risk sentiment deteriorated sharply, triggered by both hawkish commentary from the Bank of Japan after they raised rates late in July and increased fears of a US recession following an unexpected jump in unemployment. On August 5th, the day began with the Japanese equity market falling 12% on the day, which spilled over into other markets as the VIX volatility index saw its largest ever intraday jump. Global equities and commodities declined, whilst government bonds and the Japanese yen both rallied.

By the middle of the month, global equities saw a full recovery. This came as declining US jobless claims, a benign inflation report, and strong retail sales numbers boosted market optimism around the prospect of a 'soft landing'. The UK also saw resilient activity, underscored by a strong set of PMIs for August, though the euro area remained weak due to continued manufacturing sector weakness in Germany.

Against this turbulent backdrop, global equities rose by +2.6%[1] in August. Global bonds returned +2.4%[2], as the cooling inflation data and financial market volatility increased expectations of monetary policy easing. Following the weakening in the US labour market, the dollar fell by -2.3%.[3] Meanwhile, global commodities saw a -1.7%[4] decline, with falls in energy prices offsetting increases in precious and industrial metals as well as agricultural commodities.

The fund returned -0.94% in August, with small gains from Dynamic Asset Allocation (DAA) being offset by losses in Discretionary Macro (DM) and Diversifying Strategies (DS).

Within DAA, long exposure to fixed income was the largest contributor benefiting from the rally in government bonds, whilst equities recovered to finish up on the month with notable performance from climate aligned equities. Commodities were a small detractor.

For Diversifying Strategies it was a continuation of July, with the sharp reversals in the Japanese yen and equities early in the month proving challenging, albeit at much reduced risk levels.

In Discretionary Macro, the fixed income sleeve performed well on the back of our long duration exposures, particularly in the US and Europe. Macro-economic indicators continue to suggest a weakening in both inflation and the labour market in the US. Within currencies, our long exposure to the Japanese yen was insufficient to offset losses from our long US dollar positions against the Renminbi, New Zealand and Australian dollars, as US dollar weakness was the main theme with investors pricing in more aggressive rate cuts in the US.

Dynamic Convexity had another positive month, benefiting from downside protection to US equities and an uptick in volatility in some currency pairs. In contrast, the volatility sleeve was the biggest detractor, as relative value volatility and VIX carry strategies were hurt by the VIX flash crash at the start of the month. Hedges in other equity indices and short-rates volatility were unable to offset losses.

Cross Asset strategies avoided most of the big initial downdraft in Japanese equities and successfully caught the recovery and contributed to returns. Commodities had a small negative, as our tactical trades in platinum and silver incurred losses, which were partially offset by gains in a short position in long-dated oil.

Elsewhere, Equity Macro was flat as gains from tactical pair trades on relative performance of large cap vs small cap equities in the UK and US, were offset by losses from a position in Japanese banks. Whilst Thematic Equities underperformed, driven by losses in our long China technology theme, partly offset by gains from our discretionary spending shorts. The weakness in the consumer sector reflects broader concerns about macroeconomic growth and disappointing consumer data from both the U.S. and China.

Portfolio Positioning & Outlook

Fulcrum Diversified Absolute Return consists of three proprietary sub-strategies of Dynamic Asset Allocation, Discretionary Macro and Diversifying Strategies.

Dynamic Asset Allocation

The allocation to equities declined over the month amid the spike in volatility. Meanwhile the bond allocation increased further as the inflation and interest rate outlook eased. The commodity allocation ended August roughly unchanged, rebounding from a sharp drop at the beginning of the month as the global economy showed resilience.

Discretionary Macro

In Fixed Income, we maintain a long duration stance in the US, with a view towards further steepening. This balances the Fed's bias towards easing against concerns around long-run fiscal sustainability which could hurt longer-term bonds. We are also long duration in the UK, which is expressed primarily at the long end of the curve. The front end has already incorporated Bank of England caution towards premature cuts with strong near-term growth and core inflation. But further out, we see a faster normalisation of abnormally high wage and service price inflation pressures, than current market expectations.

In Currencies, we are long the dollar against the euro due to the continued relative growth advantage seen by the US economy.

Within Commodities, we maintain a long precious metals stance, which we see as continuing to benefit from structural global trends as well as providing upside potential during bouts of market volatility. We also continue to be short oil, where we see a negative skew in future price outcomes due to production overcapacity and vulnerability to any slowing in global activity.

In Equities, we continue to view Japanese equities as attractive. As Japan emerges from a period of deflation and enters a phase of steady growth, the banking sector stands to gain from increased demand for loans and financial services. The recent pullback in stock prices has made valuations particularly compelling, while corporate returns remain healthy. The potential for further rate hikes is a tailwind for banks, as higher interest rates improve net interest margins, thus boosting profitability.

In Dynamic Convexity, we maintain positions that would benefit from a rapid appreciation of the US dollar alongside a decline in global equities. Given current pricing for a 'soft landing' scenario, these positions are attractively priced to hedge against further monetary policy or supply shocks to the global economy.

Diversifying Strategies

Following the rapid trend reversals seen last month, our trend follower has significantly increased its long exposure to bonds and a short stance on the US dollar.

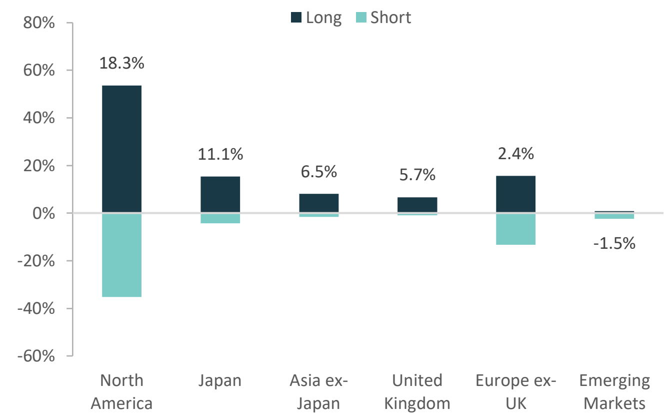
Overall

We would characterise early August as a large market shock, rather than a macro shock but it serves as a reminder of the interconnected nature of markets and the risks of overstaying your welcome in consensus positions.

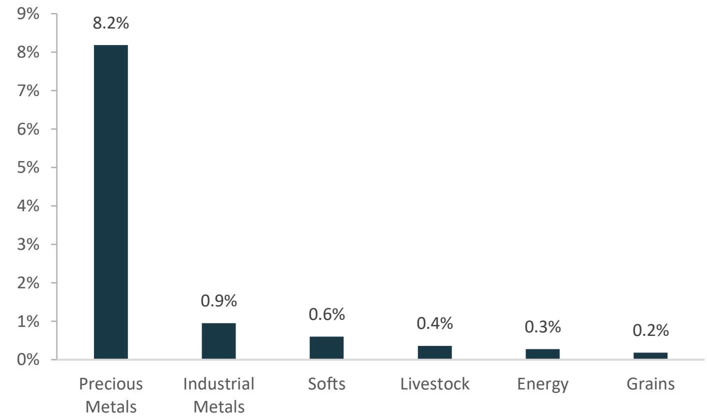
We reshaped and reduced risk in the portfolio quickly, allowing us to prudently put risk back on and benefit from the recovery. In summary, we have moderated our equity exposure and rotated into duration, but remain nimble in our positioning, with significant diversification across strategies as well as hedging against emergent risks.

[1]Bloomberg Ticker: GDUEACWF Index
[2]Bloomberg Ticker: LEGATRUU Index
[3]Bloomberg Ticker: DXY Curncy
[4]Bloomberg Ticker: SPGSCITR Index

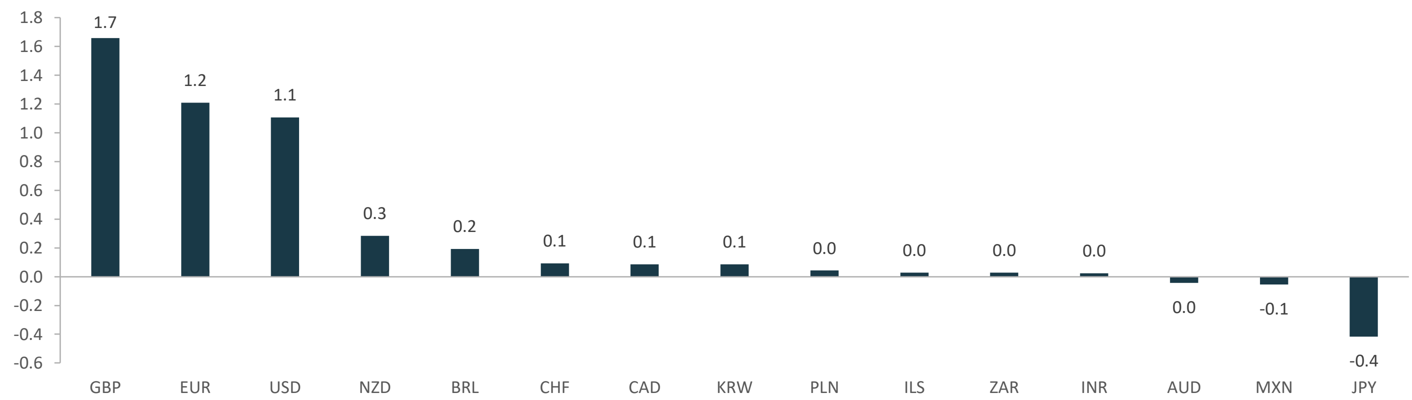
Net Equity Exposure by Region: 42.6%



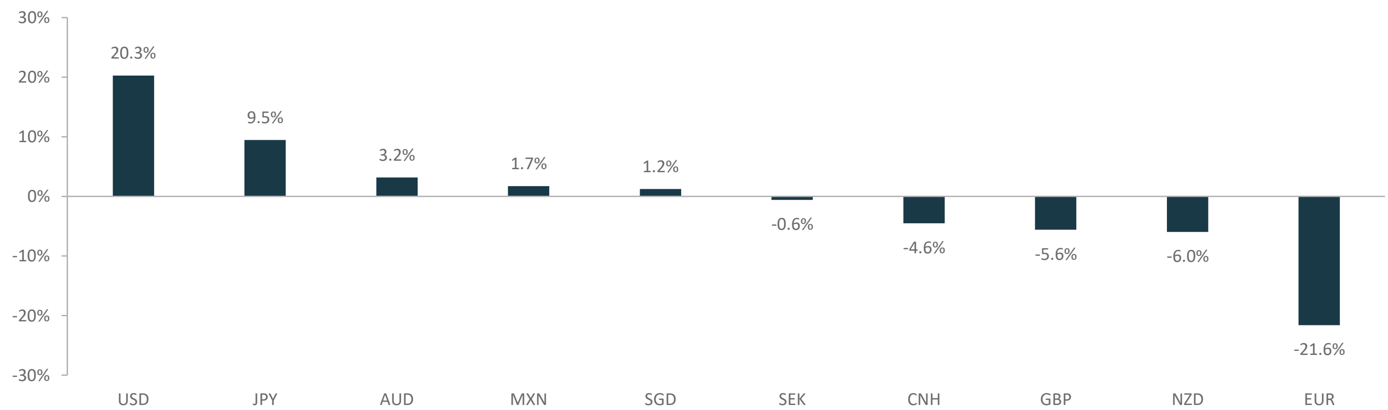
Net Commodity Exposure: 10.5%



Net Duration Exposure (years): 4.3



Net Currency Exposures



Data as at 08/31/2024. Source: Fulcrum Asset Management LLP.

Disclosure

As of the prospectus dated October 30, 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% through at least October 31, 2024 excluding 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 vehicles or derivative instruments; borrowing costs; taxes; and extraordinary expenses, such as litigation expenses.

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 marketrallies. 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 andregulatory developments. Derivatives involve special risks including correlation, counterparty, liquidity, operational, accounting andtax risks. These risks, incertaincases, 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 andpolitical, economic and currency risks anddifferences 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.

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