

# 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>         | \$197.7m        |
| <b>INCEPTION DATE</b> | 31 March 2001 | <b>EXIT PRICE</b>        | \$1.7714        |

## 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. <sup>2</sup> |
|-------------------------|-------------|-------------|-------------|--------------|--------------|--------------|-----------------------------------|
| <b>Fund<sup>1</sup></b> | <b>2.15</b> | <b>3.80</b> | <b>4.88</b> | <b>0.44</b>  | <b>1.05</b>  | <b>1.81</b>  | <b>4.51</b>                       |

<sup>1</sup>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 below for reference.

|                                      |             |             |             |             |             |             |             |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Fulcrum Composite<sup>3</sup></b> | <b>2.15</b> | <b>3.80</b> | <b>4.88</b> | <b>6.29</b> | <b>4.57</b> | <b>2.91</b> | <b>5.53</b> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|

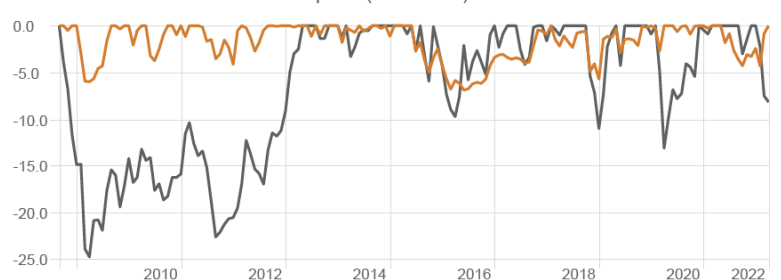
| Fulcrum Composite 1 month rolling returns <sup>3</sup> |       |       |       |       |       |       |       |       |       |       |       |       |              |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|
| CY   | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul   | Aug   | Sep   | Oct   | Nov   | Dec   | CYTD         |
| <b>2022</b>  | -1.94 | 3.63  | 2.15  |       |       |       |       |       |       |       |       |       | <b>3.80</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>  |

## Risk analysis since inception<sup>3,4</sup>

|                     |       |
|---------------------|-------|
| Sharpe ratio        | 0.53  |
| Standard deviation  | 5.68  |
| Beta to MSCI World  | 0.17  |
| Max drawdown        | -6.89 |
| % of winning months | 60.12 |
| Average win         | 1.47  |
| % of losing months  | 39.88 |
| Average loss        | -1.07 |

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

Time Period: Since Common Inception (1/09/2008) to 31/03/2022



■ Fulcrum Diversified Investments Composite ■ MSCI World NR AUD

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.

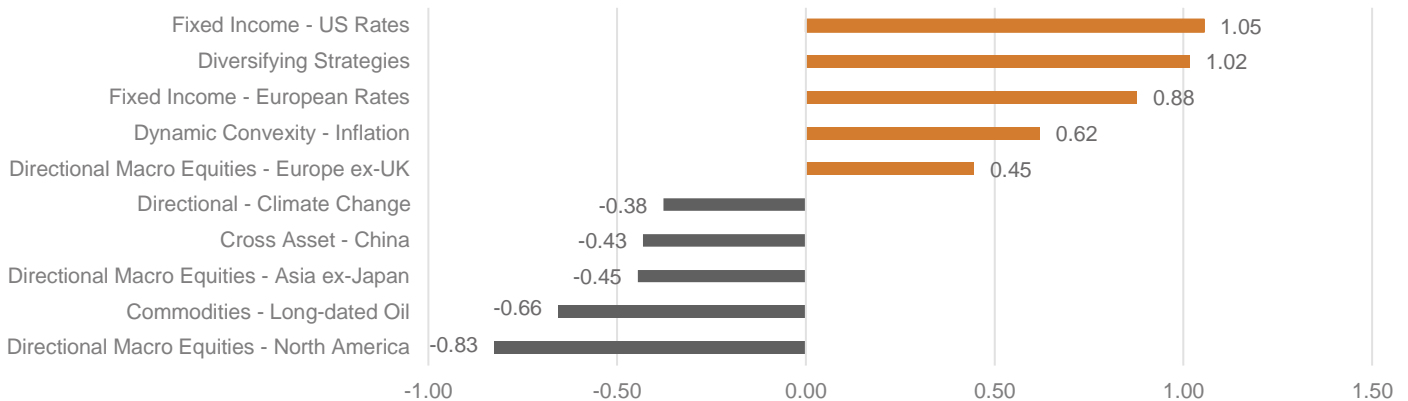
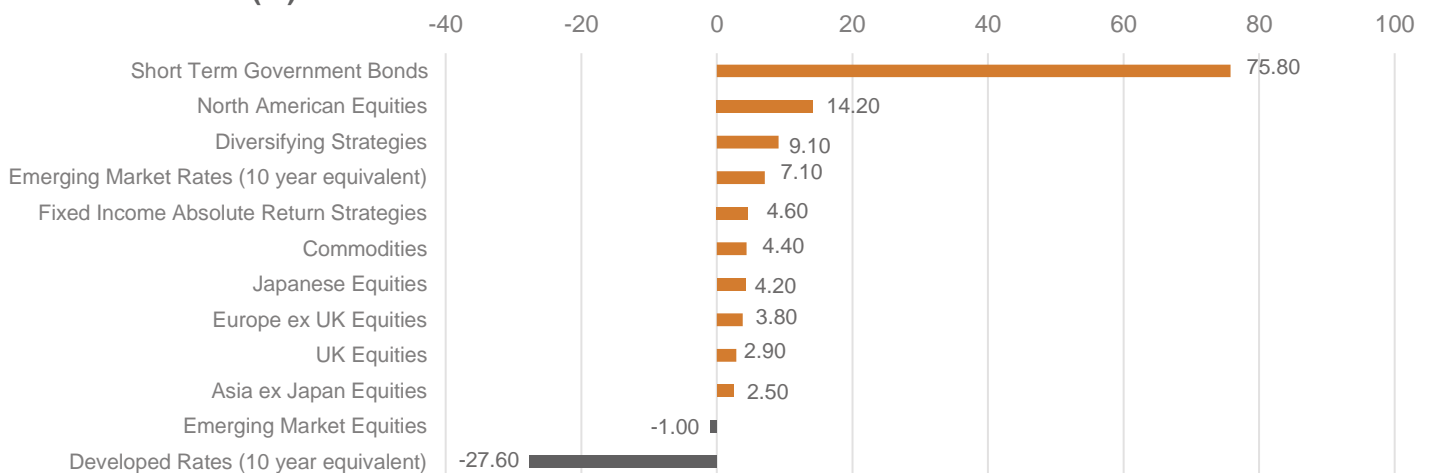
<sup>2</sup>This figure represents the annualised performance of the Fund from the first full month of operation.

<sup>3</sup>The Fulcrum Composite was inception 16 September 2008. 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.

<sup>4</sup>Source: Morningstar Direct.

## CONTACT DETAILS

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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 first quarter of 2022 established new records for major asset classes, catching investors with traditional portfolios off guard following a very strong 2021. The first quarter of 2022 was the second worst start to a year for US stocks since 2008 (-5.0% price return); whilst global bonds provided no cushion, experiencing their worst drawdown on record (-6.2%) as inflation accelerated and the great reversal gathered momentum. Meanwhile, commodities posted their best start to a year (+26%).

**Performance review**

The Fulcrum Diversified Investment Fund returned 3.80% (net) for the quarter, with very strong gains from Relative Value Strategies and Diversifying Strategies, whilst Directional strategies detracted marginally. Interestingly, performance was positive each month in the quarter and was broad based across each sub-strategy. Importantly for an absolute return strategy, the returns exhibited a very low sensitivity to traditional assets, demonstrating the important role the Fund can play in an investment portfolio during times such as these.

The investment manager believes that we are in the first innings of the 2020s inflation shock, with the market still complacent about the inflation outlook. Central banks face the difficult task of bringing inflation under control without tipping the economy into recession. Despite the fact that a smooth landing becomes increasingly difficult the more action is delayed, central banks are likely to tolerate a higher level of inflation. Meanwhile, China's domestic challenges are likely to negatively impact growth and, together with the Russia-Ukraine situation, worsen the current global inflationary forces.

## Market outlook

The investment manager expects major assets to deliver low expected returns, with the current environment particularly unfavourable to government bonds. Since 2008, bonds have provided both great diversification and positive returns, with monetary policy being the dominant market stabiliser. However, with inflation looming large and central banks under increasing political pressure to control inflation, the role of bonds as a defensive asset within portfolios should not be taken for granted.

The current macroeconomic backdrop remains fluid and requires a dynamic and structured approach. The investment manager maintains only minor exposures to traditional asset classes, such as equities and bonds, instead focusing on investment ideas with low sensitivity to traditional assets.

## 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.

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