QUARTERLY REPORT
AS AT 30 JUNE 2022

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**	$203.8m
INCEPTION DATE	31 March 2001	**EXIT PRICE**	$1.7491

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]	**-2.10**	**-1.26**	**0.87**	**-0.34**	**0.68**	**1.49**	**4.40**
[1]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.							
Fulcrum Composite[3]	--	--	--	**5.90**	**4.34**	**2.94**	**5.33**

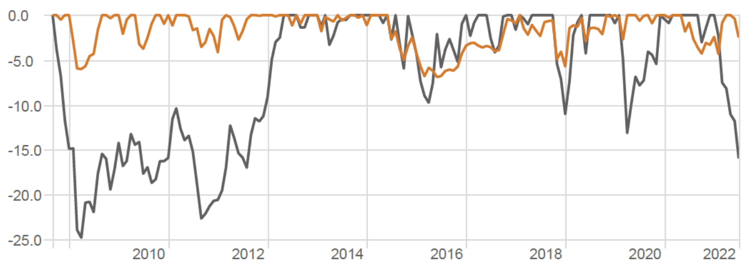
Fulcrum Composite 1 month rolling returns[3]

CY	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2022	-1.94	3.63	2.15	1.26	-0.40	-2.10							**2.50**
2021	-0.29	3.50	0.19	3.55	-1.82	1.00	-1.82	-0.95	-0.73	1.25	-0.22	0.91	**4.48**
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**

Fulcrum Composite risk analysis since inception[3,4]	
Standard deviation	5.68
Sharpe ratio	0.50
Beta to MSCI World	0.17
Max drawdown	-6.89
% of winning months	59.64
Average win	1.47
% of losing months	40.36
Average loss	-1.08

Drawdown since inception[3,4]

Time Period: Since Common Inception (1/09/2008) to 30/06/2022



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.

[2]Returns since inception represent the annualised performance from the first full month of operation.

[3]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 date represents 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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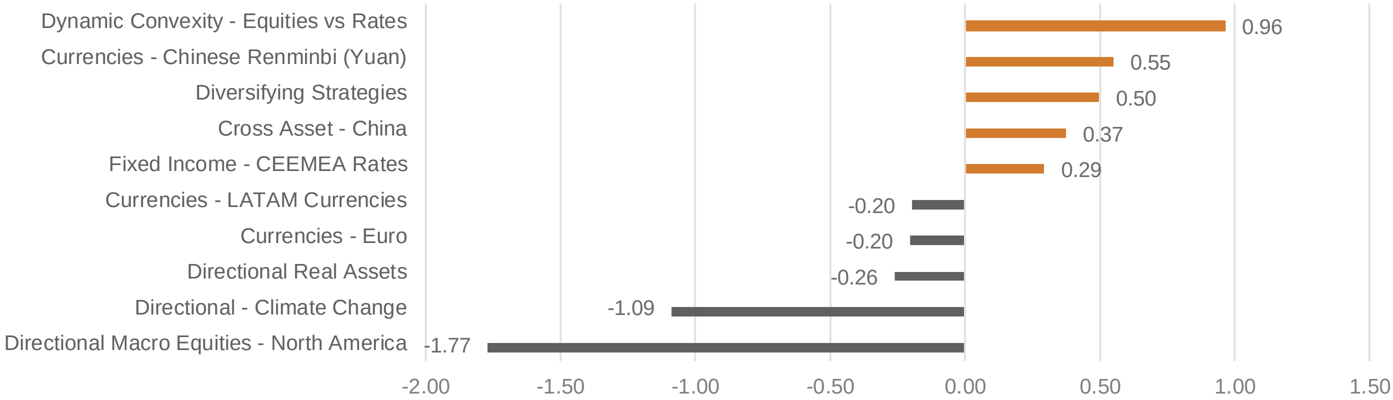
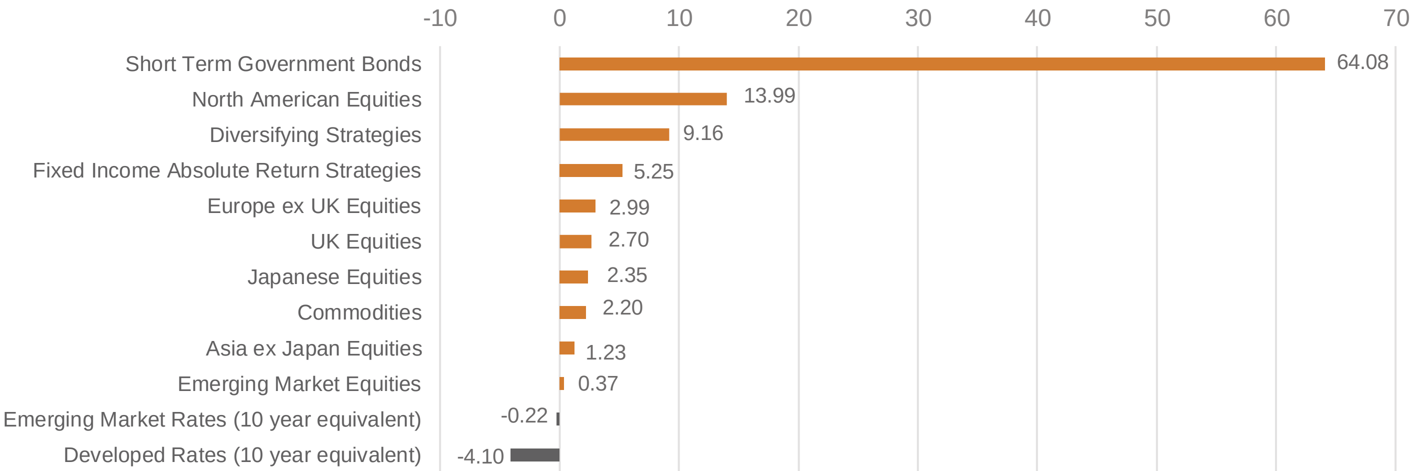
3 month top and bottom contributors and detractors (%)[1]



Asset allocation (%)[1]



[1] Data reflects the underlying fund in USD terms.

Market review

While the first quarter of 2022 established new records for weakness in major asset classes, the second quarter of 2022 only made matters worse. June concluded the worst first half return for US equities (-20%) since 1962, US 10-year Treasuries (-10.8%) since the 1970s, and US high yield (-10.2%) since 1989. Traditional portfolios failed to provide investors with any meaningful diversification, as both equities and bonds continued to drift lower together.

In the second quarter, markets responded negatively to both more assertive rhetoric and action from central banks around the world, to rein in elevated inflation. Unlike the first quarter where real yields fell, there was a sharp repricing of real yields higher in the second quarter, with the market now believing that central banks are taking the necessary action to bring inflation back under control.

Within equities, higher real yields impacted interest rate sensitive sectors, such as technology, disproportionately while more defensive sectors, such as consumer staples, outperformed. Emerging market equities also outperformed their developed market counterparts, with China the only major region with positive performance during the quarter.

Performance review

The Fulcrum Diversified Investment Fund returned -1.26% (net) for the quarter, with broad based gains from relative value strategies and diversifying strategies not enough to offset losses from directional strategies. However, the portfolio exhibited very low sensitivity to traditional assets, demonstrating the important role the Fund can play during periods of weakness for traditional portfolios.

Market outlook

Investors should factor in the macroeconomic environment as a key variable in their strategic and dynamic asset allocation decisions, especially as it relates to diversification. Most portfolios assume a negative correlation between equities and bonds and while this has worked for the last thirty-plus years, the current macroeconomic environment will remain dominated by supply induced shocks.

The more persistent inflationary environment and higher dominance of monetary policy shocks are still not adequately discounted and therefore expected returns of equities and bonds are both at historical lows. In an environment dominated by shocks, bonds will continue to offer far less protection. The investment manager's asset allocation models suggest that commodities could continue to offer protection against further inflationary shocks, and should form a core, albeit small, part of a portfolio.

To help navigate this environment, the investment manager takes guidance from their asset allocation models, which forecast further challenges for traditional asset classes. These models do not automatically affect their asset allocation decisions, but instead provide a useful framework for discussion. Overall, the investment manager remains defensively positioned, with low exposure to traditional assets with a continued focus on investment ideas that are less directional in nature.

Material matters

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.

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