

Responsible Investment Policy 2018

Fulcrum Asset Management LLP

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1 Commitment to Responsible Investment

Fulcrum Asset Management (Fulcrum) gives careful consideration to how responsible investment influences the firm's involvement in and responsibility to the financial markets and further afield. Fulcrum is conscious of the many challenges facing society and the natural environment, and the role capital markets play in this. We are also aware of the risks originating from unsustainable economic activity that is motivated by mainstream economics' assumption of unlimited natural resources. We are strong supporters of the initiatives to create a more sustainable world, and see that financial services should have an important role to play in this.

Fulcrum believes that by integrating responsible investing initiatives in our philosophy and processes we can achieve both positive outcomes and improved risk-adjusted returns.

Fulcrum acknowledges the complexities inherent in responsible investments, in particular the ongoing evolution of the best practices in the asset management industry, as well as the complexities associated with making ethical judgements on competing arguments inherent in many responsible investment decisions. We believe that using suitable external ratings of individual investments will over time contribute to our investment process becoming ever more closely aligned with the objective of this Policy. However, we do not solely rely on such external ratings. The governance process at Fulcrum aims to be aligned with both the investment strategies and the objectives of this Policy in order to address the inherent complexities of responsible investment decision making.

Responsible Investment Committee

The Responsible Investment Committee's role is to review and incorporate responsible investing elements into the Fulcrum investment processes and to implement initiatives where it can improve as a sustainable business. The Committee meets at least quarterly and consists of representatives across the firm's investment strategies as well as risk, compliance and client facing teams.

Areas where we do not invest (screening protocol)

Fulcrum's senior management and Board of Directors have agreed not to invest directly in a specific list of sectors across all investment strategies.

Controversial weapons

Fulcrum does not invest directly in companies or assets associated with the use, stockpiling, acquisition, transfer, retention, development or production of cluster munitions or explosive bomblets, chemical weapons, anti-personnel mines or bacteriological or toxin weapons. This is achieved through various layers of screening using data provided by leading providers.

Information with respect to how this is implemented can be produced on request.

Tobacco

As a firm, Fulcrum feels strongly about issues arising from the use of tobacco and seeks to avoid investments that generate the major part of their revenue from tobacco related activities, in accordance to the Global Industry Classification Standard. This is achieved through the same screening methods as for controversial weapons.

Payday lending and predatory lending practises

Following the above protocols Fulcrum recently added the exclusion of any securities exposed to payday lending or predatory lending practises as part of the firm's exclusion list and is in the process of implementing this in the investment process.

Client Values

Should clients have values of their own in the context of their investment decision-making, Fulcrum will do its best to accommodate these.

2 Investment Approach

Fulcrum is in general a top-down, macro investor alongside a significant systematic business. Though we strive to be a responsible investor we recognise that there are challenges for a traditionally structured Environmental, Social and Governance (ESG) integration for macro investors. As a result, for strategies where such frameworks are less applicable, we look to innovate in how we integrate responsible investment.

Where possible we integrate responsible investing in our strategies in four ways:

- **Screening:** aligning the firm's or client's values with the investments by investing, or not investing, in certain areas.
- **ESG integration:** reviewing an investment's ESG risks, by evaluating how likely these risks are to contribute/detract from returns.
- **Stewardship:** encouraging and expressing good corporate governance
- **Impact investing:** reviewing investments based on their potential non-financial benefits and considering this as an integral part of the return.

In addition to integrating responsible investing in our strategies, we are signatories to the United Nations Principles for Responsible Investment (UN PRI), to make sure we meet the highest industry standards.

Discretionary and Systematic Strategies

The Fulcrum Discretionary and Systematic Strategies invest primarily in derivatives on broad equity and credit indices; however, the Discretionary Strategies have recently added exposure to single name securities through custom baskets or directly).

Screening: Portfolios which include equity baskets and single stocks do not invest in securities that contravene our screening protocols above.

ESG integration: We integrate ESG risk considerations where making investments in equity baskets and single stocks.

Stewardship: Where we have direct equities, we fulfil our corporate governance obligations in respect to voting as explained in more detail in section 3.

Impact investing: As we move into direct equity investing we are exploring ways we can include impact investing as part of these strategies' investment approach.

We are conscious that certain assets in which we invest may attract added attention from a responsible investment perspective. We have conducted inhouse research to guide and enhance the rigour of our investment process in these specific markets. An example is our investments in agricultural commodities, where our research has made us comfortable that our investments adhere to both the letter and the spirit of the best practice guidelines adopted by the UN PRI (2011) as well as our own commitment to the principles of responsible investment.

Alternative Strategies

Responsible investing considerations are an integral part of the investment process in our Alternative Strategies, which invest across real assets, alternative credit and diversifiers/hedge funds.

Screening: In the selection of external managers we adhere to the screening protocol by avoiding any investments in any funds where the particular manager discloses that, in aggregate, more than 5% of that fund invests in securities that a) generate the major part of their revenue from tobacco related activities or b) which are not compatible with the controversial weapon list.

ESG integration: Across real assets and alternative credit, ESG risks and opportunities are considered both for idea generation (for competitive advantage which can impact the long-term risk-adjusted returns) and as a final check that can lead to potential veto and/or impact marginal decisions.

Stewardship: In our Alternative Strategies, where we work with external managers, we draw their attention to Fulcrum's position as a signatory to the UN PRI and encourage them to be signatories and/or explain why not. We examine the level of appreciation of corporate governance that is on display by the external managers' management team and we seek to determine whether the quality, ethics and decision making is suitable given their role as stewards of assets. This is reviewed on an ongoing basis and external managers are asked for an update annually.

Impact investing: Some investments will have a positive skew to sectors such as clean energy, or other strategies that we consider offer both positive investments and ESG impact credentials. As part of the due diligence process the strategy also looks for cognitive diversity across the platform considering location, gender diversity, experience, decision making and resources, as well as the nature of investment risk taking.

3 Stewardship and Engagement

Where we invest directly in securities we are active owners and understand the critical importance of good governance. In particular, we fulfil our corporate governance obligation with respect to voting through our connection to the Broadridge platform and we have appointed Glass Lewis, a leading independent corporate research house, to provide us with their independent research which is our default election.

We believe that we active ownership as good governance on our part.

4 Collaborating with the UN PRI

Founded in 2005, the PRI is a global network for investors committed to integrating ESG considerations into their investment practices, ownership policies and business strategies. The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer possible approaches for incorporating ESG issues into the investment practice.

Fulcrum is committed to the principles of UN PRI (Fulcrum became signatory to the UN PRI in December 2015).as we believe it to be part of our fiduciary responsibility to include responsible investment considerations within our investment process.

As a UN PRI Signatory Fulcrum commits to the following:

As an asset manager, we act in the best long-term interests of our clients. In this role, we believe that ESG issues can affect the performance of investment portfolios (to varying degrees across countries, regions, asset classes, and through time). We also recognise that by applying the principles, we may better align investments with the broader objectives of society. Therefore, we commit to the following Principles:

- To incorporate ESG issues into investment analysis and decision-making processes.
- To be an active owner and to incorporate ESG issues into our ownership policies and practices.
- To seek appropriate disclosure on ESG issues by the entities in which we invest.
- To promote acceptance and implementation of the Principles within the investment industry.
- To work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles.
- To report on our activities through the PRI and progress towards implementing the Principles.

5 Conclusion

Fulcrum is committed to this Responsible Investment Policy and to the continued relationship with the UN PRI. Despite the challenges of implementation for a macro manager, Fulcrum will ensure that it is able to put the policy into practice wherever practically possible and to be innovative and in line with best practice as its investment universe changes.