

Responsible Investment Policy 2020

Fulcrum Asset Management LLP

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1 Commitment to Responsible Investment

Fulcrum Asset Management LLP (“**Fulcrum**” or “**the Firm**”) gives careful consideration to 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 these. We are also aware of the risks originating from unsustainable economic activity that is motivated by the 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 a range of positive outcomes as well as improved risk-adjusted returns. We also believe that it is part of our responsibility to our clients to consider the impact their investments might have on society and planet, particularly when it comes to climate change.

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 challenges associated with making ethical judgements on competing arguments inherent in many responsible investment decisions.

2 Committees

Responsible Investment Committee

The Responsible Investment Committee’s (RIC) role is to review and incorporate responsible investing elements into Fulcrum’s investment processes and 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.

Stewardship Committee

The Stewardship Committee is a sub-committee of the Responsible Investment Committee and looks at the Firm’s voting and engagement procedures.

3 Stewardship

We are committed to the UK’s Stewardship Code and have published [UK Stewardship Code Disclosure Statement](#) which is available on our website.

Voting

Where we invest directly in equities, we understand the critical importance of good governance. 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.

Further information about our voting procedures can be found in the [Proxy Voting Policy](#).

Engagement

Our main method of engagement on ESG-related issues with the companies we invest in is through the work of our ESG data provider Sustainalytics and Glass Lewis.

In our Alternative Strategies, where we work with external managers, we draw their attention to Fulcrum's position as a signatory to the United Nations Principles for Responsible Investment (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. Managers are asked for an update annually and we expect to see an improvement in their disclosure.

Further information about our voting procedures can be found in the [Engagement Policy](#).

4 Integrating ESG in our Investment Approach

We define *ESG integration* as the consideration of an investment's ESG risks and opportunities, by evaluating how likely these are to contribute/detract from returns.

We are conscious of the challenges associated with applying some of these considerations to all the asset classes we invest in and aim to show innovation in how we create positive impact. We believe that by combining the use of suitable external ratings with our own analysis we will be better able to see the full risk picture.

Fulcrum is in general a top-down, macro investor alongside a significant systematic business, hence a traditionally structured Environmental, Social and Governance (ESG) integration is not always applicable. However, where this is the case, we look to innovate in how we can still make sure ESG risks are considered. Fulcrum's Discretionary and Systematic Strategies invest primarily in derivatives on broad equity and credit indices, examples of where ESG integration is less applicable.

We have a thematic approach to investing in equities, hence an important part is considering if a theme is likely to benefit or be damaged by prevalent ESG trends. We also look at company specific ESG risks in security selection and portfolio construction avoiding companies which have a higher level of un-managed ESG risks than we are comfortable with.

In our Alternative Strategies which invest across real assets and alternative credit, ESG plays a larger role by considering risks and opportunities both for idea generation (for competitive advantage) and as a final check that can lead to potential veto and/or impact marginal decisions.

5 Having an impact

We distinguish *Sustainable investing* from *Impact Investing*, however we believe both approaches can have an impact.

By *Sustainable Investing* we mean investing with sustainability front of mind by looking for relevant trends to invest in or making the sustainable choice when possible. In our Alternative Strategies we have strategy which has such an additional sustainability focus; some investments will have a positive skew to sectors such as clean energy and the strategy also invest in External Managers where it shows a preference for managers who clearly display a sustainable angle. We believe that by encouraging sustainability disclosure by our External Managers we can encourage increased adoption of responsible investing.

By *Impact Investing* we refer to strategies where part of the objective is to achieve an environmental or societal return in addition to a financial return. At the moment, Fulcrum does not run any such strategies.

We are conscious that investments might also have negative impact and that certain asset classes 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.

6 Collaborating with external sustainability initiatives

United Nations Principles for Responsible Investment (UN PRI)

Fulcrum is committed to the principles of UN PRI and became a signatory in 2015. We consider being a “Responsible Investor” to be part of our responsibility as investors and define this as “acting in the best long-term interest of our clients”, in which we include considering the impact our investments might have on the environment and society they live in.

As a UN PRI Signatory, Fulcrum commits to incorporate the consideration of ESG issues into our investment analysis and decision-making process (see section 4). We also commit to be an active owner and incorporate ESG into our ownership policies and practices as well as seek appropriate ESG disclosure from entities in which we invest (see section 3). We actively promote the acceptance of the Principles through our engagement with External Managers (see section 5). Annually we report to the UN PRI on how we do the above and we are open to engaging with them further on implementing the Principles.

Task Force for Climate-related Financial Disclosures (TCFD)

In spring 2019, Fulcrum became signatory to TCFD to further strengthen our commitment to climate change mitigation. We are in the early stages of reporting on how we consider climate change in our governance structure, business strategy and risk management, as well as disclose how we calculate a range of climate-related metrics and targets.

We calculate the various TCFD carbon metrics and disclose these to clients on request.

7 Areas where we do not invest

Fulcrum's senior management and LLP Board have agreed not to invest directly in a specific list of sectors across all investment strategies: controversial weapons, tobacco and predatory lending.

As a result, where we invest in equities, we do not invest in companies that contravene the below outlined screening protocol. Note that this does not include indices which might have exposure to any such stocks.

The screens are implemented in accordance to set filters that have been agreed by our Responsible Investment Committee (further information with respect to how this is implemented can be produced on request).

The three screens prevent investments in the following:

- **Tobacco:** companies in MSCI ACWI which generate a pre-defined part of their revenue from tobacco related activities: production, suppliers, licensor, distributor, retail.
- **Controversial weapons:** companies in MSCI ACWI which are involved in activities related to a range of controversial weapons including: depleted uranium manufacturing, land mines and cluster munitions.
- **Predatory lending:** companies which are involved in predatory lending activities.

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.

Client Values

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

8 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.