

# **Responsible Investment Policy 2021**

**Fulcrum Asset Management LLP**

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# Contents

1. Commitment to Responsible Investment .....	3
United Nations Principles for Responsible Investment (UN PRI).....	3
2. Committees.....	3
Responsible Investment Committee.....	3
Stewardship Committee .....	4
3. Sustainability-related Financial Disclosures Requirement (SFDR) .....	4
Sustainability Risk Policy .....	4
Categorisation of the Funds.....	4
Consideration of Principal Adverse Impacts .....	4
4. Integrating ESG in our Investment Approach .....	4
5. Stewardship .....	5
Voting.....	5
Engagement .....	5
Direct engagement .....	6
Collective engagement .....	6
6. Areas where we do not invest .....	6
Client Values .....	6
7. Conclusion.....	7

## 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 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 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.

### **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.

## 2. Committees

This Policy is produced and overseen by the Fulcrum Responsible Investment Committee (RIC) and reviewed on an annual basis.

### **Responsible Investment Committee**

The Committee reports to the Board and is mandated 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.

### **Stewardship Committee**

The Stewardship Committee is a sub-committee of the RIC and oversees the Firm's voting and engagement procedures.

## **3. Sustainability-related Financial Disclosures Requirement (SFDR)**

In pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "SFDR").

### **Sustainability Risk Policy**

Section 4 addresses the requirements of Article 3 of SFDR to disclose how the firm integrate sustainability risks in to the investment decision-making process. The likely impacts of such risks on the returns of each fund are further outlined in the relevant prospectus.

### **Categorisation of the Funds**

Fulcrum considers the Fulcrum Diversified Liquid Alternatives Fund (DLA) to fall within the scope of Article 8 of SFDR as it promotes environmental or sustainability characteristics. The Fulcrum Climate Change Fund (FCC) is considered to fall within the scope of Article 9 as it targets an impact objective. The remaining Funds are considered by the Company to fall within the scope of Article 6. Detailed disclosures for these Funds shall be maintained in the relevant prospectus.

### **Consideration of Principal Adverse Impacts**

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. Further details of can be found in the Principal Adverse Impacts Statement available on our website.

### **Marketing Communications**

Fulcrum shall ensure that its marketing communications do not contradict the information disclosed pursuant to the SFDR.

## **4. Integrating ESG in our Investment Approach**

We define sustainability Risk / ESG Risk as Environmental, Social and Governance event or condition that, if occurs, could cause an actual or a potential material negative impact on the value of the investment. We define *ESG integration* as the consideration of an investment's ESG risks and

opportunities in the investment decision-making process by evaluating how likely these are to contribute or detract from financial returns.

Fulcrum is in general a top-down, macro investor alongside a significant systematic business, hence a traditionally structured ESG integration is not always applicable. 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. Examples are Fulcrum's Macro & Multi-Asset and Risk Premia Capability areas, which 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 Solutions, 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. Stewardship

We are committed to the UK Stewardship Code and has published a [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 have appointed Glass Lewis, a leading independent corporate research house, to provide us with their independent research which is our default election and fulfil our corporate governance obligation with respect to voting through our connection to the Broadridge platform.

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

### Engagement

We approach engagement in two ways: by directly engaging with companies or external managers and by participating in collective engagement efforts. Further information about our engagement procedures can be found in the [Engagement Policy](#).

## **Direct engagement**

Across our Responsible Investment and Thematic Equity capabilities we particularly focus on climate change as a core engagement topic, encouraging companies to set science-based decarbonisation targets.

In our Alternative Solutions, 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. Managers are asked for an update annually and we expect to see an improvement in their disclosure.

## **Collective engagement**

We aim to collaborating with external sustainability initiatives and have joined the several initiatives as signatories or supporters including: the Institutional Investors Group on Climate Change (IIGCC), the Task-force on Climate-Related Financial Disclosures (TCFD), Climate Action 100+, CDP (formerly the Carbon Disclosure Project).

## **6. Areas where we do not invest**

Fulcrum do not 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 our 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 the RIC (further information with respect to how this is implemented can be produced on request).

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.

## 7. 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.