



Fulcrum Asset Management

What next for the global economy and markets: Threats and Opportunities

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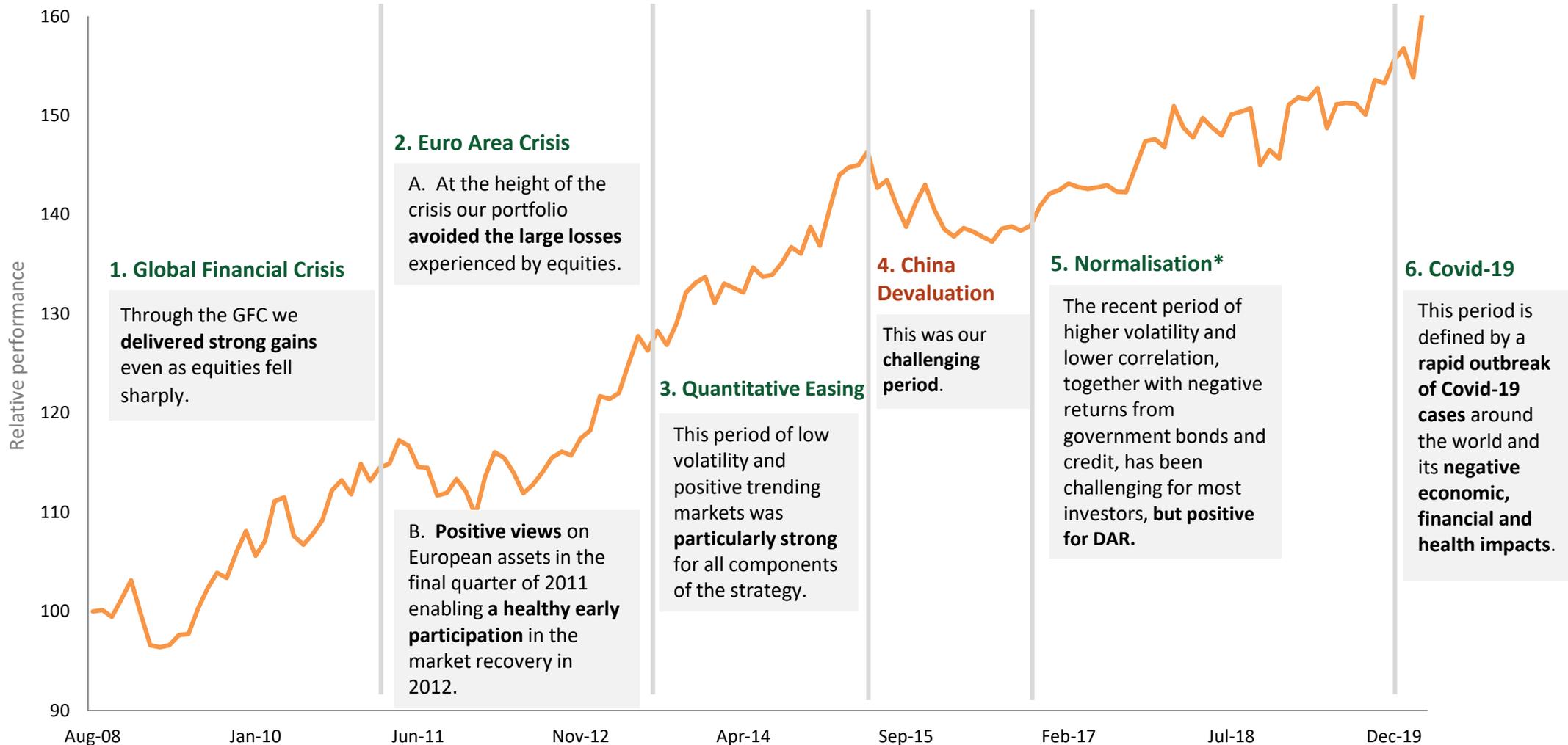


FULCRUM
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Fulcrum Diversified Absolute Return

How we have navigated the 6 key periods since our strategy inception in 2008

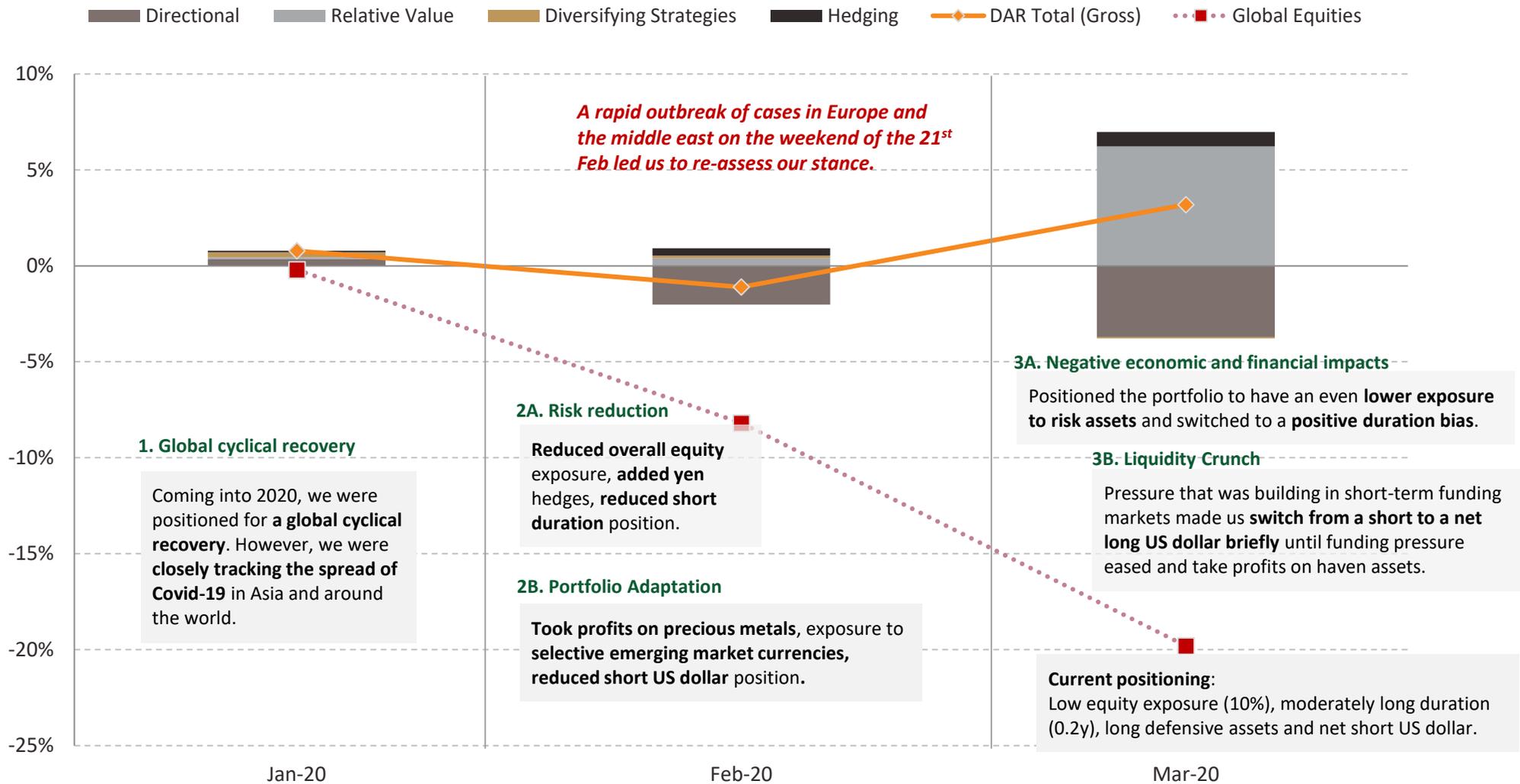
Cumulative Gross Performance of DAR Strategy (SICAV, USD)



DAR: Q1 and how the quarter unfolded - a deeper analysis

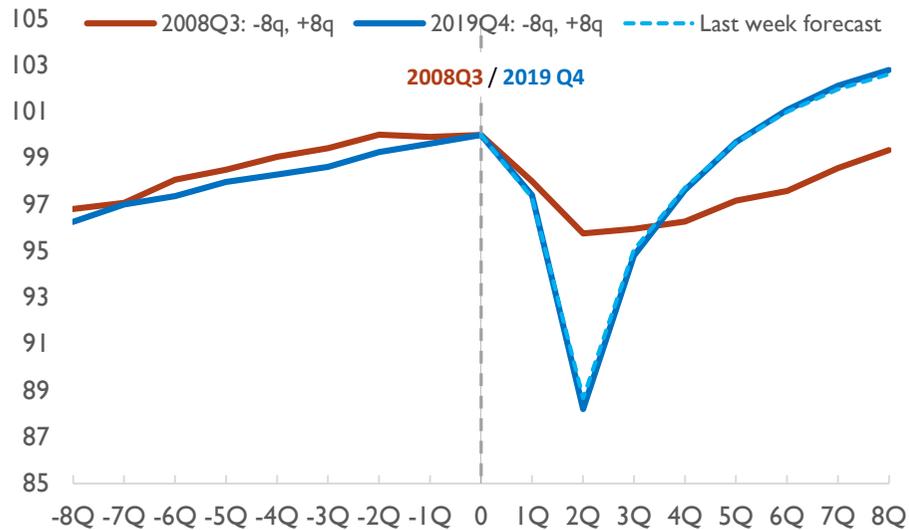
Covid-19 – Jan 2020 to Present

Cumulative Performance by Strategy: Covid-19 (Jan 2020 to Present)

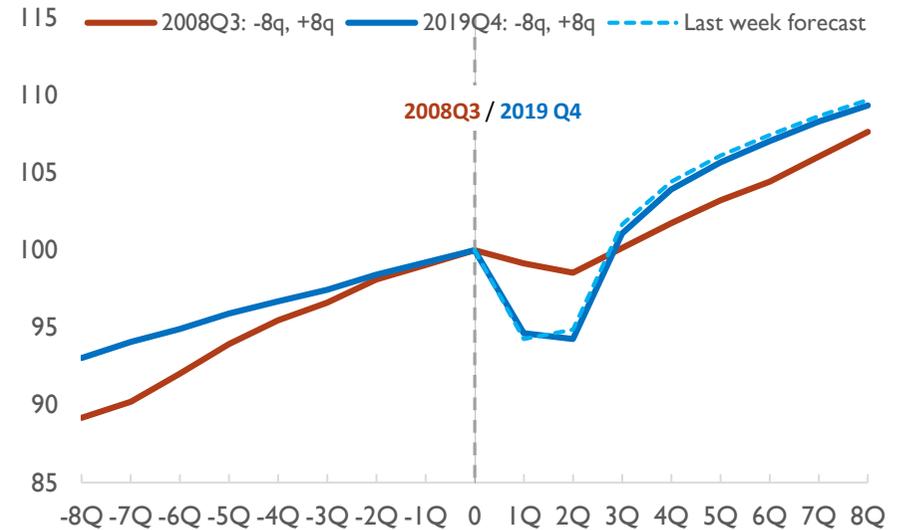


The Covid-19 pandemic has triggered a significant shock to the global economy...

AEs: Real GDP Growth (2008Q3 and 2019Q4 at 100)*



Global: Real GDP Growth (2008Q3 and 2019Q4 at 100)*

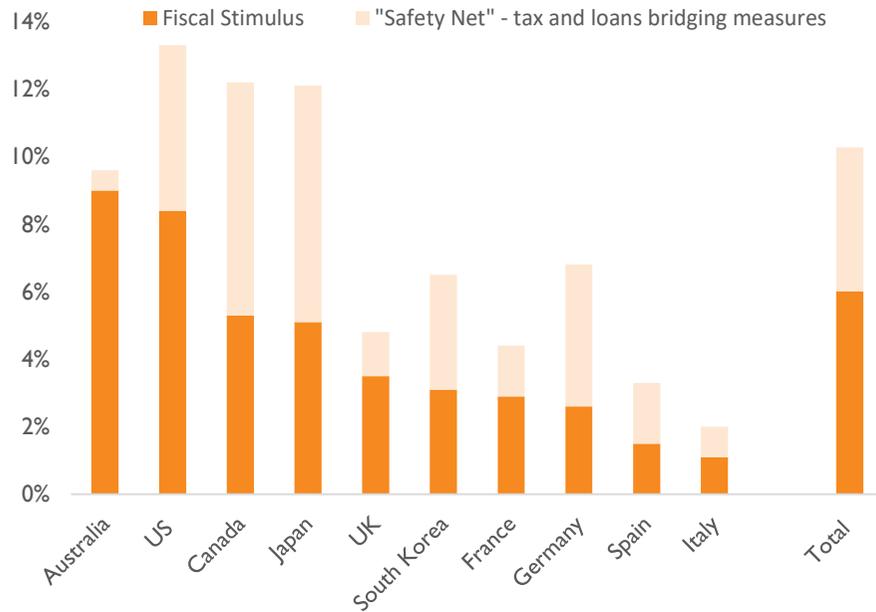


- Indicative estimates suggest that forecast GDP growth for the major advanced economies may be revised down to -7.2% in the calendar year 2020
- Estimates suggest the US, EU and Japan experiences a two-quarter recession.
- Growth in the global economy, including the emerging markets, has also been revised down to -3.5%.
- These results would represent the lowest global growth rates since the Global Financial Crisis in 2008/2009.

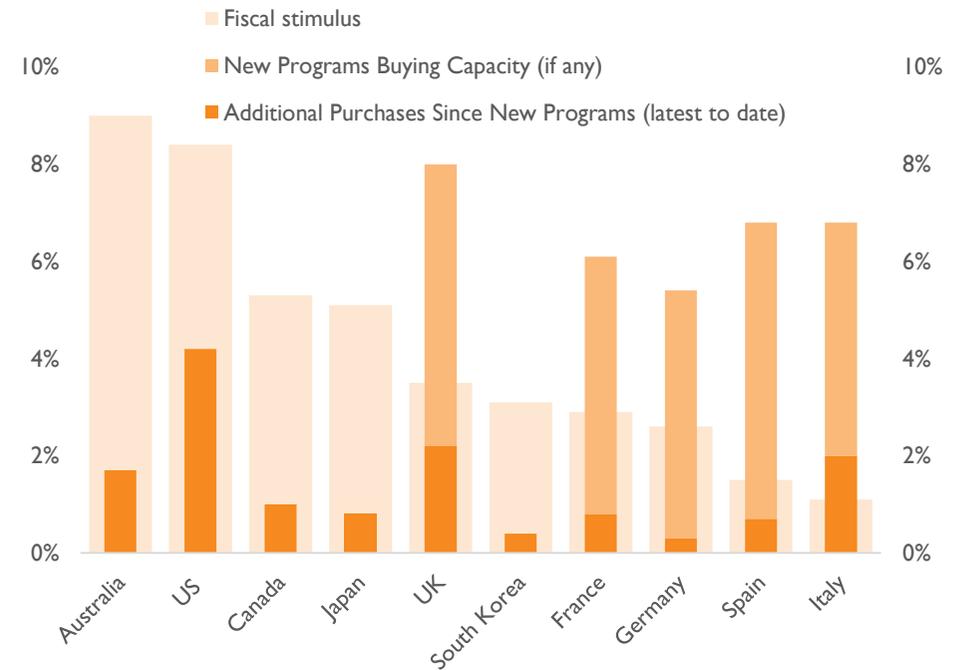
...requiring strong policy response from policymakers

Both monetary and fiscal policy are being used as policy responses

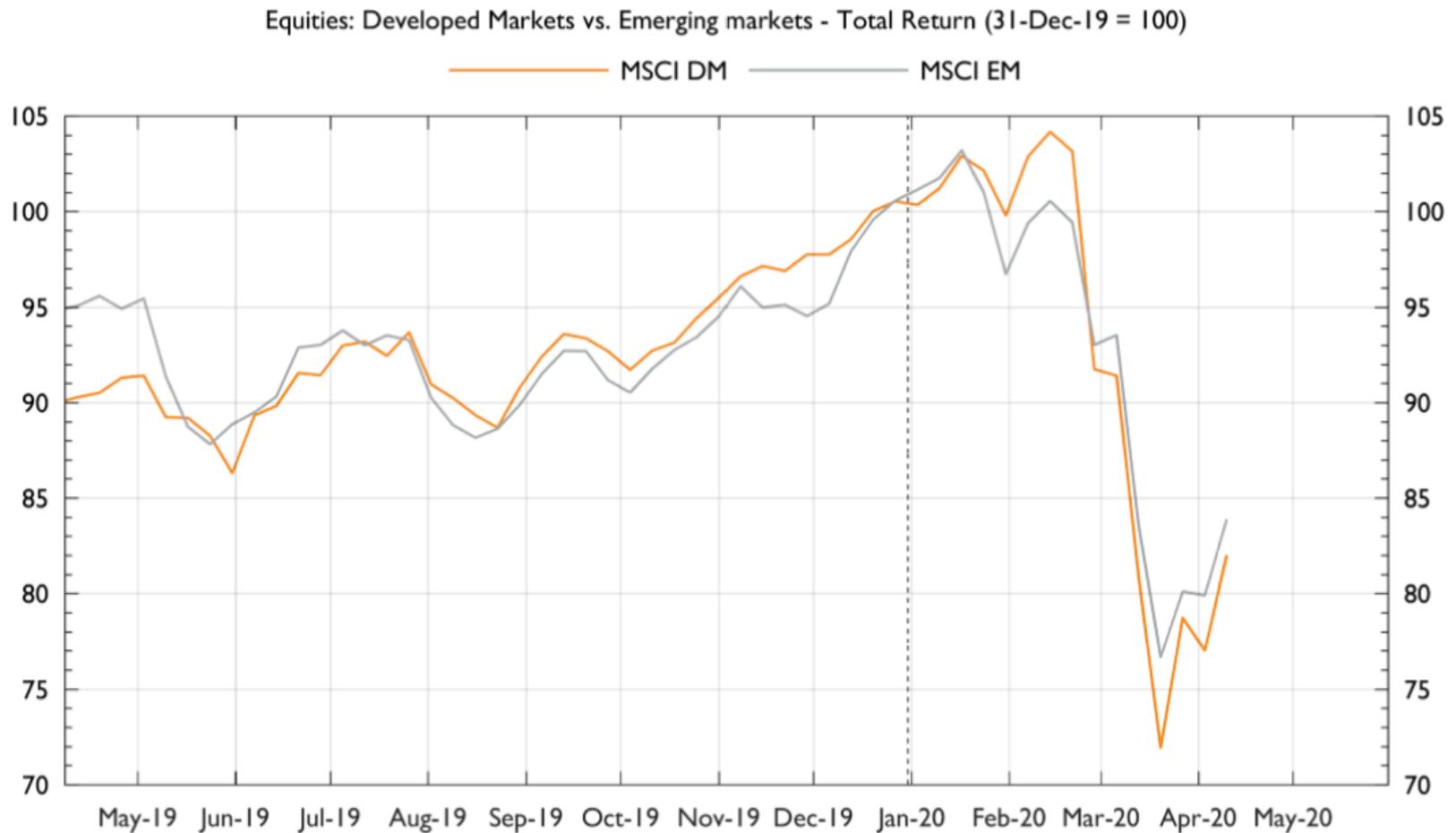
G10 Fiscal Response (% GDP)



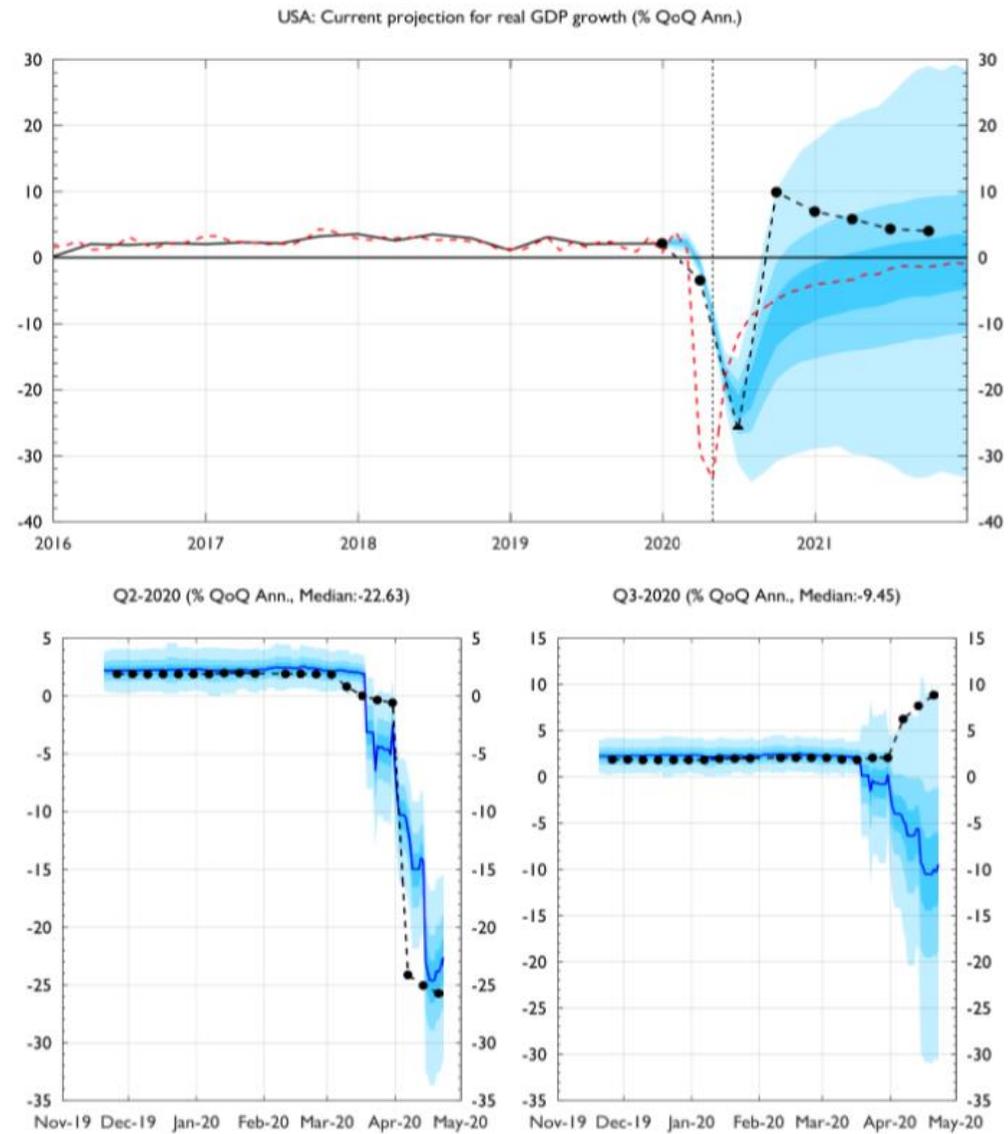
G10 Additional Government Bond-Buying under Quantitative Easing Programs (% GDP)



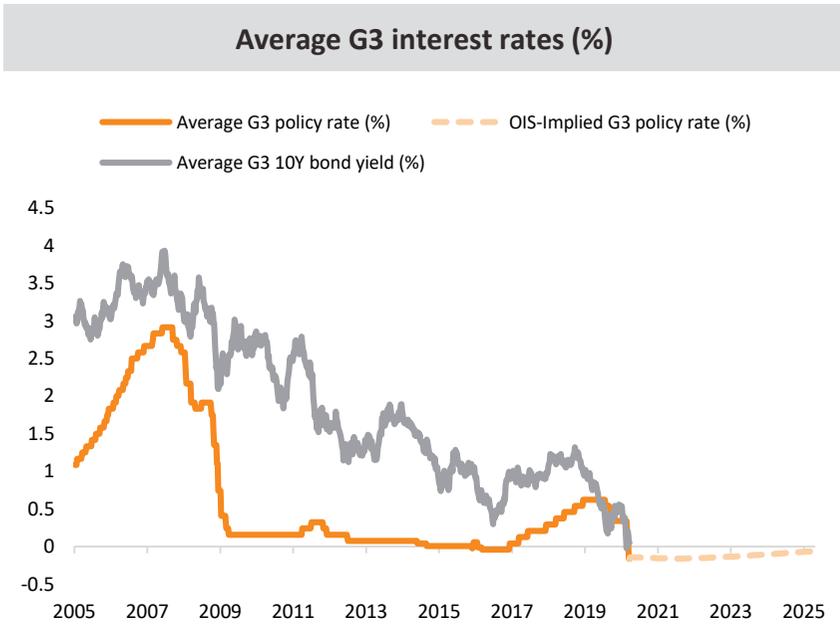
Strong policy interventions have stabilised global equity markets



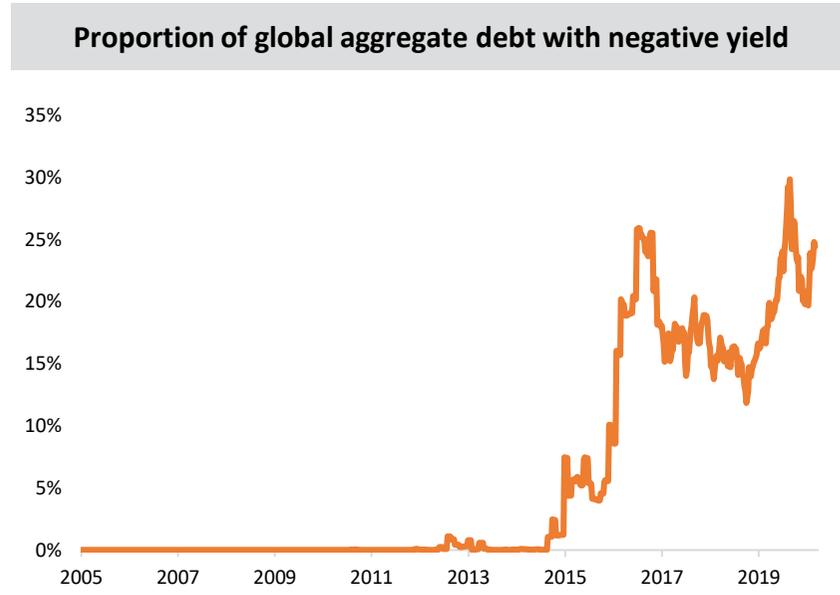
Fulcrum Nowcasts show a similar decline as consensus in the second quarter but a less robust recovery in the third quarter



There is very little room left for further monetary policy easing, as evidenced by the proportion of global bonds trading at negative yields



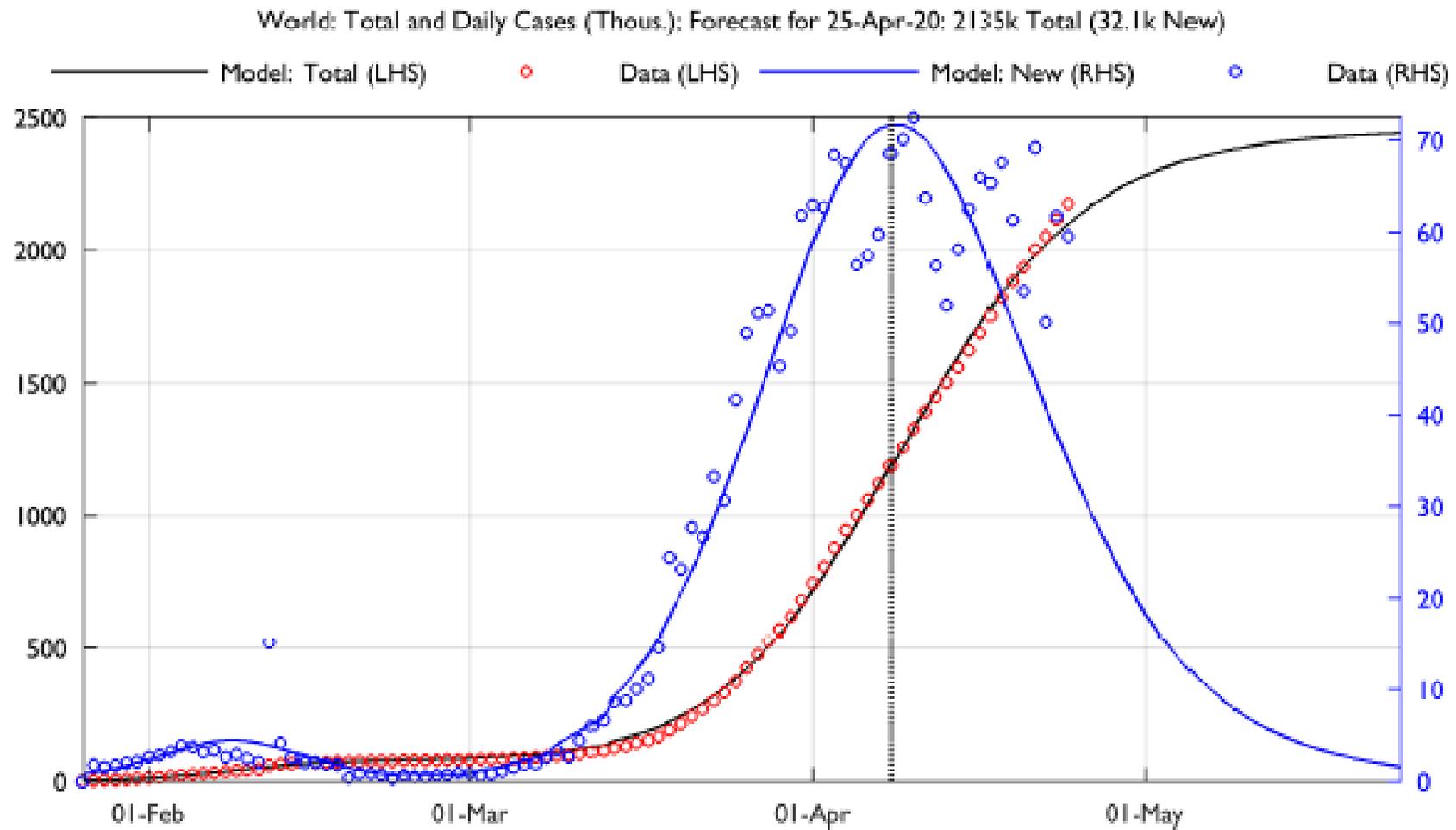
The ability of monetary policy to cushion a deeper slowdown is more limited than in previous cycles...



...while a considerable proportion of global bonds is still trading at negative yields despite the recent-sell off.

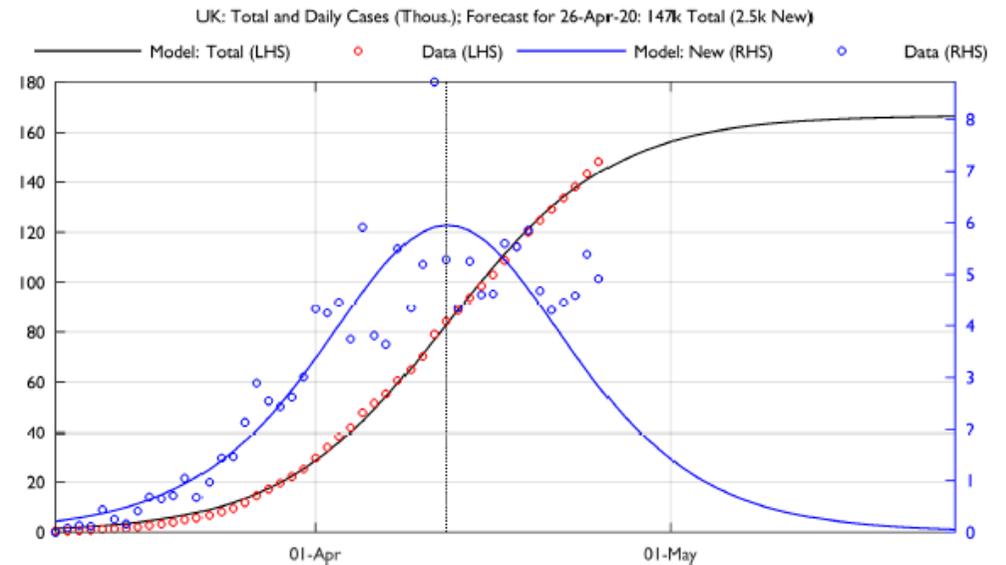
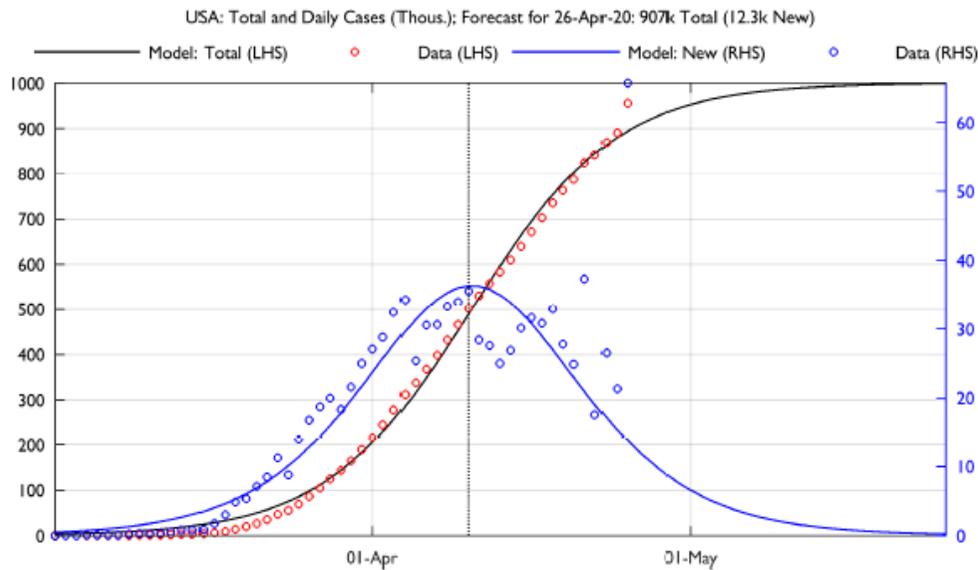
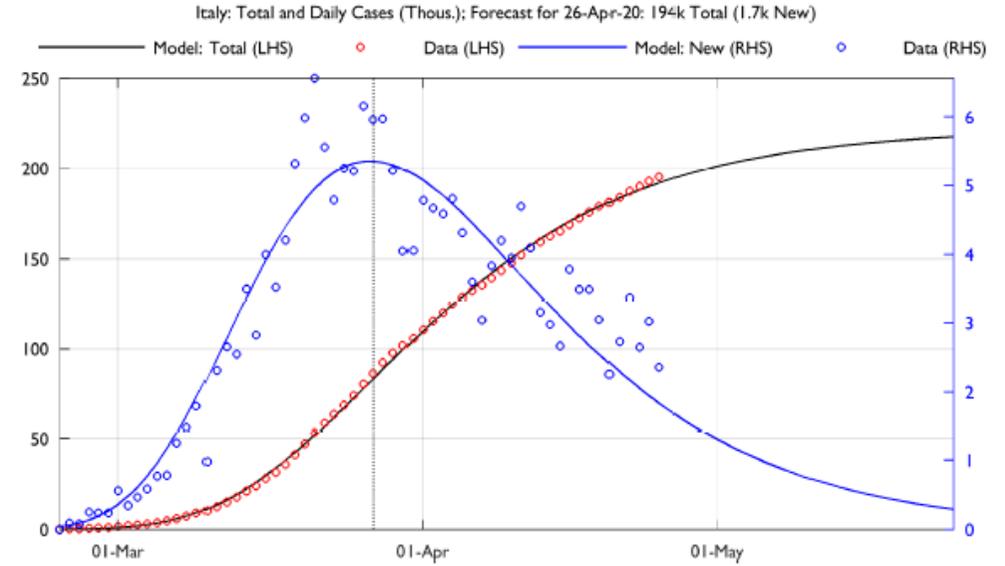
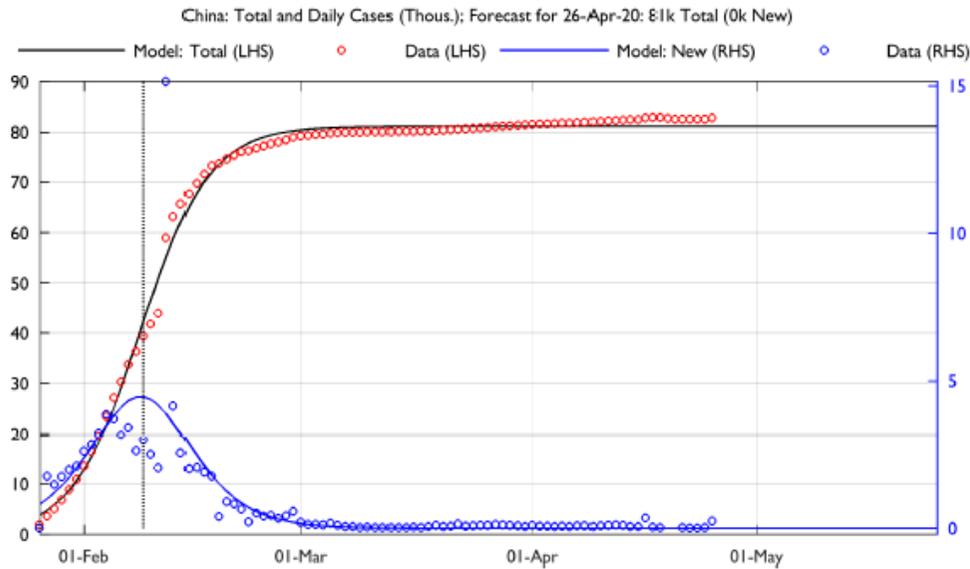
The outlook for the global equities critically depends on getting the pandemic under control

Globally, cases are still growing



The outlook for the global equities critically depends on getting the pandemic under control

Shutdowns are working but at a great cost to economic activity



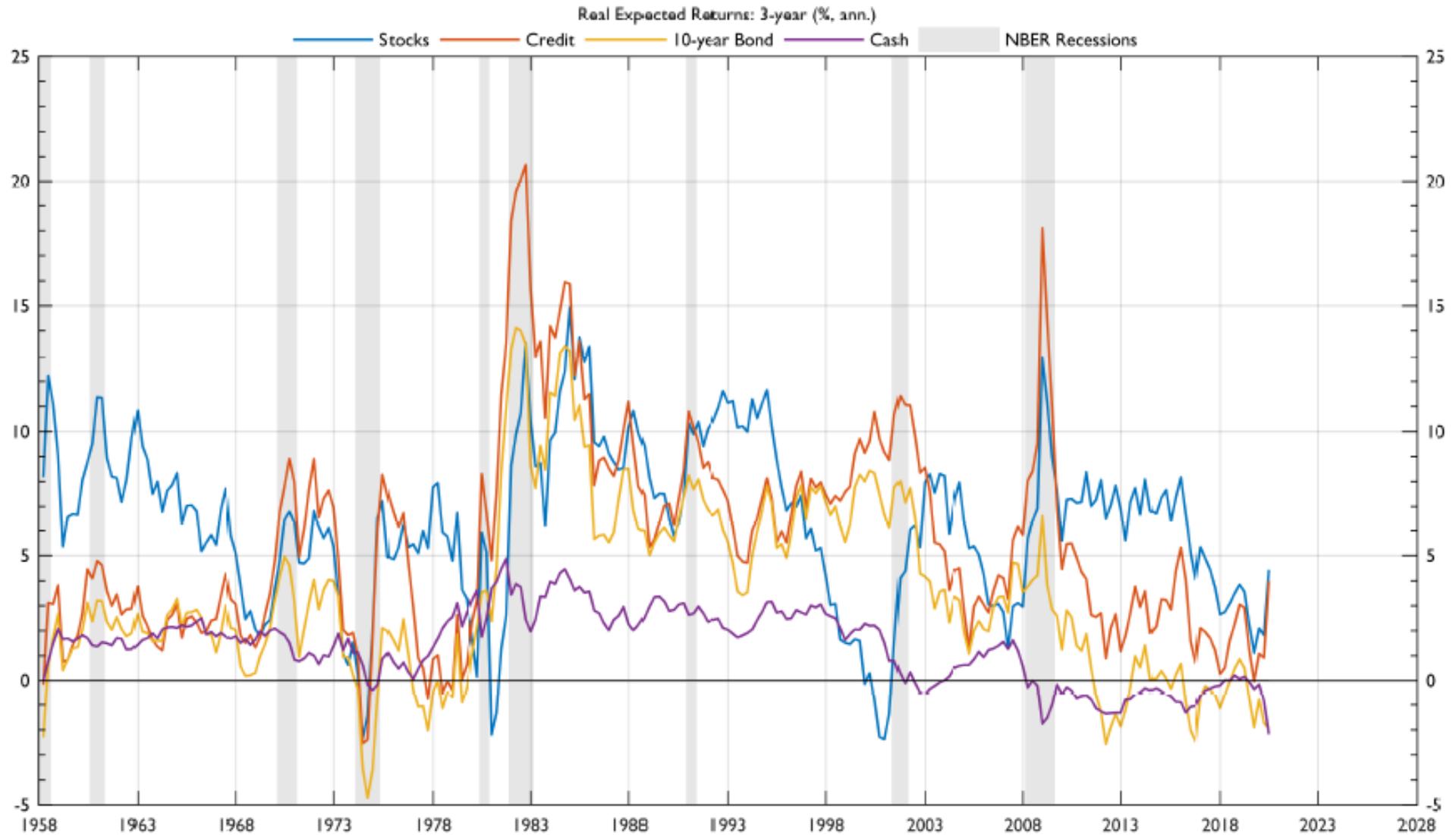
Scenarios for the unfolding of the current global pandemic

The good, the bad and the ugly

	Base case	Worst case	Best case
Lockdown	1-3 months from start	Until year-end	1 month from start
Social distancing	Next 6-12 months	Next 12-18 months	Phased out over summer
Global travel	Resumes but with reduced operations and strict guidelines	Restrictive	Returns to normal
Winter outbreak	Manageable, Localised lockdown	Second wave, Renewed lockdown	No outbreak
Sector: Retail/Leisure	Returns to 60-80% of pre-lockdown level, Reduced hours, Strict guidelines, Potential defaults and layoffs	Mass defaults and layoffs	Returns to normal
Sector: All excl. retail	Returns to normal, Work-from-home where possible	Reduced operation	Returns to normal
Testing	Continued ramp-up	Restricted	Widespread
Antibody testing	3-15% of population already immune	Reveals negligible % of population immune, e.g. <1%	Reveals large % of population already immune
Vaccine	Effective drugs, but limited vaccine capacity	Unavailable for 12-18 months	Mass production by year-end
Contact Tracing	>40% of population downloads app, Contact-tracers hired	<20% of population downloads app, Lack of contact-tracers	All infected individuals and their contacts can be traced within 48 hours

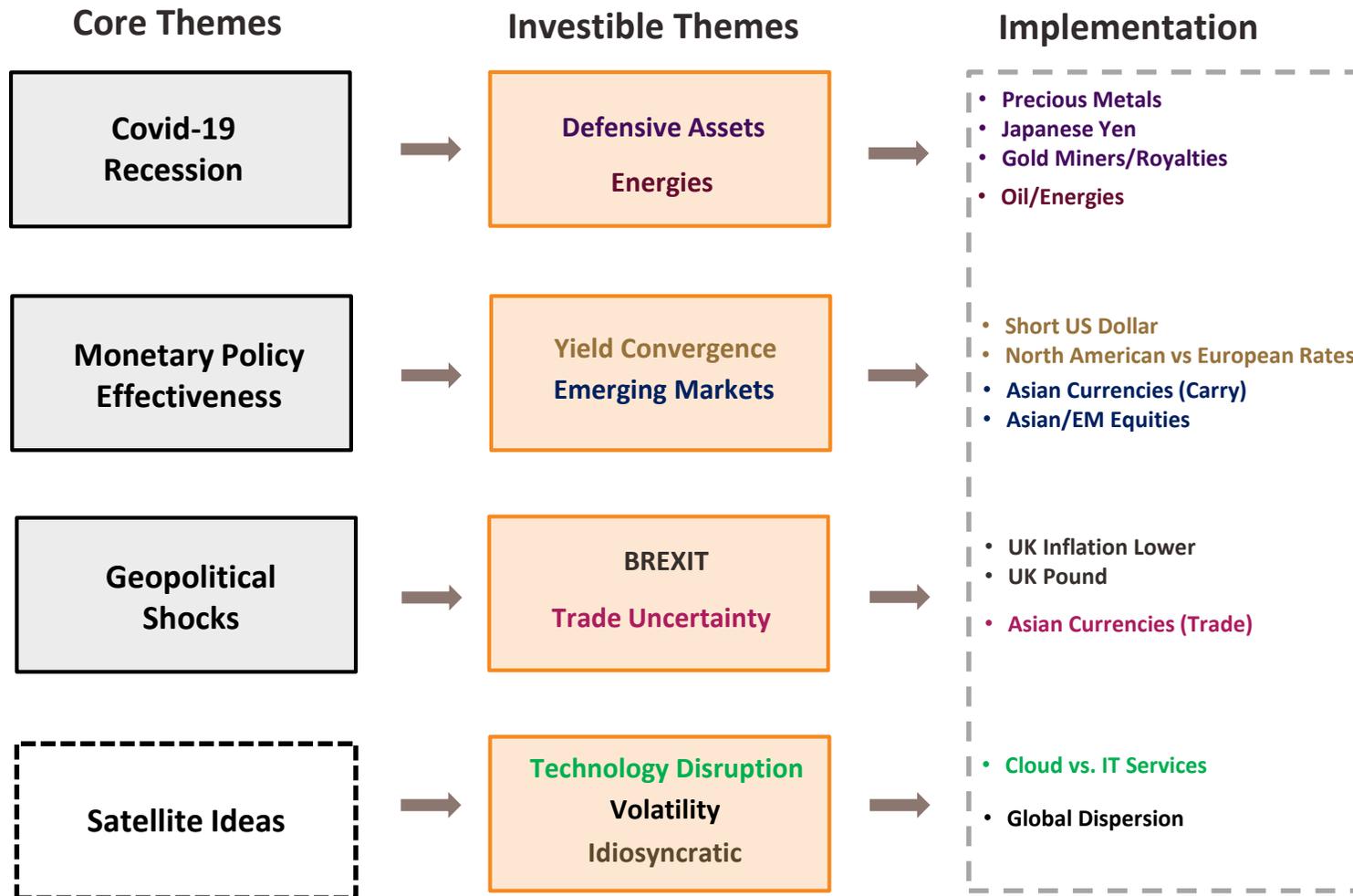
Despite the recent declines, expected returns on equity indices remain below long-term averages

Time Series of Expected Real Returns: 3-year Holding Period (Mar-1958 to Present)



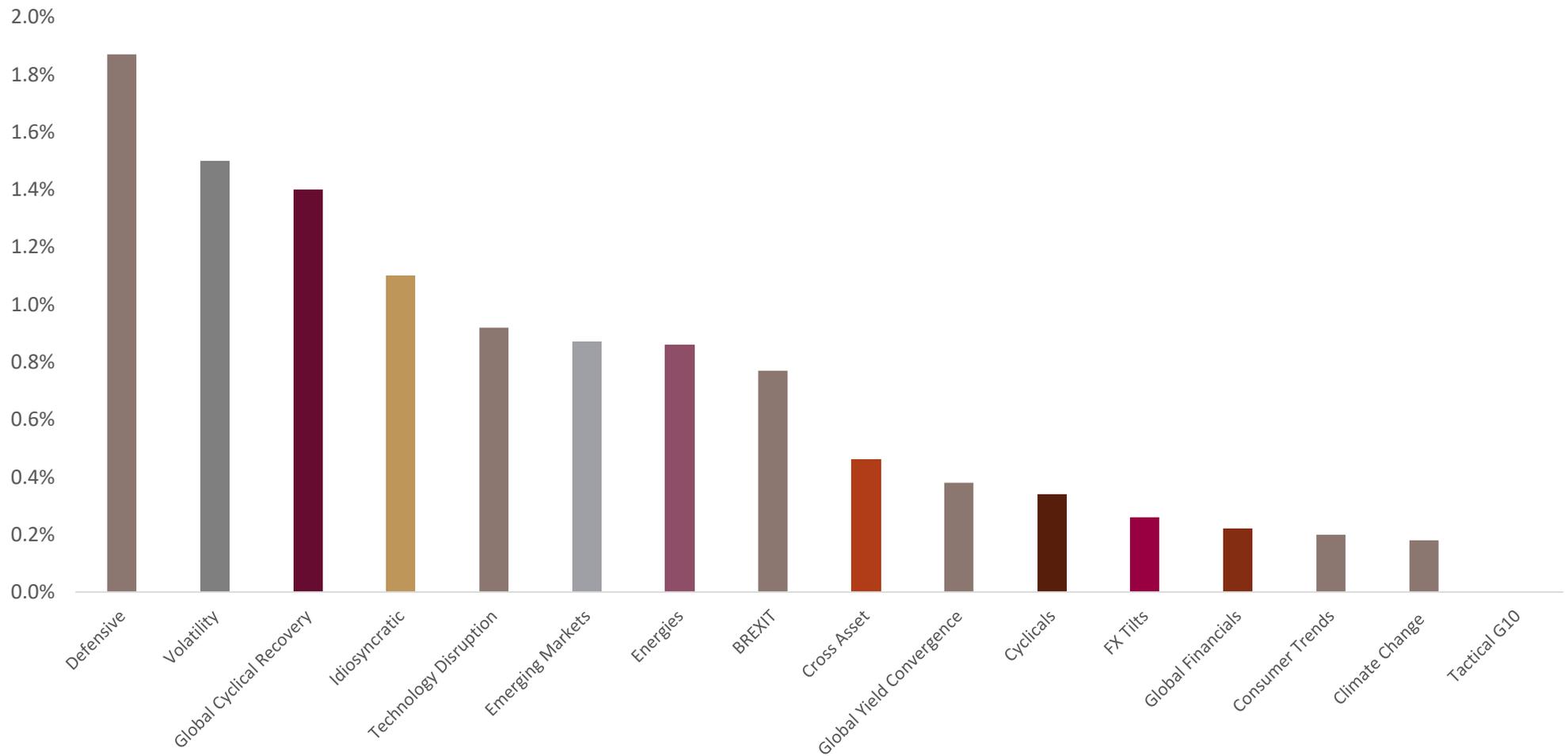
Current Portfolio

Core Themes, Investment Ideas and Implementation



Balanced approach between recovery and defensive trades with a focus on idiosyncratic sources of returns

Risk allocation by investment theme (%)

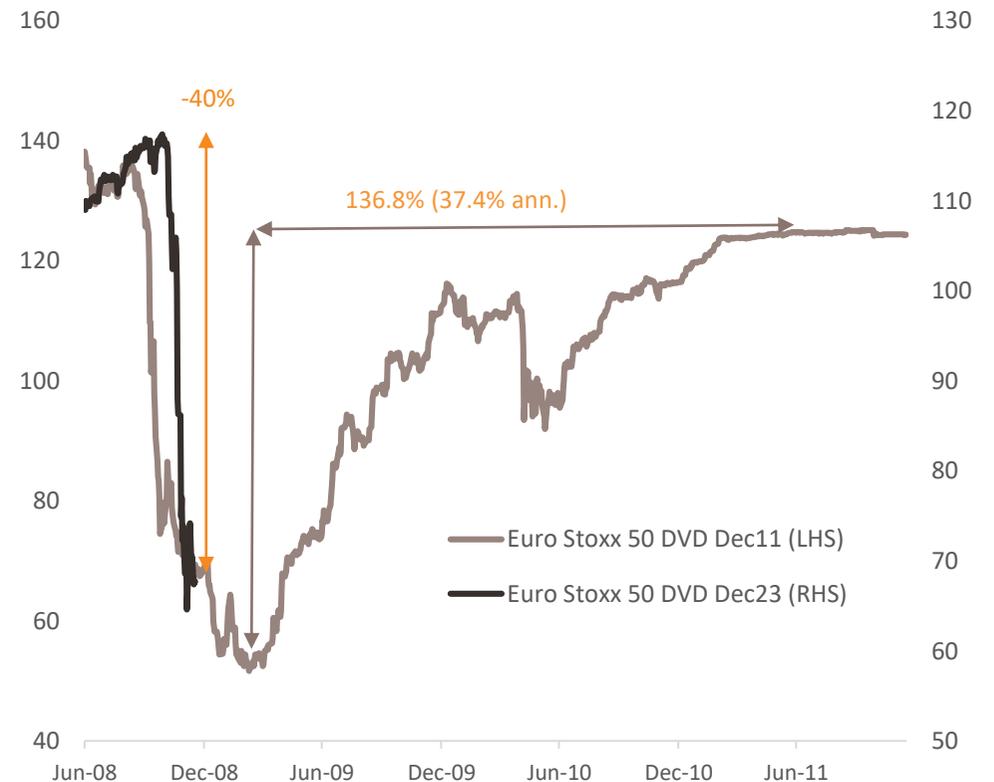


Equity Dividend Futures: Expected Returns and Case Study

During the 2008 financial crisis, purchasing EuroStoxx 50 dividend futures for 2011 (3 years out) close to current levels would have generated a 136% (33% annualised) total return as actual dividends for 2011 almost recovered all the way to the pre-crash dividend expectations for 2011

Annualised return over period			
	2022-22	2023-23	2024-24
Nikkei225	15.3%	11.9%	11.6%
FTSE100	25.5%	15.5%	10.3%
Eurostoxx50	22.5%	13.7%	9.9%
SP500	20.3%	12.9%	8.4%

Change in EuroStoxx 50 Dividend Futures 2011 vs 2023

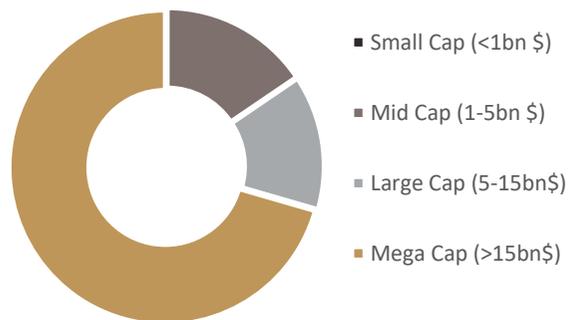


Technology Disruption Portfolio: Investment Rationale

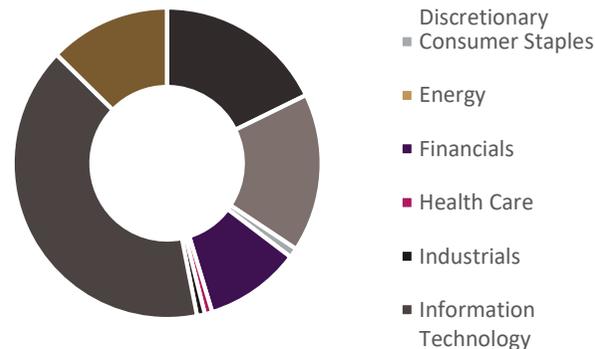
- The Technology Disruption portfolio is positioned to benefit from a number of trends and patterns that are accelerating after the Covid-19 shock to the global economy.
- These include increased use of cloud services, increased media consumption at home via streaming and video games, increased use of E-commerce services, acceleration of electronic payments, increased investment in tech infrastructure and greater requirement for warehouses and home delivery logistics.
- Despite what we believe is a positive shock to the companies' operating earnings, their share prices have fallen sharply amidst the indiscriminate sell-off, resulting in a substantial de-rating (median P/E de-rating of the portfolio is -21%).
- The median expected annualised return over the next 3 years is 15%, assuming no re-rating, and 21% if multiples revert to levels seen prior to the Covid-19 shock.
- Companies in the portfolio have clean balance sheets with a median Equity to Enterprise Value ratio of 0.97, i.e. minimal net debt

	3 Yr annualised expected return at current multiple	3 Yr annualised expected return including re-rating	Equity/ Enterprise Value	NTM P/E Multiple pre-COVID-19	Current NET P/E Multiple	De-rating during COVID-19
MEDIAN	15.2%	21.4%	0.97	36.6	28.9	-21%

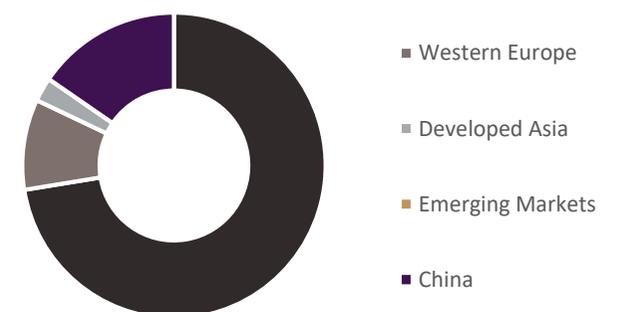
Market Cap Breakdown



Sector Breakdown



Regional Breakdown

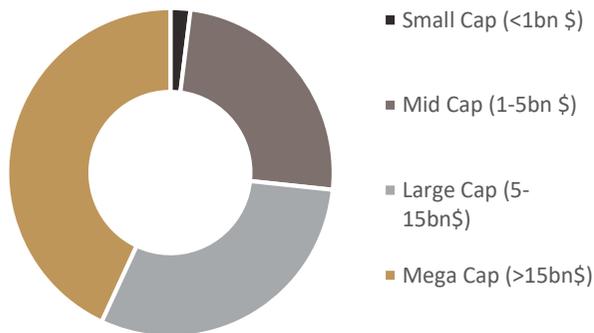


Climate Change Portfolio: Investment Rationale

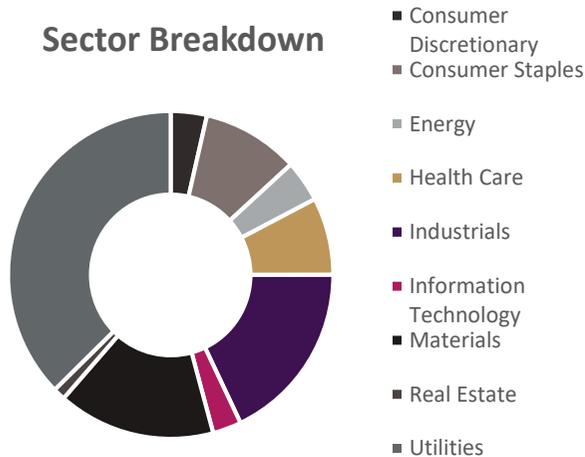
- During the current economic shock Governments in US and Western Europe are scrambling to put together fiscal stimulus measures to help boost the economy.
- Besides helping the industries particularly hit by this crisis, the stimulus measures are largely being directed towards existing programmes for which there is broad political support and projects related to Climate Change are at the top of the agenda.
- We expect large investments forthcoming in power grid stabilisation and enhancement, batteries and electric vehicles, biofuels, Clean energy including solar, wind and hydro, Energy Efficiency measures, Waste management and recycling.
- Despite expectations of a positive shock to operating earnings, the companies have significantly de-rated

	3 Yr annualised expected return at current multiple	3 Yr annualised expected return including re-rating	Equity/Enterprise Value	P/E Multiple pre-COVID-19	Current est. P/E Multiple	De-rating during COVID-19
MEDIAN	8.3%	15.8%	0.67	24.0	17.9	-25%

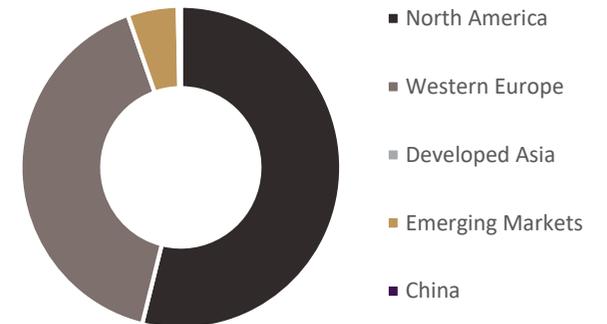
Market Cap Breakdown



Sector Breakdown



Regional Breakdown



Fulcrum Overview - Key Strengths

Fulcrum is an independently owned asset management firm, managing \$4.2bn of client assets with a core focus on global, multi-asset investing across liquid markets

Our objective is to consistently deliver **Diversified** Absolute Returns, building on our key strengths:

- **Quality of Team & Stability** – we are a strong and stable team that has worked together through the Global Financial Crisis and remained together to deliver for our clients in the future. Senior team have worked together for over two decades.
- **Rigorous Process** – we follow a repeatable and dynamic investment process that is not solely dependent on positive returns from traditional asset classes, such as equities, credit and government bonds.
- **Strong Performance** – we have outperformed most of our major peers over time with a low correlation to both bonds and equities.
- **Portfolio Breadth** - our approach is highly diversified across asset classes, strategies and time horizons.
- **Effective Risk Management** – our multi-dimensional approach to risk-management has historically provided strong downside protection.
- **Culture of excellence** – we seek to be at the frontier of knowledge in areas that impact our investment strategy (macro-economics, portfolio construction and investor psychology)

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