



Responsible Investment Policy 2022

Fulcrum Asset Management LLP

January 2022

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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 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 engages in responsible investment for two primary reasons. First, it is part of our fiduciary responsibility to consider all factors that affect investment performance. In this regard, it is crucial to consider Environmental, Social and Governance (ESG) risks alongside more traditional risk metrics in our philosophy and processes, to gain a more complete picture. This is especially true at a time with investor focus on responsible investing, and therefore the implication for asset pricing, is particularly high. It is our firm conclusion that investing in a responsible manner will improve risk-adjusted returns for our clients. Secondly, we are conscious that we do not operate in isolation and that the way we invest or manage our assets might impact, positively or negatively, environmental and social sustainability objectives. 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. Our government is doing its part, especially with respect to leading in the sphere of climate change, and as a UK investment manager, we should adhere to, and work to gradually improve, UK best practice. If we invest in an ethical and responsible manner, our partners, colleagues and clients can all be proud of their association with Fulcrum. This is a strong motivation.

The firm’s leadership, informed by its staff, have a particular concern about the devastating consequences of accelerating climate change, and an awareness of how this both poses a risk to investments as well as the important role the financial sector must play to mitigate climate change. Consequently, investing in a climate-aligned manner is important for us and we aim to embed this across the firm.

Overall approach to Responsible Investment

At Fulcrum, we think about responsible investment as the overarching umbrella of a range of activities, which we break into three groups:

- Enabling our investment professionals to consider ESG risks or sustainability issues in their investment decision-making
- Stewardship, i.e. being active owners by exercising our voting rights and engaging with our investments
- Policy, the communication and interaction with clients on these issues.

Fulcrum acknowledges the complexities inherent in responsible investing, 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. We also acknowledge that the area of responsible investment is subject to rapid change with extensive innovation and new standards. We aim to integrate our thinking on this across all the asset classes we are invested in but are aware that relevance and application will vary. As far as possible, we aim to apply our thinking on responsible investing, such as ESG risk integration and stewardship, on a firm-wide basis. However, the direct application of sustainability-related impact considerations is currently limited to those products where it is most relevant. Ultimately, we wish to broaden this as far as possible over time.

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”, where we consider the impact our investments might have on the environment and society.

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. Responsible Investment Governance Structure

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 Management Board and is mandated to review and incorporate responsible investing elements into the Fulcrum investment processes and to implement initiatives where we can improve as a sustainable business. It also ensures that our policy activities are aligned with our position on sustainable finance and our commitment to the UN PRI principles. 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)

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 into 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 on sustainability outcomes 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 an Environmental, Social and Governance event or condition that, if occurs, could cause an actual or a potentially 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 to or detract from financial returns.

Guidelines on ESG factors

Fulcrum encourages its portfolio managers and researchers to consider ESG factors in the identification and assessment of investments. These factors are interpreted as:

Environmental factors: issues relating to the quality and functioning of the natural environment and natural systems.

Social factors: issues relating to the rights, well-being and interests of people and communities.

Governance factors: issues relating to the governance of companies and other investee entities

Capability specific guidelines

A high-level overview of how ESG risks are considered across each of our capabilities is outlined below:

Macro & Multi-Asset – Our Macro & Multi-Asset capability allocates to our other capabilities (listed below) as well as implementing a range of tactical views across a variety of different asset classes using derivatives. ESG risks can also be an element of overall risk assessment for certain discretionary positions within our Macro and Multi-Asset portfolios, in particular for certain commodities and countries where it is most relevant.

Risk Premia – In 2021 we systematised ESG risk data from third-party vendors into our quantitative models for some of our risk premia investment strategies. This involved augmenting our risk assumptions across all instruments according to certain ESG risk metrics and ultimately has the effect of reducing our maximum position sizes in those assets with higher unmanaged ESG risk.

Alternative Solutions – We have developed a proprietary scoring system for each of the alternative investments we review as part of our due diligence process. This includes a detailed review of an external manager's policy and approach, asset allocation, portfolio construction, stock selection and any asset class specific considerations. We use third-party ESG risk data for certain aspects of this work, including carbon emissions and country risk scores. A link to a document with a more detailed description of this process can be found in the Appendix.

Thematic Equities – ESG is integrated in our equity investments via certain thematic baskets. We consider ESG both on the thematic level and on the company level and this has resulted in some targeted themes being included in our portfolios (see case study below). From time to time, we will consider ESG risks and opportunities during the theme idea generation process (particularly long-term trends such as climate change). As part of our analysis we consider external research, company meetings and sell-side analyst meetings. In addition, we have also developed the Fulcrum Climate Change Fund, where we explicitly target climate alignment.

Climate-related risks and opportunities

Fulcrum have been signatory to the Taskforce for Climate-related Financial Disclosures since 2019 and fully supports their work. Further information can be found in our TCFD statement.

5. Stewardship

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

Fulcrum's key stewardship objective is to act as a responsible owner. The firm has chosen to prioritise climate change (SDG 13: Climate Action) as an ESG factor as this is seen as particularly relevant to our investments and due to multiplier effect. This instructs both how we vote and how we engage (both directly and collectively).

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. We have decided to use Glass Lewis' Climate Overlay policy to reflect the particular importance of climate change in our process.

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. We primarily engage with companies rather than with governments due to our investment strategies. If we find our engagement strategies do not succeed over time, we will consider escalation options such as divestment, however, we believe that the best impact can be achieved by acting as responsible owners.

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

Direct engagement

Across our 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 and collaborative engagement

We aim to collaborate with external sustainability initiatives and have joined 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+, and the CDP (formerly the Carbon Disclosure Project).

6. Exclusions

Fulcrum portfolio managers are excluded from investing 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 indirect exposure to any such stocks. In the derivative markets we have an exclusion on trading in Palm Oil futures contracts given the substantial environmental challenges within this industry. 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. Reporting

Internal reporting and verification

We periodically calculate and review, where possible, certain ESG metrics for our portfolios that include direct equity investments.

External reporting

Fulcrum reports on ESG and other sustainability issues to clients on request. During 2021 we will also be producing annual reports for our sustainability-focused funds.

8. Conflicts of Interests

For information about how Fulcrum handles conflicts of interests related to responsible investments, please see our dedicated Conflicts of Interest Policy.

9. 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.