Fulcrum Asset Management LLP

Remuneration Policy

July 2022

Contents

1 Regulatory Context

Fulcrum Asset Management LLP (the “Firm”, “Fulcrum”) is authorised and regulated by the Financial Conduct Authority in the United Kingdom as an alternative investment fund manager (“AIFM”) and a Collective Portfolio Management Investment firm (“CPMI”). As an AIFM, the Firm is subject to the remuneration rules as set out in Article 13 of the AIFMD and chapter 19B of the FCA’ Senior Management Arrangements, Systems and Controls Sourcebook (“SYSC”). Additionally, as an CPMI firm, Fulcrum is subject to the rules in the SYSC 19C. Under the AIFM Remuneration Code, Fulcrum will be deemed to have met the requirements under the BIPRU Remuneration Code should it satisfy the requirements of the AIFM Renumeration Code.

Further, consideration has been given to the requirements as outlined in Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (the “SFDR Requirements”) which apply to the Financial Market Participants (i.e. UCITS management companies and EU AIFMS) that have delegated the investment of their EU funds to Fulcrum.

This policy has been prepared in line with the business strategy, objectives, values and interests of the Firm and the funds is managed and ensure that the Firm maintains and applies a sound and prudent remuneration process which does not impair compliance with the Company’s duty to act in the best interest of the Funds, which identifies and manages any conflicts of interest, promotes sound and effective risk management as well as sustainability investment decision making practices and does not encourage risk taking which is inconsistent with the risk profile of the Company or the risk profiles and constitutional documents of its managed funds.

This Remuneration Code covers staff members total remuneration– both fixed and variable. The Firm uses a combination of the two remuneration methods to incentivize staff.

2 Application

The Firm has assessed the proportionality elements to determine whether it should disapply the **Pay-out Process Rules**. These rules are:-

a. Retained units, shares, or other instruments (SYSC 19B.1.17.R/Principle 5(e));
b. Deferral (SYSC 19B.1.18.R/Principle 5(f)); and
c. Performance adjustment (SYSC 19B.1.19.R and 19B.1.20.R/Principle 5(g)).

The ability to disapply certain rules is not automatic but the presumption is that the Pay-out Process Rules may be disapplied and the Firm must assess each proportionality element alongside the above Pay-out Process Rules to determine whether it is reasonable that the rule should be disapplied. The proportionality elements are size, internal organisation and nature, scope and complexity of the Firm’s activities.

If the Firm collectively manages AIFs for which the total AuM is below the threshold detailed in the size proportionality element (as set out in Appendix 1) then a presumption exists that it can disapply the Pay-out Process Rules as long as it has still assessed the other proportionality elements to ensure there are no circumstances which would merit it applying any of the disapplied rules.

The Firm has considered all these elements in line with the FCA Guidance and this assessment is detailed in Appendix 1. On the basis of this assessment the Firm will partially disapply all the Pay-out Process Rules.

In addition, if AIFM Remuneration Code Staff meet the following conditions then the Firm may in addition to the Pay-out Process rules also disapply the Guaranteed Variable Remuneration Rule in SYSC 19B.1.14R (principle 5(b)) for those particular staff which:-

- Receive variable remuneration of no more than 33% of their total remuneration; **and**

- Total remuneration does not exceed £500,000.

Public Disclosure
Separately, Fulcrum LLP is required to make public disclosures in line with the FCA's proportionality guidance for BIPRU firms.

3 Treatment of Partners or Members Remuneration

In order to determine the proportion of remuneration for Members/Partners that should be subject to the AIFM Remuneration Code (and hence this policy) we must determine they are AIFM Remuneration Code Staff and allocate the payments or benefits the Partners/Members are paid between that which are a return on investment in a similar way that dividends apply in companies and then how the remainder, if any, is divided between fixed remuneration and variable remuneration.

Once the Firm has determined what is remuneration and what is a return on investment similar to a dividend it then needs to determine what proportion of remuneration is fixed and variable.

The Firm maintains an assessment of Partners/Members Remuneration and subject to the AIFM Remuneration Code and, of that, what will be deemed Fixed or Variable Remuneration.

For those Partners/Members that are subject to Deferred Remuneration as detailed in section 7 (Principle 5(f)) below, they will be taxed on all allocated profit shares (distributed or otherwise) when they arise in the base year even if these will not be distributed/received in that year.

4 General Requirements

UK AIFMs are required to have remuneration policies and practices in place which are consistent with, and promote, sound and effective risk management and do not encourage risk taking which is inconsistent with the risk profiles, rules or instruments traded by the AIF that they manage and of the AIFM itself.

This remuneration policy is designed to encourage the alignment of the risks taken by the AIFM's staff with those of the AIFs it manages, the investors of such AIFs and the AIFM itself; in particular, the policy takes into consideration the need to align risks in terms of risk management and exposure to risk. The policy:

- Is in line with the business strategy, objectives, values and interests of the Firm and the funds it manages.
- Encourages Sustainable investment decision making
- Does not encourage excessive risk taking as compared to the investment policy of the AIFs the AIFM manages; and
- Enables the Firm to align the interests its staff members with its own interest, its clients and the funds it managers.

The Firm has determined the Remuneration policy's compliance with the 18 principles scheduled in SYSC 19B.1.5 to 19B.1.24 inclusive in a way which is appropriate to its size, internal organisation and the nature, scope and complexity of its activities.

AIFM Remuneration Code Staff

AIFM Remuneration Code Staff are defined as follows;

1. Senior Management (those holding a Significant Influence Function CF1 to 29 inclusive);
2. Staff responsible for heading the Portfolio Management, Risk Management, Administration, Marketing and Human Resources teams;
3. Other Risk Takers such as any member of staff receiving total remuneration that takes them into the same remuneration bracket as Senior Management and whose professional activities have a material impact on risk profiles of the AIFMs or of the AIFs the Firm manage; and

4. Where appropriate categories of staff of entities to which Portfolio Management and/or Risk Management Functions have been delegated by the AIFM, whose professional activities have a material impact on the risk profiles of the AIF that the AIFM manages.

This Policy and the Remuneration Principles are primarily directed at AIFM Remuneration Code Staff, however, this Policy also sets out where these will be applied on a Firm-wide basis. The Firm will not apply the AIFM Remuneration Code to all staff within the Firm.

5 The Firm's general risk management framework and statement of responsibilities

The Firm has implemented policies, procedures, and practices in order to identify, measure, manage and monitor risk. These are proportionate given the nature, scale and complexity of the Firm's activities and its risk tolerance.

As a CPMI Firm our Risk Management is detailed in the Firm's ICAAP and comprises:

- Definition of the Firm's risk tolerance;
- Risk identification;
- Risk documentation;
- Risk monitoring;
- Risk measurements; and
- Management Mitigation

In addition, the Firm has adopted the following **Statement of Responsibilities**:

Given the size, internal organisation and the nature, scope and complexity of the activities of the Firm it does not have a separate supervisory function, therefore the Remuneration policy's supervisory function will be undertaken by the Firm's Governing Body. The Governing Body of the Firm comprises of the Founding Partners, Andrew Stevens and Gavyn Davies, the Chief Investment Officer and Deputy Chief Invetment Officer. The Governing Body is responsible for approving and maintaining this policy and overseeing its implementation on a day-to-day basis.

The Governing Body is responsible for the total process of risk management, which includes actual or potential risks which stem from the way in which the Firm renumerates its staff and Partners/Members. The Governing Body, in liaison with all executives and senior management, sets the risk profile of the Firm and its related policies and procedures as detailed below. This policy is reviewed by the Governing Body at least annually.

The Governing Body decides the Firm's tolerance to risk – those risks it will accept and those it will not accept in the pursuit of its goals and objectives. In addition, the Governing Body ensures that the Firm has implemented an effective, ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and subsequently to ensure that such risks are actively managed.

The Chief Operating Officer who is also the Firm's Chief Compliance Officer will monitor the Firm's Remuneration Policy in connection with its liquidity and capital requirements; and shall report to the Governing Body directly. The Chief Operating Officer shall also be responsible for ensuring the Remuneration Policy is properly implemented and will ensure that the Firm's Remuneration Policy complies with the relevant legislation and regulations.

The Governing Body in conjunction with the Chief Operating Officer sets the overall Remuneration Policy for the Firm. This is reviewed at least annually, considering the current and future risks and the cost and quantity of capital and liquidity required, having regard to the Firm's financial forecasts.

6 AIFMD Remuneration Principles

SYSC 19B lists 9 Principles which the Firm has to comply with, in a way and to the extent that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities.

The Firm maintains a risk register which sets out the principles it is not applying based on its assessment of proportionality.

These Principles are as follows:

1. Risk Management
2. Supporting business strategy, objectives, values, and interests and avoiding conflicts of interest
3. Governance
4. Control Functions
5. Remuneration Structures (sub divided into 7 sections)
6. Measurement of Performance
7. Pension policy
8. Personal Investment Strategies
9. Avoidance of the Remuneration Code.

The below sets out our approach to each principle, in turn; recognising that in some, exceptional, instances and following an assessment by the Firm, certain of these may be disapplied entirely.

6.1 Risk management

The remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profiles, rules, or instruments of incorporation of the AIFs they manage.

The Firm has adopted policies and procedures to align remuneration with effective risk management. These are reviewed by the Governing Body on at least an annual basis.

The Firm's business is the management of various AIFs, UCITS /NURS funds and managed accounts. It is remunerated solely by profits derived from management fees and performance fees. It does not take any balance sheet risk.

The Firm has a prudent approach to risk management as detailed further in the ICAAP. Risk management and other policies are designed to further the long-term interests of the Firm.

6.2 Supports business strategy, objectives, values, and interests and avoiding conflicts of interest

The remuneration policy is in line with the business strategy, objectives, values and interests of the AIFM and the AIFs it manages or the investors of such AIFs and includes measures to avoid conflicts of interest.

Compensation is not exclusively tied to the performance of any particular product. Variable remuneration is only paid based upon the performance of the business as a whole, the business line and the individual's performance. Variable compensation is only paid after the Firm's current and future liquidity and capital requirements have been considered.

Code staff are all partners in the Firm and have capital equity which aligns their interests very closely with that of other stakeholders.

The Firm has adopted policies and procedures aimed at mitigating any potential conflicts that may arise between staff members and the Firm, staff members and the AIF it manages and between one AIF and another/others. The Firm maintains a Conflict of Interests Register which includes potential conflicts relating to remuneration, as well as the procedures the Firm has implemented to mitigate these conflicts. In circumstances where the Firm is unable to mitigate a conflict, the conflict is disclosed to its client, the AIFs it manages, and is included in the

Firm's Risk Register and additional capital is assigned to it, where appropriate, to ensure that if such a risk were to materialise, the business would be able to absorb any consequences.

The Firm applies this Principle on a Firm-wide basis.

6.3 Governance

The management body of the AIFM, in its supervisory function, adopts and periodically reviews the general principles of the remuneration policy and is responsible for its implementation. The implementation of the remuneration policy is, at least annually, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the management body in its supervisory function.

Given the size, internal organisation and the nature, scope and complexity of the activities of the Firm it does not have separate supervisory functions, therefore this supervisory function is the direct responsibility of the Governing Body.

The Firm's Governing Body will ensure that the implementation of the remuneration policy is, at least annually, subject to central and independent internal review, and will address whether it operates as intended and remains compliant with national and international regulations, principles and standards.

As detailed above, the Governing Body has determined that a Remuneration Committee is not appropriate at the Firm as we are not a significant AIFM and therefore the remuneration of senior risk management and compliance functions are overseen by the Governing Body.

6.4 Control Functions

Staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business. These objectives do not directly relate to investment performance but are aligned to performance in implementing and executing the control objectives of the Firm for the period in question. The Compliance Officer has a significant influence in the setting of compensation levels across the Firm.

6.5 Remuneration Structures

5(a) Assessment of Performance

Where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit or AIF concerned and of the overall results of the AIFM, and when assessing individual performance, financial as well as non-financial criteria are taken into account.

These criteria are considered when deciding on compensation levels for AIFM Remuneration Code Staff and other individuals.

The assessment of performance is set in a multi-year framework appropriate to the life-cycle of the AIFs managed by the AIFM in order to ensure that the assessment process is based on longer term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the redemption policy of the AIFs it manages and their investment risks.

Document how performance fees paid in such a way that avoids incentives for inappropriate risk-taking for example and aligns interest with investors. Need to consider more than a one year period in isolation.

Where performance fees are charged they are linked to high watermarks and/or hurdle rates which ensures alignment of interests between the Firm and investors.

Compensation is not exclusively tied to the performance of any particular product. Variable remuneration is only paid based upon the performance of the business as a whole, the business line and the individual's performance.

Variable compensation is only paid after the Firm's current and future liquidity and capital requirements have been considered.

5(b) Guaranteed variable remuneration

Guaranteed variable remuneration is exceptional, occurs only in the context of hiring new staff and is limited to the first year.

The Firm applies this Principle on a Firm-wide basis.

5(c) Ratios between fixed and variable component of total remuneration

Fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy, on variable remuneration components, including the possibility to pay no variable remuneration component.

The Governing Body balances the fixed and variable component of remuneration for all staff.

5(d) Payments related to early termination

Payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure.

There are no contractual entitlements to payment upon early termination in any of the Firm's contractual arrangements other than the standard notice periods.

The Firm applies this Principle on a Firm-wide basis.

5(e) Retained units, shares or other instruments

Subject to the legal structure of the AIF and its rules or instruments of incorporation, a substantial portion, and in any event at least 50 % of any variable remuneration consists of units or shares of the AIF concerned, or equivalent ownership interests, or share-linked instruments or equivalent non-cash instruments, unless the management of AIFs accounts for less than 50 % of the total portfolio managed by the AIFM, in which case the minimum of 50 % does not apply.

The Firm does not apply this Principle following its assessment of Proportionality.

5(f) Deferral

A substantial portion, and in any event at least 40 %, of the variable remuneration component, is deferred over a period which is appropriate in view of the life cycle and redemption policy of the AIF concerned and is correctly aligned with the nature of the risks of the AIF in question.

The Firm does not apply this precise Principle following its assessment of Proportionality. However, the Firm now has a deferral scheme which covers employees and partners. For the 2019 year the following deferral rates applied:

Bonus between £0 – £100,000	0% deferred
Bonus between £100,000 – £249,999	40% deferred
Bonus £250,000 or more	60% deferred

Going forwards it is likely that the deferral rate percentages will remain the same but the cash thresholds may change year on year.

For the 2019 year the following funds were available for investment (cash was not an option):

- TM Fulcrum Diversified Growth Fund
- TM Fulcrum UCITS Fund (sub-fund TM Fulcrum Diversified Absolute Return Fund)

- TM Fulcrum Diversified Liquid Alternatives Fund
- Fulcrum UCITS SICAV (sub-fund Fulcrum Fixed Income Absolute Return Fund)
- TM Fulcrum UCITS Fund (sub-fund TM Fulcrum Income Fund)

5(g) Performance adjustment, etc

The variable remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of the AIFM as a whole, and justified according to the performance of the business unit, the AIF and the individual concerned.

The Firm does not apply this Principle following its assessment of Proportionality.

6.6 Variable remuneration adjusted to account for current and future risks

The measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks.

The Firm's risk management process is discussed above in section 4 and in determining variable remuneration current and future risks are taken into account and adjust variable remuneration where appropriate.

Compensation is not exclusively tied to the performance of any particular product. Variable remuneration is only paid based upon the performance of the business as a whole, the business line and the individual's performance. Variable compensation is only paid after the Firm's current and future liquidity and capital requirements have been considered.

6.7 Pension policy

The pension policy is in line with the business strategy, objectives, values and long-term interests of the AIFM and the AIFs it manages.

The Firm offers only defined contribution scheme pension plans whereby the risk for funding retirement is passed to staff. The Firm therefore does not view this principle as relevant in its case.

6.8 Personal Investment Strategies

Staff are required to undertake not to use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

N/A given how people are paid (i.e. salary and discretionary bonus), such a hedging strategy would be difficult.

6.9 Avoidance of the Remuneration Code

Variable remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements of this Directive.

N/A the Firm will not pay Variable Remuneration through methods that avoid requirements of the directive.

7 SFDR Requirements

Fulcrum is a UK AIFM and is not directly subject to the EU SFDR requirements. However as it provides investments management services to EU investment managers which fall within the definition of Financial Market Participant as defined by SFDR, Fulcrum applies the EU SFDR requirements to its EU managed funds as well as its non-EU funds (as best practice). By extending the EU SFDR requirements holistically across its business, it ensures that consistent practices are applied with the integration of sustainability risks, if sustainability risks are integrated into the investment decision making process.

In accordance with Article 5 of the EU SFDR, financial market participants (i.e. UCITS Management Companies and AIFMs) are required to include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks and shall publish that information on their websites. As outlined previously, all Identified Staff are remunerated with a combination of fixed and variable discretionary remuneration where the performance of its managed funds does not directly impact the remuneration of the Identified Staff. As a second line of defence, Fulcrum assesses staff adherence to the sustainability criteria as part of its annual HR staff performance process. In light of the low limited impact of the variable remuneration of the Identified Staff on the risk profile of its managed funds and the nature of the business of the Firm, the Firm believes as the variable remuneration components are not based on the performance of the Funds, there is little risk of misalignment with the sustainability risks associated with the investment decision making process of the Firm in respect of the Funds. Accordingly, the Firm believes that where portfolio management is retained, its existing structures are sufficient to prevent excessive risk taking in respect of sustainability risks.