

Fulcrum Diversified Absolute Return

Evelyn Partners' James Burns says this fund can continue to eke out solid returns even if market conditions remain tricky

There is a lot happening in markets at the moment, with inflation concerns wreaking havoc on both bonds and equities. However, the volatility we are experiencing throws up opportunities, and the absolute return space has shone a small ray of sunlight on investors in what has been a difficult year.

Although we are not overly pessimistic, we continue to believe that it makes sense to maintain a decent allocation to funds that should eke out solid returns even if conditions continue to be tricky. With this in mind, we have just added the Fulcrum Diversified

Absolute Return fund to our Active Managed Portfolio Service range.

Hedging your bets

This is a multi-asset discretionary macro hedge fund that seeks to consistently generate attractive risk-adjusted returns with low volatility. It has a strong focus on capital preservation while maintaining upside exposure.

The management team takes an unconstrained approach across a wide-ranging investment universe, covering all major liquid markets and sectors to implement its top-down views. These include developed and emerging equity and

credit markets, as well as currencies and option strategies.

Fulcrum Diversified Absolute Return can be broken down into three separate buckets: “directional”, where views are taken on a particular asset class; “relative value” ideas in inter and intra asset-class trades; and “liquid diversifying” strategies, which are primarily trend-following.

The key theme across all investments, however, is liquidity, meaning the managers are able to exit trades easily if necessary. Risk control is key to the investment process and the portfolio will always be well diversified by strategy, the number of individual trades and the amount of instruments being used.

Golden age

Fulcrum Asset Management has been going since 2004, but the team members worked together before then, at Goldman Sachs. They have a strong long-term track record going back to the fund’s launch in 2012, producing mid-single-digit annualised returns, but with a beta to global equities of just 0.2. Fulcrum Diversified Absolute Return has

made 43.7% over the past decade, compared with gains of 24.6% from the IA Targeted Absolute Return sector. Most importantly, these returns have been generated consistently, regardless of the market conditions.

In a world where the cost of investing is a key focus, the fund has an annual management charge of just 0.75%, and with no performance fee attached. This, in our view, makes it one of the most competitively priced options among its peers. In the current conditions, we believe a fund such as this one should prove to be an excellent diversifier in client portfolios. ■■■■■



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