

Attn: UK News editors

PRESS RELEASE

Fulcrum completes climate-alignment of strategic equity allocation

London, 10 August 2023: Fulcrum Asset Management (Fulcrum) today announces that the strategic equity component of its flagship diversified absolute return strategy is now fully climate-aligned.

Approximately 10% of the assets in the Diversified Absolute Return strategy (DAR), and similar strategies is now invested in companies whose past and potential emissions performance are deemed compatible with the goals of the Paris Agreement on climate change.

Fulcrum has achieved this by doubling internal allocations to its innovative Fulcrum Climate Change (FCC) strategy, which aims to only invest in stocks with an ‘implied temperature’ of below 2°C, while maintaining an average temperature below 1.5°C for the overall strategy. This carefully considered design feature has allowed the FCC strategy to retain its ‘article 9’ status – the highest sustainability classification under the EU’s sustainable finance regulation – amid a wave of industry downgrades.

The FCC strategy, now into its fourth year, represents a key milestone in Fulcrum’s commitment to net zero with the allocation reflecting Fulcrum’s belief that sustainable investments must and can play a core and significant part of investors’ portfolios. The strategy provides a way for asset allocators to climate-align a major part of their equity allocation while maintaining a highly diversified exposure across sectors and regions. As a direct result, the strategy was featured as a case study in the portfolio alignment working group of the Global Financial Alliance for Net Zero (GFANZ).

Fulcrum has devoted increased resources to its climate-aligned investment capability, spanning data, research, and stewardship. In an annual sustainability update for DAR released today, Fulcrum details on-going engagements encouraging investee companies to improve their sustainability performance, conducted directly and in collaboration with investor networks such as Climate Action 100+ and CDP.

Many positive steps have been taken by companies following engagement, with Fulcrum committed to continue engaging with companies in order to improve any highlighted areas of concern. Between July 2022 and June 2023, the firm overall has cast over 900 votes against directors at investee companies and over 600 votes against pay packages, due to concerns around sustainability – for example, the lack of emissions targets.

With the formalisation of a Climate Research Team in close collaboration with the Investment Team, Fulcrum has been developing methodologies and datasets on climate risks and opportunities. A proprietary scoring framework for ‘principal adverse impacts’ on sustainability factors as well as various environmental metrics have been incorporated in the construction of the FCC strategy on the back of Fulcrum’s research objectives. Fulcrum has also announced plans to submit its flagship strategy for certification as a ‘article 8’ fund (designating funds which promote sustainability characteristics) and will continue to actively participate in several industry working groups to help advance the conversation on portfolio alignment and asset classes such as derivatives.

Matt Roberts, Partner at Fulcrum Asset Management and Chair of Fulcrum's Responsible Investment Committee said:

"Aligning our strategic equity component with the goals of the Paris Agreement has been a huge piece of work across our teams. We launched our pioneering Fulcrum Climate Change strategy a little over three years ago now and integrating that equity exposure into our core diversified strategies (DAR and DCAR) has been a natural next step."

-ENDS-

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For more details on Fulcrum's net-zero commitment, see:

<https://www.netzeroassetmanagers.org/signatories/fulcrum-asset-management/>

Fulcrum's voting records are available at <https://viewpoint.glasslewis.com/WD/?sitelid=Fulcrum>

For details on implied temperature, please see: <https://www.fulcrumasset.com/inst/ie/en/fulcrum-blog/the-carbon-half-time-show/> and the Fulcrum case study on pp. 22-23 of the GFANZ report on portfolio alignment

<https://assets.bbhub.io/company/sites/63/2022/09/Measuring-Portfolio-Alignment-Enhancement-Convergence-and-Adoption-November-2022.pdf>

The annual DAR sustainability report can be found at

<https://www.fulcrumasset.com/uploads/2023/08/19049a702ab53d08a99962e72a294676/fulcrum-dar-sustainability-report-2022.pdf>; it represents an interim update to its reporting as a signatory of the UK

Stewardship Code, available at <https://www.frc.org.uk/getattachment/0aed3322-b6b9-42f8-95a2-81ef5c299e88/Fulcrum-Main-Report-October-2022-FINAL-SUBMISSION.pdf>

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