



**Fulcrum Asset Management LLP**

**Investment Firms Prudential Regime (IFPR) Disclosure**

**For the year ended 31 December 2022**

## **1. Introduction**

Fulcrum Asset Management LLP (the “Firm” or “Fulcrum”) is authorised and regulated by the Financial Conduct Authority as a Collective Portfolio Management Investment firm (“CPMI”) which is a full scope UK alternative investment manager with additional MIFID “top-up” permissions. In respect of the latter, Fulcrum is subject to the Investment Firms Prudential Regime (“IFPR”) as set out in the MIFIDPRU rules of the Financial Conduct Authority (“FCA”), and is currently classified as a non-SNI firm. This document seeks to satisfy Fulcrum’s the provisions outlined in MIFIDPRU 8 that require public disclosures in relation to the following:

- Governance arrangement
- Risk Management
- Own funds
- Own funds requirements
- Remuneration

The disclosed information is set out in proportion to the firm’s size and organisation, and to the nature, scope and complexity of its activities.

The information provided in this document is provided as at 31st December 2022, which is Fulcrum’s accounting reference date and financial year end. The disclosure will be published at the same time as Fulcrum’s annual Statutory Accounts which are published with Companies House in September 2023 in line with the Firm’s requirements under the Companies Act. This document may be updated more frequently, if there is a material change to its business strategy or operations.

### **Location of the public disclosure**

The document is published annually on Fulcrum’s website: [www.fulcrumasset.com](http://www.fulcrumasset.com).

### **Review Date**

This document was late reviewed on August 2023 by Fulcrum’s Management Board.

## **2. Governance arrangements**

### **i. Ownership and Purpose**

Fulcrum Asset Management LLP is a 'limited liability partnership' which was incorporated on 22nd December 2003 (number OC306401). On the 14th April 2004, it was authorised and regulated by the Financial Conduct Authority for the provision of investment management services. The corporate member of the LLP is FAM Services Limited ("FAML UK"), a UK limited company. FAML UK is a wholly owned subsidiary of Fulcrum Asset Management Limited ("FAML"). Fulcrum's partners are members of this partnership.

FAML UK is a private limited company incorporated on 19th December 2003 (company number 500061). Fulcrum employees' employment contract is with FAML UK.

This structure is typical for asset management businesses and hedge funds and ensures that all investment management activities carried out on behalf of clients are delegated to, or directly managed by, an FCA regulated company – Fulcrum Asset Management LLP.

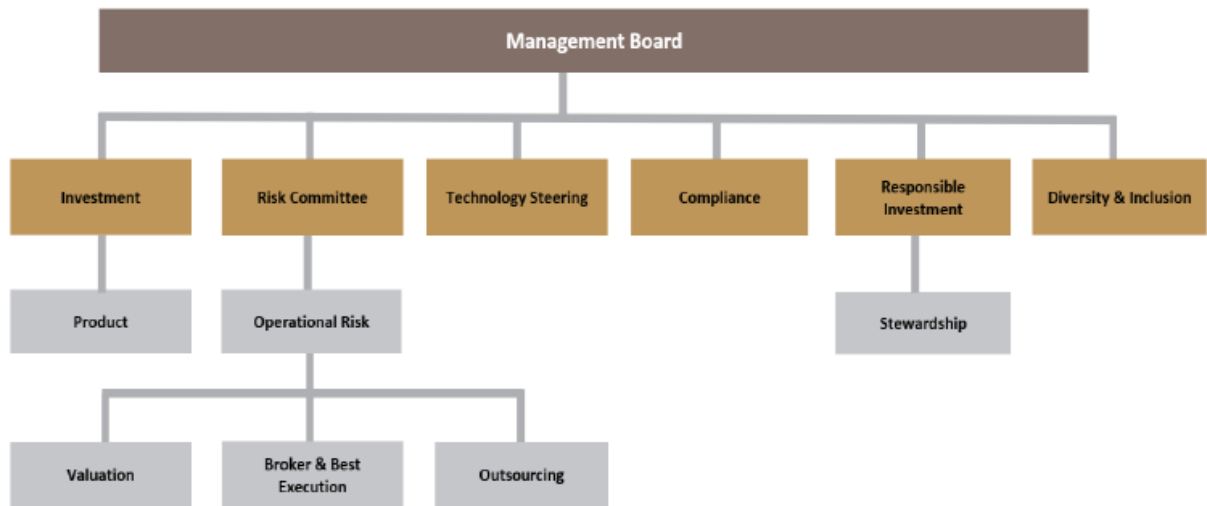
Fulcrum is 100% owned by its partners and employees – there have been no ownership changes involving external parties since the firm incepted in 2004. On this note, the majority equity owners are its two Founder Partners, Gavyn Davies and Andrew D. Stevens with other senior management staff working at the firm, who hold the remaining equity ownership.

Fulcrum's core purpose is the provision of discretionary investment management services to its clients in the Cayman Island, UK, US, EU and Australia.

In addition to being registered with the FCA as noted above, Fulcrum is also registered with the Securities and Exchange Commission, the Commodity Futures Trading Commission and is a member of the National Futures Association in the United States.

### **ii. Management Board and Oversight**

Fulcrum's Management Board comprises of its two Founder Partners, the Chief Investment Officer, the Deputy Investment Officer and the Managing Partner. The Management Board has established the various internal committees that are delegated the responsibility of the day-to-day management and oversight of the internal systems and controls governing its regulated business activities. Fulcrum's governance arrangements are depicted in the below.



### 3. Risk Management, Risk Committee & setting risk appetite

The Risk Committees oversight arrangements are established and set out in Fulcrum’s Risk Management Policy. The Chief Risk Officer, along with his dedicated team, are responsible for the day-to-day management of any firm specific and fund management risks and escalating any issues to Fulcrum’s Management Board.

Fulcrum’s Risk Committee comprising of the two Founder Partners, the Chief Risk Officer and Managing Partner meet on a weekly basis to discuss the firm’s and fund’s risk monitoring reports and any pressing matters faced by the firm. Further information on Fulcrum’s Risk Management is located here: <https://www.fulcrumasset.com/global/en/important-information/>

Fulcrum understands the risks involved with the day-to-day operation of its business and has taken action, where possible, to mitigate the risks and make appropriate capital allocations. It is thus prepared to accept these risks and believes that it holds sufficient capital to manage these risks should they crystallise. The progress of the Firm and the overall risk appetite will be reviewed, at least, on a half yearly basis.

The current articulation of risk appetite for the firm is based on current circumstances and the assumption that the financial projections and modelling is accurate and that the firm’s business will evolve according to plan. This is to be monitored and discussed at meetings of the Management Board.

#### iii. Other Committees

Due to its size, nature and complexity of the business activities, the Firm does not have a Nomination Committee or a Remuneration Committee as part of its governance arrangements nor is it required to establish these committees as set out in MIFIDPRU 7.1.4R.

#### iv. Directorships

To alleviate the risk of any actual or potential conflicts of interest from arising, Fulcrum’s Management Board are required to publicly disclose any the number of separate directorships held by each member of the

management body, broken down into executive and non-executive directorships. For this purpose, it is not relevant whether the directorship is held in an entity that pursues a predominantly commercial objective.

The following information relates to the appointments of members of the Management Body held in both, executive and/or non-executive functions, including directorships held at external, commercial organisations as 31<sup>st</sup> December 2022.

Name	FCA Functions	No. of Executive /Non-Executive Roles held outside of Fulcrum
Andrew D. Stevens	SMF27 Partner	1
Suhail Shaikh	SMF27 Partner	0
Nabeel Abdoula	SMF27 Partner	0
Joseph Davidson	SMF27 Partner	6
Gavyn Davies	SMF27 Partner	10

We have also disclosed the above for Fulcrum’s Compliance Director who holds the SMF 16/17 function, see below.

Name	FCA Functions	No. of Exec/Non-Exec Role held outside of Fulcrum
Amna Zubair	SMF 16/17	0

#### 4. Own Funds

The table below presents Fulcrum’s Own Funds which are solely made up Common Equity tier 1 capital, which is #3,161.

IFPR Capital	As at 31/12/2022 (£'000s)
Permanent Minimum Requirement (PMR)	75
Fixed Overhead Requirement (FOR)	3,300
K-Factor Requirement	380
<b>IFPR Capital Requirement</b>	<b>3,300</b>

CET own funds held	9,452
AT1 own funds held	0
T2 own funds held	0

## 5. Own Funds Requirement

In the case of Fulcrum, as a non-small and non-interconnected (non-SNI) with CPMI status firm, capital adequacy under IFPR is calculated as the higher of its permanent minimum capital requirement (PMR) plus an estimate of any additional own funds requirement on top of the K-Factor requirement (KFR) to cover harm from ongoing operations or an additional own funds requirement on top of the Fixed Overheads Requirement (“FOR”) to cover wind down.

The table below provides a summary of the composition of regulatory own funds as at the end of 31 December 2022.

<b>Composition of regulatory own</b>		
	<b>Amount (£'000)</b>	<b>Source based on reference numbers/letters of the balance sheet in the audited financial statements</b>
<b>OWN FUNDS</b>	9,452	
<b>TIER 1 CAPITAL</b>	9,452	
<b>COMMON EQUITY TIER 1 CAPITAL</b>	9,452	
Fully paid up capital instruments	9,452	Members Capital Classified as Equity
Share premium		
Retained earnings	5,582	Other Reserves classified as equity less amounts due from Members included in Debtors
Accumulated other comprehensive income		
Other reserves		
Adjustments to CET1 due to prudential filters		
Other funds		
<b>(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1</b>		
CET1: Other capital elements, deductions and Adjustments		
<b>ADDITIONAL TIER 1 CAPITAL</b>	0	
Fully paid up, directly issued capital instruments		
Share premium		
<b>(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1</b>		
Additional Tier 1: Other capital elements, deductions and adjustments		
<b>TIER 2 CAPITAL</b>	0	
Fully paid up, directly issued capital instruments		
Share premium		
<b>(-) TOTAL DEDUCTIONS FROM TIER 2</b>		
Tier 2: Other capital elements, deductions and Adjustments		



<b>Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial Statements</b>				
		A	B	c
		<b>Balance sheet as in published/audited financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Cross-reference to template OF1</b>
		<b>As at period end</b>	<b>As at period end</b>	
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial Statements</b>				
1	Fixed Assets	479		
2	Trade Debtors	34		
3	Other Debtors	303		
4	Prepayments and accrued income	3,185		
5	Amounts due from Members	6,126		Retained Earnings
6	Financial Instruments	81		
Xxx	<b>Total Assets</b>	21,488		
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial Statements</b>				
1	Creditors	1,923		
2	Loans and other debts due to Members	3,807		
3				
4				
Xxx	<b>Total Liabilities</b>	5,730		
<b>Shareholders' Equity</b>				
1	Members Capital classified as equity	3,870		Fully paid up capital instruments
2	Cash flow hedge reserve	181		
3	Other reserves classified as equity	11,708		Retained Earnings
Xxx	<b>Total Shareholders' equity</b>	15,759		

## 6. Remuneration

This section sets out Fulcrum’s remuneration related disclosures applicable to non-SNI firms as set out in MIFIDPRU 8.6 “Remuneration policy and practices” and the Remuneration Code located in SYSC 19G of the FCA’s Handbook.

Our approach and philosophy to remunerating staff members is guided by the following key principles:

- **Performance-Based:** rewarding individual staff and collective performance that contributes to the long-term success of the firm and enhances the value we provide to our clients. Performance-based variable remuneration is measured by assessing performance based on a range of financial and non-financial criteria as well as performance that supports Fulcrum’s values: excellence, integrity, innovation, collaboration and sustainability.
- **Risk Alignment:** our approach to remuneration seeks to promote sound and effective risk management with respect to the Fulcrum’s and its managed funds by ensuring that the structure of remuneration does not encourage excessive risk taking with and that staff members long term interest with respect to the overall goals of the firm. Fulcrum considers the effect of potential conflicts of interest on remuneration in a way that is consistent with the integration of sustainability risk, including (but not limited to), any activities that give rise to greenwashing, mis-selling, or misrepresentation of investment strategies.
- **Fairness and Equity:** We maintain a fair and non-discriminatory remuneration system that considers factors such as skills, experience, and market standards to ensure equitable compensation for all staff.
- **Compliance and Governance:** Our remuneration practices comply with all relevant legal and regulatory requirements, and oversight is provided by our Remuneration Committee and independent advisor to the Management Board.

### Objectives of the Firm’s financial incentives

Fulcrum's guiding principles and remuneration strategy are closely tied to the Firm's objectives in motivating its staff, aligning with the business strategy, prioritizing the Firm's long-term interests, and fostering a sustainable culture. The primary aim is to align the interests of clients and the Firm effectively. Moreover, the remuneration framework at Fulcrum ensures competitive rewards for all staff members, enabling the retention of talented and experienced personnel who can consistently deliver high-quality services to clients.

The fixed remuneration offered to staff is determined based on market rates, taking into account their roles, knowledge, experience, and competencies. In addition, discretionary bonuses and long-term incentive plans are granted to reward exceptional performance, thereby encouraging staff retention and continued excellence in their work.

### Decision-making procedures and governance surrounding the development of the remuneration policies and practices

Fulcrum’s Management Body is ultimately responsible for overseeing the implementation its Remuneration Policy and ensuring that it remains effective and proportionate to the business activities of the firm. The policy is collectively managed by Fulcrum’s Human Resource, Finance and Compliance teams as well as the Chief Risk officer who has the specific role of identifying, measuring and monitoring the risk profile of the Firm on a day-to-day basis and reporting.

The remuneration policy is also periodically reviewed by Fulcrum’s external compliance consultants.



**Material Risk Takers (“MRTs”)**

Fulcrum’s Compliance team perform an annual analysis to identify members of staff whose professional activities may have a material impact on its business operations and/or its risk profile, as required under the FCA’s MIFIDPRU rules and other regulatory rules applicable to the firm. The annual review also gives careful consideration to any regulatory changes that may impact this analysis as well as enduring any material exemptions to MRTs are carefully monitored and staff categorised for an exemption to certain rules applicable to MRTs remains applicable.

**Characteristics of Remuneration Arrangements**

Fixed and Variable

Currently, remuneration arrangements may comprise of the following fixed and variable remuneration components:

<b>Fixed Remuneration</b>	<b>Variable Remuneration</b>
<ul style="list-style-type: none"> <li>• Basic Employee Salary</li> <li>• Partner Priority /Additional Profit Share</li> <li>• Discretionary pension benefits which the firm has fixed at 6.5%.</li> </ul>	<ul style="list-style-type: none"> <li>• Discretionary employee cash bonus</li> <li>• Formulaic employee bonus / partner discretionary profit share</li> <li>• Non-formulaic and discretionary employee bonus and partner discretionary profit share</li> <li>• Sign on bonus</li> </ul>

Criteria used to assess against staff performance against

Examples of financial and non-financial criteria used to assess staff performance is as follows:

<b>Financial Criteria</b>	<b>Non-Financial Criteria</b>
<ul style="list-style-type: none"> <li>• Revenue generation</li> <li>• Profitability</li> </ul>	<ul style="list-style-type: none"> <li>• measures relating to building and maintaining positive customer relationships and outcomes, such as positive customer feedback;</li> <li>• performance in line with firm strategy or values, for example by displaying leadership, teamwork or creativity;</li> <li>• adherence to the firm’s risk management and compliance policies;</li> <li>• achieving targets relating to: (i) environmental, social and governance factors; (ii) diversity and inclusion; and (iii) Stewardship engagement</li> </ul>

Ex-ante and ex-post risk adjustment of remuneration

In determining the aggregate bonus pool of variable remuneration, the Firm ensures that any measurement of performance as the basis to calculate the bonus pools, considers all types of current and future risks posed to the Firm, including the cost of capital and liquidity (SYSC19G.6.15 R). The amount of variable remuneration is also linked

to the overall performance of the Firm. The Firm further ensures that the allocation of variable remuneration components considers all relevant types of existing and future risks (SYSC19G.6.16 R).

In awarding performance-related variable remuneration to the MRTs, the Firm determines that the adjustments should be applied at individual level. The Firm considers discretionary bonuses with malus and clawback provisions (as required under MIFID Remuneration Code) as being the most appropriate approach in determining any risk adjustments made. In addition, Fulcrum, considers the following current and future risks, include both financial risks (for example economic profit or economic capital) and non-financial risks (for example reputation, conduct and customer outcomes, values, and strategy risks) to be relevant to the adjustments made.

For staff that are paid variable remuneration from a formulaic realised revenue method or from the firm's profits the firm reserves the right to apply the malus and clawback provisions.

The total variable remuneration includes malus and clawback arrangements, where the Firm's financial performance is reduced or negative.

The Firm adjusts variable remuneration in the event of adverse performance of a MRT or where a specific risk materialises. All variable remuneration, included a deferred portion (if applicable), is paid, or vested only if it is sustainable for the Firm, considering the Firm's financial situation.

In the application of the malus and clawback provisions, the Firm will consider specific application criteria and ensure that the criteria include situations where a MRT participated in or was responsible for conduct which resulted in significant losses to the Firm; and/or where the MRT failed to meet appropriate fitness and propriety standards. The Firm has set the following criteria:

- (a) there is reasonable evidence of staff member misbehaviour or material error.
- (b) the firm or the relevant business unit suffers a material failure of risk management.
- (c) in cases of fraud; and
- (d) other conduct with intent or severe negligence which led to significant losses to either Fulcrum and/or its managed funds

The Firm applies minimum malus and/or clawback periods of 3 years.

The Firm generally does not pay retention awards or severance payments to its staff members including MRTs. Such payments are made in exceptional circumstances and will be reviewed on a case-by-case basis and in accordance with the FCA rules in SYSC19G.6.10 R - SYSC19G.6.12 R.

Though not generally part of Fulcrum's remuneration practices, the Firm may also pay a MRT a buyout amount from their previous employment contract if their variable remuneration has been reduced by their previous employer. However; where a buyout award is paid, it will reflect the Firm's long-term business interests and ex post risk adjustment.

**Quantitative remuneration disclosures**

In accordance with MIFIDPRU 8.6 Fulcrum has elected to make this disclosure on a proportionate basis to retain the data privacy of its senior management and thus will be providing an aggregate disclosure for all MRTS and all other staff (as opposed to further splitting by senior management and other MRTS). Accordingly, the table below, provides an analysis of the fixed and variable components of pay awarded to MRTs and all other staff for the year ended 31 December 2022. The total number of MRTS identified for YE 31 December 2022 was 11.

	<b>Fixed Remuneration (£)</b>	<b>Variable Remuneration (£)</b>	<b>Total Remuneration (£)</b>
MRTS	1,570,456	1,269,342	2,839,798
All other staff	6,577,248	5,629,846	12,207,094

**Other quantitative remuneration disclosures**

<b>Description</b>	<b>Number of MRT staff</b>	<b>Total Remuneration (£)</b>
Guaranteed remuneration award to MRTS	0	0
Total severance payments awarded	0	0
Highest severance payment awarded	0	0