Fulcrum Income Fund

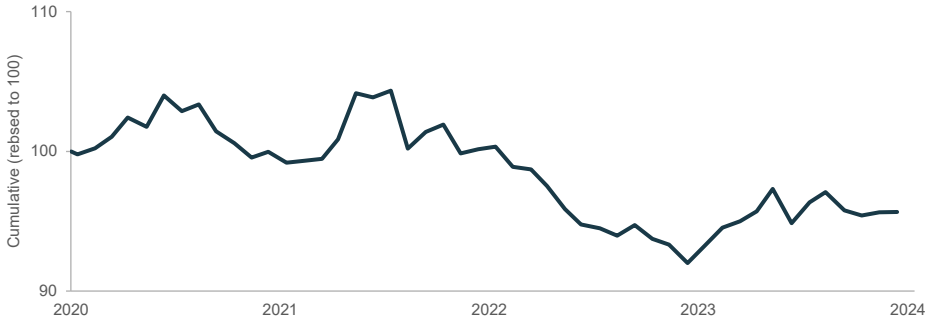
FULCRUM

31 October 2024 F Inc GBP Share Class (LU2236194879) This is a marketing communication for professional investors only

Investment Objective

The Sub-Fund aims to generate an annual income of 4.5% above short term interest rates regardless of market conditions, subject to a maximum of 8% per annum. In addition, the Sub-Fund aims to preserve capital through aiming to control the ex-ante volatility to be less than 12% over rolling three year periods.

Performance



Returns (%) (Periods over 1 year are annualised)

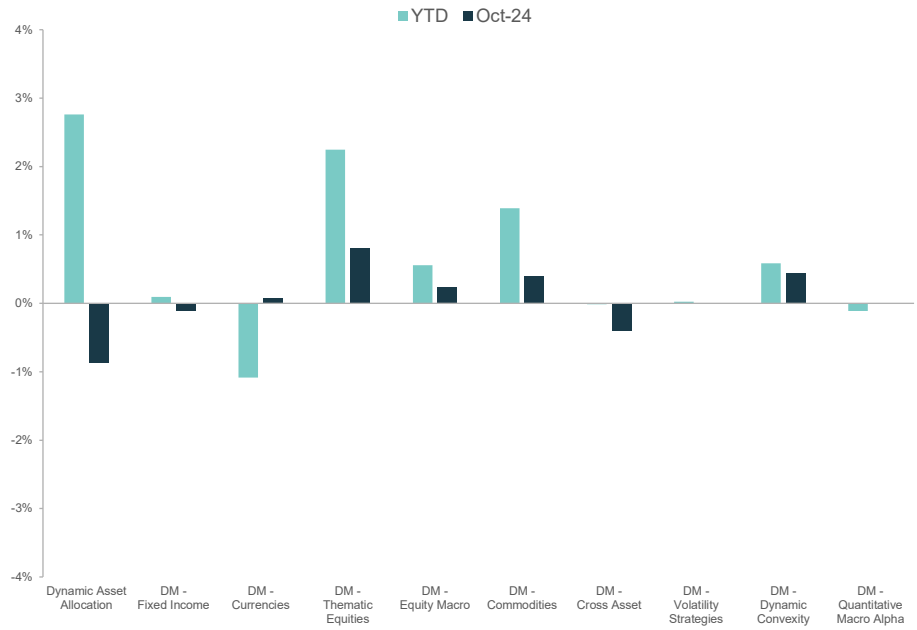
	October	3 Months	1 Year	Since Inception
Total Return	0.7	1.9	12.5	5.1
Monthly Income Payment*	0.6	1.9	7.9	6.2
Capital Return	0.1	0.0	4.4	-1.0

Monthly Returns (%) 2024

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Total Return	1.1	1.4	2.3	-1.9	2.3	1.4	-0.7	0.3	0.9	0.7			**8.1**
Monthly Income Payment*	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6			**6.6**
Capital Return	0.5	0.8	1.7	-2.5	1.6	0.8	-1.3	-0.4	0.3	0.1			**1.5**

*Actual monthly income distribution for Inc units. The Fund goes ex dividend on the first of every month covering income generated the previous month. Source: Fulcrum Asset Management LLP. Returns are shown in GBP net of fees. Past performance is not a guide to future performance and future returns are not guaranteed.
NAVs provided by official third party administrator. The value of the investment and income from it can fall as well as rise as a result of market and currency movement, and you may not get back the amount originally invested.

Performance contribution by strategy[1]



Source: Fulcrum Asset Management LLP

[1] DM represents Discretionary Macro Strategies

Key Facts

Legal Structure	Luxembourg SICAV (UCITS)
Domicile	Luxembourg
Fund Launch	19/11/2020
Fund AUM	£22m
Company AUM	£5.6bn

Share Class

Share Class	F Inc GBP
ISIN	LU2236194879
AMC	0.325%
Ongoing Charge	0.51%
Currency Classes	GBP, USD, EUR

Fund Facts

Authorised	J.P. Morgan SE, Luxembourg Branch
Custodian	J.P. Morgan SE, Luxembourg Branch
Depository	J.P. Morgan SE, Luxembourg Branch
Auditor	Ernst & Young Ltd
Pricing	Daily
Dealing Frequency	Daily, 13:00 CET
Report Date – Annual	31 December
Report Date – Interim	30 June

Market commentary

October saw poor performance across traditional asset markets, hit by political uncertainty, geopolitical risk and generally stronger-than-expected inflation. As the US election drew closer, and Trump's poll position improved, markets began to price the prospect of higher deficits, inflation and interest rates in the US, with knock-on effects for global asset prices. This was compounded by an upside surprise in US inflation and jobs numbers, which led the market to moderate the expected pace of Fed rate cuts. The UK saw lower-than-expected inflation data, but domestic markets sustained losses as the Autumn budget revealed a substantial rise in government borrowing and taxation. In the Euro Area, economic activity showed some signs of improvement, with Q3 GDP coming in above expectation.

In China, GDP growth and retail sales data showed a generally firm economy, although the property sector remained severely depressed and deflationary pressures persisted. In Japan, an unexpectedly poor showing for the ruling Liberal Democratic Party cast doubt as to whether Prime Minister Shigeru could enact his fiscal stimulus plans.

Against this backdrop, global equities and global bonds ended the month lower, while the US dollar rallied to a 3-month high. Global commodities ended the month slightly higher, with oil prices first rising, then retreating.

Performance commentary

The fund saw positive returns with +0.7% in October. While Discretionary Macro (DM) ended the month higher, Dynamic Asset Allocation (DAA) ended the month lower.

Within DAA, holding long positions in fixed income and equities was a drag on performance, given their performance over October.

Performance was much more positive in the Discretionary Macro sleeve. Thematic Equities experienced strong performance with contributions from multiple themes including a short in luxury stocks, which reported disappointing earnings and weak demand from China. Businesses within the AI supply chain rebounded after a period of negative sentiment surrounding the theme, adding further to performance. In Commodities, tactical long positions in gold were once again helpful, as gold prices continued to climb. Our views on the relative strength of the US versus Europe, expressed variously in currencies, equities and duration in Dynamic Convexity and in Currencies, were also well rewarded.

Offsetting this were a handful of strategies that had a more difficult month. A long duration position in Fixed Income was challenging, particularly in the UK, where yields rose steeply following the month-end budget. With the US economy remaining strong, inflation proving sticky, and the probability of a Trump presidency increasing, US dollar strength dominated the currency markets. While this was beneficial elsewhere in the portfolio, it was detrimental to a long Japanese yen position in the Cross Asset sleeve.

Positioning & Outlook

Dynamic Asset Allocation

The allocation to equities moved higher over the month as steadily declining volatility offset historically low expected returns for equities. The bond allocation also benefited from a decline in asset class volatility, as well as a steepening in the yield curve that boosted expected excess returns from duration. The commodities allocation declined as volatility picked up towards multi-month highs.

Discretionary Macro

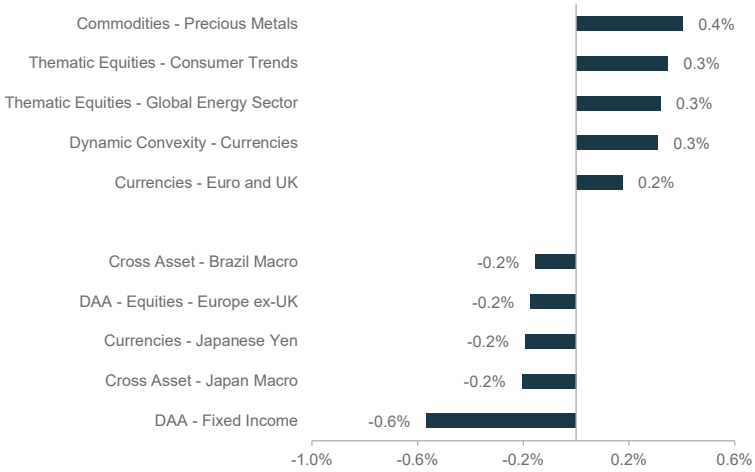
We maintain our long duration stance in Fixed Income. This continues to be focused in Europe (long German bunds, largely expressed in options), where we see upside potential given the relative growth and inflation differentials between the US and Europe. We have also taken a long UK duration position, judging that recent increases in yields are not fully justified by domestic fundamentals.

On the Currencies side, we continue to have a long dollar orientation, expressed primarily versus the euro and Chinese renminbi. This stance offers an important hedge to the fixed income positions in the event of a Trump presidency, which we would expect to be dollar positive. We also maintain optionality in favour of the dollar in the Dynamic Convexity sleeve.

Overall

Overall, we maintain equity and duration exposure, but remain nimble in our positioning, with significant diversification across strategies as well as hedging against emergent risks.

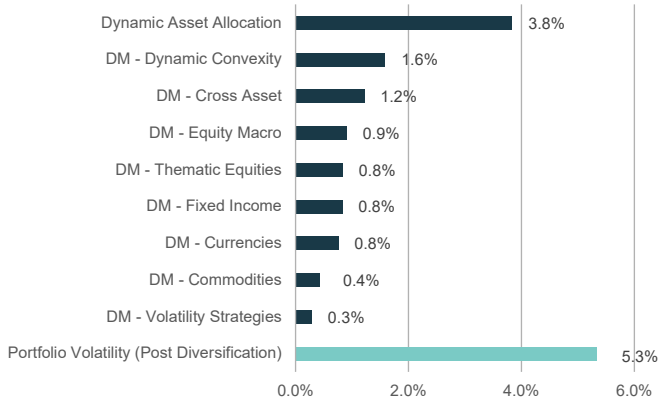
Top 5 performance contributors and detractors



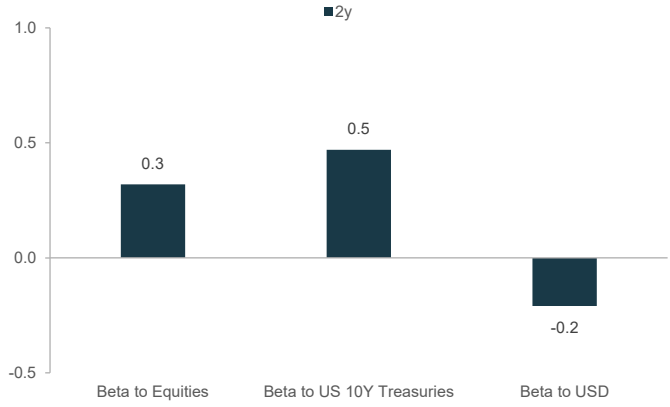
Top positions by strategy	Risk Contribution
DM - Dynamic Convexity - Currencies	1.6%
DAA - Equities - Climate Change	1.3%
DAA- Equities - North America	1.0%
DAA- Fixed Income	0.9%
DAA - Commodities	0.9%
DM - Cross Asset - UK Macro	0.7%
DM - Equity Macro - Long Emerging Markets	0.7%
DAA - Equities -Europe ex-UK	0.6%
DM - Cross Asset - Brazil Macro	0.6%
DM - Cross Asset - Japan Macro	0.6%

Source: Fulcrum Asset Management LLP

Risk contribution by strategy

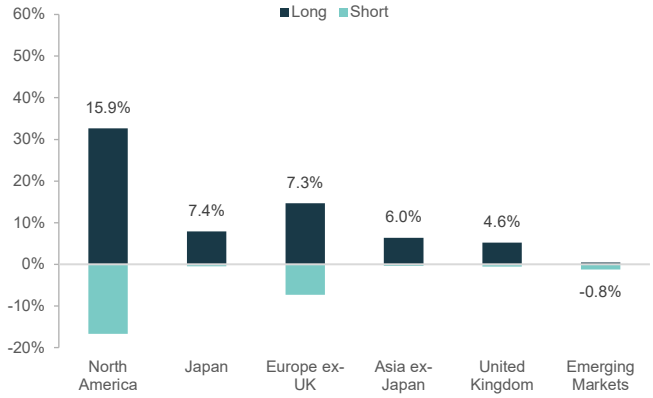


Portfolio Beta Exposures[2]

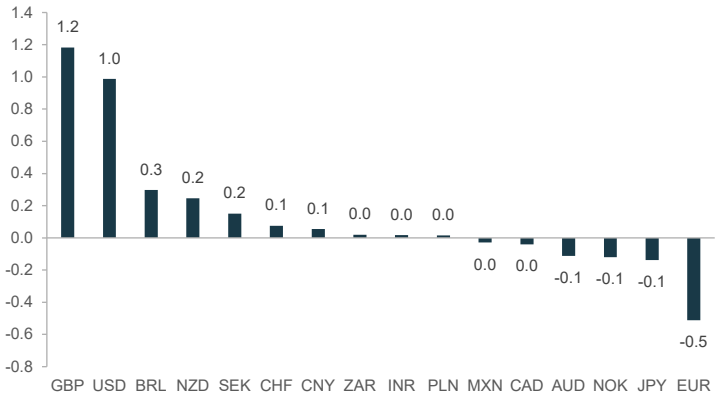


Portfolio exposures

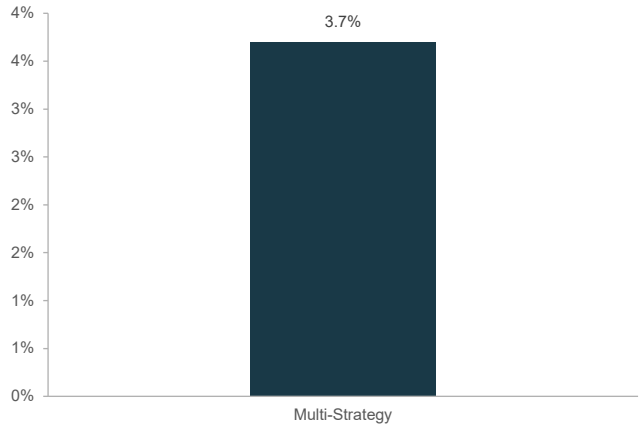
Equity – Net exposures by Region (40.4%)



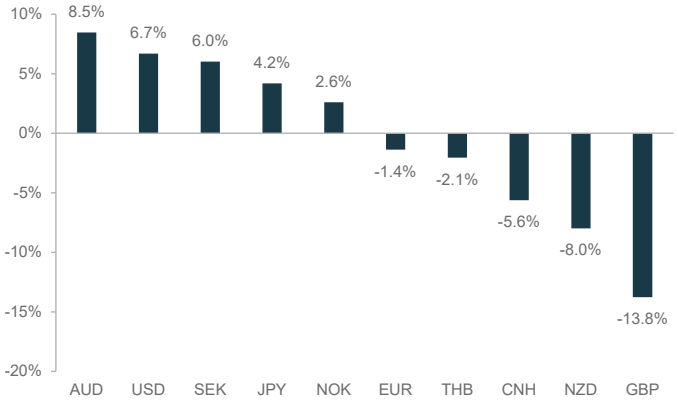
Fixed Income – Duration exposure (2.1 years)



Commodities – Net exposures by commodity (3.7%)



Currencies – Net exposures, top 5 long/short



[2]Global Equities: MSCI World; US Dollar: DXY
Source: Fulcrum Asset Management LLP using RiskMetrics.
Past performance is not a guide to future performance and future returns are not guaranteed.
Full details on all the fund share classes are available on our website: www.fulcrumasset.com

Risk Summary

Leverage techniques may be used by the fund. A relatively small price movement in an underlying asset may amplify losses and the fund may be exposed to losses which are greater than the initial amount invested. Any derivatives usage can result in substantial losses to the fund where expectations as to how a derivative will perform prove to be incorrect or inefficient, or in adverse market conditions. Losses may occur if an organisation through which the fund transacts becomes insolvent or fails to meet its obligations. This risk may be reduced by obtaining assets as collateral from these organisations. For a full explanation of specific risks and the fund's overall risk profile, as well as all its share classes, please refer to the Prospectus, available on the firm's website.

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